Thompson Creek Metals Co Inc.
Form 10-Q
August 06, 2015
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ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2015
Or

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

For the transition period from to
Commission File Number: 001-33783
THOMPSON CREEK METALS COMPANY INC.
(Exact name of registrant as specified in its charter)

British Columbia, Canada	98-0583591
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
26 West Dry Creek Circle, Suite 810, Littleton, CO	80120
(Address of principal executive offices)	(Zip code)

(303) 761-8801
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes o No ý
As of August 4, 2015, there were 221,233,232 shares of the registrant's common stock, no par value, outstanding.

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PART I — FINANCIAL INFORMATION
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THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(US dollars in millions, except share amounts)	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$211.1	$265.6
Accounts receivable (Note 2)	31.4	42.0
Accounts receivable-related parties (Note 15)	0.2	4.1
Product inventory (Note 3)	76.8	96.6
Materials and supplies inventory	26.3	30.4
Prepaid expenses and other current assets	7.1	7.7
Income and mining taxes receivable	0.5	0.5
Restricted cash	—	1.6
Deferred income tax assets (Note 13)	0.2	0.1
	353.6	448.6
Property, plant, equipment and development, net (Note 4)	2,063.6	2,218.3
Restricted cash	—	5.7
Reclamation deposits	10.3	10.3
Other assets	40.5	35.4
Deferred income tax assets (Note 13)	133.3	128.0
	$2,601.3	$2,846.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$80.7	$93.1
Income, mining and other taxes payable	1.5	1.8
Current portion of Gold Stream deferred revenue (Note 9)	40.3	40.4
Current portion of long-term debt (Notes 8 and 10)	1.4	3.9
Current portion of long-term lease obligations (Note 7)	24.9	22.8
Deferred income tax liabilities (Note 13)	13.5	14.1
Other current liabilities	0.3	0.3
	162.6	176.4
Gold Stream deferred revenue (Note 9)	705.3	721.1
Long-term debt (Notes 8 and 10)	831.3	872.3
Long-term lease obligations (Note 7)	40.0	45.7
Other liabilities	4.8	5.2
Asset retirement obligations	35.5	35.3
Deferred income tax liabilities (Note 13)	97.4	102.8
	1,876.9	1,958.8
Commitments and contingencies (Note 12)		
Shareholders' equity		
Common stock, no-par, 221,001,135 and 214,148,315 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	1,195.7	1,186.1
Additional paid-in capital	80.2	86.6
Accumulated deficit	(333.8)	(246.9)

Accumulated other comprehensive income (loss)	(217.7)	(138.3)
	724.4	887.5
	$2,601.3	$2,846.3

See accompanying notes to unaudited condensed consolidated financial statements.

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THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(US dollars in millions, except per share amounts)	2015	2014	2015	2014
REVENUES				
Copper sales	$49.3	$64.8	$81.5	$94.6
Gold sales	56.3	54.1	92.3	78.5
Molybdenum sales	20.9	126.3	63.7	229.2
Tolling, calcining and other	7.6	3.2	19.6	7.1
Total revenues	134.1	248.4	257.1	409.4
COSTS AND EXPENSES				
Cost of sales				
Operating expenses	75.3	148.2	158.3	261.8
Depreciation, depletion and amortization	26.8	33.0	46.8	55.6
Total cost of sales	102.1	181.2	205.1	317.4
Selling and marketing	2.2	3.6	5.2	7.7
Accretion expense	0.6	0.9	1.2	1.8
General and administrative	4.9	5.2	10.5	11.8
Exploration	0.1	0.2	0.1	0.3
Costs for idle mining operations	12.1	—	17.7	—
Total costs and expenses	122.0	191.1	239.8	339.0
OPERATING INCOME (LOSS)	12.1	57.3	17.3	70.4
OTHER (INCOME) EXPENSE				
(Gain) loss on foreign exchange	(16.9)	(42.3)	71.3	4.2
Interest and finance fees	22.3	23.3	44.9	46.9
Loss from debt extinguishment	3.1	0.5	2.8	0.5
Interest (income) expense	—	(0.1)	(0.1)	(0.2)
Other	(1.8)	(0.2)	(3.1)	(3.0)
Total other (income) expense	6.7	(18.8)	115.8	48.4
Income (loss) before income and mining taxes	5.4	76.1	(98.5)	22.0
Total income and mining tax expense (benefit)	5.1	14.5	(11.6)	(0.5)
NET INCOME (LOSS)	$0.3	$61.6	$(86.9)	$22.5
COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation	17.1	42.0	(79.4)	(3.6)
Total other comprehensive income (loss)	17.1	42.0	(79.4)	(3.6)
Total comprehensive income (loss)	$17.4	$103.6	$(166.3)	$18.9
NET INCOME (LOSS) PER SHARE				
Basic	$0.00	$0.35	$(0.40)	$0.13
Diluted	$0.00	$0.28	$(0.40)	$0.10
Weighted-average number of common shares				
Basic	218.0	174.5	216.2	173.1
Diluted	218.1	220.3	216.2	217.3

See accompanying notes to unaudited condensed consolidated financial statements.

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THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(US dollars in millions)	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net income (loss)	$0.3	$61.6	$(86.9)	$22.5
Items not affecting cash:				
Depreciation, depletion and amortization	26.8	33.0	46.8	55.6
Deferred revenue related to Gold Stream Arrangement	(10.0)	(9.7)	(16.4)	(14.1)
Accretion expense	0.6	0.9	1.2	1.8
Amortization of finance fees	1.2	1.3	2.4	2.6
Stock-based compensation	1.8	1.5	3.1	2.6
Obsolete materials and supplies inventory write downs	—	0.1	—	0.2
Product inventory write downs	1.8	1.1	7.0	6.6
Deferred income tax benefit	5.0	7.8	(10.1)	(9.3)
Unrealized gain on financial instruments and mark-to-market adjustments	(6.0)	(2.8)	—	(3.2)
Unrealized foreign exchange (gain) loss	(16.0)	(44.0)	70.6	3.6
Debt extinguishment	0.7	(0.1)	0.4	(0.1)
Change in current assets and liabilities (Note 16)	11.9	(4.1)	0.2	(12.8)
Gold Stream Arrangement net payable	5.8	4.1	0.3	10.9
Cash generated by (used in) operating activities	23.9	50.7	18.6	66.9
INVESTING ACTIVITIES				
Capital expenditures	(9.7)	(26.7)	(22.9)	(48.5)
Capitalized interest payments	(0.3)	(0.6)	(1.0)	(6.9)
Restricted cash	0.1	(0.6)	7.2	—
Reclamation deposit	—	—	—	(10.0)
Cash generated by (used in) investing activities	(9.9)	(27.9)	(16.7)	(65.4)
FINANCING ACTIVITIES				
Equipment financings and repayments	(6.1)	(5.5)	(12.6)	(10.8)
Repayment of long-term debt	(1.0)	(5.1)	(2.3)	(8.8)
Senior unsecured note repurchase	(34.2)	—	(41.0)	—
Proceeds (costs) from issuance of common shares, net	0.2	—	0.5	—
Cash generated by (used in) financing activities	(41.1)	(10.6)	(55.4)	(19.6)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	1.2	(1.0)	0.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27.1)	13.4	(54.5)	(17.8)
Cash and cash equivalents, beginning of period	238.2	202.7	265.6	233.9
Cash and cash equivalents, end of period	$211.1	$216.1	$211.1	$216.1

Supplementary cash flow information (Note 16)

See accompanying notes to unaudited condensed consolidated financial statements.

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THOMPSON CREEK METALS COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(US dollars in millions, share data in thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balances at December 31, 2014	214,148	$1,186.1	$86.6	$ (246.9)	$ (138.3)	$887.5
Amortization of stock-based compensation	—	—	3.1	—	—	3.1
Shares issued under stock-based compensation	748	2.4	(2.3)	—	—	0.1
Settlement of tangible equity units	6,105	7.2	(7.2)	—	—	—
Comprehensive income (loss):						
Net income (loss)	—	—	—	(86.9)	—	(86.9)
Foreign currency translation	—	—	—	—	(79.4)	(79.4)
Total comprehensive income (loss)						$(166.3)
Balances at June 30, 2015	221,001	$1,195.7	$80.2	$ (333.8)	$ (217.7)	$724.4

See accompanying notes to unaudited condensed consolidated financial statements.

THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements - Unaudited
(US dollars in millions, except per share amounts)

1. Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. In compliance with those instructions, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") have been condensed or omitted. This report should be read in conjunction with the Thompson Creek Metals Company Inc. ("TCM," "Company," "we," "us" or "our") consolidated financial statements and notes contained in its Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K") filed with the Securities and Exchange Commission ("SEC"). The information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for any other quarter or for the year ending December 31, 2015.
The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. TCM bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.
Certain prior year amounts in the financial statements have been reclassified to conform to the current year presentation. The condensed consolidated financial statements include the accounts of TCM and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Financial amounts are presented in United States ("US") dollars unless otherwise stated. References to C$ are Canadian dollars.
As used herein, "Mount Milligan Mine" refers to TCM's conventional truck-shovel open-pit copper and gold mine and concentrator with a copper-gold flotation processing plant in British Columbia, Canada; "Langeloth Facility" refers to TCM's Langeloth Metallurgical Facility in Pennsylvania, USA; "TC Mine" refers to Thompson Creek Mine, TCM's open-pit molybdenum mine and concentrator in Idaho, USA, and "Endako Mine" refers to the open-pit molybdenum mine, concentrator and roaster in British Columbia, Canada in which TCM owns a 75% joint venture interest. Due to continued weakness in the molybdenum market Endako Mine was placed on temporary suspension in December 2014 and then was placed on care and maintenance effective July 1, 2015. As previously disclosed in TCM's 2014 Form 10-K, TC Mine was placed on care and maintenance in December 2014 after the processing of stockpiled ore from Phase 7 was completed. During the six months ended June 30, 2015, TC Mine conducted limited stripping for the next phase of mining (referred to as “Phase 8”). As part of TCM's cost reduction measures, further stripping at TC Mine will cease effective August 6, 2015. The costs related to the six-month temporary suspension of Endako Mine and care and maintenance at TC Mine are reflected in costs for idle mining operations in the statement of operations for the first six months of 2015.

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THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

2. Accounts Receivable
Accounts receivable are carried at their estimated collectible amounts and were comprised of the following:

	June 30, 2015	December 31, 2014
Receivables		
Trade receivables	$29.8	$41.0
Mark-to-market adjustments on trade receivables relating to provisional invoices for Mount Milligan Mine copper and gold concentrate sales	(3.0)	(3.5)
Goods and services sales tax refunds	2.3	2.0
Settlement receivables on hedges and other miscellaneous receivables	2.3	2.5
	$31.4	$42.0
Related party receivables	0.2	4.1
	$31.6	$46.1

3. Inventory
The carrying value of product inventory was as follows:

	June 30, 2015	December 31, 2014
Copper and Gold Inventory		
Concentrate	$31.3	$29.4
Stockpiled ore	14.2	8.3
	$45.5	$37.7
Molybdenum Inventory		
Finished product	$16.8	$45.0
Work-in-process	14.1	13.5
Stockpiled ore	0.4	0.4
	$31.3	$58.9
	$76.8	$96.6

As of June 30, 2015 and June 30, 2014, the carrying value of TCM's molybdenum inventory exceeded its market value, resulting in write downs of $1.9 million and $1.2 million for the three months ended June 30, 2015 and 2014, respectively, and $7.5 million and $8.0 million for the six months ended June 30, 2015 and 2014, respectively.

The following table sets forth the inventory write downs in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2015:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
US Molybdenum				
Operating expense	$1.8	$—	$5.6	$—
Depreciation, depletion and amortization	0.1	—	0.4	—
Canadian Molybdenum				
Operating expense	—	1.1	1.4	6.6
Depreciation, depletion and amortization	—	0.1	0.1	1.4
	$1.9	$1.2	$7.5	$8.0

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THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

4. Property, Plant, Equipment and Development, Net

Property, plant, equipment and development, net, was comprised of the following:

	June 30, 2015	December 31, 2014
Mining properties and mineral reserves	$688.5	$703.7
Mining and milling equipment and facilities [1]	1,413.7	1,523.4
Processing facilities	171.1	171.1
Construction-in-progress [2]	29.5	23.1
Other	10.1	6.5
	2,312.9	2,427.8
Less: Accumulated depreciation, depletion and amortization	(249.3)	(209.5)
	$2,063.6	$2,218.3

[1] As of June 30, 2015, mining and milling equipment and facilities included $13.0 million for the settlement of outstanding claims from two contractors that provided construction and installation services for the Mount Milligan project.

[2] The construction-in-progress balance was $29.5 million and $23.1 million, as of June 30, 2015 and December 31, 2014, respectively, and consists primarily of projects at Mount Milligan Mine.

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THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

5. Financial Instruments
TCM enters into various derivative financial instruments in the normal course of operations to manage exposure to the market prices of copper, gold and molybdenum. TCM does not apply hedge accounting to its derivative instruments. Accordingly, changes in fair value of derivative instruments are recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), except those contracts for which TCM has elected to apply the normal purchases and normal sales scope exception.
The following table provides details about the fair values of TCM's derivative assets and liabilities:

	Fair Value as of	
	June 30, 2015	December 31, 2014
Assets [1]		
Commodity contracts	$1.5	$1.8
Forward currency contracts	$0.2	$—
Total	$1.7	$1.8
Liabilities [1]		
Commodity contracts	$0.1	$—
Provisionally-priced contracts	$1.3	$—
Forward currency contracts	$0.1	$0.3
Total	1.5	0.3

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[1]TCM's derivative assets are included in prepaid expenses and other current assets, and derivative liabilities are included in other current liabilities. TCM is exposed to credit risk when counterparties with whom it has entered into derivative transactions are unable to satisfy their obligations. To reduce counterparty credit exposure, TCM deals primarily with large, credit-worthy financial institutions and companies and limits credit exposure to each. TCM believes the counterparties to the contracts to be credit-worthy entities and, therefore, TCM believes credit risk of counterparty non-performance is relatively low, and, as such, the fair value of the derivatives has not been adjusted.
The following table sets forth the gains (losses) on derivative instruments for the periods presented:

		Three Months Ended		Six Months Ended	
Derivative Type and Activity	Statement of Operations Classification	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Gold hedges related to Gold Stream Arrangement	Gold sales	$(0.2)	$0.1	$0.5	$0.3
Provisional priced MTM gold sales	Gold sales	$0.5	$1.1	$(0.7)	$0.9
Provisional priced MTM copper sales	Copper sales	$(4.3)	$3.6	$1.2	$2.2
Copper and Gold hedges; other commodity contracts	Other	$1.8	$(0.1)	$3.1	$—
Forward currency contracts	Gain (loss) on foreign exchange, net	$0.9	$0.2	$(0.7)	$0.7

Gold Hedges Related to Gold Stream Arrangement and Other Commodity Contracts
TCM must satisfy its obligation under the Gold Stream Arrangement (discussed in Note 9) by delivering gold to Royal Gold after TCM receives cash payment from third-party purchasers, including offtakers and traders, that purchase concentrate from Mount Milligan Mine ("MTM Customers").

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THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

5. Financial Instruments (Continued)

In order to hedge its gold price risk that arises when physical purchase and concentrate sales pricing periods do not match, hereafter referred to as the Gold Stream Risk, TCM has entered into certain forward gold purchase and sales contracts pursuant to which it purchases gold at an average price during a quotational period and sells gold at a spot price. TCM records its forward commodity contracts at fair value using a market approach based on observable quoted market prices and contracted prices.

In addition to the Gold Stream Risk and in connection with the sale of concentrate from Mount Milligan Mine, TCM is exposed to copper and gold price fluctuations between the dates of concentrate shipment, provisional payment and final payment. In order to hedge the price risk for the metals contained in concentrate, TCM has entered into certain forward copper and gold purchase and sale contracts pursuant to which it purchases copper or gold at an average price during a quotational period and sells copper or gold at a spot price. Additionally, TCM has entered into zero cost collars pursuant to which it agrees with a counterparty to a floor and ceiling relative to future prices of gold and copper. If the gold or copper price is below the floor, the counterparty pays TCM the difference between the price and the floor. If the gold or copper price is above the ceiling, TCM pays the counterparty the difference between the ceiling and the price. TCM records its copper and gold commodity contracts at fair value using a market approach based on observable quoted market prices and contracted prices. These activities are intended to protect against the price risk related to the MTM Customer purchase contracts. Additionally TCM also enters into fuel hedges to manage its exposure to price fluctuations in the cost of diesel purchased for use in operations.

The following table provides details of TCM's commodity contracts as of June 30, 2015:

	Quantity	Sell Price	Buy Price	Maturities Through
Gold Hedge Purchases related to Gold Stream Arrangement (oz)	21,840	TBD	$1,199 - $1,202	July 2015 - November 2015
Forward Gold Sales (oz)	4,900	$1,222	TBD	July 2015 - August 2015
Forward Copper Sales (lb)	5,511,550	$2.86	TBD	July 2015 - August 2015
Fuel Hedges (gallons)	2,370,000	N/A	$1.90 - $2.00	July 2015 - December 2016
	Quantity	Put Price	Call Price	Maturities Through
Gold Collars (oz)	12,000	$1,175 - $1,200	$1,267 - $1,360	July 2015 - December 2015
Copper Collars (lb)	13,227,720	$2.00	$2.99	July 2015 - December 2015

Provisionally-Priced Contracts

Certain copper and gold sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional-pricing mechanism, which is bifurcated and accounted for as a derivative. TCM also enters into provisionally-priced molybdenum purchase contracts that also contain an embedded derivative, which is bifurcated and accounted for as a derivative.

TCM determines the fair value of its provisionally-priced contracts using a market approach based upon observable inputs from published market prices and contract terms. Changes to the fair values of the embedded derivatives related to provisionally-priced molybdenum purchases are included in operating expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as the product is sold.

5. Financial Instruments (Continued)

The following table sets forth TCM's outstanding provisionally-priced contracts as of June 30, 2015:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts				
Copper (millions of pounds)	26.7	TBD	TBD	October 2015
Gold (ounces)	45,252	TBD	TBD	August 2015
Embedded derivatives in provisional purchase contracts				
Molybdenum (millions of pounds)	1.8	$6.45	TBD	August 2015

Forward Currency Contracts

TCM transacts business in various currencies in the normal course of its operations and for capital expenditures. In addition, although TCM's revenues are denominated in US dollars, TCM has ongoing foreign exchange risk with respect to its Canadian operations. To help mitigate this risk, TCM has entered into foreign currency forward contracts pursuant to which it has agreed to buy Canadian dollars at an agreed-upon rate. TCM records its currency contracts at fair value using a market approach based on observable quoted exchange rates and contracted notional amounts. As of June 30, 2015, TCM had 11 open foreign currency option contracts.

The following table provides details of TCM's forward currency contracts as of June 30, 2015:

	Notional Amount	Buy Price	Maturities Through
Forward currency contracts	C$27,000,000	$1USD/C$1.25	July 2015 - October 2015

Fixed-Priced Contracts

TCM enters into certain sales contracts pursuant to which it sells molybdenum products at certain times in the future at fixed prices. These fixed prices may be different than the quoted market prices at the date of sale. TCM has elected to treat these contracts as normal sale contracts.

The Gold Stream Arrangement contains an agreement to sell gold at a fixed price, but it does not meet the definition of a derivative instrument. See discussion of the Gold Stream Arrangement in Note 9.

The following table sets forth TCM's outstanding molybdenum fixed-priced sales contracts as of June 30, 2015:

	Quantity (000's lb)	Sell Price	Maturities Through
Molybdenum fixed price sales	536.4	$12.14	November 2015

6. Fair Value Measurement

US GAAP includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). TCM's policy is to recognize transfers into and out of Level 3 as of the actual date of the event or change in circumstances. There were no transfers into or out of Level 1, 2 or 3 during the three and six months ended June 30, 2015. The following table sets forth a reconciliation of activity related to Level 3 financial liabilities for the six months ended June 30, 2015:

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THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

6. Fair Value Measurement (Continued)

	Debt
Balance at January 1, 2015	$0.4
Settlement of tMEDS	(0.4)
Balance at June 30, 2015	$—

The following table sets forth TCM's financial liabilities measured at fair value by level within the fair value hierarchy. As required, liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as discussed in Note 2 to the 2014 Form 10-K.

	Fair Value at June 30, 2015			
	Total	Level 1	Level 2	Level 3
Liabilities				
Senior secured notes	$334.1	$—	$334.1	$—
Senior unsecured notes	451.5	—	451.5	—
	$785.6	$—	$785.6	$—

	Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Liabilities				
Senior secured notes	$393.2	$—	$393.2	$—
Senior unsecured notes	453.3	—	453.3	—
tMEDS	0.4	—	—	0.4
	$846.9	$—	$846.5	$0.4

For more information regarding the classification and valuation methods used for TCM's Level 2 and 3 financial liabilities, see Note 6 within Item 8 of TCM's 2014 Form 10-K.

As of June 30, 2015, the carrying values of the 9.75% senior secured notes were lower than their fair values of approximately $334.1 million, while the carrying value of the 7.375% senior unsecured notes and the 12.5% senior unsecured notes were higher than their fair values of $278.2 million and $173.3 million, respectively. TCM determined the fair value of the notes using a discounted cash flow valuation model, consisting of inputs such as risk-free interest rates and credit spreads. See Note 8 for more information regarding the debt.

On May 15, 2015, the prepaid share purchase contract portion of each outstanding tangible equity units ("tMEDS") was automatically settled at the maximum settlement rate of 5.3879 shares of common stock. TCM issued a total of 6,105,210 shares of common stock in connection with such settlement. See Note 10 for more information regarding the tMEDS.

7. Leases
TCM's total capital lease obligations consisted of the following:

	June 30, 2015	December 31, 2014
Equipment Facility capital leases	$24.6	$20.3
Equipment Facility sale leaseback	38.5	45.9
Endako Mine sale leaseback	1.8	2.3
Total lease obligations	64.9	68.5
Less: Current portion	(24.9)	(22.8)

Total long-term lease obligations	$40.0	$45.7

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7. Leases (Continued)

On March 30, 2011, TCM entered into an equipment financing facility, as amended from time to time (the "Equipment Facility"), pursuant to which Caterpillar Financial Services Limited ("Caterpillar") agreed to underwrite up to $132.0 million in mobile fleet equipment financing for Mount Milligan Mine. Each borrowing under the Equipment Facility represents a capital lease and has a term of 48 or 60 months. Interest on the amounts borrowed under the Equipment Facility is payable at either floating or fixed rates, at TCM's option. At the end of each 48 or 60 month lease period, TCM has the option to purchase the underlying equipment for a nominal sum. The Equipment Facility includes non-financial covenants, and as of June 30, 2015, TCM was in compliance with these covenants. On January 15, 2015, TCM entered into an amendment with Caterpillar which extends TCM's ability to finance additional equipment under the Equipment Facility through December 2015.
During 2013, TCM entered into a sale-leaseback transaction with Caterpillar with respect to certain Endako Mine equipment, which is separate from the Equipment Facility, described above.
As of June 30, 2015, TCM had entered into two new capital leases with Caterpillar with respect to certain equipment pursuant to the Equipment Facility. The leases resulted in an increase of $8.3 million to TCM's capital lease obligation after total upfront payments of $0.9 million. Interest payments are based on an annual fixed rate of 5.70%.
Interest and debt issuance costs on the equipment financings, as described above, consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest paid	$1.0	$1.3	$1.9	$2.5
Interest and debt issuance costs expensed	$1.2	$1.3	$2.3	$2.7

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8. Debt
TCM's secured and unsecured notes, tMEDS and equipment loans consisted of the following:

	June 30, 2015	December 31, 2014
9.75% Senior secured notes due 2017, net of discount	$314.2	$347.9
7.375% Senior unsecured notes due 2018	334.1	335.8
12.5% Senior unsecured notes due 2019	183.0	188.5
tMEDS	—	1.2
Equipment loans	1.4	2.8
Total debt	832.7	876.2
Less: Current portion	(1.4)	(3.9)
Total long-term debt	$831.3	$872.3

Interest paid, capitalized and expensed was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest paid	$24.9	$26.1	$42.2	$43.7
Interest capitalized	$0.3	$1.0	$0.6	$1.9
Interest expensed	$21.1	$22.0	$42.6	$44.2

9.75% Senior Secured Notes

The 9.75% senior secured notes (the “2017 Notes”) are guaranteed on a senior basis by substantially all of TCM's subsidiaries and are secured by a first priority lien, subject to permitted liens, on substantially all of TCM's and the guarantors' property and assets. The 2017 Notes mature on December 1, 2017 and accrue interest from November 27, 2012 until maturity at a fixed rate of 9.75% per year. Interest on the 2017 Notes is payable on February 1 and August 1 of each year, commencing February 1, 2013, to the holders of record at the close of business on the January 15 and July 15 prior to each interest payment date. The 2017 Notes are presented net of a discount of $1.6 million and $2.1 million as of June 30, 2015 and December 31, 2014, respectively. There are no maintenance covenants with respect to TCM's financial performance. However, the indenture contains certain transaction-based restrictive covenants. For more information regarding the 2017 Notes, see Note 9 within Item 8 of TCM's 2014 Form 10-K.

In the second quarter of 2015, TCM repurchased $34.2 million of the 2017 Notes in a privately negotiated transaction and recorded a debt extinguishment loss of $3.1 million and reduced $0.5 million of the related unamortized debt issuance costs.

7.375% Senior Unsecured Notes

The 7.375% senior unsecured notes (the "2018 Notes") are guaranteed on a senior basis by substantially all of TCM's subsidiaries. The 2018 Notes mature on June 1, 2018 and accrue interest from May 20, 2011 until maturity at a fixed rate of 7.375% per year. Interest is payable on June 1 and December 1 of each year, and the first interest payment occurred on December 1, 2011. Interest is payable to the holders of record at the close of business on the May 15 and November 15 prior to each interest payment date. There are no maintenance covenants with respect to TCM's financial performance. However, the indenture contains certain transaction-based restrictive covenants. For more information regarding the 2018 Notes, see Note 9 within Item 8 of TCM's 2014 Form 10-K.

In the first quarter of 2015, TCM repurchased $1.8 million of the 2018 Notes in open market transactions and recorded a debt extinguishment gain of $0.3 million and reduced the related unamortized debt issuance costs by an insignificant amount.

8. Debt (Continued)

12.5% Senior Unsecured Notes

The 12.5% senior unsecured notes (the “2019 Notes”) are guaranteed on a senior basis by substantially all of TCM's subsidiaries. The 2019 Notes mature on May 1, 2019 and accrue interest from May 11, 2012 until maturity at a fixed rate of 12.5% per year. Interest on the 2019 Notes is payable on May 1 and November 1 of each year, commencing November 1, 2012, to the holders of record at the close of business on the April 15 and October 15 prior to each interest payment date. There are no maintenance covenants with respect to TCM's financial performance. However, the indenture contains certain transaction-based restrictive covenants. For more information regarding the 2019 Notes, see Note 9 within Item 8 of TCM's 2014 Form 10-K.

In the first quarter of 2015, TCM repurchased $5.5 million of the 2019 Notes in open market transactions and recorded an insignificant debt extinguishment loss and reduced $0.1 million of the related unamortized debt issuance costs.

Mobile Mining Equipment Loans

On December 8, 2010, TCM executed an equipment financing agreement with Caterpillar in the amount of $12.8 million secured by six units of mobile mining equipment purchased by TCM during 2010. This fixed-rate loan bears interest at 3.6%, is scheduled to mature no later than December 8, 2015 and has an outstanding payable amount of $1.4 million as of June 30, 2015.

9. Gold Stream Arrangement

Pursuant to TCM's agreement with a subsidiary of Royal Gold, Inc. ("Royal Gold") (referred to as the "Gold Stream Arrangement"), TCM agreed to sell to Royal Gold 52.25% of the refined gold production from Mount Milligan Mine for a total upfront payment of $781.5 million, plus $435 per ounce, or the prevailing market rate if lower than $435 per ounce, when the gold is delivered. The upfront cash payments received under the Gold Stream Arrangement (referred to herein as the "Record of Deposit") were recorded as deferred revenue and classified as a liability on TCM's Condensed Consolidated Balance Sheets. As of June 30, 2015, the outstanding Record of Deposit under the Gold Stream Arrangement totaled $697.7 million. In the event of any default under the Company's agreement with Royal Gold, Royal Gold could require TCM to repay the outstanding Record of Deposit. For more information regarding the Gold Stream Arrangement, see Note 10 within Item 8 of TCM's 2014 Form 10-K.

The following table presents the revenue under the Gold Stream Arrangement for the three and six months ended June 30, 2015 and 2014, respectively, in the form of (i) cash receipts based on gold sales during the applicable period, and (ii) deferred revenue for gold ounces delivered and deferred revenue to be recognized upon final settlement during the applicable period:

(US$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Gold sales related to cash portion of Gold Stream Arrangement	$13.1	$11.7	$21.4	$17.2
Gold sales related to deferred portion of Gold Stream Arrangement [(1)]	10.0	9.7	16.4	14.1
Total gold sales under Gold Stream Arrangement [(1)]	$23.1	$21.4	$37.8	$31.3

[(1)] The three months ended June 30, 2015 and 2014 included $12.8 million and $11.5 million, respectively of revenue which was previously deferred, partially offset by $2.8 million and $1.8 million, respectively in deferred revenue ultimately to be recognized upon delivery of gold. The six months ended June 30, 2015 and 2014 included $16.9

million and $18.6 million, respectively of revenue which was previously deferred, partially offset by $0.5 million and $4.5 million, respectively in deferred revenue ultimately to be recognized upon delivery of gold.

10. Tangible Equity Units ("tMEDS")

On May 11, 2012, TCM completed a public offering of 8,800,000 tMEDS with a stated value of $25.00. Each tMEDS unit consisted of a prepaid common stock purchase contract and a senior amortizing note due May 15, 2015. In June 2014, TCM completed an exchange offer whereby 7,206,862 units, or 86.4% of the then outstanding tMEDS, were tendered for exchange and accepted by TCM. In exchange for the tendered tMEDS, TCM issued 42,129,829 shares of its common stock.

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10. Tangible Equity Units ("tMEDS") (Continued)

On May 15, 2015, the prepaid share purchase contract portion of each outstanding tMED unit was automatically settled at the maximum settlement rate of 5.3879 shares of common stock. TCM issued a total of 6,105,210 shares of common stock in connection with such settlement. TCM also made the final installment payment on the amortizing note portion of each outstanding tMED unit, satisfying in full the principal and interest payments on the tMEDS. The mandatory settlement and final installment payment were made pursuant to the terms of the prospectus dated May 8, 2012, under which the tMEDS were offered in May 2012. As of June 30, 2015, all obligations with respect to the tMEDS had been satisfied and no tMEDS remain outstanding.

For the three and six months ended June 30, 2015, TCM paid $0.1 million and $0.1 million, respectively, in interest expense and incurred $0.1 million and $0.1 million, respectively, of interest and debt issuance costs associated with the tMEDS. For the three and six months ended June 30, 2014, TCM paid $0.6 million and $1.2 million, respectively, in interest expense and incurred $0.5 million and $1.1 million, respectively, in interest and debt issuance costs associated with the tMEDS.

11. Stock-Based Compensation

As of June 30, 2015, TCM has granted stock options, PSUs and RSUs, as discussed below.

Stock Options

The expiration date and vesting provisions of stock options granted are established at the time an award is made. Stock options vest over 3 years and are exercisable over a period of time not to exceed 10 years from the grant date but generally expire 5 years from the grant date. When an option is exercised, TCM may issue the requisite shares from authorized but unissued common stock, or from treasury stock. The exercise price of options granted prior to March 1, 2011 is equal to the greater of: (i) the volume weighted-average trading price of the underlying shares on the Toronto Stock Exchange ("TSX") over the five consecutive trading days immediately before the grant date, converted to U.S. dollars at the noon exchange rate of the Bank of Canada on the grant date and (ii) if the award date occurs in a trading black-out period, the weighted-average trading price on the TSX over the five consecutive trading days immediately after the black-out period has been lifted. The exercise price of options granted after March 1, 2011 is equal to the volume weighted-average trading price of the underlying shares on the TSX over the five consecutive trading days immediately before the grant date, converted to U.S. dollars at the noon exchange rate of the Bank of Canada on the grant date.

The following table summarizes stock option activity during the six months ended June 30, 2015:

	Options (000's)	Weighted-Average Exercise Price (1)
Stock options outstanding at January 1, 2015	1,386	$4.04
Granted	—	$—
Exercised	—	$—
Canceled/expired/forfeited	(194)	$6.34
Stock options outstanding at June 30, 2015	1,192	$3.66

(1) The weighted-average exercise price of options outstanding is shown in US dollars as the majority of the options granted starting in 2011 have a strike price denominated in US dollars. Options with a Canadian dollar strike price have been converted to US dollars for disclosure purposes using the exchange rates on the respective date of grant.

For the three and six months ended June 30, 2015 and June 30, 2014, TCM recorded compensation expense related to stock options of $0.1 million and $0.2 million, respectively, and $0.1 million and $0.2 million, respectively. As of June 30, 2015, approximately 0.6 million outstanding options had not vested and were not exercisable. The total unrecognized compensation cost related to these options was $0.4 million as of June 30, 2015 and is expected to be recognized over a weighted-average period of 1.91 years. As of June 30, 2015, approximately 0.6 million options had vested and were exercisable. The aggregate intrinsic value of these exercisable awards was nil as of June 30, 2015.

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11. Stock-Based Compensation (Continued)

Performance Share Units (PSUs)
As of June 30, 2015, TCM had issued a total of 6.1 million PSUs under the Amended and Restated 2010 Long-Term Incentive Plan ("LTIP"), which have been granted to eligible employees. As of June 30, 2015, 1.8 million of these PSUs have expired or have been forfeited. The vesting of the outstanding PSUs granted subsequent to January 1, 2012 and prior to January 1, 2014 is contingent upon two performance metrics: 1) TCM's Total Shareholder Return (TSR) relative to the Russell 2000 Index during the three-year performance period; and 2) the proven and probable mine reserves replaced by TCM during the three-year performance period as measured by the replacement reserves percentage determined by the plan administrator. The PSUs cliff vest three years from the date of issuance upon achievement of the above metrics. Any PSUs not vested at such time will expire.
The vesting of the outstanding PSUs granted subsequent to January 1, 2014 is contingent upon two performance metrics: 1) TCM’s Total Shareholder Return (TSR) relative to the S&P TSX Global Base Metals Index during the three-year period commencing on January 1 of the year in which the grant was made (the “performance period”); and 2) cash flow from operations, defined as TCM’s aggregate “cash generated by (used in) operating activities” less aggregate “capital expenditures,” as reported in the Statements of Cash Flows in the Company’s Annual Report on Form 10-K for each fiscal year in the performance period. The PSUs cliff vest approximately three years from the date of grant, or on the date in the first quarter of the fiscal year immediately succeeding the performance period on which the plan administrator determines and certifies the achievement of the above metrics. Any PSUs not vested at such time will expire.
All PSUs granted are accounted for at fair value using a Monte Carlo simulation valuation model on the date of grant. The Monte Carlo model is based on random projections of stock price paths. Expected volatility is calculated using a weighted average of historical daily volatilities and implied volatility and represents the extent to which TCM's stock price performance is expected to fluctuate during the three-year terms of the respective award.
For the three and six months ended June 30, 2015, TCM recorded compensation expense related to PSUs of $0.9 million and $1.4 million, respectively. For the three and six months ended June 30, 2014, TCM recorded compensation expense related to PSUs of $0.7 million and $1.4 million, respectively. As of June 30, 2015, unrecognized compensation expense related to PSUs totaled $7.7 million that will be recognized on a straight-line basis over a weighted-average period of 2.21 years.
The following table summarizes PSU activity during the six months ended June 30, 2015:

	Units		Weighted-Average Fair Value
	(000's)		
Outstanding at January 1, 2015	1,920		$ 4.59
PSUs granted	2,805		$ 2.04
Canceled/expired/forfeited	(427	)	$ 7.77
Outstanding at June 30, 2015	4,298		$ 2.62

Restricted Stock Units (RSUs)
As of June 30, 2015, TCM had issued 5.1 million RSUs to certain eligible employees and directors under the LTIP and under an employment inducement award for the Chief Executive Officer in November 2013.
TCM accounts for RSUs at fair value, which is based on the market value of TCM's common shares on the day of grant and recognized over the vesting period of 3 years. Upon vesting, TCM may issue the requisite shares from authorized but unissued common stock, or from treasury stock.
For the three and six months ended June 30, 2015, TCM recorded compensation expense related to RSUs of $0.7 million and $1.4 million, respectively. For the three and six months ended June 30, 2014, TCM recorded

compensation expense related to RSUs of $0.7 million and $1.0 million, respectively. As of June 30, 2015, unrecognized compensation expense related to RSUs totaled $4.4 million that will be recognized on a straight-line basis over a weighted-average period of 2.12 years.

11. Stock-Based Compensation (Continued)

The following table summarizes RSU activity during the six months ended June 30, 2015:

	Units (000's)	Weighted-Average Fair Value
Outstanding at January 1, 2015	1,455	$ 3.20
RSUs granted	2,076	$ 1.59
RSUs vested and common shares issued	(542)	$ 3.70
Canceled/expired/forfeited	(150)	$ 2.52
Outstanding at June 30, 2015	2,839	$ 1.97

12. Commitments and Contingencies

Legal Matters

TCM is from time to time involved in or subject to legal proceedings related to its business. While it is not feasible to predict or determine the outcome of these proceedings, it is the opinion of management that the resolution of such proceedings is not expected to have a material adverse effect on TCM's consolidated financial position results of operations or cash flows.

Concentrate Sales Agreements

As of June 30, 2015, TCM is party to four multi-year concentrate sales agreements for the sale of concentrate produced at Mount Milligan Mine. Pursuant to these agreements, TCM has agreed to sell an aggregate of the copper and gold concentrate produced at Mount Milligan Mine of approximately 140,000 tonnes in 2015, 140,000 tonnes in 2016 and 40,000 tonnes of concentrate for each year in 2017 and 2018. Pricing under these concentrate sales agreements will be determined by reference to specified published reference prices during the applicable quotation periods. Payment for the concentrate will be based on the price for the agreed copper and gold content of the parcels delivered, less smelting and refining charges and certain other deductions, if applicable. The copper smelting and refining charges will be negotiated in good faith and agreed by the parties for each contract year based on terms generally acknowledged as industry benchmark terms. The gold refining charges are as specified in the agreements. Remaining concentrate produced at Mount Milligan Mine will be sold under short-term contracts or on a spot basis.

Molybdenum Purchases

In the normal course of operations, TCM enters into agreements for the purchase of molybdenum to provide product for our Langeloth facility. As of June 30, 2015, TCM had commitments to purchase approximately 10.3 million pounds of molybdenum as unroasted molybdenum concentrate from 2015 to 2017 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

Molybdenum Sales

In the normal course of operations, TCM enters into certain molybdenum sales contracts pursuant to which it sells future production at fixed prices. As of June 30, 2015, TCM had commitments to sell approximately 536 thousand pounds of molybdenum oxide in 2015 at an average price of $12.14 per pound.

Capital Purchase Commitments

As of June 30, 2015, TCM had no open capital purchase commitments.

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13. Income and Mining Tax Expense (Benefit)

Income and mining taxes for the three months ended June 30, 2015 and 2014 were an expense of $5.1 million and $14.5 million, respectively. Income and mining taxes for the six months ended June 30, 2015 and 2014 were a benefit of $11.6 million and $0.5 million, respectively.

Usual drivers of differences for the periods presented between TCM's effective rate and from applying the Canadian federal and provincial income tax rates are due to pre-tax losses from the Endako Mine and foreign exchange, which largely have no benefit due to valuation allowances on the associated deferred tax assets, and the British Columbia mineral taxes.

The tax expense and benefit for the three and six months ended June 30, 2015 did not contain significant unusual items.

The tax expense for the three months ended June 30, 2014 did not contain significant unusual items. The tax benefit for the six months ended June 30, 2014 contained the following significant unusual items:

- A $1.4 million tax benefit due to a successful conclusion to a tax appeal; and
- A $2.4 million tax benefit due to an increase in the amount of TCM's deferred taxes that will be realized due to higher taxable income as compared to previous forecasts.

14. Net Income (Loss) per Share

The following is a reconciliation of net income (loss) and weighted-average common shares outstanding for purposes of calculating diluted net income (loss) per share for the three and six months ended June 30, 2015 and 2014.

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income (loss)	$0.3	$61.6	$(86.9)	$22.5
Basic weighted-average number of shares outstanding	218.0	174.5	216.2	173.1
Effect of dilutive securities				
Share-based awards	0.1	0.3	—	0.1
tMEDS	—	45.5	—	44.1
Diluted weighted-average number of shares outstanding	218.1	220.3	216.2	217.3
Net income (loss) per share				
Basic	$0.00	$0.35	$(0.40)	$0.13
Diluted	$0.00	$0.28	$(0.40)	$0.10

For the six months ended June 30, 2015, approximately 2.8 million RSUs were excluded from the computation of diluted weighted-average shares as the effect would have been anti-dilutive under the treasury stock method. For the three and six months ended June 30, 2015, approximately 4.3 million PSUs have been excluded from the computation of diluted weighted-average shares because the underlying market and performance metrics had not been met.

For each of the three and six months ended June 30, 2014, approximately 2.4 million stock options were excluded from the computation of diluted weighted-average shares as the exercise prices exceeded the price of the common stock. For each of the three and six months ended June 30, 2014, approximately 2.3 million PSUs were excluded from the computation of diluted weighted-average shares.

15. Transactions with our Endako Mine Joint Venture Partner

Total sales by TCM to Sojitz, TCM's Endako Mine joint venture partner, were $1.4 million and $7.4 million for the three and six months ended June 30, 2015, respectively. This represented 1.0% and 2.9% of TCM's total revenues for

these respective periods. Total sales by TCM to Sojitz were $30.3 million and $54.3 million for the three and six months ended June 30, 2014, respectively. This represented 12.2% and 13.3% of TCM's total revenues for these respective periods.

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15. Transactions with our Endako Mine Joint Venture Partner (Continued)

For the three and six months ended June 30, 2015, TCM recorded insignificant amounts for management fee income and selling and marketing costs from Sojitz. For the three and six months ended June 30, 2014, TCM recorded management fee income of $0.1 million and $0.2 million, respectively, and selling and marketing costs of $0.2 million and $0.4 million, respectively, from Sojitz.
At June 30, 2015 and December 31, 2014, TCM's related accounts receivable owing from Sojitz were $0.2 million and $4.1 million, respectively.
16. Supplementary Cash Flow Information
The following table discloses the change in current assets and current liabilities for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Change in current assets and current liabilities:				
Accounts receivable	$14.3	$(25.9)	$14.5	$(34.8)
Product inventory	(0.4)	15.7	10.1	13.6
Materials and supplies inventory	0.7	3.9	—	0.7
Prepaid expenses and other current assets	(0.3)	0.7	0.2	3.6
Income and mining taxes receivable	(3.8)	—	(6.4)	0.6
Accounts payable and accrued liabilities	2.0	—	(17.6)	1.4
Income and mining taxes payable	(0.6)	1.5	(0.6)	2.1
	$11.9	$(4.1)	$0.2	$(12.8)
Cash interest paid [(1)]	$25.9	$27.4	$44.1	$46.2
Income and mining taxes paid, net of refunds [(2)]	$1.7	$5.0	$2.6	$5.5

[(1)] For the three and six months ended June 30, 2015, cash interest paid of $0.3 million and $1.0 million, respectively, had been previously capitalized related to TCM's debt, as described in Note 8. For the three and six months ended June 30, 2014, cash interest paid of $0.6 million and $6.9 million, respectively, had been previously capitalized related to TCM's debt.
[(2)] For the three and six months ended June 30, 2015, TCM received nil in refunds of US and Canadian income taxes related to prior year tax returns. For the three and six months ended June 30, 2014, TCM received nil and $0.9 million, respectively, in refunds of US and Canadian income taxes related to prior year tax returns.
Non-cash Investing and Financing Activities

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Investing activities				
Acquisition of property, plant and equipment under the Equipment Facility (see Note 7)	$—	$—	$9.2	$—
Financing activities				
Capitalized debt costs [(1)]	$0.3	$1.0	$0.6	$1.9
Long-term lease obligations	$—	$—	$8.3	$—
Settlement of tMEDS	$(7.2)	$(9.3)	$(7.2)	$(9.3)

[(1)] Included capitalized interest not paid in cash, amortization of deferred financing costs and debt discounts.

17. Concentration of Credit Risk

TCM is exposed to counterparty risk from its cash and cash equivalent balances and its reclamation deposits held by financial institutions and governmental entities. TCM monitors its positions with, and the credit quality of, the financial institutions and companies in which it invests its cash, cash equivalents and that hold its reclamation deposits. Counterparties to cash balances and its reclamation deposits, other than balances maintained in various bank operating accounts, are US and Canadian institutions and the US and Canadian governments.

TCM manages its credit risk from its accounts receivable through its collection activities. As of June 30, 2015, TCM had four customers who owed TCM more than $3.0 million each and collectively accounted for approximately 49.1% of total accounts and other receivables outstanding. Another four customers had balances greater than $1.0 million each but less than $3.0 million that accounted for approximately 16.3% of total accounts and other receivables. As of June 30, 2015, all of these customers were compliant with credit terms and scheduled payment dates.

TCM's maximum counterparty and credit risk exposure is the carrying value of its cash and cash equivalents and accounts receivable. The carrying amounts of accounts receivable, accounts payable, accrued liabilities and fixed-rate debt, excluding the 2017 Notes, 2018 Notes and 2019 Notes, as discussed in Note 6, approximate fair value as of June 30, 2015.

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18. Segment Information

TCM has three reportable segments, based on products and geography: Copper-Gold, US Molybdenum and Canadian Molybdenum. The Copper-Gold segment represents the Mount Milligan Mine and includes the sale of copper-gold products, net of refining costs, and all expenditures, including all mining, milling, on-site general and administration, transportation and warehousing. The US Molybdenum segment includes all US molybdenum sales and tolling and calcining revenue, all Langeloth roasting and on-site general and administration expenditures and all expenditures from TC Mine, which was placed on care and maintenance in December 2014, including all mine site general and administration and stripping costs and costs for idle mining operations. The Canadian Molybdenum segment which consists of the 75% owned Endako Mine, which was placed on temporary suspension effective December 31, 2014 and care and maintenance effective July 1, 2015, includes 75% of all Canadian molybdenum sales as well as TCM's 75% share of expenditures from the Endako Mine, including all mine site general and administration costs, transportation costs, and costs for idle mining operations. The costs related to care and maintenance at TC Mine for the three and six months ended June 30, 2015, our 75% share of the temporary suspension costs at Endako Mine for the three and six months ended June 30, 2015, and our 75% share of the one-time severance costs of $6.7 million relating to the placement of Endako Mine on care and maintenance are reflected in costs for idle mining operations. The inter-segment represents the elimination of intercompany transactions between the Langeloth Facility and the corporate entity for the three and six months ended June 30, 2015 and the elimination of intercompany transactions between TC Mine, the Langeloth Facility and the corporate entity for the three and six months ended June 30, 2014.
TCM's chief operating decision makers (President and CEO, CFO) evaluate segment performance based on segment revenue less costs and expenses. TCM attributes other income and expenses to the reporting segments if the income or expense is directly related to segment operations, as described above. TCM does not allocate corporate expenditures such as general and administrative, exploration and interest income and expense items to its reporting segments, unless such expenditures are directly related to segment operations. Gains and losses on foreign exchange are calculated on transactions denominated in a different currency than the segment's functional currency; the Copper-Gold segment's unrealized foreign exchange balance is primarily comprised of its intercompany notes.
Segment information for the three and six months ended June 30, 2015 and 2014 was as follows:

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THOMPSON CREEK METALS COMPANY INC.
Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited
(US dollars in millions, except per share amounts)

18. Segment Information (Continued)

For the three months ended June 30, 2015:

	Copper-Gold	US Molybdenum	Canadian Molybdenum	Inter-segment	Total
Revenues					
Copper sales	$49.3	$—	$—	$—	$49.3
Gold sales	56.3	—	—	—	$56.3
Molybdenum sales	—	20.5	0.4	—	$20.9
Tolling, calcining and other	—	7.8	—	(0.2)	$7.6
	105.6	28.3	0.4	(0.2)	134.1
Cost and expenses					
Operating expenses	49.6	25.7	0.2	(0.2)	75.3
Depreciation, depletion and amortization	22.8	3.8	—	0.2	26.8
Cost of sales	72.4	29.5	0.2	—	102.1
Selling and marketing	1.8	0.5	—	(0.1)	2.2
Accretion expense	0.1	0.1	0.4	—	0.6
Costs for idle mining operations	—	1.8	10.3	—	12.1
	74.3	31.9	10.9	(0.1)	117.0
Segment operating income (loss)	31.3	(3.6)	(10.5)	(0.1)	17.1
Other segment (income) expense					

40,307 ¥ 540 ¥ (30,054) ¥ 22,746

Liabilities:					
Trading liabilities					
Equities	¥ 870	¥ 195	¥ 1	¥	¥ 1,066
Japanese government securities	2,894				2,894
Foreign government, agency and municipal securities	3,873	771			4,644
Bank and corporate debt securities		432	0		432
Residential mortgage-backed securities (RMBS)		3			3
Collateralized debt obligations (CDO) and other[4]		1	1		2
Investment trust funds and other	79	12			91
Total trading liabilities	7,716	1,414	2		9,132
Derivative liabilities[5]					
Equity contracts	759	1,348	61		2,168
Interest rate contracts	9	23,696	139		23,844
Credit contracts	4	1,417	31		1,452
Foreign exchange contracts	0	4,425	16		4,441
Commodity contracts	0	0	0		0
Netting				(30,155)	(30,155)
Total derivative liabilities	772	30,886	247	(30,155)	1,750

Subtotal	¥	8,488	¥	32,300	¥	249	¥	(30,155)	¥	10,882
Short-term borrowings[8]				35		2				37
Payables and deposits[9]				0		0				0
Collateralized financing[7]				536						536
Long-term borrowings[8][10][11]		113		1,835		439				2,387
Other liabilities[12]		142		43						185
Total	¥	8,743	¥	34,749	¥	690	¥	(30,155)	¥	14,027

(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 (CLOs) 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 rate 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 debt 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.

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 also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2014 and September 30, 2014, respectively. Unlisted equity securities are valued using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as yields and liquidity discounts are unobservable. 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 in 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 in 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 in 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 in 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.

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) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital (WACC). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (EV/EBITDA) ratios, Price/Earnings (PE) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee

and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the investee 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 in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

Government, agency and municipal securities Japanese and other G7 government securities are valued using quoted market prices, executable 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 in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant 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 broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates 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 broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

Real estate-backed securities The fair value of real estate-backed securities is estimated using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in 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 in Level 3 as the valuation includes significant unobservable valuation inputs such as yields, prepayment rates, default probabilities, loss severities and capitalization rates.

Collateralized debt obligations (CDOs) and other The fair value of CDOs is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used include market spread data for each credit rating, yields, prepayment rates, default probabilities and loss severities. CDOs are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are observable or market-corroborated. CDOs will be classified in Level 3 where one or more of the significant valuation inputs used in the DCF valuations are unobservable.

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 in 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 in 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 in Level 3. The fair value of certain other investments reported within *Investment trust funds and other* is determined using DCF valuation techniques. These investments are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as credit spreads of issuer and correlation.

Derivatives Equity contracts Nomura enters into both exchange-traded and OTC equity derivative transactions such as index and equity options, equity basket options and index and equity swaps. The fair value of exchange-traded equity derivatives is primarily determined using an unadjusted exchange price. These derivatives are generally traded in active markets and therefore are classified in Level 1 of the fair value hierarchy. Where these derivatives are not valued at the exchange price due to timing differences, these are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC equity derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain

longer-dated or more complex equity derivatives are classified in Level 3 where dividend yield, volatility or correlation valuation inputs are significant and unobservable.

Derivatives Interest rate contracts Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements, swaptions, caps and floors. The fair value of exchange-traded interest rate derivatives is primarily determined using an unadjusted exchange price. These derivatives are traded in active markets and therefore are classified in Level 1 of the fair value hierarchy. Where these derivatives are not valued at the exchange price due to timing differences, they are classified in Level 2. The fair value of OTC interest rate derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange (FX) rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain longer-dated or more complex OTC interest rate derivatives are classified in Level 3 where forward FX rate, interest rate, volatility or correlation valuation inputs are significant and unobservable.

Derivatives Credit contracts Nomura enters into OTC credit derivative transactions such as credit default swaps and credit options on single names, indices or baskets of assets. The fair value of OTC credit derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, credit spreads, recovery rates, default probabilities, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC credit derivatives are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs and adjustments are observable or market-corroborated. Certain longer-dated or more complex OTC credit derivatives are classified in Level 3 where credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

Derivatives Foreign exchange contracts Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives is primarily determined using an unadjusted exchange price. These derivatives are traded in active markets and therefore are classified in Level 1 of the fair value hierarchy. Where these derivatives are not valued at the exchange price due to timing differences, they are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain longer-dated foreign exchange derivatives are classified in Level 3 where forward FX rate or volatility valuation inputs are significant and unobservable.

Derivatives Commodity contracts Nomura enters into OTC commodity derivative transactions such as commodity swaps, commodity forwards and commodity options. The fair value of OTC commodity derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include commodity prices, interest rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC commodity derivatives are generally classified in Level 2 of the fair value hierarchy because these valuation inputs and adjustments are observable or market-corroborated.

Loans The fair value of loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques as quoted prices are typically not available. The significant valuation inputs used are similar to those used in the valuation of corporate debt securities described above. Loans are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs are observable. Certain loans, however, are classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2 or credit spreads of the issuer used in DCF valuations are significant and unobservable.

Collateralized agreements and *Collateralized financing* The primary types of collateralized agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

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.

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Short-term and *long-term borrowings (Structured notes)* Structured notes are debt securities issued by Nomura or by consolidated variable interest entities (VIEs) 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 (i.e., an embedded derivative).

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, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves and prepayment rates. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura s own creditworthiness. To reflect Nomura s own creditworthiness, the fair value of structured notes includes a credit adjustment of ¥1 billion as of March 31, 2014 and ¥3 billion as of September 30, 2014. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are 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 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.

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 in 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. This 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. This group reports to the Global Head of Accounting Policy and ultimately to the CFO; and

- The 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. This group reports to the Chief Risk Officer.

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

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.

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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 in 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 MVG reviews (Model Re-approvals) is at least annually.

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.

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, non-executable broker quotes 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.

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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 financial instruments classified in Level 3 as of March 31, 2014 and September 30, 2014. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy.

	March 31, 2014				
Financial Instrument	**Fair value in billions of yen**	**Valuation technique(s)**	**Significant unobservable inputs**	**Range of valuation inputs[1]**	**Weighted Average[2]**
Assets:					
Trading assets and private equity investments					
Equities	¥ 68	DCF	Liquidity discounts	11.0 50.0%	18.1%
		DCM	Capitalization rates	6.8 6.9%	6.8%
Private equity investments	42	Market multiples	EV/EBITDA ratios	4.5 11.6 x	10.0 x
			Price/Embedded value ratios	0.4 x	0.4 x
			Liquidity discounts	0.0 33.0%	30.5%
Foreign government, agency and municipal securities	26	DCF	Credit spreads	0.0 5.9%	0.5%
Bank and corporate debt securities and loans for trading purposes	116	DCF	Credit spreads	0.0 26.6%	4.7%
			Recovery rates	0.0 74.0%	57.1%
Commercial mortgage-backed securities (CMBS)	3	DCF	Yields	6.2 30.4%	10.1%
Residential mortgage-backed securities (RMBS)	3	DCF	Yields	0.3 10.7%	3.7%
			Prepayment rates	3.8 50.0%	12.8%
			Default probabilities	0.0 2.0%	2.0%
			Loss severities	0.1 87.2%	51.2%
Collateralized debt obligations (CDOs) and other	13	DCF	Yields	0.0 90.9%	11.1%
			Prepayment rates	0.0 20.0%	18.5%
			Default probabilities	1.0 65.0%	3.2%
			Loss severities	30.0 100.0%	47.9%
Investment trust funds and other	30	DCF	Credit spreads	0.0 3.5%	0.1%

Correlations	0.50	0.71	0.61

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			March 31, 2014		
Financial Instrument	**Fair value in billions of yen**	**Valuation technique(s)**	**Significant unobservable inputs**	**Range of valuation inputs[1]**	**Weighted Average[2]**
Derivatives, net:					
Equity contracts	11	Option models	Dividend yield	0.0 8.2%	
			Volatilities	6.9 59.9%	
			Correlations	(0.96) 0.95	
Interest rate contracts	(39)	DCF/ Option models	Interest rates	0.7 5.2%	
		Option models	Volatilities	10.6 23.5%	
			Correlations	(0.45) 0.99	
Credit contracts	5	DCF/ Option models	Credit spreads	0.0 20.9%	
			Recovery rates	20.0 90.0%	
		Option models	Volatilities	1.0 70.0%	
			Correlations	0.26 0.95	
Foreign exchange contracts	5	Option models	Volatilities	11.2 19.1%	
Loans and receivables	26	DCF	Credit spreads	0.0%	0.0%
Other assets					
Non-trading debt securities	3	DCF	Credit spreads	0.1 2.5%	0.8%
Other[3]	56	DCF	WACC	6.1%	6.1%
			Growth rates	1.0%	1.0%
			Liquidity discounts	0.0 30.0%	12.7%
		Market multiples	EV/EBITDA ratios	3.6 8.3 x	4.9 x
			PE ratios	9.6 60.1 x	24.0 x
			Price/Book ratios	0.0 5.3 x	1.0 x
			Liquidity discounts	30.0%	30.0%
Liabilities:					
Short-term borrowings	¥ 3	DCF	Volatilities	15.3 55.5%	
			Correlations	(0.78) 0.94	
Long-term borrowings	394	DCF	Volatilities	10.6 55.5%	

	Correlations	(0.78)	0.99

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Financial Instrument	Fair value in billions of yen	Valuation technique(s)	September 30, 2014 Significant unobservable inputs	Range of valuation inputs[1]	Weighted Average[2]
Assets:					
Trading assets and private equity investments					
Equities	¥ 42	DCF	Liquidity discounts	4.6 40.0%	33.1%
Private equity investments	45	Market multiples	EV/EBITDA ratios	4.9 11.2x	9.8 x
			Price/Embedded value ratios	0.4x	0.4 x
			Liquidity discounts	0.0 33.0%	30.5%
Foreign government, agency and municipal securities	11	DCF	Credit spreads	0.0 5.9%	0.5%
Bank and corporate debt securities and loans for trading purposes	115	DCF	Credit spreads	0.0 68.0%	5.6%
			Recovery rates	0.0 37.0%	25.0%
Commercial mortgage-backed securities (CMBS)	3	DCF	Yields	9.9 37.8%	16.6%
Residential mortgage-backed securities (RMBS)	1	DCF	Yields	0.2 22.4%	4.0%
			Prepayment rates	2.7 12.0%	7.3%
Collateralized debt obligations (CDO) and other	29	DCF	Yields	3.2 20.5%	9.4%
			Prepayment rates	0.0 20.0%	19.1%
			Default probabilities	2.0 65.0%	2.9%
			Loss severities	33.0 100.0%	32.2%
Derivatives, net:					
Equity contracts	(8)	Option models	Dividend yield	0.0 14.5%	
			Volatilities	9.5 73.5%	
			Correlations	(0.90) 0.93	
Interest rate contracts	(52)	DCF/ Option models	Interest rates	0.1 4.1%	
		Option models	Volatilities	11.5 75.0%	
			Correlations	(0.30) 1.00	
Credit contracts	4	DCF/ Option models	Credit spreads	0.0 7.0%	
			Recovery rates	0.0 90.0%	

		Option models	Volatilities	1.0 67.0%	
			Correlations	0.29 0.95	
Foreign exchange contracts	2	Option models	Volatilities	1.3 18.7%	
Loans and receivables	27	DCF	Credit spreads	0.0 6.9%	0.5%
Other assets					
Other[3]	56	DCF	WACC		6.0%
			Growth rates	6.0%	1.0%
			Credit spreads	1.0%	1.4%
			Liquidity discounts	0.6 2.5%	
				0.0 30.0%	10.4%
		Market multiples	EV/EBITDA ratios	4.0 9.9 x	5.0 x
			PE ratios	11.5 83.9 x	29.3 x
			Price/Book ratios	0.0 5.0 x	1.0 x
			Liquidity discounts	30.0%	30.0%

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Financial Instrument	Fair value in billions of yen	Valuation technique(s)	September 30, 2014 Significant unobservable inputs	Range of valuation inputs[(1)]	Weighted Average[(2)]
Liabilities:					
Short-term borrowings	¥ 2	DCF	Volatilities	16.0 44.5%	
			Correlations	(0.75) 0.93	
Long-term borrowings	439	DCF	Yields	10.3 14.0%	
			Prepayment rates	20.0%	
			Default probabilities	2.0%	
			Loss severities	30.0%	
			Volatilities	11.5 44.5%	
			Correlations	(0.75) 0.99	

(1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.

(2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.

(3) Valuation technique(s) and unobservable inputs represent those equity securities reported within *Other assets*.

Qualitative discussion of the ranges of significant unobservable inputs

The following comments present qualitative discussion about the significant unobservable inputs used by Nomura for financial instruments classified in Level 3.

Derivatives Equity contracts The significant unobservable inputs are dividend yield, volatilities and correlations. The range of dividend yields varies as some companies do not pay any dividends, for example due to a lack of profits or as a policy during a growth period, and hence have a zero dividend yield while others may pay a high dividend for example to return money to investors. The range of volatilities is wide as the volatilities of shorter-dated equity derivatives or those based on singles stocks can be higher than those of longer-dated instruments or those based on indices. Correlations represent the relationships between one input and another (pairs) and can either be positive or negative amounts. The range of correlations moves from positive to negative because the movement of some pairs is very closely related in the same direction causing high positive correlations while others generally move in opposite directions causing high negative correlations with pairs that have differing relationships throughout the range.

Derivatives Interest rate contracts The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is wide as the volatilities of shorter-dated interest rate derivatives are typically higher than those of longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related in the same direction causing high positive correlations while others generally move in opposite directions causing high negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of the inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

Derivatives Credit contracts The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads is due to the low end of the range arising from exposure to underlying reference names with very limited risk of a default and the high end arising from exposure to underlying reference names with a much greater risk of default. The range of recovery rates varies mainly due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities

is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. High positive correlations are those for which the movement is closely related with the correlation falling as the relationship becomes less strong. Other than for volatilities where the majority of inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

Derivatives Foreign exchange contracts The significant unobservable inputs is volatilities. The range of volatilities is relatively low with the lower end coming from currencies that trade in narrow ranges versus the US dollar. All significant unobservable inputs are spread across the relevant ranges.

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Short-term borrowings and *Long-term borrowings* The significant unobservable inputs are yields, prepayment rates, default probabilities, loss severities, volatilities and correlations. The range of volatilities is wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related in the same direction causing high positive correlations while others generally move in opposite directions causing high negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

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 WACC, credit spreads or liquidity discount in isolation would result in a significantly lower (higher) fair value measurement. Conversely, a significant increase (decrease) in 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.

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, while significant increases (decreases) in recovery rates would result in a significantly higher (lower) fair value measurement.

Commercial mortgage-backed securities (CMBS), Residential mortgage-backed securities (RMBS) and *Collateralized debt obligations (CDOs) and other* Significant increases (decreases) in yields, prepayment rates, default probabilities and loss severities used in a DCF valuation technique 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 loss severities and a directionally opposite change in prepayment rates.

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 or credit spreads 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.

Short-term borrowings and *Long-term borrowings* Significant increase (decreases) in yields, prepayment rates, default probabilities and loss severities in isolation would result in a significant 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 used in a DCF valuation technique 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.

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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 in Level 3 for the six and three months ended September 30, 2013 and 2014. Financial instruments classified in 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 September 30, 2014, gains and losses related to Level 3 assets did not have a material impact on Nomura s liquidity and capital resources management.

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	Billions of yen Six months ended September 30, 2013									
	Beginning balance as of six months ended September 30, 2013	Total gains (losses) recognized in 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 six months ended September 30, 2013
Assets:										
Trading assets and private equity investments										
Equities	¥ 129	¥ 4	¥	¥ 9	¥ (46)	¥	¥ 3	¥ 3	¥ (0)	¥ 102
Private equity investments	87	(0)		0	(7)		4			84
Japanese agency and municipal securities	0								(0)	
Foreign government, agency and municipal securities	91	10		305	(322)			8	(65)	27
Bank and corporate debt securities and loans for trading purposes	69	0		116	(78)		1	13	(20)	101
Commercial mortgage-backed securities (CMBS)	6	(0)		4	(5)		0	2	(0)	7
Residential mortgage-backed securities (RMBS)	4	(0)		0	(0)		0	1	(2)	3
Real estate-backed securities	68	1		0	(64)		0			5
Collateralized debt obligations (CDO) and other	12	(1)		9	(9)		0	2	(0)	13
Investment trust funds and other	13	0		11	(5)		0		(1)	18
Total trading assets and private equity investments	479	14		454	(536)		8	29	(88)	360
Derivatives, net[4]										
Equity contracts	5	(7)				18	0	4	(6)	14
Interest rate contracts	(54)	(16)				18	(1)	(3)	3	(53)
Credit contracts	25	(2)				6	1	(1)	(0)	29
Foreign exchange contracts	(3)	(4)				7	(0)	(0)	0	0
Commodity contracts	(0)	(0)				0	(0)	0		0
Total derivatives, net	(27)	(29)				49	0	0	(3)	(10)
Subtotal	¥ 452	¥ (15)	¥	¥ 454	¥ (536)	¥ 49	¥ 8	¥ 29	¥ (91)	¥ 350
Loans and receivables	3	(0)		1	(2)		0	0		2
Other assets										
Non-trading debt securities	4	(0)	(0)				0			4
Other	60	3	(0)	1	(3)		0		(1)	60
Total	¥ 519	¥ (12)	¥ (0)	¥ 456	¥ (541)	¥ 49	¥ 8	¥ 29	¥ (92)	¥ 416
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ (0)	¥	¥ 0	¥ (0)	¥	¥ 0	¥ 0	¥ (0)	¥ 0
Bank and corporate debt securities	0	0		(0)	(0)		0	0		0
Total trading liabilities	¥ 0	¥ (0)	¥	¥ 0	¥ (0)	¥	¥ 0	¥ 0	¥ (0)	¥ 0

Short-term borrowings	4	(0)		1	(3)				(2)	0
Payables and deposits	1	(0)		(0)	(0)				(0)	1
Long-term borrowings	222	43		251	(179)		1	4	(43)	213
Other liabilities	0			0	(0)		0			0
Total	¥ 227	¥ 43	¥	¥ 252	¥ (182)	¥	¥ 1	¥ 4	¥ (45)	¥ 214

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	Billions of yen Six months ended September 30, 2014									
	Beginning balance as of six months ended September 30, 2014	Total gains (losses) recognized in 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 six months ended September 30, 2014
Assets:										
Trading assets and private equity investments										
Equities	¥ 68	¥ 1	¥	¥ 14	¥ (36)	¥	¥ 1	¥ 2	¥ (8)	¥ 42
Private equity investments	42	(1)		4	(1)		1			45
Japanese agency and municipal securities		(0)		0	(0)					0
Foreign government, agency and municipal securities	26	7		122	(122)			5	(27)	11
Bank and corporate debt securities and loans for trading purposes	116	2		78	(61)		5	11	(36)	115
Commercial mortgage-backed securities (CMBS)	3	(0)		6	(8)			2	(0)	3
Residential mortgage-backed securities (RMBS)	3	(0)		0	(3)			2	(1)	1
Real estate-backed securities	0	(0)		2	(0)		0		(2)	0
Collateralized debt obligations (CDO) and other	13	(3)		34	(22)		2	9	(4)	29
Investment trust funds and other	30	1		1	(11)		(0)		(3)	18
Total trading assets and private equity investments	301	7		261	(264)		9	31	(81)	264
Derivatives, net[4]										
Equity contracts	11	(6)				(12)	0	(2)	1	(8)
Interest rate contracts	(39)	(20)				8	0	(1)	0	(52)
Credit contracts	5	(5)				5	0	(0)	(1)	4
Foreign exchange contracts	5	(1)				(2)	0	(0)	0	2
Commodity contracts	0	(0)				(0)	0			(0)
Total derivatives, net	(18)	(32)				(1)	0	(3)	0	(54)
Subtotal	¥ 283	¥ (25)	¥	¥ 261	¥ (264)	¥ (1)	¥ 9	¥ 28	¥ (81)	¥ 210
Loans and receivables	26	(1)			(0)		2			27
Other assets										
Non-trading debt securities	3	0	(0)		(3)		0			0
Other	56	(0)	(1)	2	(1)		0			56
Total	¥ 368	¥ (26)	¥ (1)	¥ 263	¥ (268)	¥ (1)	¥ 11	¥ 28	¥ (81)	¥ 293
Liabilities:										
Trading liabilities										
Equities	¥ 1	¥ 0	¥	¥ 1	¥ (0)	¥	¥ (0)	¥ 0	¥ (1)	¥ 1
Bank and corporate debt securities	0	(0)		0			0			0
Collateralized debt obligations (CDO) and other		(0)		1	(0)		0			1
Total trading liabilities	¥ 1	¥ 0	¥	¥ 2	¥ (0)	¥	¥ (0)	¥ 0	¥ (1)	¥ 2
Short-term borrowings	3	(1)		1	(1)			0	(2)	2
Payables and deposits	0	(0)		(0)	(0)				(0)	0
Long-term borrowings	394	(53)		205	(237)		4	32	(12)	439
Total	¥ 398	¥ (54)	¥	¥ 208	¥ (238)	¥	¥ 4	¥ 32	¥ (15)	¥ 443

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	Billions of yen									
	Three months ended September 30, 2013									
	Beginning balance as of three months ended September 30, 2013	Total gains (losses) recognized in 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 September 30, 2013
Assets:										
Trading assets and private equity investments										
Equities	¥ 128	¥ 3	¥	¥ 8	¥ (39)	¥	¥ 0	¥ 2	¥ (0)	¥ 102
Private equity investments	88	(0)		0	(6)		2			84
Japanese agency and municipal securities	0								(0)	
Foreign government, agency and municipal securities	38	8		188	(199)			8	(16)	27
Bank and corporate debt securities and loans for trading purposes	78	1		79	(54)		(0)	12	(15)	101
Commercial mortgage-backed securities (CMBS)	7	(0)		1	(2)		(0)	1	(0)	7
Residential mortgage-backed securities (RMBS)	3	(0)		0	(0)		(0)	0	(0)	3
Real estate-backed securities	66	1		0	(62)		(0)			5
Collateralized debt obligations (CDO) and other	16	(1)		1	(4)		(0)	1	(0)	13
Investment trust funds and other	14	0		5	(1)		0			18
Total trading assets and private equity investments	438	12		282	(367)		2	24	(31)	360
Derivatives, net[4]										
Equity contracts	12	(18)				14	0	7	(1)	14
Interest rate contracts	(52)	(7)				6	0	(1)	1	(53)
Credit contracts	35	(4)				(0)	(0)	(2)	(0)	29
Foreign exchange contracts	2	(4)				3	0	(1)	(0)	0
Commodity contracts	0	0				(0)	(0)			0
Total derivatives, net	(3)	(33)				23	0	3	(0)	(10)
Subtotal	¥ 435	¥ (21)	¥	¥ 282	¥ (367)	¥ 23	¥ 2	¥ 27	¥ (31)	¥ 350
Loans and receivables	3	(0)			(1)		0			2
Other assets										
Non-trading debt securities	4	(0)	(0)				0			4
Other	59	3	0	0	(2)		(0)			60
Total	¥ 501	¥ (18)	¥ 0	¥ 282	¥ (370)	¥ 23	¥ 2	¥ 27	¥ (31)	¥ 416
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ (0)	¥	¥ 0	¥ (0)	¥	¥ (0)	¥	¥ (0)	¥ 0
Bank and corporate debt securities	0	(0)		(0)	(0)		(0)	(0)		0
Total trading liabilities	¥ 0	¥ (0)	¥	¥ 0	¥ (0)	¥	¥ (0)	¥ (0)	¥ (0)	¥ 0
Short-term borrowings	1	0		0	(0)				(1)	0
Payables and deposits	1	(0)		(0)					(0)	1
Long-term borrowings	204	13		146	(112)		(0)	2	(14)	213
Other liabilities				0						0
Total	¥ 206	¥ 13	¥	¥ 146	¥ (112)	¥	¥ (0)	¥ 2	¥ (15)	¥ 214

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	Billions of yen Three months ended September 30, 2014									
	Beginning balance as of three months ended September 30, 2014	Total gains (losses) recognized in 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 September 30, 2014
Assets:										
Trading assets and private equity investments										
Equities	¥ 40	¥ 0	¥	¥ 9	¥ (7)	¥	¥ 2	¥ 1	¥ (3)	¥ 42
Private equity investments	44	(0)		1	(1)		1			45
Japanese agency and municipal securities		(0)		0	(0)					0
Foreign government, agency and municipal securities	32	1		26	(26)			0	(22)	11
Bank and corporate debt securities and loans for trading purposes	118	(1)		31	(18)		6	3	(24)	115
Commercial mortgage-backed securities (CMBS)	5	(0)		3	(5)					3
Residential mortgage-backed securities (RMBS)	3	(0)		0	(2)					1
Real estate-backed securities	2	(0)			(0)		0		(2)	0
Collateralized debt obligations (CDO) and other	23	(2)		13	(12)		2	8	(3)	29
Investment trust funds and other	28	1		0	(11)		0		(0)	18
Total trading assets and private equity investments	295	(1)		83	(82)		11	12	(54)	264
Derivatives, net[4]										
Equity contracts	4	(2)				(9)	0	(1)	(0)	(8)
Interest rate contracts	(40)	(7)				(5)	0	(1)	1	(52)
Credit contracts	5	(4)				3	0	1	(1)	4
Foreign exchange contracts	7	(3)				(2)	0		(0)	2
Commodity contracts	0	(0)				(0)	0			(0)
Total derivatives, net	(24)	(16)				(13)	0	(1)	(0)	(54)
Subtotal	¥ 271	¥ (17)	¥	¥ 83	¥ (82)	¥ (13)	¥ 11	¥ 11	¥ (54)	¥ 210
Loans and receivables	26	(1)			(0)		2			27
Other assets										
Non-trading debt securities	0	0			(0)		0			0
Other	58	(0)	(1)	0	(1)		0			56
Total	¥ 355	¥ (18)	¥ (1)	¥ 83	¥ (83)	¥ (13)	¥ 13	¥ 11	¥ (54)	¥ 293
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ 0	¥	¥ 1	¥ 0	¥	¥ (0)	¥ (0)	¥ (0)	¥ 1
Bank and corporate debt securities	0	(0)		0			0			0
Collateralized debt obligations (CDO) and other		(0)		1	(0)		0			1
Total trading liabilities	¥ 0	¥ (0)	¥	¥ 2	¥ (0)	¥	¥ 0	¥ (0)	¥ (0)	¥ 2
Short-term borrowings	2	(0)		0	(0)			0	(0)	2
Payables and deposits	0	(0)		(0)	(0)				(0)	0
Long-term borrowings	465	(47)		109	(190)		4	10	(6)	439
Total	¥ 467	¥ (47)	¥	¥ 111	¥ (190)	¥	¥ 4	¥ 10	¥ (6)	¥ 443

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(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 *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 debt 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 six and three months ended September 30, 2013 and 2014, relating to those financial instruments which Nomura classified in Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date.

	Billions of yen Six months ended September 30	
	2013	2014
	Unrealized gains / (losses)[1]	
Assets:		
Trading assets and private equity investments		
Equities	¥ 3	¥ (3)
Private equity investments	(2)	(1)
Japanese agency and municipal securities		(0)
Foreign government, agency and municipal securities	(2)	1
Bank and corporate debt securities and loans for trading purposes	(0)	0
Commercial mortgage-backed securities (CMBS)	(0)	0
Residential mortgage-backed securities (RMBS)	0	0
Real estate-backed securities	0	0
Collateralized debt obligations (CDO) and other	(0)	(3)
Investment trust funds and other	0	2
Total trading assets and private equity investments	(1)	(4)
Derivatives, net[2]		
Equity contracts	0	14
Interest rate contracts	(15)	(15)
Credit contracts	(1)	(5)
Foreign exchange contracts	(5)	(3)
Commodity contracts	(0)	(0)
Total derivatives, net	(21)	(9)
Subtotal	¥ (22)	¥ (13)
Loans and receivables	(0)	(0)
Other assets		
Non-trading debt securities	(0)	0
Other	2	(0)
Total	¥ (20)	¥ (13)
Liabilities:		
Trading liabilities		
Equities	¥ (0)	¥ 0
Bank and corporate debt securities	(0)	(0)
Total trading liabilities	¥ (0)	¥ 0
Short-term borrowings	0	0
Payables and deposits	(0)	(0)
Long-term borrowings	34	(39)

Total	¥	34	¥	(39)

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	Billions of yen Three months ended September 30			
	2013		2014	
	Unrealized gains / (losses)[1]			
Assets:				
Trading assets and private equity investments				
Equities	¥	3	¥	0
Private equity investments		(2)		(0)
Japanese agency and municipal securities				(0)
Foreign government, agency and municipal securities		0		0
Bank and corporate debt securities and loans for trading purposes		0		0
Commercial mortgage-backed securities (CMBS)		(0)		(0)
Residential mortgage-backed securities (RMBS)		(0)		0
Real estate-backed securities		1		
Collateralized debt obligations (CDO) and other		(1)		(2)
Investment trust funds and other		0		1
Total trading assets and private equity investments		1		(1)
Derivatives, net[2]				
Equity contracts		(14)		(1)
Interest rate contracts		(3)		(37)
Credit contracts		(2)		(4)
Foreign exchange contracts		(5)		(4)
Commodity contracts		0		(0)
Total derivatives, net		(24)		(46)
Subtotal	¥	(23)	¥	(47)
Loans and receivables		(0)		(0)
Other assets				
Non-trading debt securities		(0)		0
Other		2		(0)
Total	¥	(21)	¥	(47)
Liabilities:				
Trading liabilities				
Equities	¥	0	¥	0
Bank and corporate debt securities		(0)		(0)
Total trading liabilities	¥	0	¥	0
Short-term borrowings		0		(0)
Payables and deposits		(0)		(0)
Long-term borrowings		15		(43)
Total	¥	15	¥	(43)

(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)

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 prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

Transfers between levels of the fair value hierarchy

Nomura assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

Transfers between Level 1 and Level 2

For the six months ended September 30, 2013, a total of ¥427 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥422 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became inactive. During the same period, a total of ¥25 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This also comprised primarily ¥24 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

For the six months ended September 30, 2014, a total of ¥207 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥191 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became inactive. This also comprised primarily ¥6 billion of *Foreign government, agency and municipal securities* and ¥6 billion of *Investment trust funds and other* which were transferred because the observable markets in which these instruments are traded became inactive. During the same period, a total of ¥36 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This also comprised primarily ¥34 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

For the three months ended September 30, 2013, a total of ¥418 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥413 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became inactive. During the same period, a total of ¥24 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This also comprised primarily ¥23 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

For the three months ended September 30, 2014, a total of ¥42 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥38 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became inactive. During the same period, a total of ¥21 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This also comprised primarily ¥21 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

For the six months ended September 30, 2013, a total of ¥100 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥94 billion of equities reported within *Trading assets and private equity investments Equities*, and ¥6 billion of *Investment trust funds and other* which were transferred because the observable markets in which these instruments are traded became active. During the same period, a total of ¥22 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This also comprised primarily ¥22 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

For the six months ended September 30, 2014, a total of ¥39 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥35 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became active. During the same period, a total of ¥18 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This also comprised primarily ¥18 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

For the three months ended September 30, 2013, a total of ¥87 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥87 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became active. During the same period, a total of ¥20 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This also comprised primarily ¥20

billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

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For the three months ended September 30, 2014, a total of ¥16 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥14 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments are traded became active. During the same period, a total of ¥6 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This also comprised primarily ¥6 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

Transfers out of Level 3

For the six months ended September 30, 2013, a total of ¥88 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥65 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became observable, ¥20 billion of *Bank and corporate debt securities and loans for trading purposes,* principally debt securities, which were transferred because certain credit spreads and recovery rates became observable. During the same period, a total of ¥45 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥43 billion of *Long term borrowings,* principally structured notes, which were transferred because certain yields, prepayment rate, default probability, volatility and correlation valuation inputs became observable.

For the six months ended September 30, 2013, a total of ¥3 billion of net derivative assets were also transferred out of Level 3. This comprised primarily ¥6 billion of net equity derivative assets which were transferred because certain dividend yields, volatility and correlation valuation inputs became observable.

For the six months ended September 30, 2014, a total of ¥81 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥8 billion of *Equities* which were transferred because certain liquidity discounts valuation inputs became observable, ¥27 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spread became observable. This also comprised ¥36 billion of *Bank and corporate debt securities and loans for trading purposes,* principally debt securities, which were transferred because certain credit spread and recovery rate valuation inputs became observable. During the same period, a total of ¥15 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥12 billion of *Long term borrowings,* principally structured notes, which were transferred because certain yields, prepayment rates, default probabilities, loss severities, volatility and correlation valuation inputs became observable.

For the six months ended September 30, 2014, the total amount of net derivative liabilities which were transferred out of Level 3 was not significant.

For the three months ended September 30, 2013, a total of ¥31 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥16 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became observable. This also comprised primarily ¥15 billion of *Bank and corporate debt securities and loans for trading purposes*, which were transferred because certain credit spreads and recovery rates became observable. During the same period, a total of ¥15 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥14 billion of *Long term borrowings*, principally structured notes, which were transferred because certain yields, prepayment rate, default probability, volatility and correlation valuation inputs became observable.

For the three months ended September 30, 2013, the total amount of net derivative contracts which were also transferred out of Level 3 was not significant.

For the three months ended September 30, 2014, a total of ¥54 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥22 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spread became observable. This also comprised ¥24 billion of *Bank and corporate debt securities and loans for trading purposes,* principally debt securities, which were transferred because certain credit spread and recovery rate valuation inputs became observable. During the same period, a total of ¥6 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥6 billion of *Long term borrowings,* principally structured notes, which were transferred because certain yields, prepayment rates, default probabilities, loss severities, volatility and correlation valuation inputs became observable.

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For the three months ended September 30, 2014, the total amount of net derivative assets which were transferred out of Level 3 was not significant.

Transfers into Level 3

For the six months ended September 30, 2013, a total of ¥29 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥8 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became unobservable. This also comprised primarily ¥13 billion of *Bank and corporate debt securities and loans for trading purposes,* principally loans, which were transferred because certain credit spreads and recovery rates became unobservable. The amount of gains and losses on these transfers reported in *Foreign government, agency and municipal securities* and *Bank and corporate debt securities and loans for trading purposes* which were recognized in the quarter when the transfers into Level 3 occurred was not significant. During the same period, the total amount of financial liabilities (excluding derivative liabilities) which were transferred into Level 3 was not significant. The amount of gains and losses on these transfers which were recognized in the quarter when the transfers into Level 3 occurred was not significant.

For the six months ended September 30, 2013, the total amount of net derivative contracts which were transferred into Level 3 was not significant. Losses on these equity contracts and interest rate contracts which were recognized in the quarter when the transfers into Level 3 occurred were ¥6 billion and ¥7 billion, respectively.

For the six months ended September 30, 2014, a total of ¥31 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥5 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spread became unobservable and ¥11 billion of *Bank and corporate debt securities and loans for trading purposes* which were transferred because certain credit spread and recovery rate valuation inputs became unobservable. This also comprised primarily ¥9 billion of *Collateralized debt obligations (CDO) and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became unobservable. The amount of gains and losses on these transfers reported in *Foreign government, agency and municipal securities*, *Bank and corporate debt securities and loans for trading purposes* and *Collateralized debt obligations (CDO) and other* which were recognized in the quarter when the transfer in to Level 3 occurred were not significant. During the same period, a total of ¥32 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥32 billion of *Long term borrowings,* principally structured notes, which were transferred because certain yields, prepayment rates, default probabilities, loss severities, volatility and correlation valuation inputs became unobservable. The amount of gains and losses on these transfers reported in *Long term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

For the six months ended September 30, 2014, a total of ¥3 billion of net derivative liabilities were also transferred into Level 3. The amount of gains and losses which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

For the three months ended September 30, 2013, a total of ¥24 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥8 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became unobservable. This also comprised primarily ¥12 billion of *Bank and corporate debt securities and loans for trading purposes,* principally loans, which were transferred because certain credit spreads became unobservable. The amount of gains and losses on these transfers reported in *Foreign government, agency and municipal securities* and *Bank and corporate debt securities and loans for trading purposes* which were recognized in the quarter when the transfers into Level 3 occurred was not significant. During the same period, the total amount of financial liabilities (excluding derivative liabilities) which were transferred into Level 3 was not significant. The amount of gains and losses on these transfers which were recognized in the quarter when the transfers into Level 3 occurred was not significant.

For the three months ended September 30, 2013, a total of ¥3 billion of net derivative assets were also transferred into Level 3. This comprised ¥7 billion of net equity derivative assets which were transferred because certain dividend yields, volatility and correlation valuation inputs became unobservable. Losses on the equity contracts which were recognized in the quarter when the transfers into Level 3 occurred were ¥5 billion.

For the three months ended September 30, 2014, a total of ¥12 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥8 billion of *Collateralized debt obligations (CDO) and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became unobservable. The amount of gains and losses on these transfers reported in *Collateralized debt obligations (CDO) and other* which were recognized in the quarter when the transfer in to Level 3 occurred were not significant. During the same period, a total of ¥10 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥10 billion of *Long term borrowings,* principally structured notes, which were transferred because certain yields, prepayment rates, default probabilities, loss severities, volatility and correlation valuation inputs became unobservable. The amount of gains and losses on these transfers reported in *Long term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

For the three months ended September 30, 2014, a total amount of net derivative liabilities which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

Investments in investment funds that calculate NAV per share

In the normal course of business, Nomura invests in non-consolidated funds which meet the definition of investment companies or are similar in nature and which do not have readily determinable fair values. For certain of these investments, Nomura uses NAV per share as the basis for valuation as a practical expedient. Some of these investments are redeemable at different amounts from NAV per share.

The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2014 and September 30, 2014. Investments are presented by major category relevant to the nature of Nomura s business and risks.

	Billions of yen March 31, 2014			
	Fair value[1]	Unfunded commitments[2]	Redemption frequency (if currently eligible)[3]	Redemption notice period[4]
Hedge funds	¥ 66	¥ 0	Monthly	Same day-95 days
Venture capital funds	4	1		
Private equity funds	42	17	Quarterly	30 days
Real estate funds	3			
Total	¥ 115	¥ 18		

	Billions of yen September 30, 2014			
	Fair value[1]	Unfunded commitments[2]	Redemption frequency (if currently eligible)[3]	Redemption notice period[4]
Hedge funds	¥ 77	¥ 0	Monthly	Same day-90 days
Venture capital funds	4	1		
Private equity funds	43	13		
Real estate funds	1			
Total	¥ 125	¥ 14		

(1) Fair value generally determined using NAV per share as a practical expedient.
(2) The contractual amount of any unfunded commitments Nomura is required to make to the entities in which the investment is held.
(3) The range in frequency with which Nomura can redeem investments.
(4) The range in notice period required to be provided before redemption is possible.

Hedge funds:

These investments include funds of funds that invest in multiple asset classes. Nomura has developed the business of issuing structured notes linked to hedge funds. As a result, most of the risks are transferred as pass-through. The fair values of these investments are estimated using the NAV per share of the investments. Although most of these funds can be redeemed within six months, certain funds cannot be redeemed within six months due to contractual, liquidity or gating issues. The redemption period cannot be estimated for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

Venture capital funds:

These investments include primarily start-up funds. The fair values of these investments in this category are estimated using the NAV per share of the investments. Most of these funds cannot be redeemed within six months. The redemption period cannot be estimated for certain suspended or liquidating funds. These investments contain restrictions against transfers of the investments to third parties.

Private equity funds:

These investments are made mainly in various sectors in Europe, United States and Japan. The fair values of these investments in this category are estimated using the NAV per share. Redemption is restricted for most of these investments. Some of these investments contain restrictions against transfers of the investments to third parties.

Real estate funds:

These are investments in commercial and other types of real estate. The fair values of these investments in this category are estimated using the NAV per share of the investments. Redemption is restricted for most of these investments. These investments contain restrictions against transfers of the investments to third parties.

Fair value option for financial assets and financial liabilities

Nomura carries certain eligible financial assets and liabilities at fair value through the election of the fair value option permitted by ASC 815 *Derivatives and Hedging* (ASC 815) and ASC 825 *Financial Instruments* . When Nomura elects the fair value option for an eligible item, changes in that item s fair value are recognized through earnings. Election of the fair value option is generally irrevocable unless an event occurs that gives rise to a new basis of accounting for that instrument.

The financial assets and financial liabilities primarily elected for the fair value option by Nomura, and the reasons for the election, are as follows:

Equity method investments reported within *Trading assets and private equity investments* and *Other assets* held for capital appreciation or current income purposes which Nomura generally has an intention to exit rather than hold indefinitely. Nomura elects the fair value option to more appropriately represent the purpose of these investments in these consolidated financial statements.

Loans reported within *Loans and receivables* which are risk managed on a fair value basis and loan commitments related to loans receivable for which the fair value option will be elected upon funding. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between loans and the derivatives used to risk manage those instruments.

Reverse repurchase and repurchase agreements reported within *Collateralized agreements* and *Collateralized financing* which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between the reverse repurchase and repurchase agreements and the derivatives used to risk manage those instruments.

All structured notes issued on or after April 1, 2008 reported within *Short-term borrowings* and *Long-term borrowings*. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions. Nomura also elects the fair value option for certain notes issued by consolidated VIEs for the same purpose and for certain structured notes issued prior to April 1, 2008.

Financial liabilities reported within *Long-term borrowings* recognized in transactions which are accounted for as secured financing transactions under ASC 860. Nomura elects the fair value option for these financial liabilities to mitigate volatility through earnings that otherwise would arise had this election not been made. Even though Nomura usually has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheets and continue to be carried at fair value, with changes in fair value recognized through earnings.

Interest and dividends arising from financial instruments for which the fair value option has been elected are recognized within *Interest and dividends*, *Interest expense* or *Net gain on trading*.

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The following table presents gains (losses) due to changes in fair value for financial instruments measured at fair value using the fair value option for the six and three months ended September 30, 2013 and 2014.

	Billions of yen Six months ended September 30	
	2013	2014
	Gains / (Losses)[1]	
Assets:		
Trading assets and private equity investments[2]		
Trading assets	¥ (0)	¥ (0)
Private equity investments	0	0
Loans and receivables	2	(5)
Collateralized agreements[3]	(1)	6
Other assets[2]	0	(6)
Total	¥ 1	¥ (5)
Liabilities:		
Short-term borrowings[4]	¥ (1)	¥ 5
Collateralized financing[3]	0	(0)
Long-term borrowings[4][5]	51	(40)
Other liabilities[6]	0	0
Total	¥ 50	¥ (35)

	Billions of yen Three months ended September 30	
	2013	2014
	Gains / (Losses)[1]	
Assets:		
Trading assets and private equity investments[2]		
Trading assets	¥ (0)	¥ 0
Private equity investments	0	0
Loans and receivables	3	(3)
Collateralized agreements[3]	(3)	4
Other assets[2]	(0)	(3)
Total	¥ (0)	¥ (2)
Liabilities:		
Short-term borrowings[4]	¥ (2)	¥ 4
Collateralized financing[3]	0	0
Long-term borrowings[4][5]	3	26
Other liabilities[6]	0	(0)
Total	¥ 1	¥ 30

(1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain (loss) on private equity investments* and *Revenue Other* in the consolidated statements of income.

(2)

Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.

(3) Includes reverse repurchase and repurchase agreements.

(4) Includes structured notes and other financial liabilities.

(5) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.

(6) Includes loan commitments.

Nomura currently carries its investment in the common stock of Ashikaga Holdings Co., Ltd. at fair value through election of the fair value option. Nomura held 37.1% as of September 30, 2014. This investment was reported within *Other assets Other* as of September 30, 2014 in the consolidated balance sheets.

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Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques at a rate which incorporates observable changes in its credit spread.

Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥3 billion for the six months ended September 30, 2013, mainly due to the changes of Nomura s credit spread. Losses from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥2 billion for the six months ended September 30, 2014, mainly because of the tightening of Nomura s credit spread.

Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥0 billion for the three months ended September 30, 2013, mainly due to the widening of Nomura s credit spread. Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥7 billion for the three months ended September 30, 2014, mainly because of the widening of Nomura s credit spread.

There was no significant impact on financial assets for which the fair value option was elected attributable to instrument-specific credit risk.

As of March 31, 2014, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥17 billion more than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

As of September 30, 2014, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥6 billion more than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

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Concentrations of credit risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura has credit risk concentrations on bonds issued by the Japanese Government, U.S. Government, Governments within the European Union (EU), their states and municipalities, and their agencies. These concentrations generally arise from taking trading positions and are reported within *Trading assets* in the consolidated balance sheets. Government, agency and municipal securities, including *Securities pledged as collateral*, represented 20% of total assets as of March 31, 2014 and 22% as of September 30, 2014.

The following tables present geographic allocations of Nomura s trading assets related to government, agency and municipal securities. See Note 3 *Derivative instruments and hedging activities* for further information regarding the concentration of credit risk for derivatives.

	Billions of yen March 31, 2014				
	Japan	**U.S.**	**EU**	**Other**	**Total**[(1)]
Government, agency and municipal securities	¥ 2,779	¥ 1,666	¥ 3,968	¥ 385	¥ 8,798

	Billions of yen September 30, 2014				
	Japan	**U.S.**	**EU**	**Other**	**Total**[(1)]
Government, agency and municipal securities	¥ 3,409	¥ 2,152	¥ 3,773	¥ 508	¥ 9,842

(1) Other than above, there were ¥756 billion and ¥681 billion of government, agency and municipal securities in *Other assets Non-trading debt securities* as of March 31, 2014 and September 30, 2014, respectively. The vast majority of these securities are Japanese government, agency and municipal securities.

Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheets since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortized cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within *Cash and cash equivalents, Time deposits, Deposits with stock exchanges and other segregated cash, Receivables from customers, Receivables from other than customers, Securities purchased under agreements to resell* and *Securities borrowed* and financial liabilities reported within *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned* and *Other secured borrowings* in the consolidated balance sheets. These would be generally classified in either Level 1 or Level 2 within the fair value hierarchy.

The estimated fair values of other financial instruments which are longer-term in nature or may contain more than minimal credit risk may be different to their carrying value. Financial assets of this type primarily include certain loans which are reported within *Loans receivable* while financial liabilities primarily include long-term borrowings which are reported within *Long-term borrowings*. The estimated fair value of loans receivable which are not elected for the fair value option is estimated in the same way as other loans carried at fair value on a recurring basis. Where quoted market prices are available, such market prices are utilized to estimate fair value. The fair value of long-term borrowings which are not elected for the fair value option is estimated in the same way as other borrowings carried at fair value on a recurring basis using quoted market prices where available or by DCF valuation techniques. All of these financial assets and financial liabilities would be generally classified in Level 2 or Level 3 within the fair value hierarchy using the same methodology as is applied to these instruments when they are elected for the fair value option.

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The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instrument of which a portion of the ending balance was carried at fair value as of March 31, 2014 and September 30, 2014.

	Billions of yen March 31, 2014[1]				
			Fair value by level		
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 1,490	¥ 1,490	¥ 1,490	¥	¥
Time deposits	364	364		364	
Deposits with stock exchanges and other segregated cash	336	336		336	
Loans receivable[2]	1,327	1,326		1,068	258
Securities purchased under agreements to resell	9,618	9,618		9,618	
Securities borrowed	7,729	7,729		7,729	
Total Assets	¥ 20,864	¥ 20,863	¥ 1,490	¥ 19,115	¥ 258
Liabilities:					
Short-term borrowings	¥ 602	¥ 602	¥	¥ 599	¥ 3
Deposits received at banks	1,114	1,114		1,114	0
Securities sold under agreements to repurchase	13,938	13,938		13,938	0
Securities loaned	2,360	2,360		2,360	
Long-term borrowings	8,227	8,202	134	7,674	394
Total Liabilities	¥ 26,241	¥ 26,216	¥ 134	¥ 25,685	¥ 397

	Billions of yen September 30, 2014[1]				
			Fair value by level		
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 1,440	¥ 1,440	¥ 1,440	¥	¥
Time deposits	225	225		225	
Deposits with stock exchanges and other segregated cash	405	405		405	
Loans receivable[2]	1,357	1,358		1,120	238
Securities purchased under agreements to resell	8,300	8,300		8,300	
Securities borrowed	8,081	8,081		8,081	
Total Assets	¥ 19,808	¥ 19,809	¥ 1,440	¥ 18,131	¥ 238
Liabilities:					
Short-term borrowings	¥ 609	¥ 609	¥	¥ 607	¥ 2
Deposits received at banks	1,056	1,056		1,056	0
Securities sold under agreements to repurchase	13,878	13,878		13,873	5
Securities loaned	2,630	2,630		2,630	
Long-term borrowings	8,412	8,390	113	7,838	439
Total Liabilities	¥ 26,585	¥ 26,563	¥ 113	¥ 26,004	¥ 446

(1) Includes financial instruments which are carried at fair value on a recurring basis.
(2) Carrying values are shown after deducting relevant allowances for loan losses.

Assets and liabilities measured at fair value on a nonrecurring basis

In addition to financial instruments carried at fair value on a recurring basis, Nomura also measures other financial and non-financial assets and liabilities 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.

As of March 31, 2014, goodwill allocated to a certain reporting unit was measured at fair value on a nonrecurring basis. The relevant goodwill, which is reported within *Other assets Other* in the consolidated balance sheets, was written down to its estimated fair value of ¥3 billion as a result of this impairment. Fair value was determined using a DCF valuation technique and consequently, this nonrecurring fair value measurement was determined using valuation inputs which would be classified in Level 3 of the fair value hierarchy.

As of September 30, 2014, goodwill allocated to a certain reporting unit was measured at fair value on a nonrecurring basis. The relevant goodwill, which is reported within *Other assets Other* in the consolidated balance sheets, was wholly impaired. Fair value was determined using a DCF valuation technique and consequently, this nonrecurring fair value measurement was determined using valuation inputs which would be classified in Level 3 of the fair value hierarchy.

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3. Derivative instruments and hedging activities:

Nomura uses a variety of derivative financial instruments, including futures, forwards, options and swaps, for both trading and non-trading purposes.

Derivatives used for trading purposes

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet client needs, for trading purposes, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura s trading activities are client oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging clients specific financial needs and investors demands in the securities markets. Nomura also actively trades securities and various derivatives to assist its clients in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide clients with securities and other capital markets products at competitive prices.

Futures and forward contracts are commitments to either purchase or sell securities, foreign currency or other capital market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are executed through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency exposures. Entering into swap agreements may involve the risk of credit losses in the event of counterparty default.

To the extent these derivative financial instruments are economically hedging financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments.

Derivatives used for non-trading purposes

Nomura s principal objectives in using derivatives for non-trading purposes are to manage interest rate risk, to modify the interest rate characteristics of certain financial liabilities, to manage net investment exposure to fluctuations in foreign exchange rates arising from certain foreign operations and to mitigate equity price risk arising from certain stock-based compensation awards given to employees.

Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

Nomura designates derivative financial instruments as fair value hedges of interest rate risk arising from specific financial liabilities. These derivatives are effective in reducing the risk associated with the exposure being hedged and they are highly correlated with changes in the fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Changes in fair value of the hedging derivatives are reported together with those of the hedged liabilities through the consolidated statements of income within *Interest expense*.

Derivative financial instruments designated as hedges of the net investment in foreign operations relate to specific subsidiaries with non-Japanese yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates and is reported through NHI shareholders equity within *Accumulated other comprehensive income (loss)*. Changes in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate are excluded from the measure of hedge effectiveness and are reported in the consolidated statements of income within *Revenue Other*.

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Concentrations of credit risk for derivatives

The following tables present Nomura s significant concentration of exposures to credit risk in OTC derivatives with financial institutions including transactions cleared through central counterparties. The gross fair value of derivative assets represents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

	Billions of yen March 31, 2014			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 20,355	¥ (18,481)	¥ (936)	¥ 938

	Billions of yen September 30, 2014			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 25,615	¥ (23,476)	¥ (1,246)	¥ 893

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Derivative activities

The following tables quantify the volume of Nomura s derivative activity through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

	Billions of yen March 31, 2014			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional(1)	Fair value(1)
Derivatives used for trading and non-trading purposes(2)(3):				
Equity contracts	¥ 15,761	¥ 1,922	¥ 14,911	¥ 2,254
Interest rate contracts	1,132,306	19,459	1,098,406	19,249
Credit contracts	38,136	1,314	40,310	1,623
Foreign exchange contracts	108,595	3,312	113,915	2,938
Commodity contracts	46	0	37	0
Total	¥ 1,294,844	¥ 26,007	¥ 1,267,579	¥ 26,064
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 2,143	¥ 62	¥ 296	¥ 2
Foreign exchange contracts	109	0	116	2
Total	¥ 2,252	¥ 62	¥ 412	¥ 4
Total derivatives	¥ 1,297,096	¥ 26,069	¥ 1,267,991	¥ 26,068

	Billions of yen September 30, 2014			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional(1)	Fair value(1)
Derivatives used for trading and non-trading purposes(2)(3):				
Equity contracts	¥ 16,947	¥ 2,049	¥ 18,282	¥ 2,168
Interest rate contracts	1,306,641	24,068	1,297,946	23,862
Credit contracts	37,565	1,109	37,206	1,452
Foreign exchange contracts	128,653	4,860	127,017	4,436
Commodity contracts	38	0	31	0
Total	¥ 1,489,844	¥ 32,086	¥ 1,480,482	¥ 31,918
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 1,919	¥ 63	¥ 241	¥ 1
Foreign exchange contracts	46	1	202	5
Total	¥ 1,965	¥ 64	¥ 443	¥ 6
Total derivatives	¥ 1,491,809	¥ 32,150	¥ 1,480,925	¥ 31,924

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.

(2) 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 prepayment rates.

Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

(3) As of March 31, 2014 and September 30, 2014, the amounts reported include derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. These amounts have not been separately presented since such amounts were not significant.

Changes in fair value are recognized either through earnings or other comprehensive income depending on the purpose for which the derivatives are used.

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Offsetting of derivatives

Counterparty credit risk associated with derivative financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce the risk of loss, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. In certain cases, Nomura may agree for such collateral to be posted to a third-party custodian under a control agreement that enables Nomura to take control of such collateral in the event of counterparty default. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, OTC derivative transactions are typically documented under industry standard master netting agreements which reduce Nomura s credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain OTC centrally-cleared and exchange-traded derivatives, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing party or exchange. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparties and in certain jurisdictions, Nomura may enter into derivative transactions which are not documented under a master netting agreement. Similarly, even when derivatives are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include derivative transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, exchanges and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

Derivative assets and liabilities with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 *Balance Sheet Offsetting* (ASC 210-20) and ASC 815 are met. These criteria include requirements around the legal enforceability of such close-out and offset rights under the master netting agreement. In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively where certain additional criteria are met.

The following table presents information about offsetting of derivatives and related collateral amounts in the consolidated balance sheets by type of derivative contract, together with the extent to which master netting agreements entered into with counterparties, central clearing counterparties or exchanges permit additional offsetting of derivatives and collateral in the event of counterparty default. Derivative transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

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	Billions of yen March 31, 2014		Billions of yen September 30, 2014	
	Derivative assets	Derivative liabilities(1)	Derivative assets	Derivative liabilities(1)
Equity contracts				
OTC settled bilaterally	¥ 1,162	¥ 1,418	¥ 1,261	¥ 1,401
OTC centrally-cleared				
Exchange-traded	760	836	788	767
Interest rate contracts				
OTC settled bilaterally	10,485	10,281	11,313	11,096
OTC centrally-cleared	9,025	8,961	12,797	12,758
Exchange-traded	11	9	21	9
Credit contracts				
OTC settled bilaterally	1,180	1,491	972	1,321
OTC centrally-cleared	130	128	132	127
Exchange-traded	4	4	5	4
Foreign exchange contracts				
OTC settled bilaterally	3,296	2,923	4,846	4,426
OTC centrally-cleared	12	13	11	11
Exchange-traded	4	4	4	4
Commodity contracts				
OTC settled bilaterally	0	0	0	0
OTC centrally-cleared				
Exchange-traded	0	0	0	0
Total gross derivative balances(2)	¥ 26,069	¥ 26,068	¥ 32,150	¥ 31,924
Less: Amounts offset in the consolidated balance sheets(3)	(23,764)	(24,030)	(30,054)	(30,155)
Total net amounts reported on the face of the consolidated balance sheets(4)	¥ 2,305	¥ 2,038	¥ 2,096	¥ 1,769
Less: Additional amounts not offset in the consolidated balance sheets(5)				
Financial instruments and non-cash collateral	(168)	(44)	(183)	(20)
Cash collateral(6)	(0)	(0)		(0)
Net amount	¥ 2,137	¥ 1,994	¥ 1,913	¥ 1,749

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.

(2) Includes all gross derivative asset and liability balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. As of March 31, 2014, the gross balance of derivative assets and derivative liabilities which are not documented under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥744 billion and ¥808 billion, respectively. As of September 30, 2014, the gross balance of such derivative assets and derivative liabilities was ¥1,016 billion and ¥1,082 billion, respectively.

(3) Represents amounts offset through counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 815. As of March 31, 2014, Nomura offset a total of ¥1,283 billion of cash collateral receivables against net derivative liabilities and ¥1,017 billion of cash collateral payables against net derivative assets. As of September 30, 2014, Nomura offset a total of ¥1,464 billion of cash collateral receivables against net derivative liabilities and ¥1,363 billion of cash collateral payables against net derivative assets.

(4) Net derivative assets and net derivative liabilities are generally reported within *Trading assets and private equity investments Trading assets* and *Trading liabilities*, respectively in the consolidated balance sheet. Bifurcated embedded derivatives are reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.

(5) Represents amounts which are not permitted to be offset on the face of the consolidated balance sheets in accordance with ASC 210-20 and ASC 815 but which provide Nomura with a legally enforceable right of offset in the event of counterparty default. Amounts relating to derivative and collateral agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

(6) As of March 31, 2014, a total of ¥203 billion of cash collateral receivables and ¥643 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives. As of September 30, 2014, a total of ¥131 billion of cash collateral receivables and ¥583 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives.

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Derivatives used for trading purposes

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value recognized through the consolidated statements of income within *Revenue Net gain on trading*.

The following tables present amounts included in the consolidated statements of income related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen Six months ended September 30	
	2013	**2014**
Derivatives used for trading and non-trading purposes[1][2]:		
Equity contracts	¥ 18	¥ (160)
Interest rate contracts	35	(58)
Credit contracts	(37)	(9)
Foreign exchange contracts	(119)	(57)
Commodity contracts	1	0
Total	¥ (102)	¥ (284)

	Billions of yen Three months ended September 30	
	2013	**2014**
Derivatives used for trading and non-trading purposes[1][2]:		
Equity contracts	¥ (46)	¥ (129)
Interest rate contracts	(76)	14
Credit contracts	(38)	10
Foreign exchange contracts	40	(66)
Commodity contracts	(0)	0
Total	¥ (120)	¥ (171)

(1) 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 prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

(2) Includes net gains (losses) on derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. For the six and three months ended September 30, 2013 and 2014, these amounts have not been separately presented as net gains (losses) for these non-trading derivatives were not significant.

Fair value hedges

Nomura issues Japanese yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to a floating rate and applies fair value hedge accounting to these instruments. Derivative financial instruments designated as fair value hedges are carried at fair value. Changes in fair value of the hedging derivatives are recognized together with those of the hedged liabilities in the consolidated statements of income within *Interest expense*.

The following tables present amounts included in the consolidated statements of income related to derivatives designated as fair value hedges by type of underlying derivative contract and the nature of the hedged item.

	Billions of yen Six months ended September 30	
	2013	2014
Derivatives designated as hedging instruments:		
Interest rate contracts	¥ (5)	¥ 13
Total	¥ (5)	¥ 13
Hedged items:		
Long-term borrowings	¥ 5	¥ (13)
Total	¥ 5	¥ (13)

	Billions of yen Three months ended September 30	
	2013	2014
Derivatives designated as hedging instruments:		
Interest rate contracts	¥ 7	¥ 3
Total	¥ 7	¥ 3
Hedged items:		
Long-term borrowings	¥ (7)	¥ (3)
Total	¥ (7)	¥ (3)

Net investment hedges

Nomura designates foreign currency forwards and foreign currency denominated long-term debt as hedges of certain subsidiaries with significant foreign exchange risks and applies hedge accounting to these instruments. Accordingly, the effective hedging portion of the foreign exchange gains (losses) arising from the derivative contracts and non-derivative financial products designated as hedges is recognized through the consolidated statements of comprehensive income within *Other comprehensive income (loss) Change in cumulative translation adjustments, net of tax*. This is offset by the foreign exchange adjustments arising from consolidation of the relevant foreign subsidiaries.

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The following tables present gains (losses) from derivatives and non-derivatives designated as net investment hedges included in the consolidated statements of comprehensive income.

	Billions of yen Six months ended September 30 2013	2014
Hedging instruments:		
Foreign exchange contracts	¥ (1)	¥ 1
Total	¥ (1)	¥ 1

	Billions of yen Three months ended September 30 2013	2014
Hedging instruments:		
Foreign exchange contracts	¥ (2)	¥ 6
Total	¥ (2)	¥ 6

(1) The portion of the gains (losses) representing the amount of hedge ineffectiveness and the amount excluded from the assessment of hedge effectiveness are recognized within *Revenue Other* in the consolidated statements of income. The amount of gains (losses) was not significant during the six months ended September 30, 2013 and 2014. The amount of gains (losses) was not significant during the three months ended September 30, 2013 and 2014.

Derivatives containing credit risk related contingent features

Nomura enters into certain OTC derivatives and other agreements containing credit risk related contingent features. These features would require Nomura to post additional collateral or settle the instrument upon occurrence of a credit event, the most common of which would be a downgrade in the Company s long-term credit rating.

The aggregate fair value of all derivative instruments with credit risk related contingent features that were in a liability position as of March 31, 2014, was ¥973 billion with related collateral pledged of ¥747 billion. In the event of a one-notch downgrade to Nomura s long-term credit rating in effect as of March 31, 2014, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥102 billion.

The aggregate fair value of all derivative instruments with credit risk related contingent features that were in a liability position as of September 30, 2014, was ¥957 billion with related collateral pledged of ¥829 billion. In the event of a one-notch downgrade to Nomura s long-term credit rating in effect as of September 30, 2014, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥64 billion.

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Credit derivatives

Credit derivatives are derivative instruments in which one or more of their underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities that expose the seller of credit protection to potential loss from credit risk related events specified in the contract.

Written credit derivatives are instruments or embedded features where Nomura assumes third party credit risk, either as guarantor in a guarantee-type contract, or as the party that provides credit protection in an option-type contract, credit default swap, or any other credit derivative contract.

Nomura enters into credit derivatives as part of its normal trading activities as both purchaser and seller of protection for credit risk mitigation, proprietary trading positions and for client transactions.

The most significant type of credit derivatives used by Nomura are single-name credit default swaps where settlement of the derivative is based on the credit risk of a single third party. Nomura also writes credit derivatives linked to the performance of credit default indices and issues other credit risk related portfolio products.

Nomura would have to perform under a credit derivative contract if a credit event as defined in the respective contract occurs. Typical credit events include bankruptcy, failure to pay and restructuring of obligations of the reference asset.

Credit derivative contracts written by Nomura are either cash or physically settled. In cash-settled instruments, once payment is made upon an event of a default, the contract usually terminates with no further payments due. Nomura generally has no right to assume the reference assets of the counterparty in exchange for payment, nor does Nomura usually have any direct recourse to the actual issuers of the reference assets to recover the amount paid. In physically settled contracts, upon a default event, Nomura takes delivery of the reference asset in return for payment of the full notional amount of the contract.

Nomura actively monitors and manages its credit derivative exposures. Where protection is sold, risks may be mitigated by purchasing credit protection from other third parties either on identical underlying reference assets or on underlying reference assets with the same issuer which would be expected to behave in a correlated fashion. The most common form of recourse provision to enable Nomura to recover from third parties any amounts paid under a written credit derivative is therefore not through the derivative itself but rather through the separate purchase of credit derivatives with identical or correlated underlyings.

Nomura quantifies the value of these purchased contracts in the following tables in the column titled Purchased Credit Protection. These amounts represent purchased credit protection with identical underlyings to the written credit derivative contracts which act as a hedge against Nomura s exposure. To the extent Nomura is required to pay out under the written credit derivative, a similar amount would generally become due to Nomura under the purchased hedge.

Credit derivatives have a stated notional amount which represents the maximum payment Nomura may be required to make under the contract. However, this is generally not a true representation of the amount Nomura will actually pay as in addition to purchased credit protection, other risk mitigating factors reduce the likelihood and amount of any payment, including:

The probability of default: Nomura values credit derivatives taking into account the probability that the underlying reference asset will default and that Nomura will be required to make payments under the contract. Based on historical experience and Nomura s assessment of the market, Nomura believes that the probability that all reference assets on which Nomura provides protection will default in a single period is remote. The disclosed notional amount, therefore, significantly overstates Nomura s realistic exposure on these contracts.

The recovery value on the underlying asset: In the case of a default, Nomura s liability on a contract is limited to the difference between the notional amount and the recovery value of the underlying reference asset. While the recovery value on a defaulted asset may be minimal, this does reduce amounts paid on these contracts.

Nomura holds assets as collateral in relation to written credit derivatives. However, these amounts do not enable Nomura to recover any amounts paid under the credit derivative but rather mitigate the risk of economic loss arising from a counterparty defaulting against amounts due to Nomura under the contract. Collateral requirements are determined on a counterparty level rather than individual contract, and also generally cover all types of derivative contracts rather than just credit derivatives.

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The following tables present information about Nomura s written credit derivatives and purchased credit protection with identical underlyings as of March 31, 2014 and September 30, 2014.

	Billions of yen March 31, 2014							
			Maximum potential payout/Notional					Notional
			Years to maturity					Purchased
	Carrying value (Asset) / Liability[1]	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		credit protection
Single-name credit default swaps	¥ (235)	¥ 21,070	¥ 4,167	¥ 8,306	¥ 6,610	¥ 1,987		¥ 18,689
Credit default indices	(32)	9,082	1,215	3,552	3,582	733		7,704
Other credit risk related portfolio products	123	1,574	523	398	201	452		1,097
Credit risk related options and swaptions	(1)	676			504	172		548
Total	¥ (145)	¥ 32,402	¥ 5,905	¥ 12,256	¥ 10,897	¥ 3,344		¥ 28,038

	Billions of yen September 30, 2014							
			Maximum potential payout/Notional					Notional
			Years to maturity					Purchased
	Carrying value (Asset) / Liability[1]	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		credit protection
Single-name credit default swaps	¥ (196)	¥ 21,039	¥ 4,214	¥ 8,480	¥ 6,589	¥ 1,756		¥ 18,785
Credit default indices	(36)	8,964	1,771	3,110	3,574	509		8,078
Other credit risk related portfolio products	(9)	1,008	532	225	236	15		622
Credit risk related options and swaptions	1	725			725			519
Total	¥ (240)	¥ 31,736	¥ 6,517	¥ 11,815	¥ 11,124	¥ 2,280		¥ 28,004

(1) Carrying value amounts are shown on a gross basis prior to cash collateral or counterparty netting. Asset balances represent positive fair value amounts caused by tightening of credit spreads of underlyings since inception of the credit derivative contracts.

The following tables present information about Nomura s written credit derivatives by external credit rating of the underlying asset. Ratings are based on Standard & Poor s Financial Services LLC (S&P), or if not rated by S&P, based on Moody s Investors Service, Inc. If ratings from either of these agencies are not available, the ratings are based on Fitch Ratings Ltd. or Japan Credit Rating Agency, Ltd. For credit default indices, the rating is determined by taking the weighted average of the external credit ratings given for each of the underlying reference entities comprising the portfolio or index.

	Billions of yen March 31, 2014						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other[1]	Total
Single-name credit default swaps	¥ 2,125	¥ 1,331	¥ 5,232	¥ 7,362	¥ 3,231	¥ 1,789	¥ 21,070
Credit default indices	86	23	4,445	2,884	1,341	303	9,082
Other credit risk related portfolio products	22		1		4	1,547	1,574
Credit risk related options and swaptions			387	195	94		676
Total	¥ 2,233	¥ 1,354	¥ 10,065	¥ 10,441	¥ 4,670	¥ 3,639	¥ 32,402

	Billions of yen						
	September 30, 2014						
	Maximum potential payout/Notional						
	AAA	**AA**	**A**	**BBB**	**BB**	**Other**[1]	**Total**
Single-name credit default swaps	¥ 2,231	¥ 1,536	¥ 4,986	¥ 7,474	¥ 2,951	¥ 1,861	¥ 21,039
Credit default indices	82	25	4,347	2,999	1,256	255	8,964
Other credit risk related portfolio products	35		9	820	27	117	1,008
Credit risk related options and swaptions			585	55	85		725
Total	¥ 2,348	¥ 1,561	¥ 9,927	¥ 11,348	¥ 4,319	¥ 2,233	¥ 31,736

(1) Other includes credit derivatives where the credit rating of the underlying reference asset is below investment grade or where a rating is unavailable.

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4. Collateralized transactions:

Nomura enters into collateralized transactions, including reverse repurchase agreements, repurchase agreements, securities borrowing transactions, securities lending transactions, and other secured borrowings mainly to meet clients needs, finance trading inventory positions and obtain securities for settlements. These transactions are typically documented under industry standard master netting agreements which reduce Nomura s credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain centrally-cleared reverse repurchase and repurchase agreements, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing counterparty. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparty and in certain jurisdictions, Nomura may enter into reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions which are not documented under a master netting agreement. Similarly, even when these transactions are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that the close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, agent banks and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

In all of these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In most cases, Nomura is permitted to use the securities received to enter into repurchase agreements, enter into securities lending transactions or to cover short positions with counterparties. In repurchase and reverse repurchase agreements, the value of collateral typically exceeds the amount of cash transferred. Collateral is generally in the form of securities. Securities borrowing transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities lending transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities either received from or provided to the counterparty. Additional cash or securities are exchanged as necessary, to ensure that such transactions are adequately collateralized throughout the life of the transactions.

Reverse repurchase agreements and repurchase agreements, securities borrowing and lending transactions with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

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The following tables present information about offsetting of these transactions in the consolidated balance sheets, together with the extent to which master netting agreements entered into with counterparties and central clearing parties permit additional offsetting in the event of counterparty default. Transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	Billions of yen March 31, 2014			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance[1]	¥ 20,244	¥ 7,729	¥ 24,564	¥ 2,602
Less: Amounts offset in the consolidated balance sheets[2]	(10,626)	(5)	(10,626)	(5)
Total net amounts of reported on the face of the consolidated balance sheets[3]	¥ 9,618	¥ 7,724	¥ 13,938	¥ 2,597
Less: Additional amounts not offset in the consolidated balance sheets[4]				
Financial instruments and non-cash collateral	(7,930)	(5,725)	(9,867)	(2,235)
Cash collateral	(0)		(0)	
Net amount	¥ 1,688	¥ 1,999	¥ 4,071	¥ 362

	Billions of yen September 30, 2014			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance[1]	¥ 25,319	¥ 8,161	¥ 30,897	¥ 2,895
Less: Amounts offset in the consolidated balance sheets[2]	(17,019)	(98)	(17,019)	(98)
Total net amounts of reported on the face of the consolidated balance sheets[3]	¥ 8,300	¥ 8,063	¥ 13,878	¥ 2,797
Less: Additional amounts not offset in the consolidated balance sheets[4]				
Financial instruments and non-cash collateral	(6,716)	(6,196)	(11,840)	(2,565)
Cash collateral	(0)			
Net amount	¥ 1,584	¥ 1,867	¥ 2,038	¥ 232

(1) Includes all recognized balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. Amounts include transactions carried at fair value through election of the fair value option and amounts carried at amortized cost. As of March 31, 2014, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,278 billion and ¥3,918 billion, respectively. As of March 31, 2014, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,751 billion and ¥137 billion, respectively. As of September 30, 2014, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented

under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,354 billion and ¥1,856 billion, respectively. As of September 30, 2014, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,812 billion and ¥128 billion, respectively.

(2) Represents amounts offset through counterparty netting under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 210-20. Amounts offset include transactions carried at fair value through election of the fair value option and amounts carried at amortized cost.

(3) Reverse repurchase agreements and securities borrowing transactions are reported within *Collateralized agreements Securities purchased under agreements to resell* and *Collateralized agreements Securities borrowed* in the consolidated balance sheets, respectively. Repurchase agreements and securities lending transactions are reported within *Collateralized financing Securities sold under agreements to repurchase* and *Collateralized financing Securities loaned* in the consolidated balance sheets, respectively. Amounts reported under securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets.

(4) Represents amounts which are not permitted to be offset on the face of the balance sheet in accordance with ASC 210-20 but which provide Nomura with the right of offset in the event of counterparty default. Amounts relating to agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

The fair value of securities received as collateral, securities borrowed with collateral and securities borrowed without collateral which Nomura is permitted to sell or repledge and the portion that has been sold or repledged are as follows.

	Billions of yen	
	March 31, 2014	September 30, 2014
The fair value of securities received as collateral, securities borrowed as collateral and securities borrowed without collateral where Nomura is permitted by contract or custom to sell or repledge the securities	¥ 35,530	¥ 44,108
The portion of the above that has been sold (reported within *Trading liabilities* in the consolidated balance sheets) or repledged	28,959	37,689

Nomura pledges firm-owned securities to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party, including Gensaki Repo transactions, are reported in parentheses as *Securities pledged as collateral* within *Trading assets* in the consolidated balance sheets. Assets owned, which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them, are summarized in the tables below.

	Millions of yen	
	March 31, 2014	September 30, 2014
Trading assets:		
Equities and convertible securities	¥ 174,753	¥ 105,175
Government and government agency securities	991,430	1,011,454
Bank and corporate debt securities	150,183	211,059
Commercial mortgage-backed securities (CMBS)	35,671	27,211
Residential mortgage-backed securities (RMBS)	1,141,726	969,507
Collateralized debt obligations (CDO) and other[1]	82,237	90,687
Investment trust funds and other	18,503	60,836
Total	¥ 2,594,503	¥ 2,475,929
Deposits with stock exchanges and other segregated cash	¥ 4,630	¥
Non-trading debt securities	¥ 42,087	¥ 43,634
Investments in and advances to affiliated companies	¥ 28,642	¥ 29,726

(1) Includes CLO and ABS (such as on credit card loans, auto loans and student loans).

Assets subject to lien, except for those disclosed above, are as follows:

	Millions of yen	
	March 31, 2014	September 30, 2014
Loans and receivables	¥ 141	¥ 337
Trading assets	1,293,036	1,591,116
Office buildings, land, equipment and facilities	5,236	5,397
Non-trading debt securities	370,239	328,929
Other	78	
Total	¥ 1,668,730	¥ 1,925,779

Assets in the above table were primarily pledged for secured borrowings, including other secured borrowings, collateralized borrowings of consolidated VIEs and trading balances of secured borrowings, and derivative transactions.

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5. Non-trading securities:

The following tables present information regarding the cost and/or amortized cost, gross unrealized gains and losses and fair value of non-trading securities held by Nomura s insurance subsidiary as of March 31, 2014 and September 30, 2014.

	Millions of yen March 31, 2014			
	Cost and/or amortized cost	Unrealized gains and losses Gross unrealized gains	Gross unrealized losses	Fair value
Government, agency and municipal securities[1]	¥ 138,973	¥ 842	¥ 86	¥ 139,729
Other debt securities[2]	129,311	6,851	91	136,071
Equity securities	38,157	14,508	43	52,622
Total	¥ 306,441	¥ 22,201	¥ 220	¥ 328,422

	Millions of yen September 30, 2014			
	Cost and/or amortized cost	Unrealized gains and losses Gross unrealized gains	Gross unrealized losses	Fair value
Government, agency and municipal securities[1]	¥ 112,688	¥ 2,375	¥ 30	¥ 115,033
Other debt securities[2]	154,367	12,140	153	166,354
Equity securities	39,244	17,382	21	56,605
Total	¥ 306,299	¥ 31,897	¥ 204	¥ 337,992

(1) Primarily Japanese government, agency and municipal securities.
(2) Primarily corporate debt securities.

For the six months ended September 30, 2013, non-trading securities of ¥98,421 million were disposed of resulting in ¥1,822 million of realized gains and ¥42 million of realized losses. Total proceeds received from these disposals were ¥100,201 million. For the six months ended September 30, 2014, non-trading securities of ¥42,320 million were disposed of resulting in ¥463 million of realized gains and ¥13 million of realized losses. Total proceeds received from these disposals were ¥42,770 million.

For the three months ended September 30, 2013, non-trading securities of ¥57,259 million were disposed of resulting in ¥247 million of realized gains and ¥33 million of realized losses. Total proceeds received from these disposals were ¥57,473 million. For the three months ended September 30, 2014, non-trading securities of ¥27,652 million were disposed of resulting in ¥364 million of realized gains and ¥11 million of realized losses. Total proceeds received from these disposals were ¥28,005 million.

Related gains and losses were computed using the average method. For the six months ended September 30, 2014, there were no transfers of non-trading securities to trading assets.

The following table presents the fair value of residual contractual maturity of non-trading debt securities as of September 30, 2014. Actual maturities may differ from contractual maturities as certain securities contain features that allow redemption of the securities prior to their contractual maturity.

	Millions of yen September 30, 2014				
		Years to maturity			
	Total	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Non-trading debt securities	¥ 281,387	¥ 36,950	¥ 127,172	¥ 83,325	¥ 33,940

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The following tables present the fair value and gross unrealized losses of non-trading securities aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2014 and September 30, 2014.

	Millions of yen March 31, 2014					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥ 54,007	¥ 82	¥ 2,294	¥ 4	¥ 56,301	¥ 86
Other debt securities	8,106	91			8,106	91
Equity securities	498	43			498	43
Total	¥ 62,611	¥ 216	¥ 2,294	¥ 4	¥ 64,905	¥ 220

	Millions of yen September 30, 2014					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥ 21,553	¥ 30	¥ 0	¥ 0	¥ 21,553	¥ 30
Other debt securities	11,748	153			11,748	153
Equity securities	1,504	21			1,504	21
Total	¥ 34,805	¥ 204	¥ 0	¥ 0	¥ 34,805	¥ 204

As of March 31, 2014, the total number of non-trading securities in unrealized loss positions was approximately 60. As of September 30, 2014, the total number of non-trading securities in unrealized loss positions was approximately 20.

Where the fair value of non-trading securities held by the insurance subsidiary has declined below amortized cost, these are assessed to determine whether the decline in fair value is other-than-temporary in nature. Nomura considers quantitative and qualitative factors including the length of time and extent to which fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer and Nomura s intent and ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value. If an other-than-temporary impairment loss exists, for equity securities, the security is written down to fair value, with the entire difference between fair value and amortized cost recognized within *Revenue Other* in the consolidated statements of income. For debt securities, an other-than-temporary impairment loss is also recognized within *Revenue Other* in the consolidated statements of income if Nomura intends to sell the debt security or it is more-likely-than-not that Nomura will be required to sell the debt security before recovery of amortized cost. If Nomura does not expect to sell or be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss is recognized through earnings and any non-credit loss component recognized within *Other comprehensive income (loss)*.

For the six and three months ended September 30, 2013, other-than-temporary impairment losses recognized for the certain non-trading equity securities were ¥47 million and ¥39 million, respectively. The amount of credit loss component of other-than-temporary impairment losses recognized for the certain non-trading debt securities were ¥25 million and ¥23 million, respectively. Other-than-temporary impairment losses related to the non-credit loss component recognized for the certain non-trading debt securities and the subsequent changes in the fair value within *Other comprehensive income (loss)* were ¥(61) million and ¥(60) million.

For the six and three months ended September 30, 2014, other-than-temporary impairment losses recognized for the certain non-trading equity securities were ¥15 million and ¥12 million. There were no credit loss component of other-than-temporary impairment losses recognized for the certain non-trading debt securities. Other-than-temporary impairment losses related to the non-credit loss component recognized for the certain non-trading debt securities within *Other comprehensive income (loss)* were ¥0 million and ¥(2) million.

Other gross unrealized losses of non-trading securities were considered temporary.

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6. Securitizations and Variable Interest Entities:

Securitizations

Nomura utilizes special purpose entities (SPEs) to securitize commercial and residential mortgage loans, government agency and corporate securities and other types of financial assets. Those SPEs are incorporated as stock companies, Tokumei kumiai (silent partnerships), Cayman special purpose companies (SPCs) or trust accounts. Nomura s involvement with SPEs includes structuring SPEs, underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura accounts for the transfer of financial assets in accordance with ASC 860. This statement requires that Nomura accounts for the transfer of financial assets as a sale when Nomura relinquishes control over the assets. ASC 860 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests, and (c) the transferor has not maintained effective control over the transferred assets. Nomura may retain an interest in the financial assets, including residual interests in the SPEs. Any such interests are accounted for at fair value and reported within *Trading assets* in Nomura s consolidated balance sheets, with the change in fair value reported within *Revenue Net gain on trading*. Fair value for retained interests in securitized financial assets is determined by using observable prices; or in cases where observable prices are not available for certain retained interests, Nomura estimates fair value based on the present value of expected future cash flows using its best estimates of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. Nomura may also enter into derivative transactions in relation to the assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the six and three months ended September 30, 2013, Nomura received cash proceeds from SPEs in new securitizations of ¥202 billion and ¥73 billion, respectively, and there was no associated profit on sale. For the six and three months ended September 30, 2014, Nomura received cash proceeds from SPEs in new securitizations of ¥163 billion and ¥71 billion, respectively, and there was no associated profit on sale. For the six and three months ended September 30, 2013, Nomura received debt securities issued by these SPEs with an initial fair value of ¥817 billion and ¥372 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥496 billion and ¥205 billion, respectively. For the six and three months ended September 30, 2014, Nomura received debt securities issued by these SPEs with an initial fair value of ¥479 billion and ¥263 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥291 billion and ¥164 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥5,035 billion and ¥5,460 billion as of March 31, 2014 and September 30, 2014, respectively. Nomura s retained interests were ¥215 billion and ¥181 billion, as of March 31, 2014 and September 30, 2014, respectively. For the six months and three months ended September 30, 2013, Nomura received cash flows of ¥29 billion and ¥10 billion, respectively, from the SPEs on the retained interests held in the SPEs. For the six and three months ended September 30, 2014, Nomura received cash flows of ¥11 billion and ¥5 billion, respectively, from the SPEs on the retained interests held in the SPEs.

Nomura had outstanding collateral service agreements or written credit default swap agreements in the amount of ¥4 billion and ¥2 billion as of March 31, 2014 and September 30, 2014, respectively. Nomura does not provide financial support to SPEs beyond its contractual obligations.

The following tables present the fair value of retained interests which Nomura has continuing involvement in SPEs and their classification in the fair value hierarchy, categorized by the type of transferred assets.

	Billions of yen March 31, 2014					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥	¥ 195	¥	¥ 195	¥ 195	¥
Bank and corporate debt securities			0	0		0
Mortgage and mortgage-backed securities		19	1	20	1	19
Total	¥	¥ 214	¥ 1	¥ 215	¥ 196	¥ 19

	Billions of yen September 30, 2014					
	Level 1	Level 2	Level 3	Total		Other

					Investment grade	
Government, agency and municipal securities	¥	¥ 173	¥	¥ 173	¥ 173	¥
Bank and corporate debt securities			0	0		0
Mortgage and mortgage-backed securities		7	1	8	1	7
Total	¥	¥ 180	¥ 1	¥ 181	¥ 174	¥ 7

The following table presents the key economic assumptions used to determine the fair value of the retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions.

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	Billions of yen, except percentages Material retained interests held[1]	
	March 31, 2014	September 30, 2014
Fair value of retained interests[1]	¥ 201	¥ 165
Weighted-average life (Years)	7.5	6.8
Constant prepayment rate	6.2%	7.7%
Impact of 10% adverse change	(2.3)	(2.1)
Impact of 20% adverse change	(4.0)	(3.9)
Discount rate	5.3%	3.5%
Impact of 10% adverse change	(1.5)	(0.9)
Impact of 20% adverse change	(2.6)	(1.7)

(1) The sensitivity analysis covers the material retained interests held of ¥201 billion out of ¥215 billion as of March 31, 2014 and ¥165 billion out of ¥181 billion as of September 30, 2014.
Nomura considers the amount and the probability of anticipated credit loss from the retained interests which Nomura continuously holds would be minimal.

Changes in fair value based on 10% or 20% adverse changes generally cannot be extrapolated since the relationship of the change in assumption to the change in fair value may not be linear. The impact of a change in a particular assumption is calculated holding all other assumptions constant. For this reason, concurrent changes in assumptions may magnify or counteract the sensitivities disclosed above. The sensitivity analyses are hypothetical and do not reflect Nomura s risk management practices that may be undertaken under those stress scenarios.

The following table presents the type and carrying value of financial assets included within *Trading assets* which have been transferred to SPEs but which do not meet the criteria for derecognition under ASC 860. These transfers are accounted for as secured financing transactions and generally reported within *Long-term borrowings*. The assets are pledged as collateral of the associated liabilities and cannot be removed unilaterally by Nomura and the liabilities are non-recourse to Nomura.

	Billions of yen	
	March 31, 2014	September 30, 2014
Assets		
Trading assets		
Equities	¥ 99	¥ 89
Debt securities	64	57
Mortgage and mortgage-backed securities	23	25
Long-term loans receivable	7	7
Total	¥ 193	¥ 178
Liabilities		
Long-term borrowings	¥ 182	¥ 167

Variable Interest Entities

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities.

If Nomura has an interest in a VIE that provides Nomura with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses that could be significant to the VIE, Nomura is the primary beneficiary of the VIE and must consolidate the entity, provided that Nomura does not meet separate tests confirming that it is acting as a fiduciary for other interest holders. Nomura s consolidated VIEs include those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura s aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary

beneficiary.

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The power to make the most significant decisions may take a number of different forms in different types of VIEs. For transactions such as securitizations, investment funds, and CDOs, Nomura considers collateral management and servicing to represent the power to make the most significant decisions. Accordingly, Nomura does not consolidate such types of VIEs for which it does not act as collateral manager or servicer unless Nomura has the right to replace the collateral manager or servicer or to require liquidation of the entity.

For many transactions, such as re-securitizations of mortgage backed securities and other asset repackaged notes, there are no significant economic decisions made on an ongoing basis and no single investor has the unilateral ability to liquidate the trust. In these cases, Nomura focuses its analysis on decisions made prior to the closing of the initial transaction. If one or a number of investors share responsibility for the design of the transaction, Nomura does not consolidate the VIE. Nomura has sponsored numerous re-securitization and asset repackaged notes transactions and in many cases has determined that it is not the primary beneficiary on the basis that control over the most significant activities of these entities are shared with investors. In some cases, however, Nomura has consolidated such VIEs, in each case where it was determined that investors did not share in the responsibility for the design of the transactions, as evidenced by less than significant purchases of the resulting securities by investors upon initiation.

The following table presents the classification of consolidated VIEs assets and liabilities in these consolidated financial statements. 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.

	Billions of yen	
	March 31, 2014	**September 30, 2014**
Consolidated VIE assets		
Cash and cash equivalents	¥ 18	¥ 21
Trading assets		
Equities	289	391
Debt securities	393	432
Mortgage and mortgage-backed securities	66	71
Derivatives	2	2
Private equity investments	1	1
Securities purchased under agreements to resell	32	20
Office buildings, land, equipment and facilities	12	15
Other[(1)]	70	29
Total	¥ 883	¥ 982
Consolidated VIE liabilities		
Trading liabilities		
Debt securities	¥ 33	¥ 18
Derivatives	9	9
Securities sold under agreements to repurchase	23	13
Borrowings		
Long-term borrowings	424	640
Other	4	2
Total	¥ 493	¥ 682

(1) Includes aircraft purchase deposits of ¥5 billion as of March 31, 2014. There was no aircraft purchase deposit as of September 30, 2014, due to the completion of aircraft delivery. In relation to these aircraft purchase deposits, certain of these SPEs have commitments to purchase aircraft. See Note 15 *Commitments, contingencies and guarantees* for further information.

Nomura continuously reassesses its initial evaluation of whether it is the primary beneficiary of a VIE based on current facts and circumstances as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE s structure and activities, the power to make significant economic decisions held by Nomura and by other parties, and the variable interests owned by Nomura and other parties.

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura s variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.

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The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests. Maximum exposure to loss does not reflect Nomura s estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure. The risks associated with VIEs in which Nomura is involved are limited to the amount recorded in the consolidated balance sheets, the amount of commitments and financial guarantees and the notional amount of the derivative instruments. Nomura believes the notional amount of derivative instruments generally exceeds the amount of actual risk.

	Billions of yen March 31, 2014		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 67	¥	¥ 67
Debt securities	211		211
Mortgage and mortgage-backed securities	2,308		2,308
Investment trust funds and other	185		185
Derivatives	0		4
Private equity investments	25		25
Loans			
Short-term loans	11		11
Long-term loans	164		164
Other	4		4
Commitments to extend credit and other guarantees			49
Total	¥ 2,975	¥	¥ 3,028

	Billions of yen September 30, 2014		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 63	¥	¥ 63
Debt securities	251		251
Mortgage and mortgage-backed securities	2,212		2,212
Investment trust funds and other	500		500
Derivatives	0		2
Private equity investments	24		24
Loans			
Short-term loans	11		11
Long-term loans	253		253
Other	4		4
Commitments to extend credit and other guarantees			46
Total	¥ 3,318	¥	¥ 3,366

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7. Financing receivables:

In the normal course of business, Nomura extends financing to clients primarily in the form of loans and collateralized agreements such as reverse repurchase agreements and securities borrowing transactions. These financing receivables are recognized as assets on Nomura s consolidated balance sheets and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

Collateralized agreements

Collateralized agreements consist of reverse repurchase agreements disclosed as *Securities purchased under agreements to resell* and securities borrowing transactions disclosed as *Securities borrowed* in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Reverse repurchase agreements are generally recognized in the consolidated balance sheets at the amount for which the securities were originally acquired with applicable accrued interest. Securities borrowing transactions are generally recognized in the consolidated balance sheets at the amount of cash collateral advanced. No allowance for credit losses is generally recognized against these transactions due to the strict collateralization requirements.

Loans receivable

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and unsecured loans extended by licensed banking entities within Nomura such as The Nomura Trust & Banking Co., Ltd. and Nomura Bank International plc. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are loans provided to clients in connection with securities brokerage business. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value (LTV) ratio. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these loans is not significant as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients extended by non-licensed banking entities within Nomura. Corporate loans include loans secured by real estate or securities, as well as unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

In addition to the loans above, Nomura has advances to affiliated companies which are loans provided to related parties of Nomura. As these loans are generally not secured, Nomura is exposed to the risk of default of the counterparty.

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The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets by portfolio segment.

	Millions of yen March 31, 2014		
	Carried at amortized cost	Carried at fair value[1]	Total
Loans receivable			
Loans at banks	¥ 274,966	¥ 44	¥ 275,010
Short-term secured margin loans	421,809		421,809
Inter-bank money market loans	42,885		42,885
Corporate loans	284,259	303,912	588,171
Total loans receivable	¥ 1,023,919	¥ 303,956	¥ 1,327,875
Advances to affiliated companies	5,797		5,797
Total	¥ 1,029,716	¥ 303,956	¥ 1,333,672

	Millions of yen September 30, 2014		
	Carried at amortized cost	Carried at fair value[1]	Total
Loans receivable			
Loans at banks	¥ 287,436	¥ 1	¥ 287,437
Short-term secured margin loans	371,654		371,654
Inter-bank money market loans	30,941		30,941
Corporate loans	384,493	282,821	667,314
Total loans receivable	¥ 1,074,524	¥ 282,822	¥ 1,357,346
Advances to affiliated companies	3,137		3,137
Total	¥ 1,077,661	¥ 282,822	¥ 1,360,483

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option.

The amounts of significant purchases of corporate loans during the six and three months ended September 30, 2013, were ¥36,658 million and ¥11,030 million, respectively. During the same period, there were no significant sales of loans receivable and reclassifications of loans receivable to trading assets. The amount of significant purchases of corporate loans during the six months ended September 30, 2014, was ¥62,309 million. There were no significant purchases of loans receivable during the three months ended September 30, 2014. The amounts of significant sales of corporate loans during the six and three months ended September 30, 2014, were ¥8,636 million. During the same period, there were no significant reclassifications of loans receivable to trading assets.

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Allowance for loan losses

Management establishes an allowance for loan losses for loans carried at amortized cost which reflects management s best estimate of probable losses incurred. The allowance for loan losses which is reported in the consolidated balance sheets within *Allowance for doubtful accounts* comprises two components:

- A specific component for loans which have been individually evaluated for impairment; and
- A general component for loans which, while not individually evaluated for impairment, have been collectively evaluated for impairment based on historical loss experience

The specific component of the allowance for loan losses reflects probable losses incurred within loans which have been individually evaluated for impairment. A loan is defined as being impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include an assessment of the ability of borrowers to pay by considering various factors such as the nature of the loan, prior loan loss experience, current economic conditions, the current financial situation of the borrower and the fair value of any underlying collateral. Loans that experience insignificant payment delays or insignificant payment shortfalls are not classified as impaired. The impairment is measured on a loan by loan basis by adjusting the carrying value of the loan to either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s observable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance for loan losses is for loans not individually evaluated for impairment and includes judgment about collectability based on available information at the balance sheet date and the uncertainties inherent in those underlying assumptions. The allowance is based on historical loss experience adjusted for qualitative factors such as current economic conditions.

While management has based its estimate of the allowance for loan losses on the best information available, future adjustments to the allowance for loan losses may be necessary as a result of changes in the economic environment or variances between actual results and original assumptions.

Loans are charged-off when Nomura determines that the loans are uncollectible. This determination is based on factors such as the occurrence of significant changes in the borrower s financial position such that the borrower can no longer pay the obligation or that the proceeds from collateral will not be sufficient to pay the loans.

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The following tables present changes in the allowance for losses for the six and three months ended September 30, 2013 and 2014.

	Millions of yen Six months ended September 30, 2013							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 789	¥ 26	¥	¥ 95	¥ 29	¥ 939	¥ 1,319	¥ 2,258
Provision for losses	(90)	(7)		30	(28)	(95)	1,167	1,072
Charge-offs	(2)					(2)	(134)	(136)
Other[1]	(0)			0		(0)	11	11
Ending balance	¥ 697	¥ 19	¥	¥ 125	¥ 1	¥ 842	¥ 2,363	¥ 3,205

	Millions of yen Six months ended September 30, 2014							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 678	¥ 87	¥	¥ 82	¥ 1	¥ 848	¥ 2,161	¥ 3,009
Provision for losses	(139)	(35)		(13)	(0)	(187)	34	(153)
Charge-offs							(121)	(121)
Other[1]				0		0	19	19
Ending balance	¥ 539	¥ 52	¥	¥ 69	¥ 1	¥ 661	¥ 2,093	¥ 2,754

	Millions of yen Three months ended September 30, 2013							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 787	¥ 21	¥	¥ 121	¥ 29	¥ 958	¥ 2,487	¥ 3,445
Provision for losses	(90)	(2)		4	(28)	(116)	(110)	(226)
Charge-offs							(12)	(12)
Other[1]				0		0	(2)	(2)
Ending balance	¥ 697	¥ 19	¥	¥ 125	¥ 1	¥ 842	¥ 2,363	¥ 3,205

	Millions of yen Three months ended September 30, 2014							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 678	¥ 58	¥	¥ 69	¥ 1	¥ 806	¥ 2,050	¥ 2,856
Provision for losses	(139)	(6)		0	(0)	(145)	29	(116)

Charge-offs							(8)	(8)
Other[(1)]				0		0	22	22
Ending balance	¥ 539	¥ 52	¥	¥ 69	¥ 1	¥ 661	¥ 2,093	¥ 2,754

(1) Includes the effect of foreign exchange movements.

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The following tables present the allowance for loan losses and loans by impairment methodology and type of loans as of March 31, 2014 and September 30, 2014.

	Millions of yen March 31, 2014					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ 3	¥	¥	¥ 7	¥	¥ 10
Evaluated collectively	675	87		75	1	838
Total allowance for loan losses	¥ 678	¥ 87	¥	¥ 82	¥ 1	¥ 848
Loans by impairment methodology						
Evaluated individually	¥ 4,374	¥ 103,345	¥ 42,885	¥ 275,753	¥ 882	¥ 427,239
Evaluated collectively	270,592	318,464		8,506	4,915	602,477
Total loans	¥ 274,966	¥ 421,809	¥ 42,885	¥ 284,259	¥ 5,797	¥ 1,029,716

	Millions of yen September 30, 2014					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ 2	¥	¥	¥ 7	¥	¥ 9
Evaluated collectively	537	52		62	1	652
Total allowance for loan losses	¥ 539	¥ 52	¥	¥ 69	¥ 1	¥ 661
Loans by impairment methodology						
Evaluated individually	¥ 63	¥ 153,228	¥ 30,941	¥ 377,567	¥ 159	¥ 561,958
Evaluated collectively	287,373	218,426		6,926	2,978	515,703
Total loans	¥ 287,436	¥ 371,654	¥ 30,941	¥ 384,493	¥ 3,137	¥ 1,077,661

Nonaccrual and past due loans

Loans which are individually evaluated as impaired are assessed for nonaccrual status in accordance with Nomura s policy. When it is determined to suspend interest accrual as a result of an assessment, any accrued but unpaid interest is reversed. Loans are generally only returned to an accrual status if the loan is brought contractually current, i.e. all overdue principal and interest amounts are paid. In limited circumstances, a loan which has not been brought contractually current will also be returned to an accrual status if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time or there has been a sustained period of repayment performance by the borrower.

As of March 31, 2014, there were ¥6,022 million of loans which were on a nonaccrual status, primarily secured corporate loans. The amount of loans which were 90 days past due was not significant.

As of September 30, 2014, there were ¥6,330 million of loans which were on a nonaccrual status, primarily secured corporate loans. The amount of loans which were 90 days past due was not significant.

Once a loan is impaired and placed on a nonaccrual status, interest income is subsequently recognized using the cash basis method.

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Loan impairment and troubled debt restructurings

In the ordinary course of business, Nomura may choose to recognize impairment and also restructure a loan classified as held for investment either because of financial difficulties of the borrower, or simply as a result of market conditions or relationship reasons. A troubled debt restructuring (TDR) occurs when Nomura (as lender) for economic or legal reasons related to the borrower s financial difficulties grants a concession to the borrower that Nomura would not otherwise consider.

Any loan being restructured under a TDR will generally already be identified as impaired with an applicable allowance recognized in the allowance for loan losses. If not (for example if the loan is collectively assessed for impairment with other loans), the restructuring of the loan under a TDR will immediately result in the loan as being classified as impaired. An impairment loss for a loan restructuring under a TDR which only involves modification of the loan s terms (rather than receipt of assets in full or partial settlement) is calculated in the same way as any other impaired loan. Assets received in full or partial satisfaction of a loan in a TDR are recognized at fair value.

As of March 31, 2014, the amount of loans which were classified as impaired but against which no allowance for loan losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment, the total unpaid principal balance and the related allowance was not significant.

As of September 30, 2014, the amount of loans which were classified as impaired but against which no allowance for loan losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment, the total unpaid principal balance and the related allowance was not significant.

The amount of TDRs which occurred during the six and three months ended September 30, 2013 and 2014, was not significant.

Credit quality indicators

Nomura is exposed to credit risks deriving from a decline in the value of loans or a default caused by deterioration of creditworthiness or bankruptcy of the obligor. Nomura s risk management framework for such credit risks is based on a risk assessment through an internal rating process, in depth pre-financing credit analysis of each individual loan and continuous post-financing monitoring of obligor s creditworthiness.

The following tables present an analysis of each class of loans not carried at fair value using Nomura s internal ratings or equivalent credit quality indicators applied by subsidiaries as of March 31, 2014 and September 30, 2014.

	Millions of yen March 31, 2014				
	AAA-BBB	BB-CCC	CC-D	Others[1]	Total
Secured loans at banks	¥ 98,356	¥ 33,669	¥	¥ 34,740	¥ 166,765
Unsecured loans at banks	108,199		2		108,201
Short-term secured margin loans				421,809	421,809
Secured inter-bank money market loans	12,885				12,885
Unsecured inter-bank money market loans	30,000				30,000
Secured corporate loans	136,302	107,141	5,719	1,938	251,100
Unsecured corporate loans	3,395	26,902		2,862	33,159
Advances to affiliated companies	4,915	594		288	5,797
Total	¥ 394,052	¥ 168,306	¥ 5,721	¥ 461,637	¥ 1,029,716

	Millions of yen September 30, 2014				
	AAA-BBB	BB-CCC	CC-D	Others[1]	Total
Secured loans at banks	¥ 103,753	¥ 34,023	¥	¥ 35,370	¥ 173,146
Unsecured loans at banks	110,414	3,874	2		114,290
Short-term secured margin loans				371,654	371,654

Secured inter-bank money market loans	10,877				10,877
Unsecured inter-bank money market loans	20,064				20,064
Secured corporate loans	215,648	155,847	4,849	2,136	378,480
Unsecured corporate loans	3,181			2,832	6,013
Advances to affiliated companies	2,978	159			3,137
Total	¥ 466,915	¥ 193,903	¥ 4,851	¥ 411,992	¥ 1,077,661

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

Nomura reviews internal ratings at least once a year by using available credit information of obligors including financial statements and other information. Internal ratings are also reviewed more frequently for high-risk obligors or problematic exposures and any significant credit event of obligors will trigger an immediate credit review process.

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8. Leases:

Lessor

Nomura leases office buildings and aircraft in Japan and overseas. These leases are classified as operating leases and the related assets are stated at cost, net of accumulated depreciation, except for land, which is stated at cost in the consolidated balance sheets and reported within *Other assets Office buildings, land, equipment and facilities.*

The following table presents the types of assets which Nomura leases under operating leases:

	Millions of yen					
	March 31, 2014			September 30, 2014		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Real estate[1]	¥ 3,447	¥ (1,334)	¥ 2,113	¥ 3,448	¥ (1,388)	¥ 2,060
Aircraft	8,269	(954)	7,315	15,917	(1,234)	14,683
Total	¥ 11,716	¥ (2,288)	¥ 9,428	¥ 19,365	¥ (2,622)	¥ 16,743

(1) The amounts of cost, accumulated depreciation and net carrying amount are including those for the portion utilized by Nomura.
Nomura recognized rental income of ¥999 million and ¥805 million for the six and three months ended September 30, 2013, respectively, And ¥558 million and ¥167 million for the six and three months ended September 30, 2014, respectively. These are included in the consolidated statements of income within *Revenue Other.*

The future minimum lease payments to be received on non-cancellable operating leases as of September 30, 2014 were ¥14,871 million and these future minimum payments to be received are scheduled as below:

	Millions of yen						
		Years of receipt					
	Total	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Future minimum lease payments to be received	¥14,871	¥1,811	¥1,784	¥1,614	¥1,438	¥1,117	¥7,107

Lessee

Nomura leases its office space, certain employees residential facilities and other facilities in Japan and overseas primarily under cancelable operating lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities under non-cancelable operating leases. Rental expenses, net of sublease rental income, for the six and three months ended September 30, 2013 were ¥23,576 million and ¥11,642 million, respectively, and for the six and three months ended September 30, 2014 were ¥23,434 million and ¥11,603 million, respectively.

The following table presents future minimum lease payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of September 30, 2014:

	Millions of yen September 30, 2014
Total future minimum lease payments	¥ 159,714
Less: Sublease rental income	(8,114)

Net future minimum lease payments	¥	151,600

The future minimum lease payments above are scheduled as below as of September 30, 2014:

	Millions of yen						
		Years of payment					
	Total	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Future minimum lease payments	¥159,714	¥18,024	¥15,863	¥14,060	¥12,808	¥11,806	¥87,153

Nomura leases certain equipment and facilities in Japan and overseas under capital lease agreements. If the lease is classified as a capital lease, Nomura recognizes it at the lower of the fair value or present value of minimum lease payments, which is reported within *Other assets Office buildings, land, equipment and facilities* in the consolidated balance sheets. The amount of capital lease assets as of March 31, 2014 and September 30, 2014 were ¥33,294 million and ¥34,443 million, respectively, and accumulated depreciations on such capital lease assets as of March 31, 2014 and September 30, 2014 were ¥4,579 million and ¥5,400 million, respectively.

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The following table presents future minimum lease payments under capital leases as of September 30, 2014:

	Millions of yen September 30, 2014
Total future minimum lease payments	¥ 67,193
Less: Amount representing interest	(36,306)
Present value of net future minimum lease payments	¥ 30,887

The future minimum lease payments above are scheduled as below as of September 30, 2014:

	Millions of yen						
		Years of payment					
	Total	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Future minimum lease payments	¥ 67,193	¥ 1,795	¥ 4,429	¥ 4,417	¥ 4,239	¥ 4,276	¥ 48,037

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utilities and tax increases.

9. Other assets Other / Other liabilities:

The following table sets forth *Other assets Other* and *Other liabilities* in the consolidated balance sheets by type.

	Millions of yen	
	March 31, 2014	September 30, 2014
Other assets Other:		
Securities received as collateral	¥ 236,808	¥ 167,908
Goodwill and other intangible assets(1)	115,143	116,754
Deferred tax assets	22,018	25,997
Investments in equity securities for other than operating purposes	133,742	128,269
Other	276,463	298,142
Total	¥ 784,174	¥ 737,070
Other liabilities:		
Obligation to return securities received as collateral	¥ 236,808	¥ 167,908
Accrued income taxes	31,630	33,577
Other accrued expenses and provisions	396,677	351,374
Other(2)	476,635	528,019
Total	¥ 1,141,750	¥ 1,080,878

(1) For the year ended March 31, 2014 and three months ended September 30, 2014, Nomura recognized impairment losses on goodwill of ¥2,840 million and ¥3,188 million respectively, within *Other* in Nomura s segment information. These are due to declines in the fair values of a reporting unit caused by decreases in expected cash flows arising from the changes in the economic environment. These impairment losses were recorded within *Non-interest expenses Other* in the consolidated statements of income. The fair values were determined using

DCF valuation techniques.

(2) Includes the liabilities relating to the investment contracts which were underwritten by the insurance subsidiary. The amounts of carrying values were ¥270,950 million and ¥274,991 million and estimated fair values were ¥263,746 million and ¥267,100 million, as of March 31, 2014 and as of September 30, 2014, respectively. Fair value is estimated by discounting future cash flows and using valuation inputs which would be generally classified in Level 3 of the fair value hierarchy.

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10. Earnings per share:

A reconciliation of the amounts and the numbers used in the calculation of net income attributable to NHI shareholders per share (basic and diluted) is as follows:

	Millions of yen except per share data presented in yen Six months ended September 30	
	2013	2014
Basic		
Net income attributable to NHI shareholders	¥ 104,006	¥ 72,732
Weighted average number of shares outstanding	3,705,694,494	3,660,114,608
Net income attributable to NHI shareholders per share	¥ 28.07	¥ 19.87
Diluted		
Net income attributable to NHI shareholders	¥ 103,983	¥ 72,714
Weighted average number of shares outstanding	3,822,691,418	3,759,340,816
Net income attributable to NHI shareholders per share	¥ 27.20	¥ 19.34

	Millions of yen except per share data presented in yen Three months ended September 30	
	2013	2014
Basic		
Net income attributable to NHI shareholders	¥ 38,112	¥ 52,872
Weighted average number of shares outstanding	3,704,475,301	3,638,479,123
Net income attributable to NHI shareholders per share	¥ 10.29	¥ 14.53
Diluted		
Net income attributable to NHI shareholders	¥ 38,107	¥ 52,861
Weighted average number of shares outstanding	3,813,266,130	3,736,423,754
Net income attributable to NHI shareholders per share	¥ 9.99	¥ 14.15

Net income attributable to NHI shareholders is adjusted to reflect the decline in Nomura s equity share of earnings of subsidiaries and affiliates for the six and three months ended September 30, 2013 and 2014, arising from options to purchase common shares issued by subsidiaries and affiliates.

The weighted average number of shares used in the calculation of diluted EPS reflects the increase in potential issuance of common shares arising from stock-based compensation plans issued by the Company, which would have minimal impact on EPS for the six and three months ended September 30, 2013 and 2014.

Antidilutive stock options to purchase 6,270,500 common shares and 2,374,500 common shares were not included in the computation of diluted EPS for the six and three months ended September 30, 2013, respectively. Antidilutive stock options to purchase 8,941,100 common shares were not included in the computation of diluted EPS for the six and three months ended September 30, 2014, respectively.

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11. Employee benefit plans:

Nomura provides various pension plans and other post-employment benefits which cover certain employees worldwide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society.

Net periodic benefit cost

The net periodic benefit cost of the defined benefit plans includes the following components.

Japanese entities plans

	Millions of yen Six months ended September 30	
	2013	2014
Service cost	¥ 4,237	¥ 3,882
Interest cost	1,721	1,545
Expected return on plan assets	(2,486)	(2,866)
Amortization of net actuarial losses	1,336	1,063
Amortization of prior service cost	(574)	(573)
Net periodic benefit cost	¥ 4,234	¥ 3,051

	Millions of yen Three months ended September 30	
	2013	2014
Service cost	¥ 2,070	¥ 1,945
Interest cost	861	772
Expected return on plan assets	(1,243)	(1,433)
Amortization of net actuarial losses	668	589
Amortization of prior service cost	(287)	(285)
Net periodic benefit cost	¥ 2,069	¥ 1,588

Nomura also recognized net periodic benefit cost of plans other than Japanese entities plans, which are not significant.

12. Restructuring initiatives:

During the second quarter of the year ended March 31, 2013, Nomura undertook a further restructuring initiative focusing on its Wholesale Division to revise business models and increase business efficiencies. This restructuring initiative was largely completed during the year ended March 31, 2014 and therefore the amount of further restructuring cost to be incurred going forward is not expected to be material.

As a result of this restructuring initiative, Nomura recognized a cumulative total of ¥18,238 million of the restructuring costs as of September 30, 2014. These restructuring costs were primarily reported within *Non-interest expenses Compensation and benefits* in the consolidated statements of income. Nomura didn t recognize the restructuring costs in the consolidated statements of income during the six months ended September 30, 2014. Outstanding liabilities relating to these restructuring costs including currency translation adjustments were ¥3,760 million as of March 31, 2014 and ¥2,668 million as of September 30, 2014. For the six months ended September 30, 2014, ¥1,198 million of these liabilities was settled.

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13. Income taxes:

Our effective statutory tax rates were 38% for the six and three months ended September 30, 2013 and 36% for the six and three months ended September 30, 2014, respectively. Due to the revisions of domestic tax laws during the third quarter ended December 31, 2011 and the fourth quarter ended March 31, 2014, our effective statutory tax rates are 38% for the fiscal years beginning between April 1, 2012 and March 31, 2014, and 36% thereafter.

For the six months ended September 30, 2013, the difference between the effective statutory tax rate of 38% and the effective tax rate of 43.8% was mainly due to non-deductible expenses, different tax rates and changes in effective statutory tax rates applicable to income (loss) of foreign subsidiaries, whereas non-taxable revenues and a decrease in valuation allowance of foreign subsidiaries reduced the effective tax rate.

For the three months ended September 30, 2013, the difference between the effective statutory tax rate of 38% and the effective tax rate of 47.4% was mainly due to non-deductible expenses, different tax rates and changes in effective statutory tax rates applicable to income (loss) of foreign subsidiaries, whereas non-taxable revenues and a decrease in valuation allowance of foreign subsidiaries reduced the effective tax rate.

For the six months ended September 30, 2014, the difference between the effective statutory tax rate of 36% and the effective tax rate of 40.8% was mainly due to non-deductible expenses, an increase in valuation allowance of foreign subsidiaries, whereas non-taxable revenue reduced the effective tax rate.

For the three months ended September 30, 2014, the difference between the effective statutory tax rate of 36% and the effective tax rate of 28.3% was mainly due to non-taxable revenue, different tax rates in effective statutory tax rates applicable to income (loss) of foreign subsidiaries, whereas non-deductible expenses increased the effective tax rate.

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14. Other comprehensive income (loss):

Changes in accumulated other comprehensive income (loss) are as follows.

	Millions of yen Six months ended September 30, 2013				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)[1]	Net change during the period	Balance at end of period
Cumulative translation adjustments	¥ (38,875)	¥ 26,987	¥ (85)	¥ 26,902	¥ (11,973)
Pension liability adjustment	(28,518)	807	495	1,302	(27,216)
Net unrealized gain on non-trading securities	9,998	1,507	(895)	612	10,610
Total	¥ (57,395)	¥ 29,301	¥ (485)	¥ 28,816	¥ (28,579)

(1) Reclassifications out of accumulated other comprehensive income (loss) are as follows.

	Millions of yen Six months ended September 30, 2013	
	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Net unrealized gain on non-trading securities:		
	¥ 1,708	Gain (loss) on investments in equity securities
	(502)	Income tax expense
	1,206	Net income
	(311)	Net income attributable to noncontrolling interests
	¥ 895	Net income attributable to NHI shareholders

Changes in accumulated other comprehensive income (loss) are as follows.

	Millions of yen Six months ended September 30, 2014				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)[1]	Net change during the period	Balance at end of period
Cumulative translation adjustments	¥ 27,704	¥ 44,427	¥ (49)	¥ 44,378	¥ 72,082
Pension liability adjustment	(18,809)	(157)	320	163	(18,646)
Net unrealized gain on non-trading securities	11,741	5,569	(213)	5,356	17,097

Total	¥ 20,636	¥ 49,839	¥ 58	¥ 49,897	¥ 70,533

(1) Reclassifications out of accumulated other comprehensive income (loss) are as follows.

	Millions of yen Six months ended September 30, 2014	
	Reclassifications out of accumulated other comprehensive income (loss)	**Affected line items in consolidated statements of income**
Net unrealized gain on non-trading securities:		
	¥ 435	Gain (loss) on investments in equity securities
	(149)	Income tax expense
	286	Net income
	(73)	Net income attributable to noncontrolling interests
	¥ 213	Net income attributable to NHI shareholders

See Note 5 Non-trading securities for further information.

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Changes in accumulated other comprehensive income (loss) are as follows.

	Millions of yen Three months ended September 30, 2013				
	Balance at beginning of period	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)(1)	Net change during the period	Balance at end of period
Cumulative translation adjustments	¥ (6,532)	¥ (5,407)	¥ (34)	¥ (5,441)	¥ (11,973)
Pension liability adjustment	(27,494)	31	247	278	(27,216)
Net unrealized gain on non-trading securities	8,216	2,460	(66)	2,394	10,610
Total	¥ (25,810)	¥ (2,916)	¥ 147	¥ (2,769)	¥ (28,579)

(1) Reclassifications out of accumulated other comprehensive income (loss) are as follows.

	Millions of yen Three months ended September 30, 2013	
	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Net unrealized gain on non-trading securities:		
	¥ 153	Gain (loss) on investments in equity securities
	(65)	Income tax expense
	88	Net income
	(22)	Net income attributable to noncontrolling interests
	¥ 66	Net income attributable to NHI shareholders

Changes in accumulated other comprehensive income (loss) are as follows.

	Millions of yen Three months ended September 30, 2014				
	Balance at beginning of period	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)(1)	Net change during the period	Balance at end of period
Cumulative translation adjustments	¥ 16,250	¥ 55,763	¥ 69	¥ 55,832	¥ 72,082
Pension liability adjustment	(18,591)	(251)	196	(55)	(18,646)
	13,890	3,375	(168)	3,207	17,097

Net unrealized gain on non-trading securities										
Total	¥	11,549	¥	58,887	¥	97	¥	58,984	¥	70,533

(1) Reclassifications out of accumulated other comprehensive income (loss) are as follows.

	Millions of yen Three months ended September 30, 2014	
	Reclassifications out of accumulated other comprehensive income (loss)	**Affected line items in consolidated statements of income**
Net unrealized gain on non-trading securities:		
	¥ 341	Gain (loss) on investments in equity securities
	(116)	Income tax expense
	225	Net income
	(57)	Net income attributable to noncontrolling interests
	¥ 168	Net income attributable to NHI shareholders

See Note 5 Non-trading securities for further information.

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15. Commitments, contingencies and guarantees:

Commitments

Credit and investment commitments

In connection with its banking and financing activities, Nomura provides commitments to extend credit which generally have fixed expiration dates. In connection with its investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite notes that may be issued by clients. The outstanding commitments under these agreements are included in below commitments to extend credit.

Nomura has commitments to invest in various partnerships and other entities, primarily in connection with its merchant banking activities, and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in below commitments to invest in partnerships.

Certain consolidated VIEs which are engaged in the aircraft leasing business have commitments to purchase aircraft. The outstanding commitments under these agreements are included in below commitments to purchase aircraft.

These commitments outstanding were as follows:

	Millions of yen	
	March 31, 2014	September 30, 2014
Commitments to extend credit	¥ 479,634	¥ 514,715
Commitments to invest in partnerships	18,460	24,864
Commitments to purchase aircraft	4,409	

As of September 30, 2014, these commitments had the following maturities:

	Millions of yen				
		Years to Maturity			
	Total contractual amount	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	¥ 514,715	¥ 82,500	¥ 64,065	¥ 173,498	¥ 194,652
Commitments to invest in partnerships	24,864	6,990	1,085		16,789
Commitments to purchase aircraft					

The contractual amounts of these commitments to extend credit represent the amounts at risk but only if the contracts are fully drawn upon, should the counterparties default, and assuming the value of any existing collateral becomes worthless. The total contractual amount of these commitments may not represent future credit exposure or cash requirements since the commitments may expire without being drawn upon. The credit risk associated with these commitments varies depending on the clients creditworthiness and the value of collateral held. Nomura evaluates each client s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Nomura upon extension of credit, is based on credit evaluation of the counterparty.

Contingencies

Investigations, lawsuits and other legal proceedings

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fines, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.

The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 Contingencies (ASC 450), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company s financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

For those significant actions and proceedings described below where the counterparty has alleged a specific amount of damages, the Company currently estimates that the reasonably possible loss for the matter would not exceed the amount specified in each case. For each of these matters, the specific amount alleged (which is the Company s current estimate of the maximum reasonably possible loss) is indicated in the description of the matter below. For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

In January 2008, Nomura International plc (NIP) was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 (the Tax Notice). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court s decisions in favor of the local tax authorities. The specified amount alleged is the Company s current estimate of the maximum reasonably possible loss from this matter.

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, the Fairfield Funds), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) (BLMIS). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the U.S. Bankruptcy Court, where it is presently pending. The second suit was brought by the Trustee for the liquidation of BLMIS (the Madoff Trustee). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the U.S. Bankruptcy Court. Both actions seek to recover approximately $35 million. The $35 million amount is the Company s current estimate of the maximum reasonably possible loss from this matter.

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In March 2011, PT Bank Mutiara Tbk. (Bank Mutiara) commenced proceedings in the Commercial Court of the Canton of Zurich against a special purpose entity (SPE) established at the request of NIP. These are proceedings to challenge the SPE s rights over approximately $156 million in an account held in Switzerland. The SPE, which is consolidated by NIP, has a security interest over the money pursuant to a loan facility with Telltop Holdings Limited, a third party company. Telltop Holdings Limited is currently in liquidation. The SPE does not believe that Bank Mutiara has any enforceable security interest over the funds and is seeking release of the monies. NIP was notified on October 2, 2014 that the court has found that the SPE alone is entitled to the funds. Bank Mutiara has appealed this decision. NIP will vigorously contest the appeal. Due to the uncertainties involved, the Company cannot currently estimate the maximum reasonably possible loss from this matter but believes it is significantly less than the amount referred to above, as supported by the court s conclusion.

In April 2011, the Federal Home Loan Bank of Boston (FHLB-Boston) commenced proceedings in the Superior Court of Massachusetts against numerous issuers, sponsors and underwriters of residential mortgage-backed securities (RMBS), and their controlling persons, including Nomura Asset Acceptance Corporation (NAAC), Nomura Credit & Capital, Inc. (NCCI), Nomura Securities International, Inc. (NSI) and Nomura Holding America Inc. (NHA). The action alleges that FHLB-Boston purchased RMBS issued by NAAC for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHLB-Boston seeks rescission of its purchases or compensatory damages pursuant to state law. FHLB-Boston alleges that it purchased certificates in four offerings issued by NAAC in the original principal amount of approximately $406 million. Due to the legal and factual uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In July 2011, the National Credit Union Administration Board (NCUA) commenced proceedings in the United States District Court for the Central District of California as liquidating agent of Western Corporate Federal Credit Union (WesCorp) against various issuers, sponsors and underwriters of RMBS purchased by WesCorp. The complaint alleges that WesCorp purchased RMBS issued by NAAC and Nomura Home Equity Loan Inc. (NHEL), among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that WesCorp purchased certificates in two offerings in the original principal amount of approximately $83 million and seeks rescission of its purchases or compensatory damages. The court has dismissed NCUA s claims against NHEL and NCUA has appealed to the Ninth Circuit and the appeal is pending. NCUA s claim against NAAC is proceeding. Due to the legal and factual uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In September 2011, the Federal Housing Finance Agency (FHFA), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (the GSEs), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of RMBS, and their controlling persons, including NAAC, NHEL, NCCI, NSI and NHA, (the Company s U.S. subsidiaries). The action alleges that the GSEs purchased RMBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleges that the GSEs purchased certificates in seven offerings in the original principal amount of approximately $2,046 million and seeks rescission of its purchases or compensatory damages. The court has denied the motion to dismiss filed by the Company s U.S. subsidiaries and the parties are involved in the discovery process. Due to certain legal uncertainties, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In October 2011, the NCUA commenced proceedings in the United States District Court for the District of Kansas as liquidating agent of U.S. Central Federal Credit Union (U.S. Central) against various issuers, sponsors and underwriters of RMBS purchased by U.S. Central, including NHEL. The complaint alleges that U.S. Central purchased RMBS issued by NHEL, among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that U.S. Central purchased a certificate in one offering in the original principal amount of approximately $50 million and seeks rescission of its purchase or compensatory damages. The court denied, in part, motions to dismiss filed by the defendants, and the Tenth Circuit Court of Appeals affirmed the trial court s holding; the Supreme Court vacated that decision and remanded the matter to the Tenth Circuit Court of Appeals for reconsideration in light of recent Supreme Court authority. Upon remand, the Tenth Circuit reinstated its decision and NHEL has filed a petition for writ of certiorari to the Supreme Court. Due to the legal uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In November 2011, NIP was served with a claim filed by the Madoff Trustee appointed for the liquidation of BLMIS in the United States Bankruptcy Court Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from the BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The amount that the Madoff Trustee is currently seeking to recover from NIP is approximately $21 million. The specified amount alleged is the Company s current estimate of the maximum reasonably possible loss from this matter.

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In August 2012, The Prudential Insurance Company of America and certain of its affiliates filed several complaints in the Superior Court of New Jersey against various issuers, sponsors and underwriters of RMBS, including an action against NHEL, NCCI and NSI. The action against these Nomura subsidiaries has been removed to federal court. The complaint alleges that the plaintiffs purchased over $183 million in RMBS from five different offerings. The plaintiffs allege that the offering materials contained fraudulent misrepresentations regarding the underwriting practices and quality of the loans underlying the securities. The plaintiffs allege causes of action for fraud, aiding and abetting fraud, negligent misrepresentation, and New Jersey Civil RICO, and seek to recover, among other things, compensatory and treble damages. NHEL, NCCI and NSI have filed a motion to dismiss the action which is pending before the court. Due to the lack of factual information at this early stage of the litigation and the legal uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In March 2013, Banca Monte dei Paschi di Siena SpA (MPS) issued a claim in the Italian Courts against two former directors of MPS and NIP. MPS alleges that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (the Transactions) and alleges that NIP is jointly liable for the unlawful conduct of MPS s former directors. MPS is claiming damages of not less than EUR700 million. In July 2013, a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena (FMPS). The grounds of the FMPS claim are similar to those on which the MPS claim is founded. The level of damages sought by FMPS is not specified. An investigation has also been commenced by the Public Prosecutor s office in Siena, Italy into various allegations against MPS and certain of its former directors, including in relation to the Transactions. Starting on April 15, 2013, the Public Prosecutor in Siena issued seizure orders in relation to the Transactions seeking to seize the Transactions and approximately EUR 1.9 billion of assets said to be held or receivable in various NIP and Nomura Bank International plc (NBI) accounts in, or managed through, Italy and alleging that the Transactions involved offenses under Italian law. To date, these seizure orders have not been validated by the Italian Courts. The Public Prosecutor lodged an appeal against the Italian Courts decisions, which was heard at the Supreme Court in Rome on March 25, 2014. The Supreme Court determined that the appeal should be denied in part, but that the case should be sent back to the lower court for further consideration in relation to one element of the case. At a hearing on September 17, 2014 where the seizure order was to be reconsidered, the Public Prosecutor s office withdrew its seizure order appeal. This means that the seizure order proceedings in Siena have now concluded with no seizure order in place against NIP or NBI. However, the investigation file has now been transferred to the Public Prosecutor s office in Milan which will continue the criminal investigation going forward. The extent or scope of that investigation is not currently clear. Additionally, NIP commenced a claim against MPS in the English Courts in March 2013. The claim is for declaratory relief confirming that the Transactions remain valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleges in its Counterclaim that NIP is liable to make restitution of a net amount of approximately EUR 1.5 billion, and seeks declarations regarding the illegality and invalidity of the Transactions. NIP filed and served its Reply and Defence to Counterclaim in June 2014 and continues to vigorously defend its position in each of the aforementioned proceedings. It is not possible for the Company to estimate the amount of reasonably possible loss in these proceedings. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the amount of any potential liability can be reasonably estimated for these claims. The Company cannot predict if, how, or when the claims will be resolved or what any eventual settlement, fine, penalty or other relief may be, particularly since the claims are at an early stage in their development and the claimants are seeking substantial damages.

On July 15, 2014, NIP received, with no advance notice, a seizure order dated July 7, 2014 from the Court in Palermo, Sicily (the Court) which has restricted receipt of a coupon payment of EUR 6.9 million that was due from the Region of Sicily (Sicily) to NIP in connection with certain interest rate derivatives transactions entered into in 2005 and 2006. On July 25, 2014, NIP also received, also with no advance notice, a seizure order dated July 23, 2014 from the Court which has placed restrictions on a further EUR 98.3 million of cash and other financial assets, said to be the alleged profit made by NIP in connection with certain transactions entered between 2001 and 2006. NIP successfully appealed the seizure order dated July 23, 2014, which has therefore been annulled by the Court in Palermo. The Public Prosecutor s office in Palermo has appealed the annulment. Both orders were limited to Nomura s Italian operations and therefore not expected to have an impact on Nomura s operation or activities outside of Italy.

NIP continues to investigate the position. The current transaction with Sicily remains in force. No civil proceedings have been served on NIP. Given the lack of information available at the present time, and that numerous legal and factual issues may need to be investigated, it is not possible for the Company to estimate the amount of reasonably possible loss in this matter.

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Nomura Securities Co., Ltd. (NSC) is the leading securities firm in Japan with approximately 5.21 million client accounts. Accordingly, with a significant number of client transactions, NSC is from time to time party to various Japanese civil litigation and other dispute resolution proceedings with clients relating to investment losses. These include an action commenced against NSC in April 2012 by a corporate client seeking ¥5,102 million in damages for losses on the pre-maturity cash out of 16 series of currency-linked structured notes purchased from NSC between 2003 and 2008, and an action commenced against NSC in April 2013 by a corporate client seeking ¥10,247 million in damages for losses on currency derivative transactions and the pre-maturity cash out or redemption of 11 series of equity-linked structured notes purchased from NSC between 2005 and 2011. Although the allegations of the clients involved in such actions include the allegation that NSC s explanation was insufficient at the time the contracts were entered into, NSC believes these allegations are without merit. The specified amounts alleged are the Company s current estimate of the maximum reasonably possible loss from these matters.

Subsequent Events

In October 2014, another action in relation to investment losses was commenced against NSC by a corporate client seeking ¥2,143 million in damages for losses on currency derivative transactions conducted between 2006 and 2012. Although the allegations of the client include the allegation that NSC s explanation was insufficient at the time the contracts were entered into, NSC believes these allegations are without merit. The specified amounts alleged are the Company s current estimate of the maximum reasonably possible loss from this matter.

The Company supports the position of its subsidiaries in each of these claims.

Other mortgage-related contingencies in the U.S.

Certain of the Company s subsidiaries in the U.S. securitized residential mortgage loans in the form of RMBS. These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators (the originators). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower s credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator s guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The Company s policy called for review of each claim received, and its subsidiaries have contested those claims believed to be without merit or have agreed to repurchase certain loans for those claims that the subsidiaries have determined to have merit. In several instances, following the rejection of repurchase demands, investors have instituted actions through the trustee alleging breach of contract. These breach of contract claims are at early stages and involve substantial legal uncertainty.

As at October 31, 2014, the total original principal amount of loans that are the subject of repurchase claims against the relevant subsidiaries is $3,203 million, including claims that are the subject of pending breach of contract actions. It should be noted, however, that the above amount does not include loans with a total original principal balance of $1,816 million that are the subject of repurchase claims rejected by the relevant subsidiaries as time-barred based on current law including a decision by the intermediate appellate court of New York State that claims alleging breach of representation must be brought within six years of the time the representation was made. The decision is currently being appealed by plaintiff, but the Company believes the decision will stand. Due to the many legal and factual uncertainties involved, the Company cannot provide an estimate of reasonably possible loss for repurchase claims that relevant subsidiaries have decided to reject.

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Guarantees

ASC 460 *Guarantees* specifies the disclosures to be made in regards to obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation at inception.

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

The following table presents information on Nomura s derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen			
	March 31, 2014		September 30, 2014	
	Carrying value	Maximum Potential Payout/ Notional Total	Carrying value	Maximum Potential Payout/ Notional Total
Derivative contracts[1][2]	¥ 5,155,198	¥ 195,466,506	¥ 5,954,567	¥ 255,694,644
Standby letters of credit and other guarantees[3]	276	11,509	279	11,783

(1) Credit derivatives are disclosed in Note 3. *Derivative instruments and hedging activities* and are excluded from derivative contracts.
(2) Derivative contracts primarily consist of equity, interest rate and foreign exchange contracts.
(3) Collateral held in connection with standby letters of credit and other guarantees as of March 31, 2014 is ¥6,487 million and as of September 30, 2014 is ¥6,898 million.

The following table presents maturity information on Nomura s derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees as of September 30, 2014.

	Millions of yen					
			Maximum Potential Payout/Notional			
			Years to Maturity			
	Carrying value	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Derivative contracts	¥ 5,954,567	¥ 255,694,644	¥ 98,585,363	¥ 70,409,375	¥ 24,316,831	¥ 62,383,075
Standby letters of credit and other guarantees	279	11,783	338	113	2,499	8,833

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16. Segment and geographic information:

Operating segments

Nomura s business operation and financial performance reports are prepared based on the Retail, the Asset Management and the Wholesale segments. Nomura structures its business segments based upon the nature of main products and services, its client base and its management structure.

The accounting policies for segment information materially follow U.S. GAAP, except for the impact of unrealized gains/losses on investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income (loss) before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in Other , based upon Nomura s allocation methodologies as used by management to assess each segment s performance.

Business segments results are shown in the following tables. Net interest revenue is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
Six months ended September 30, 2013					
Non-interest revenue	¥ 283,200	¥ 37,238	¥ 313,738	¥ 73,856	¥ 708,032
Net interest revenue	2,872	1,562	64,219	(1,175)	67,478
Net revenue	286,072	38,800	377,957	72,681	775,510
Non-interest expenses	165,011	25,937	327,435	83,176	601,559
Income (loss) before income taxes	¥ 121,061	¥ 12,863	¥ 50,522	¥ (10,495)	¥ 173,951
Six months ended September 30, 2014					
Non-interest revenue	¥ 222,691	¥ 43,219	¥ 299,636	¥ 127,647	¥ 693,193
Net interest revenue	2,112	1,810	79,820	(38,353)	45,389
Net revenue	224,803	45,029	379,456	89,294	738,582
Non-interest expenses	154,332	28,946	351,508	84,206	618,992
Income (loss) before income taxes	¥ 70,471	¥ 16,083	¥ 27,948	¥ 5,088	¥ 119,590

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
Three months ended September 30, 2013					
Non-interest revenue	¥ 118,322	¥ 18,485	¥ 162,103	¥ 26,341	¥ 325,251
Net interest revenue	1,408	141	21,245	3,308	26,102
Net revenue	119,730	18,626	183,348	29,649	351,353
Non-interest expenses	79,774	12,454	158,063	33,166	283,457

Income (loss) before income taxes	¥ 39,956	¥ 6,172	¥ 25,285	¥ (3,517)	¥ 67,896
Three months ended September 30, 2014					
Non-interest revenue	¥ 116,948	¥ 21,441	¥ 119,322	¥ 81,742	¥ 339,453
Net interest revenue	990	250	71,248	(40,700)	31,788
Net revenue	117,938	21,691	190,570	41,042	371,241
Non-interest expenses	79,075	13,882	168,363	38,508	299,828
Income (loss) before income taxes	¥ 38,863	¥ 7,809	¥ 22,207	¥ 2,534	¥ 71,413

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in the Other column.

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The following tables present the major components of income (loss) before income taxes in Other.

	Millions of yen Six months ended September 30			
	2013		2014	
Net gain related to economic hedging transactions	¥	5,706	¥	9,088
Realized gain on investments in equity securities held for operating purposes		688		3,145
Equity in earnings of affiliates		14,227		11,462
Corporate items		(21,045)		(11,482)
Other(1)		(10,071)		(7,125)
Total	¥	(10,495)	¥	5,088

	Millions of yen Three months ended September 30			
	2013		2014	
Net gain (loss) related to economic hedging transactions	¥	(1,667)	¥	2,169
Realized gain on investments in equity securities held for operating purposes		0		292
Equity in earnings of affiliates		8,884		7,963
Corporate items		(8,701)		(8,389)
Other(1)		(2,033)		499
Total	¥	(3,517)	¥	2,534

(1) Includes the impact of Nomura s own creditworthiness.

The tables below present reconciliations of the combined business segments results included in the preceding table to Nomura s reported *Net revenue, Non-interest expenses* and *Income before income taxes* in the consolidated statements of income.

	Millions of yen Six months ended September 30			
	2013		2014	
Net revenue	¥	775,510	¥	738,582
Unrealized gain on investments in equity securities held for operating purposes		12,201		6,089
Consolidated net revenue	¥	787,711	¥	744,671
Non-interest expenses	¥	601,559	¥	618,992
Unrealized gain on investments in equity securities held for operating purposes				
Consolidated non-interest expenses	¥	601,559	¥	618,992
Income before income taxes	¥	173,951	¥	119,590

Unrealized gain on investments in equity securities held for operating purposes		12,201		6,089
Consolidated income before income taxes	¥	186,152	¥	125,679

	Millions of yen			
	Three months ended September 30			
	2013		2014	
Net revenue	¥	351,353	¥	371,241
Unrealized gain on investments in equity securities held for operating purposes		5,037		2,592
Consolidated net revenue	¥	356,390	¥	373,833
Non-interest expenses	¥	283,457	¥	299,828
Unrealized gain on investments in equity securities held for operating purposes				
Consolidated non-interest expenses	¥	283,457	¥	299,828
Income before income taxes	¥	67,896	¥	71,413
Unrealized gain on investments in equity securities held for operating purposes		5,037		2,592
Consolidated income before income taxes	¥	72,933	¥	74,005

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Geographic information

Nomura s identifiable assets, revenues and expenses are generally allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding global nature of Nomura s activities and services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

The table below presents a geographic allocation of net revenue and income (loss) before income taxes from operations by geographic areas, and long-lived assets associated with Nomura s operations. Net revenue in Americas and Europe substantially represents Nomura s operations in the United States and the United Kingdom, respectively. Net revenue and long-lived assets have been allocated based on transactions with external customers while income (loss) before income taxes have been allocated based on the inclusion of intersegment transactions.

	Millions of yen Six months ended September 30			
		2013		**2014**
Net revenue[1]:				
Americas	¥	109,859	¥	117,394
Europe		127,252		97,145
Asia and Oceania		31,610		40,118
Subtotal		268,721		254,657
Japan		518,990		490,014
Consolidated	¥	787,711	¥	744,671
Income (loss) before income taxes:				
Americas	¥	(9,824)	¥	(697)
Europe		(24,050)		(20,853)
Asia and Oceania		1,490		8,157
Subtotal		(32,384)		(13,393)
Japan		218,536		139,072
Consolidated	¥	186,152	¥	125,679

	Millions of yen Three months ended September 30			
		2013		**2014**
Net revenue[1]:				
Americas	¥	54,626	¥	48,095
Europe		51,810		66,524
Asia and Oceania		14,765		21,527
Subtotal		121,201		136,146
Japan		235,189		237,687
Consolidated	¥	356,390	¥	373,833
Income (loss) before income taxes:				
Americas	¥	(1,328)	¥	(6,757)
Europe		(19,602)		2,027
Asia and Oceania		2,270		8,476

Subtotal		(18,660)		3,746
Japan		91,593		70,259
Consolidated	¥	72,933	¥	74,005

(1) There is no revenue derived from transactions with a single major external customer.

	Millions of yen			
	March 31, 2014		September 30, 2014	
Long-lived assets:				
Americas	¥	133,147	¥	138,883
Europe		93,111		90,214
Asia and Oceania		16,163		16,153
Subtotal		242,421		245,250
Japan		281,780		285,159
Consolidated	¥	524,201	¥	530,409

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17. Subsequent events:

The following event occurred between October 1, 2014 and the filing date (November 14, 2014) of this quarterly securities report.

On October 28, 2014, the Board of Directors of the Company approved a resolution to set up a share buyback program, pursuant to the Company s articles of incorporation set out in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 40,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥28 billion and (c) the share buyback program will run from November 13, 2014 to January 16, 2015.

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2. Other

On October 28, 2014, the Board of Directors resolved to pay the dividend based on the record date of September 30, 2014 to shareholders registered as of September 30, 2014.

a. Total dividend based on the record date of September 30, 2014	¥	21,848 million
b. Dividend based on the record date of September 30, 2014 per share	¥	6.0

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[Translation]

Quarterly Review Report of Independent Auditor

November 14, 2014

The Board of Directors

Nomura Holdings, Inc.

Ernst & Young ShinNihon LLC

Tadayuki Matsushige
Certified Public Accountant
Designated and Engagement Partner

Noboru Miura
Certified Public Accountant
Designated and Engagement Partner

Toyohiro Fukata
Certified Public Accountant
Designated and Engagement Partner

Hisashi Yuhara
Certified Public Accountant
Designated and Engagement Partner

We have performed a quarterly review of the quarterly consolidated financial statements of Nomura Holdings, Inc. (the Company) included in Financial Information section for the three-month and six-month periods ended September 30, 2014 within the fiscal period from April 1, 2014 to March 31, 2015, which comprise the quarterly consolidated balance sheet, the quarterly consolidated statements of income, comprehensive income, changes in equity and cash flows, and the related notes, pursuant to the requirement of the rule specified in Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

Management s Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (see Note 1 to the quarterly consolidated financial statements) pursuant to Article 95 of Regulations Concerning the Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements , and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor s Responsibility

Our responsibility is to independently express a conclusion on the quarterly consolidated financial statements based on our quarterly review. We conducted our quarterly review in accordance with quarterly review standards generally accepted in Japan.

A quarterly review of the quarterly consolidated financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, applying analytical and other quarterly review procedures. A quarterly review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Auditor s Conclusion

Based on our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. and its consolidated subsidiaries as of September 30, 2014, and the consolidated results of their operations for the three-month and six-month periods then ended and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in the United States of America (see Note 1 to the quarterly consolidated financial statements).

Conflicts of Interest

We have no interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

*1. Above is an electronic version of the original Quarterly Review Report of Independent Auditor and the Company maintains the original report.

*2. The quarterly consolidated financial statements referred to above do not include the data themselves provided via XBRL.

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(Note)

This is an English translation of the Japanese language Quarterly Review Report of Independent Auditor issued by Ernst & Young ShinNihon LLC in connection with the limited procedures applied on the quarterly consolidated financial statements of Nomura Holdings, Inc., prepared in Japanese, for the three-month and six-month periods ended September 30, 2014 within the fiscal period from April 1, 2014 to March 31, 2015. Ernst & Young ShinNihon LLC have not applied any such procedures nor have they performed an audit on the English language version of the quarterly consolidated financial statements for the above-mentioned period which are included in this report on Form 6-K.

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Exhibit 2

Confirmation Letter

1 [Appropriateness of Quarterly Securities Report]

Koji Nagai, Group Chief Executive Officer, and Shigesuke Kashiwagi, Chief Financial Officer, have confirmed that the quarterly securities report of Nomura Holdings, Inc. for the three months ended September 30, 2014 is appropriate under the Financial Instruments and Exchange Act.

2 [Special Comments]

There is no special comment to be stated.

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Exhibit 3

Capitalization and Indebtedness

The following table sets forth, on a U.S. GAAP basis, the consolidated capitalization and indebtedness of Nomura Holdings, Inc. (NHI) as of September 30, 2014. There has been no material change in NHI s capitalization and indebtedness since September 30, 2014.

	Millions of yen September 30, 2014
Short-term borrowings	¥ 609,481
Long-term borrowings	8,412,012
NHI shareholders equity:	
Common stock	
Authorized 6,000,000,000 shares as of September 30, 2014	
Issued 3,822,562,601 shares as of September 30, 2014	
Outstanding 3,640,236,853 shares as of September 30, 2014	594,493
Additional paid-in capital	683,112
Retained earnings	1,335,236
Accumulated other comprehensive income (loss)	70,533
Total NHI shareholders equity before treasury stock	2,683,374
Common stock held in treasury, at cost 182,325,748 shares as of September 30, 2014	(122,286)
Total NHI shareholders equity	2,561,088
Noncontrolling interests	54,130
Total equity	2,615,218
Total capitalization and indebtedness	¥ 11,636,711

NHI enters into various guarantee arrangements in the form of standby letters of credit and other guarantees with third parties. The amount of potential future payments under these guarantee contracts outstanding was ¥12,130 million as of September 30, 2014.

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Ratio of Earnings to Fixed Charges and Computation Thereof

The following table sets forth the ratio of earnings to fixed charges of NHI for the six months ended September 30, 2014, in accordance with U.S. GAAP.

		Millions of yen For the six months ended September 30, 2014
Earnings:		
Pre-tax income from continuing operations before adjustment for income or loss from equity investees	¥	114,083
Add: Fixed charges		168,303
Distributed income of equity investees		4,273
Earnings as defined	¥	286,659
Fixed charges	¥	168,303
Ratio of earnings to fixed charges[1]		1.7

(1) For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of pre-tax income before adjustment for income or loss from equity investees, plus (i) fixed charges and (ii) distributed income of equity investees. Fixed charges consist of interest expense. Fixed charges exclude premium and discount amortization as well as interest expense, which are included in Net gain (loss) on trading. Fixed charges also exclude interest within rent expense, which is insignificant.

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