

NOMURA HOLDINGS INC  
Form 20-F  
June 30, 2008  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 20-F**

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2008

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report

**Commission file number:1-15270**

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**Nomura Horudingusu Kabushiki Kaisha**

(Exact name of registrant as specified in its charter)

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**Nomura Holdings, Inc.**

(Translation of registrant's name into English)

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9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan  
(Jurisdiction of incorporation or organization)

Japan  
(Address of principal executive offices)

Shuji Muraki, 81-3-5255-1000, 81-3-3274-4496  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class

Name of Each Exchange On Which Registered

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Common Stock\*

New York Stock Exchange

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

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

None

(Title of Class)

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

None

(Title of Class)

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

As of March 31, 2008, 1,906,885,059 shares of Common Stock were outstanding, including 55,608,974 shares represented by 55,608,974 American Depositary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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

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

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

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

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisors**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**A. Selected Financial Data.**

The following selected financial data as of March 31, 2004, 2005, 2006, 2007 and 2008 and for the years ended March 31, 2004, 2005, 2006, 2007 and 2008 have been derived from our consolidated financial statements included in this annual report and the annual reports for the years ended March 31, 2004, 2005, 2006 and 2007. These financial statements were prepared in accordance with accounting principles generally accepted in the U.S.



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

	Year Ended March 31					
	2004	2005	2006	2007	2008	2008 <sup>(5)</sup>
(in millions, except per share data)						
<b>Income statement data:</b>						
Revenue	¥ 1,045,936	¥ 1,126,237	¥ 1,792,840	¥ 2,049,101	¥ 1,593,722	\$ 15,961
Interest expense	242,833	327,047	647,190	958,000	806,465	8,077
Net revenue	803,103	799,190	1,145,650	1,091,101	787,257	7,884
Non-interest expenses	520,427	594,355	700,050	769,343	851,845	8,531
Income (loss) from continuing operations before income taxes	282,676	204,835	445,600	321,758	(64,588)	(647)
Income tax expense	110,347	110,103	188,972	145,930	3,259	32
Income (loss) from continuing operations	172,329	94,732	256,628	175,828	(67,847)	(679)
Gain on discontinued operations <sup>(1)</sup>			47,700			
Net income (loss)	¥ 172,329	¥ 94,732	¥ 304,328	¥ 175,828	¥ (67,847)	\$ (679)
<b>Balance sheet data (period end):</b>						
Total assets	¥ 29,752,966	¥ 34,488,853	¥ 35,026,035	¥ 35,873,374	¥ 26,298,798	\$ 263,383
Shareholders' equity	1,785,688	1,868,429	2,063,327	2,185,919	1,988,124	19,911
Common stock	182,800	182,800	182,800	182,800	182,800	1,831
<b>Per share data:</b>						
Income (loss) from continuing operations basic	¥ 88.82	¥ 48.80	¥ 134.10	¥ 92.25	¥ (35.55)	\$ (0.36)
Net income (loss) basic	88.82	48.80	159.02	92.25	(35.55)	(0.36)
Income (loss) from continuing operations diluted	88.82	48.77	133.89	92.00	(35.57)	(0.36)
Net income (loss) diluted	88.82	48.77	158.78	92.00	(35.57)	(0.36)
Shareholders' equity <sup>(2)</sup>	919.67	962.48	1,083.19	1,146.23	1,042.60	10.44
Cash dividends <sup>(2)</sup>	15.00	20.00	48.00	44.00	34.00	0.34
Weighted average number of shares outstanding <sup>(3)</sup> (in thousands)	1,940,116	1,941,401	1,913,759	1,906,012	1,908,399	
<b>Return on equity<sup>(4)</sup>:</b>	10.1%	5.2%	15.5%	8.3%	(3.3)%	

## Notes:

- (1) In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, income from discontinued operations are separately reported.
- (2) Calculated using the number of shares outstanding at year end.
- (3) The number shown is used to calculate basic earnings per common share.
- (4) Calculation method: Net income (loss) divided by average Shareholders' equity.
- (5) Calculated using the yen-dollar exchange rate of \$1.00 = ¥99.85, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2008.



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Fluctuations in exchange rates between the Japanese yen and U.S. dollar will affect the U.S. dollar equivalent of the yen price of our shares and ADSs and the U.S. dollar amounts received on conversion of cash dividends. We have translated some Japanese yen amounts presented in this annual report into U.S. dollars solely for your convenience. The rate we used for the translations was ¥99.85 equal to \$1.00, which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2008. These translations do not imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

<b>Year ended March 31,</b>	<b>High</b>	<b>Low</b>	<b>Average*</b>	<b>Year end</b>
2004	120.55	104.18	112.75	104.18
2005	114.30	102.26	107.28	107.22
2006	120.93	104.41	113.67	117.48
2007	121.81	110.07	116.55	117.56
2008	124.09	96.88	113.61	99.85
<b>Calendar year 2008</b>	<b>High</b>	<b>Low</b>		
January	109.70	105.42		
February	108.15	104.19		
March	103.99	96.88		
April	104.56	100.87		
May	105.52	103.01		
June (through June 27)	108.29	104.41		

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

The noon buying rate for Japanese yen on June 27, 2008 was \$1.00 = ¥106.28.

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

**D. Risk Factors.**

**Risk Factors**

You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, our business, financial condition, results of operations or cashflow could be adversely affected. In that event, the trading prices of our shares could decline, and you may lose all or part of your investment. In addition to the risks listed below, risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

**Market fluctuations could harm our businesses**

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

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

### *Our brokerage and asset management revenues may decline*

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

### *Our investment banking revenues may decline*

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

### *We may incur significant losses from our trading and investment activities*

We maintain large trading and investment positions in the fixed income, equity and other markets, both for our own account and for the purpose of facilitating our customers' trades. Our positions consist of various types of asset, including financial derivatives transactions in the interest rate, credit, equity, currency, commodity, real estate and other markets, loans and real estate. Fluctuations of the markets where the foregoing assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets we do not own, or have short positions, an upturn in the prices of the assets could expose us to potentially unlimited losses. This could result in losses due to the decline in value of the bonds we own, although we have worked to mitigate these position risks with a variety of hedging techniques. We can incur losses if the markets move in a way we have not anticipated, as a result of specific events such as the Russian economic crisis in 1998, the terrorist attacks in the U.S. on September 11, 2001 or U.S. subprime issues since 2007. Also, we may face losses if the level of volatility of the markets where the foregoing assets are traded differs from our expectation, which may occur particularly in the emerging markets. In addition, we commit capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. Also, we structure and possess pilot funds for developing financial investment products and invest seed money to setup and preserve financial investment products. We may incur significant losses from these positions and market fluctuation.

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

Holding a large amount of specific assets can enhance our risks and expose us to large losses in our businesses such as market-making, block trading, underwriting and acquiring newly-issued convertible bonds through third-party allotment. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. For example, the value of a large inventory for commercial mortgage-backed securities in our U.S. operations has seriously

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deteriorated after bond investors concurrently exited from the market in August 1998. We may incur substantial losses due to market fluctuations on asset-backed securities such as commercial mortgage-backed securities.

*Extended market decline can reduce liquidity and lead to material losses*

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

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### *Our hedging strategies may not prevent losses*

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

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

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

### *Market risk may increase other risks that we face*

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

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

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

#### *We may be unable to access the debt capital markets*

We depend on continuous access to the short-term credit markets and the debt capital markets to finance our day-to-day operations. An inability to raise money in the long-term or short-term debt markets, or to engage in repurchase agreements and securities lending, could have a

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substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

we incur large trading losses,

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

regulatory authorities take significant action against us.

In addition to the above, our ability to borrow in the debt markets also could be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the general prospects for the investment banking, brokerage or financial services industries generally.

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

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

*We may be unable to sell assets*

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

*Lowering of our credit ratings could increase our borrowing costs*

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

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

Event risk refers to potential losses in value we may suffer through unpredictable events that cause large unexpected market price movements. These include not only the events such as the Russian economic crisis in 1998 and the terrorist attacks in the U.S. on September 11, 2001 that resulted in losses to our business but also the following types of events that could cause losses on our trading and investment assets:

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

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

the failure of corporate actions, bankruptcy, and criminal prosecution with respect to the issuers of our trading and investment assets.

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

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

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

decline of prices of securities issued by third parties, or

executing securities, futures, currency or derivative trades that fail to settle at the required time due to default by the counterparty, such as monoline insurers (financial guarantors), or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

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

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

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

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

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

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

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

**The financial services industry is intensely competitive and rapidly consolidating**

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

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

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

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

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based

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financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and overseas. Particularly in Japan, the number of business alliances of securities companies with commercial banks have been increasing and non-Japanese commercial banks are setting up major securities subsidiaries by acquiring their company's stocks. Consolidations of those financial institutions with a view to becoming a conglomerate are also reported as possible. Through such business alliances and consolidations, these other securities companies and commercial banks have, or would have, the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group. This diversity of services offered is enhancing, or would enhance, their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking, insurance and other financial services revenues in an effort to gain market share. We may lose market share as these large, consolidated firms expand their business.

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

We believe that significant challenges and opportunities will arise for us outside of Japan. In order to take advantage of these opportunities, we will have to compete successfully with financial institutions based in important non-Japanese markets, including the United States, Europe and Asia. Some of these financial institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets.

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

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

Failure to settle securities transactions,

Failure by officers or employees to perform proper administrative activities prescribed in regular procedures, such as orders to the securities exchanges,

Suspension or malfunction of systems, many of which are developed and maintained by our affiliate, Nomura Research Institute, Ltd.,

The destruction of our facilities or systems due to large-scale disasters or acts of terrorism, which are beyond anticipation and could not be covered by our contingency plan, or,

The disruption in part or all of our business due to pandemic diseases or illnesses, such as avian influenza.

### **Our business is subject to substantial legal and regulatory risk, to regulatory changes and reputation risk**

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

affect our business.

*Our exposure to legal liability is significant*

We face significant legal risks in our businesses. These risks include liability under securities or other laws, such as the Financial Instruments and Exchange Act of Japan, for materially false or misleading statements made in connection with securities underwriting and offering transactions, potential liability for advice we provide in corporate transactions, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for transactions with us and legal claims concerning our merchant banking business. During a prolonged market downturn, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage

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our reputation. In addition, even legal transactions might be subject to social criticism according to the particulars or situations of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

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

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

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

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. For example, in accordance with the amendments to the Securities and Exchange Law (which has been renamed as the Financial Instruments and Exchange Act) effective from December 1, 2004, banks and certain other financial institutions became able to act as agents of securities companies in the securities brokerage business. According to the bill passed by the Diet to amend the Financial Instruments and Exchange Act, firewalls between commercial banks and securities will be partially deregulated. Therefore, we may face increased competition as our competitors will be able to cooperate more closely with their affiliated commercial banks.

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

We face the risk that misconduct by an employee, Director or Executive Officer could occur which may adversely affect our business. Such misconduct can include entering into transactions in excess of authorized limits, acceptance of risks that exceeds our limits, or concealment of unauthorized or unsuccessful activities. Misconduct by an employee, Director or Executive Officer could also involve the improper use or disclosure of our or our clients' confidential information, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us. We may not always be able to deter misconduct by an employee, Director, Executive Officer or others and the precautions we take to prevent and detect misconduct may not be effective in all cases. For a recent example of such misconduct by a former employee, see Item 8.A.

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

We keep and manage personal information obtained from customers in relation to our business. In recent years, there have been many reported cases of personal information and records in the possession of corporations and institutions being improperly accessed or disclosed. We may

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have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information in accordance with the Act on the Protection of Personal Information, rules, regulations and guidelines relating thereto.

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

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

As discussed in *Private Equity Business* under Item 5.A of this annual report, we restructured our European private equity business in 2002. Following the restructuring, the investments that were formerly possessed by the old Principal Finance Group (PFG) are now managed by Terra Firma Capital Partners Ltd. (TFCPL), an independent private equity firm, which was founded by a number of ex-Nomura employees (collectively referred to as the Terra Firma Investments). Under the agreements between the two parties, TFCPL has been appointed as sole, discretionary manager of the investments and has full autonomy over all decisions regarding how these investments are run and managed, including appointing management, setting and agreeing strategic direction and determining how and when the investments are eventually exited. Nomura as a passive investor in respect of the Terra Firma investments, cannot take any action in respect of TFCPL or any of the underlying investments and has no representation on the Board of Directors of any of the underlying investee companies. The legal arrangements entered into with Terra Firma are designed to ensure an alignment of interests between Nomura as the investor and TFCPL as the discretionary manager, but Nomura does not have the ability to terminate these arrangements other than for cause.

The performance of the Terra Firma Investments could have a material impact on our future financial statements. This performance in turn will be dependent on the ability of TFCPL to maximize value from the investments and also on general market conditions. The Terra Firma Investments are mainly in the real estate sector, and thus any deterioration in the market conditions of the sector in Europe could have a material impact on our future financial statements. This is especially the case if market conditions deteriorate in the residential real estate sector in the UK, given the large amount of investment in this sector. Furthermore, given the large and illiquid nature of the Terra Firma Investments, TFCPL, who manages these investments, may not be able to realize the value of the individual investments at a level, at the time or in a way they would wish. Inability to dispose of the underlying investments could have a material impact on our future financial statements.

Also, we have a growing private equity business in Japan as discussed in *Private Equity Business* under Item 5.A of this annual report. The investments being made or that are under consideration by this business are mainly in the manufacturing, restaurant industry, tourism industry and financial services business in Japan. As the size of this business increases, any deterioration in the market conditions of these sectors and/or our inability to dispose of our private equity investments at a level, at the time or in a way we may wish, could have a material impact on our future financial statements.

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

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



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

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

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

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

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

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

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

Pursuant to the Companies Act of Japan (the Companies Act ) relating to joint stock corporations and certain related legislation, our Articles of Incorporation provide that 100 shares of our stock constitute one unit . The Companies Act imposes significant restrictions and limitations on holdings of shares that constitute less than a whole unit. Holders of shares constituting less than one unit do not have the right to vote or any other right relating to voting. The transferability of shares constituting less than one unit is significantly limited. Under the unit share system, holders of shares constituting less than a unit have the right to require us to purchase their shares. Also, holders of shares constituting less than a unit may request us to the effect that we sell shares which become a full unit of shares, together with the less than a unit shares owned by the registered shareholders. However, holders of ADSs are unable to withdraw underlying shares representing less than one unit. Therefore, as a practical matter, they cannot require us to purchase these underlying shares. As a result, holders of ADSs representing shares in lots of less than one unit may not have access to the Japanese markets to sell their shares through the withdrawal mechanism.

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

The rights of the shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the company's accounting books and records

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

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

Our Articles of Incorporation, our Regulations of the Board of Directors and the Companies Act govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, Directors and Executive Officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction within the United States.

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

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

### **Special Note Regarding Forward-looking Statements**

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

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

## **Item 4. Information on the Company**

**A. History and Development of the Company.**

Nomura was incorporated in Japan on December 25, 1925 under the Commercial Code of Japan when the securities division of The Osaka Nomura Bank, Ltd. became a separate entity specializing in the trading and distribution of debt securities in Japan. Nomura was the first Japanese securities company to develop its business

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internationally with the opening in 1927 of a representative office in New York, which actively traded non-yen-denominated debt securities. In Japan, we broadened the scope of our business when we began trading in equity securities in 1938 and when we organized the first investment trust in Japan in 1941.

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

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

In recent years, we have sought to take advantage of new opportunities presented by deregulation of the Japanese financial market and by the expansion of our investor base. To make the most of new opportunities, we try to provide high value-added products and services that meet our customers' needs.

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

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

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

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

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

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In September, 2003, we sold 4,650 thousand shares of treasury shares at a value of ¥7,967million by a secondary offering in Japan.

In February, 2007, we acquired Instinet Incorporated, a global agency broker and major provider of electronic trading services for institutional investors, to address an electronic platform in global equities.

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

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### **B. Business Overview.**

#### **Overview**

We are the leading securities and investment banking firm in Japan and have worldwide operations. Nomura is a holding company. As of March 31, 2008, we operated offices in about 30 countries and regions including Japan, the United States, the United Kingdom, Singapore and Hong Kong through our subsidiaries.

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

Our businesses consist of the following five business segments:

Domestic Retail principally investment consultation services to retail customers;

Global Markets principally fixed income and equity trading and asset finance businesses in and outside Japan;

Global Investment Banking principally M&A advisory and corporate financing businesses in and outside Japan;

Global Merchant Banking principally private equity investments in and outside Japan; and

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

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

#### **Our Business Strategy**

##### *Our Corporate Goals and Principles*

We are committed to a management vision of firmly establishing ourselves as a globally competitive financial services group. We have also set a management target of maintaining an average consolidated return on equity (ROE) of 10-15% over the medium to long term.

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In pursuing this vision, we put our clients first and contribute to the creation of an affluent society based on investment by listening closely to the needs of our clients and delivering world class products and services and high value-added solutions via the financial and capital markets. We aim to go beyond the boundaries of the traditional securities business to take the lead in expanding into new business areas, and thereby construct new growth models, diversify our sources of earnings, and achieve a profit structure resilient to changes in the market environment. In addition, we will promote compliance with applicable laws, regulations and ensure proper corporate behavior.

### *Management Challenges and Strategies*

The outlook of the global economy is becoming increasingly clouded due to an adjustment in the U.S. housing market. That said, the Asian economy remains robust on the whole. Credit tightening triggered by U.S. subprime issues has compounded this economic environment, causing continued instability in the global financial and capital markets, and the business environment is expected to remain unfavorable.

In this environment, we aim to realize our management vision and continue growing by thoroughly understanding client trends and needs, anticipating risks, and developing new business. To do so, we will implement the following initiatives to address the current challenges we face.

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In Domestic Retail, we will enhance collaboration between branch offices, online services and call centers to create a seamless service network and provide customers with the most suitable products and services. We aim to continue being a trusted partner for our clients by promptly providing products and services that meet their individual needs.

Global Markets will be the product supply hub for us and provide high value-added products and solutions by enhancing product development expertise in areas such as derivatives and by making full use of Instinet's global trading infrastructure. In the fixed income business, we will continue building up our global structure in order to strengthen marketing structure for clients and capabilities to develop credit products and derivative products. In the equity business, we aim to establish ourselves as a bulge bracket firm in the pan-Asian equity brokerage business, while maintaining our dominance in the Japanese market.

In Global Investment Banking, we will expand our M&A advisory and corporate financing businesses by providing high value-added solutions in line with each client's individual needs. We aim to expand our presence globally as the most competitive investment bank in Asia, while expanding our business based on the Japanese market. In other words, our aim is to establish ourselves as the representative investment bank of Asia and to be recognized as the investment bank that provides the best services in Asia.

In Global Merchant Banking, we aim for further growth as one of the largest private equity firms in Japan by improving the enterprise value of companies we invest in. In Asia and Europe, we intend to maximize the value of our investments by pursuing operations suitable to the distinct characteristics of each region and by utilizing the international resources of the Group.

In Asset Management, we aim to further enhance our investment capabilities globally and increase competitiveness especially in Japan and Asia. In Japan, we intend to be recognized increasingly by individual investors and institutional investors and to raise our brand value through the diversification of the investment opportunities we can offer and the expansion of our sales channels. Internationally, we will increase assets under management by meeting the needs for investment in Japan and Asia.

In addressing the challenges and implementing the strategies outlined above, we will bring together the collective strengths of our domestic and international operations to expand and develop financial and capital markets, while also increasing profitability across our group to realize our management vision and maximize shareholder value.

## **Domestic Retail**

In Domestic Retail, we conduct business activities mainly for individuals and corporations in Japan through a network of nationwide branches. The number of branches increased to 164 as of the end of March 2008 from 148 a year ago. We offer investment consultation services and maintenance services to meet the medium- to long-term needs of our customers. The aggregate market value of our domestic client assets was ¥72.2 trillion as of the end of March 2008. We discuss domestic client assets in *Operating Results* under Item 5.A of this annual report.

In order to execute our business strategy described above in *Management Challenges and Strategies*, we employ various methods to deliver our services to our clients. These include face-to-face meetings with our staff, either in our branch offices or by visiting our customers, and communications through Nomura Home Trade, an internet-based trading service or our call center.

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

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### **Global Markets**

Global Markets consists of three businesses: Global Fixed Income, Global Equity and Asset Finance.

Global Fixed Income handles mainly bonds and foreign currencies as well as related derivatives.

Global Equity focuses on equities and equity-linked derivatives.

Asset Finance helps clients raise capital through asset securitization and other schemes.

We have a proven track record of sales and trading bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to institutional investors. In response to the increasingly diverse and complex needs of our customers, we are building up our trading and product origination capabilities to offer superior products not only to institutional investors but also to Domestic Retail and Asset Management. This cross-divisional approach also extends to Global Investment Banking, where close collaboration leads to high value-added solutions for our customers.

In Asset Finance, we use our broad customer base at a maximum advantage and offer sophisticated financial solutions for raising capital through real estate and other asset securitization schemes.

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

### **Global Investment Banking**

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

*Underwriting.* We manage and participate in the underwriting of offerings of debt, equity and other securities in Japan and other major financial markets. We also arrange private placements and engage in other capital raising activities. We are one of the leading equity and fixed income securities underwriters in Japan.

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

## Global Merchant Banking

We have an established private equity business in Japan, which we operate through wholly owned subsidiaries, including Nomura Principal Finance Co., Ltd. ( NPF ). Our main focus has been targeting investment opportunities for capital appreciation that will offer attractive returns to us and which will also help contribute to the structural reform of the Japanese economy. Since its inception, NPF has made 21 investments for an aggregate value of ¥ 225,324 million and has successfully exited from 15 investments (including partial sales). Given the attraction of private equity opportunities in Japan, as the needs for and the speed of corporate restructuring increase, our investment portfolio is set to increase.

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

We also actively invest in venture companies in Japan, Europe and the United States focusing mainly on biotechnology, IT technology, health care businesses, new energy and clean technology, some of which have been already taken public through IPOs. In Asia, we have set up Asia Merchant Banking in 2007 to seek investment opportunities brought about by the expansion of the regional economy.

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### **Asset Management**

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

#### *Asset Management Business*

We conduct our asset management business, which consists of development and management of investment trusts and investment advisory services, primarily through Nomura Asset Management Co. (NAMCO), Ltd., the largest asset management company in Japan, in terms of assets under management in investment trusts as of March 31, 2008. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create many business opportunities. In order to make these opportunities available, NAMCO manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through Nomura Securities Co., Ltd. as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank. Investment trusts are also offered as instruments in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

In addition to NAMCO, we also conduct our asset management business through other subsidiaries, including Nomura Corporate Research and Asset Management Inc. (NCRAM), which mainly manages high yield bonds and high yield loans in the United States, Nomura Funds Research and Technologies Co., Ltd., which manages various funds of funds, in Japan, MAINTRUST Kapitalanlagegesellschaft mbH in Germany, and Nomura Funds Research and Technologies America, Inc. in the United States, Nomura Bank (Luxembourg) S.A., which is mainly engaged in fund administration and custody business in Luxembourg. In October 2007, we established Private Equity Funds Research and Investments Co., Ltd. (PEFRI) in Japan, which evaluates and analyzes private equity funds and offers customer investment advisory and discretionary investment management services. PEFRI is a joint venture between us, the Norinchukin Bank and the Development Bank of Japan.

#### *Defined Contribution Pension Plan Business*

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

### **Our Research Activities**

We provide fundamental research on the macro economies of different countries, international capital flows, financial markets, industries and companies, as well as quantitative research through our advanced financial engineering and research units. Our Japanese equity research team maintained the top position in various rankings published as of the end of March 2008.

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

### **Our Information Technology**

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

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Accordingly, we built a technology platform suitable for each business segment and provide our customers with electronic access to our products and services through the platform. For example, for our retail customers, we have introduced Nomura Home Trade, at [www.nomura.co.jp/hometrader](http://www.nomura.co.jp/hometrader), which provides our retail customers with on-line trading capabilities and current status reports on asset portfolios, investments and transactions and investment information, including our research reports through the internet or mobile phones.

## **Competition**

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

the quality, range and prices of our services,

our ability to originate and develop innovative financial products and services,

our ability to maintain and develop customer relationships,

our general reputation, and

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

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

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

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

In Japan, we compete with other domestic securities companies, non-Japanese securities companies and other types of financial institutions. Since the late 1990s, competition with leading global securities and investment banking firms with substantial operations in Japan has become more intense as the Japanese financial services sector has become increasingly deregulated and the level of participation by overseas investors in the Japanese securities market has risen. In particular, major non-Japanese firms have increased their presence in Japan in the areas of securities underwriting and corporate advisory services, particularly M&A advisory services. Also, in recent years, there has been substantial consolidation and convergence amongst domestic financial institutions. A number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and abroad. The growing presence of Japanese financial groups which encompass commercial banking, securities brokerage operations and other financial services, combined with those from abroad, has led to increased competition. In light of these developments, we are approaching the securities business from a much broader perspective and continuing to strengthen and expand our domestic operations, while simultaneously aiming to enhance our global capabilities.

We also compete with the aforementioned financial groups, as well as other types of financial institutions in Japan, with respect to both providing financing and investment opportunities to customers.

Since stock brokerage commission rates were deregulated in October 1999, competition in the domestic stock markets has intensified. A number of securities companies in Japan, especially small to medium-sized on-line firms, are offering securities brokerage services at very competitive levels. We have also restructured our stock brokerage services to offer lower commissions, but seek to compete against these companies not only on the basis of commission rates, but also by offering high value-added services such as our research, consultation and trading execution capabilities. In addition, we continue to enhance our on-line trading capabilities through boosting user-friendliness to meet the various demands of our customers.

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Outside of Japan, we compete with major investment banking firms. Most of these competitors continue to build up their local presence in order to increase their revenue source. We continue to increase our presence in high growth areas, while in developed markets we are trying to expand via products and services in which we have a competitive edge, primarily in Japan-related financial products as well as in certain non-Japan-related areas.

## **Regulation**

### *Japan*

The Financial Instruments and Exchange Act, which came into effect on September 30, 2007 to amend and replace the former Securities and Exchange Law, widely regulates financial products and services as financial instruments and financial instruments trading business. This law combined other financial or securities related laws such as the former Financial Futures Trading Law and the former Law Concerning the Regulation of Investment Advisory Services Relating to Securities, to seamlessly regulate financial products, including those that have not been subjected to any similar laws or ordinances as Collective Investment Scheme. This law has expanded the scope of securities and regulates widely various businesses as financial instruments trading business including not only securities business but also investment advisory business, investment trust management business and financial futures trading business.

Additionally, to enhance fairness and transparency in the financial market and to protect investors, the Financial Instruments and Exchange Act provides, among other things, stiffer penalties for misrepresentation in disclosure documents and unfair trading, stricter regulations in tender offer bids, stricter reporting obligations for large shareholders and improvement on corporate information disclosure systems, including quarterly report systems, submission of confirmation certificates concerning the descriptions in securities reports and internal controls over financial reporting.

*Regulation of the Securities Industry.* The Financial Instruments and Exchange Act regulates most aspects of securities transactions and the securities industry, including the public offering, private placement and secondary trading of securities, the on-going disclosure by securities issuers, tender offers for securities, the organization and operations of securities exchanges and self-regulatory associations, and the registration of securities companies. The Financial Services Agency has the authority to regulate the securities industries and companies, which authority is delegated from the Prime Minister to the Agency under the Financial Instruments and Exchange Act. The Securities and Exchange Surveillance Commission, an external agency of the Financial Services Agency which is independent from the Agency's other bureaus, is vested with authority to conduct day-to-day monitoring of the securities market and to investigate irregular activities that hinder the fair trading of securities, including inspections of securities firms. Furthermore, the Financial Services Agency delegates certain authority delegated to it by the Prime Minister to the Local Finance Bureau to inspect local securities companies and branches in the region. A violation of applicable laws and regulations can result in various administrative sanctions, including the revocation of registration or authorization, the suspension of business and an order to discharge a Director or Executive Officer who has not complied with applicable laws and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory association of securities companies.

To enhance investor protection, Japanese securities companies must segregate customer assets and are required to be a member of an Investor Protection Fund approved by the government under the Financial Instruments and Exchange Act. The Investor Protection Fund is funded through assessments on securities companies that are members of the fund. In the event of failure of a securities company that is a member of the fund, the Investor Protection Fund provides protection of up to ¥10 million per customer. The Investor Protection Fund covers claims related to customer securities deposited with the failed securities company and certain other claims of customers.



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*Regulation of Other Financial Services.* Securities companies are not allowed to directly conduct banking and other financial services, except for cases in which securities companies register as a money lender and conduct money lending business under the Money Lending Business Act or have permission as a bank agent and conduct banking agency activities under the Banking Law. Also, securities companies may own a majority of shares in banks and other financial services institutions. Such subsidiaries conducting banking and financial services are also regulated by relevant laws and regulations. The Nomura Trust & Banking Co., Ltd. is a subsidiary of Nomura and conducts banking and certain financial services.

*Regulatory Amendments.* On June 6, 2008, a bill to amend the Financial Instruments and Exchange Act was passed by the Diet to strengthen the competitiveness of Japan's financial and capital markets. One of the provisions of the bill will revamp the firewall regulations among securities companies, banks and insurance companies and abolish the ban on concurrent posts among these companies. To manage the conflicts of interest between or among securities companies, banks and insurance companies, these financial institutions will be obliged to implement proper information management and development of an appropriate internal control framework to prevent customers' interests from being unfairly harmed due to trading by the financial institution itself or by other financial institutions within its group.

Another provision will require a review by the Japanese government of the administrative monetary penalty system in order to create fair, transparent and reliable markets. The calculation method for determining the amount of administrative monetary penalties will be changed for misconducts such as insider trading, market manipulation and filing of false disclosure documents. New administrative monetary penalties will be imposed on misconduct such as illegal market stabilization and failure to file disclosure documents.

### *Overseas*

Our overseas offices and subsidiaries are also subject to various laws and governmental rules and regulations applicable in those countries where such offices and subsidiaries carry on their respective operations, including those promulgated and enforced by the Securities and Exchange Commission, the New York Stock Exchange and the Financial Industry Regulatory Authority (a non-governmental regulator for all securities firms which was established in July 2007 through the consolidation of National Association of Securities Dealers, Inc. and the member regulation, enforcement and arbitration functions of New York Stock Exchange) in the United States, and by the Financial Services Authority and the London Stock Exchange plc in the United Kingdom. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could have a material adverse effect upon us.

## **Regulatory Capital Rules**

### *Japan*

Under the Financial Instruments and Exchange Act, Financial Instruments Firms (Category I) (Financial Instruments Firms I), as which securities companies are classified, are required to maintain adjusted capital at specified levels as compared with the quantified total of their business risks on a non-consolidated basis. Article 46-6 of the Financial Instruments and Exchange Act requires Financial Instruments Firms I to file month-end reports regarding their capital adequacy ratio, i.e., the ratio of adjusted capital to a quantified total of business risks, to the Financial Services Agency, or the Local Finance Bureau, and to disclose their capital adequacy ratio to the public on a quarterly basis. A Financial Instruments Firm I must also file a report on a daily basis with the Financial Services Agency or the Local Finance Bureau if its capital adequacy ratio falls below 140%. Article 53 of the Financial Instruments and Exchange Act determines the actions which the Prime Minister, through the Financial Services Agency, may take if the ratio falls further. If the ratio falls below 120%, the Prime Minister may order the Financial Instruments Firm I to change its method of business or to deposit its property in trust, or order other measures for the public interest

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and investor protection if necessary. A Financial Instruments Firm I whose ratio falls below 100% may be subject to additional proceedings, including temporary suspension of its business and revocation of its registration as a Financial Instruments Firm I if there is no prospect that the ratio will recover three months after the suspension came into effect.

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Adjusted capital is defined as shareholders' equity less illiquid assets. Shareholders' equity mainly consists of stated capital, additional paid-in capital, retained earnings, reserve for securities transactions, certain allowances for doubtful current accounts, net unrealized gain/loss in the market value of investment securities, and subordinated debt. The illiquid assets generally include non-current assets, certain deposits and advances and prepaid expenses. The business risks are divided into three categories: (i) market risks (i.e., risks of asset value changes due to decline in market values and other reasons), (ii) counterparty risks (i.e., risks of delinquency of counterparties and other reasons) and (iii) basic risks (i.e., risks in carrying out daily business activities, such as administrative problems with securities transaction and clerical mistakes), each quantified in the manner specified in a rule under the Financial Instruments and Exchange Act.

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

The Financial Services Agency established the Guideline for Financial Conglomerates Supervision in June, 2005. Financial conglomerates, defined as the holding companies of financial institutions and affiliated group companies, must maintain the amount of consolidated capital not smaller than required capital. The General Principles of Supervising Financial Instruments Firms, established in July 2007, requires international financial instruments group to report consolidated capital adequacy ratio to the Financial Services Agency semi-annually and if the ratio falls below 120%.

We started monitoring the consolidated capital adequacy ratio of Nomura Holdings, Inc. according to the above guideline and principle from April 2005. We have been in compliance with these requirements, and believe that we will continue to be in compliance with all applicable capital adequacy requirements in the foreseeable future.

### *Overseas*

In the United States, Nomura Securities International, Inc. is a registered broker-dealer and registered futures commission merchant. As such, Nomura Securities International, Inc. is subject to the minimum net capital requirements of the United States Securities and Exchange Commission and the Commodity Futures Trading Commission. The Company is regulated by the Financial Industry Regulatory Authority as its designated self-regulatory organization. These requirements specify minimum levels of capital that U.S. broker-dealers are required to maintain and limit the amount of leverage that such broker-dealers may use in their businesses.

In Europe, the Nomura Europe Holdings plc (NEHS) group is regulated under consolidated supervision by the Financial Services Authority in the United Kingdom. Various banking and broker/dealer subsidiaries of the group are regulated on a stand alone basis by their appropriate local regulator.

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

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

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

Name	Country	Ownership Interest  (%)
Nomura Holdings, Inc.	Japan	
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Principal Finance Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Pension Support & Service Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Facilities, Inc.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
JOINVEST Securities Co., Ltd.	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Private Equity Funds Research and Investments Co., Ltd.	Japan	65
Nomura Holding America Inc.	United States	100
Nomura Securities International, Inc.	United States	100
Nomura Corporate Research and Asset Management Inc.	United States	100
Nomura Derivative Products Inc.	United States	100
Nomura Global Financial Products Inc.	United States	100
Nomura America Mortgage Finance, LLC	United States	100
NHI Acquisition Holding Inc.	United States	100
Instinet Incorporated	United States	100
Nomura Europe Holdings plc	United Kingdom	100
Nomura International plc	United Kingdom	100
Nomura Bank International plc	United Kingdom	100
Banque Nomura France	France	100
Nomura Bank (Luxembourg) S.A.	Luxemburg	100
Nomura Bank (Deutschland) GmbH	Germany	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Italia S.I.M. p.A.	Italy	100
Nomura Investment Banking (Middle East) B.S.C. (Closed)	Bahrain	100
Nomura Funding Facility Corporation Limited	Ireland	100
Nomura Global Funding plc	United Kingdom	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Principal Investment plc	United Kingdom	100
Nomura Capital Markets plc	United Kingdom	100
Nomura Asia Holding N.V.	The Netherlands	100
Nomura International (Hong Kong) Limited	Hong Kong	100
Nomura Singapore Limited	Singapore	100
Nomura Malaysia Sdn. Bhd.	Malaysia	100
Nomura Australia Limited	Australia	100



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### **D. Property, Plants and Equipment.**

#### **Our Properties**

As of March 31, 2008, our principal head office is located in Tokyo, Japan and occupies 960,345 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 130,072 square feet, our Nagoya branch office, which occupies 82,918 square feet, and the head office of Nomura Asset Management Co., Ltd. in Tokyo, which occupies 166,765 square feet. We lease certain other office space in Japan. Nomura Land and Building Co., Ltd., which is accounted for under the equity method of accounting in our consolidated financial statements, is the lessor of certain leased office space in Japan, including part of our Tokyo headquarters.

As of March 31, 2008, our major offices outside Japan are the London head office of Nomura International plc ( NIP ), which occupies 394,063 square feet, and the New York head office of Nomura Securities International, Inc., which occupies 143,493 square feet. We own the land and building for the London head office of NIP. We lease most of our other overseas office space.

As of March 31, 2008, the aggregate book value of the land and buildings we owned was ¥193 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥46 billion.

#### **Item 4A. Unresolved Staff Comments**

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2008 and which remain unresolved as of the date of the filing of this annual report with the Commission.

### **Item 5. Operating and Financial Review and Prospects**

#### **A. Operating Results.**

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

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

**Business Environment**

*Japan*

The Japanese economy saw moderate growth through mid-2007 supported by balanced domestic and overseas demand. From the second half of the year, however, corporate earnings slowed and capex growth weakened amid deteriorating business confidence triggered by the U.S. subprime loan (mortgages to individuals with low credit standing) crisis and surging energy and materials prices. The income environment in the household sector was supported by continued labor shortages, but consumer spending recovered only slightly as sentiment was hurt by rising prices and stock market declines. During this time, exports to the United States weakened, but the Japanese economy was supported by generally healthy exports to China and other emerging economies.

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Corporate earnings have expanded steadily since the fiscal year ended March 2003, and this trend was maintained in the year under review, marking the sixth straight year of growth. The automobile, machinery and other manufacturing industries underpinned corporate earnings growth during the year, but earnings slowed in the second half on surging energy and materials prices and on U.S. dollar and stock price weakness, prompted by financial market turbulence and concerns of a U.S. slowdown.

The stock market hovered near its highest level for 15 years in the first half of 2007 but then saw a major correction from July 2007 through March 2008. The Tokyo Stock Price Index, or TOPIX, which is a broad index for the Japanese equity market, reached 1,800 for the first time in roughly 15 years in February 2007. However, it fell back to around 1,150 by March 2008 amid U.S. dollar depreciation in tandem with instability in the U.S. and other stock markets overseas from July. The TOPIX was largely flat between the end of March 2006 (1,728.16) and the end of March 2007 (1,713.61), but ended March 2008 at 1,212.96, down 29% year on year. Similarly, the Nikkei Stock Average was little changed between the end of March 2006 (17,059.66) and the end of March 2007 (17,287.65), but ended March 2008 down 28% for the year, at 12,525.54.

Yields on newly issued 10-year Japanese Government bonds held in a narrow range of around 1.6% until mid-April 2007, but then rose through to July on heightened expectations of a policy rate rise by the Bank of Japan, reaching over 1.9% at one point. In the second half of the year, however, yields fell, briefly slipping below 1.3% in March as funds shifted to government bonds amid U.S. dollar and share price weakness and as perceptions spread that the Bank of Japan was unlikely to raise its policy rate.

In foreign exchange markets, fund flows targeting the differential between low interest rates in Japan and relatively high rates overseas intensified in the first half of 2007. After trading at the ¥115 level against the U.S. dollar and ¥154 against the euro in March, the yen weakened to ¥124 and ¥168, respectively, in between June and July. However, subsequent turmoil in global financial markets originating in the United States led to anticipation of aggressive interest rate cuts in the United States and a narrowing of the gap between U.S. and Japanese rates, triggering a reversal in fund flows with the yen briefly appreciating to the ¥95 level against the U.S. dollar and the ¥151 level against the euro in March. Meanwhile, with markets seeing the United States as the epicenter of turbulence in financial markets, trust in the U.S. dollar was shaken and the currency briefly fell to a record low of \$1.58 against the euro. Foreign exchange markets regained some stability from April.

### *Overseas*

Among the economies of the world's leading industrialized nations, economic growth slowed in the United States from the second half of 2007 and concerns of a slowdown spread in Europe. International commodity prices stayed within a narrow range until mid-2007 but subsequently rose strongly as investors sought new vehicles for their funds amid financial market turmoil. While U.S. authorities aggressively cut interest rates in an effort to alleviate fallout from financial markets, the European Central Bank (ECB) refrained from making any cuts on concerns of inflationary pressures. Inflation also remained a concern in China, where authorities continued to take measures to rein in an overheated economy.

In the United States, real GDP growth slowed to 2.2% in 2007, from 2.9% in 2006, with corporate sector capital expenditure underpinning economic growth as earnings recovered. However, there was a marked drop in housing investment amid rising interest rates, falling house prices, and a more risk-averse lending stance on the part of financial institutions. Consumer sentiment, meanwhile, was hurt by labor market weakness. Although benefits may emerge from financial easing measures and tax rebates implemented to date, as well as from a boost to exports from the weaker U.S. dollar, there is still a risk the United States will fall into recession.

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The Federal Reserve Board, or FRB, held its Federal funds target rate at 5.25% from June 2006 until September 2007, when it began implementing a string of rate cuts in response to financial market turmoil. Through the Federal Open Market Committee meetings held until April 2008, the FRB cut its target rate seven times to 2.00%. Since then it has focused on returning stability to the markets, propping up the economy, and

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avoiding accelerating inflation. Before the U.S. subprime loan problem spread, the Dow Jones Industrial Average was close to 14,000, but it then fell back to below 12,000 at one point in March 2008 as investors became more risk averse. The yield on 10-year U.S. Treasuries exceeded 5% in July 2007, but as investors became more risk averse and the FRB actively implemented financial easing measures, yields fell sharply, reaching the mid-3% level in March 2008 then, holding below 4% thereafter.

European economies saw a moderate slowdown in growth in 2007, with real GDP growth in the Eurozone declining to 2.6% in 2007, from 2.9% in 2006. The ECB gradually raised its benchmark interest rate from the end of 2005, with eight increases putting it at 4.00% in June 2007, but it has since held it there as it keeps a close watch on inflation and signs of economic slowdown. In equity markets, shares traded in a high range in 2007 with Europe seen as a safe haven for U.S.-invested funds. As market turmoil spread, however, share prices in 2008 fell by some 20% to a year-to-date low in March.

Asian economies other than Japan generally maintained similar high growth in 2007 as seen in 2006, despite growing concerns of an economic slowdown from the second half of the year. The Chinese economy again recorded real GDP growth of more than 10%, and the Chinese government is continuing with its fiscal tightening measures to counter the threat of an overheating economy. The Indian economy grew around 9%, as in 2006.

## **Executive Summary**

Although the Japanese economy expanded during the year under review, extending the longest period of economic expansion since the end of World War II, economic sentiment in Japan declined from the summer months of 2007 onward in conjunction with the growing severity of the U.S. subprime loan crisis. On top of low growth in wages, household spending was suppressed by the high price of crude oil, incidents of false labeling on food, and amendments to Japan's Building Code. Meanwhile, the corporate sector continued to enjoy strong exports, supported by the expansion of emerging economies. Although recurring profits growth rates among major listed companies lost some upwards momentum during the period, recurring profits are expected to have increased for the sixth straight year, the longest continuous period of growth since the end of World War II. After the Tokyo Stock Price Index (TOPIX) marked a high for the period in July 2007, the stock market subsequently corrected, and in March 2008 the TOPIX index fell to its lowest level since June 2005. Amid this market environment, companies executed a record high level of share repurchases during the year under review, with the corporate sector becoming the largest net buyer of stocks during the period. Meanwhile, foreign investors continued to play a leading role in stock market trading, but became net sellers from the summer of 2007 onwards, amid the deepening global credit squeeze resulting from expanding losses by U.S. and European financial institutions. In the bond market, the yield on newly issued 10-year Japanese government bonds rose to near 2.0% in June 2007, but then retreated to the 1.2% range by March 2008 due to receding expectations for an additional interest rate hike by the Bank of Japan. Investors favored government bonds with extremely low default risk, as participants in global markets increasingly looked to avoid credit risk. As a result, the environment for listed companies to raise funds by issuing equity or debt through domestic and overseas capital markets gradually deteriorated during the period. In this environment, net revenue decreased 28% year-on-year to ¥787.3 billion, non-interest expenses increased 11% year-on-year to ¥851.8 billion, loss before income taxes was ¥64.6 billion, and net loss was ¥67.8 billion. As a result, ROE for the full year was negative 3.3%.

In Domestic Retail, net revenue for the year ended March 31, 2008 was ¥402.0 billion, down 9% from the previous year, and income before income taxes was ¥122.3 billion, down 24% from the previous year. The overall market slump triggered by turmoil in the global financial markets led to a drop-off in stock subscriptions and purchases as well as weaker sales of investment trusts during the second half of the year, resulting in a decline in brokerage commissions and commissions for distribution of investment trusts. Distribution of newly-launched investment trusts remained robust, especially for bond investment trusts. Sales of structured bonds declined as a result of the rapid strengthening of the yen, leading to lower sales credit. However, sales of foreign currency bonds were strong in the second half of the year. Domestic client assets in Domestic Retail (including regional financial institutions) and Financial Management Division have declined to ¥72.2 trillion as of March 31, 2008 due to the impact of the downturn in the stock market.



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In Global Markets, net revenue for the year ended March 31, 2008 was ¥95.6 billion, down 67% from the previous year, and loss before income taxes was ¥226.2 billion. The environment in Global Fixed Income remained harsh as a global credit crunch sparked by U.S. subprime problems hit and the yen appreciated sharply. Amid this environment, Global Fixed Income revenue declined as a result of net write-downs mainly related to increased credit valuation adjustments against monoline insurers (financial guarantors), a realized loss booked on our exit from the U.S. RMBS-related business, and realized and unrealized losses in the U.S. CMBS-related business. In Global Equity, although trading revenue from MPOs and equity derivatives declined, revenue increased as Instinet, which was acquired in February 2007, contributed to revenue, order flow for non-Japanese equities expanded, and trading of listed equities contributed to revenue. Meanwhile, expenses increased due to the acquisition of Instinet.

In Global Investment Banking, net revenue for the year ended March 31, 2008 was ¥83.1 billion, down 16% from the previous year, and income before income taxes was ¥22.8 billion, down 49% from the previous year. While M&A-related business remained strong and we maintained our high market share, revenue decreased due to a marked decline in overall transaction value in the equity finance market.

In Global Merchant Banking, net revenue for the year ended March 31, 2008 was ¥64.8 billion, almost the same level as the previous year, and income before income taxes was ¥53.3 billion, increased by 1% from the previous year. We booked realized and unrealized gains on the sale of Deutsche Annington and valuation at fair value of Annington in the UK, both Terra Firma Investments, as well as on the sale of our stake in Nomura Principal Finance investee companies, Sliontec and Wanbishi Archives.

In Asset Management, net revenue for the year ended March 31, 2008 was ¥90.6 billion, up 1% from the previous year, and income before income taxes was ¥31.0 billion, down 15% from the previous year. Firm sales of newly-launched funds and existing balanced funds, as well as new mandates in the domestic and overseas investment advisory business, helped boost assets under management. However, deteriorating market conditions due to the slump in stock prices and appreciation of the yen led to a decrease in the outstanding balance of assets under management to ¥25.8 trillion. Although asset management and portfolio service fees increased, unrealized losses were recognized on pilot funds and seed money for new product development and revenue was flat compared to the prior year, which included realized gains booked on sales of affiliated companies. Compensation and benefits were up due to increased headcount, and information technology expenses increased due to new investment.

**Table of Contents****Results of Operations***Overview*

The following table provides selected consolidated statements of operations information for the years indicated.

	Year Ended March 31			
	2006	2007	2008	
	(in millions)			
Non-interest revenues:				
Commissions	¥ 356,325	¥ 337,458	¥ 404,659	\$ 4,053
Fees from investment banking	108,819	99,276	85,096	852
Asset management and portfolio service fees	102,667	145,977	189,712	1,900
Net gain on trading	304,223	290,008	61,720	618
Gain on private equity investments	12,328	47,590	76,505	766
Gain (loss) on investments in equity securities	67,702	(20,103)	(48,695)	(488)
Private equity entities product sales	88,210	100,126		
Other	58,753	67,425	28,185	282
<b>Total Non-interest revenues</b>	<b>1,099,027</b>	<b>1,067,757</b>	<b>797,182</b>	<b>7,983</b>
Net interest revenue	46,623	23,344	(9,925)	(99)
<b>Net revenue</b>	<b>1,145,650</b>	<b>1,091,101</b>	<b>787,257</b>	<b>7,884</b>
Non-interest expenses	700,050	769,343	851,845	8,531
<b>Income (loss) from continuing operations before income taxes</b>	<b>445,600</b>	<b>321,758</b>	<b>(64,588)</b>	<b>(647)</b>
Income tax expense	188,972	145,930	3,259	32
<b>Income (loss) from continuing operations</b>	<b>256,628</b>	<b>175,828</b>	<b>(67,847)</b>	<b>(679)</b>
Discontinued operations				
Income from discontinued operations before income taxes (including gain on disposal of ¥74,852 million in 2006)	99,413			
Income tax expense	51,713			
<b>Gain on discontinued operations</b>	<b>47,700</b>			
<b>Net income (loss)</b>	<b>¥ 304,328</b>	<b>¥ 175,828</b>	<b>¥ (67,847)</b>	<b>\$ (679)</b>
<b>Return on equity</b>	<b>15.5%</b>	<b>8.3%</b>	<b>(3.3)%</b>	

For the year ended March 31, 2008, our Global Markets reported a loss, both in conjunction with the posting of losses in the mortgage finance business due to turmoil in the U.S. subprime mortgage market, as well as the posting of net write-downs mainly related to increased credit valuation adjustments against monoline insurers (financial guarantors). Impacted by this loss in the Global Markets, loss from continuing operations before income taxes was ¥64,588 million and loss from continuing operations was ¥67,847 million. In the mortgage finance business, a realized loss of ¥100,705 million was booked on our exit from the U.S. RMBS-related business and realized and unrealized losses of

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¥29,819 million was booked from the U.S. CMBS-related business. As of March 31, 2008, our exposure to U.S. RMBS-related business was nil, and our exposure to U.S. CMBS-related business was ¥131.1billion. In transactions with monoline insurers (financial guarantors), a loss of ¥130,735 million was booked as a result of net write-downs mainly related to increased credit valuation adjustments against monoline insurers (financial guarantors). As of March 31, 2008, our net exposure, or gross exposure less counterparty risk reserves and other adjustments, to monoline insurers (financial guarantors) was \$907 million. See Exposures to monoline insurers (financial guarantors) for further information.

Net revenue decreased by 28% from ¥1,091,101 million for the year ended March 31, 2007 to ¥787,257 million for the year ended March 31, 2008. Commissions increased by 20%, due to an increase in stock

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brokerage commissions resulting from the consolidation of Instinet. Asset management and portfolio service fees also increased by 30%, due primarily to firm sales of newly-launched funds and existing balanced funds. Net gain on trading decreased by 79%, driven primarily by losses from Global Markets described above. Gain on private equity investments increased by 61% from the previous financial year, due to realized and unrealized gains resulting from the sale and valuation at fair value of investee companies. We recorded losses on our investments in equity securities due to the stagnation of the stock market.

Net revenue decreased by 5% from ¥1,145,650 million for the year ended March 31, 2006 to ¥1,091,101 million for the year ended March 31, 2007. Commissions decreased by 5%, due to a drop in stock brokerage commissions, reflecting a decline in equity agency transaction value, while there was an increase in commissions for distribution of investment trusts. Asset management and portfolio service fees also increased by 42% due primarily to the growth in the net assets of publicly offered investment trusts. Gain on private equity investments increased by 286% from the previous financial year, due to realized and unrealized gains resulting from the sale of stakes in the companies we invested in. We recorded losses on our investments in equity securities compared to gains in the previous financial year, when stock markets were strong.

Net interest revenue was ¥46,623 million for the year ended March 31, 2006, ¥23,344 million for the year ended March 31, 2007 and negative ¥9,925 million for the year ended March 31, 2008. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest revenue is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view net interest revenue and non-interest revenues in aggregate. Net interest revenue for the year ended March 31, 2008 turned negative, declining by ¥33,269 million from the year ended March 31, 2007. Rising short-term interest rates and falling long-term interest rates on the year affected net interest revenue of the company adversely, causing a general rise in the funding cost and decline in coupon received on bonds. Reorganization of the U.S. business has reduced the volume of U.S. dollar repo transactions, so even though the U.S. dollar yield curve had shifted downward while steepening during the year, the positive impact on net interest revenue was limited. Net interest revenue for the year ended March 31, 2007 declined by 50% from the year ended March 31, 2006. There were several causes of the decline in net interest revenue: rising short-term interest rates causing funding costs to rise, reduction of high-yielding bond positions due to business reorganization, and reduction in coupon received on the mortgage finance positions due to increasing delinquencies.

In our consolidated statements of operations, we include under Revenue gain (loss) on investments in equity securities. We recorded gains on such investments in the amount of ¥67,702 million for the year ended March 31, 2006 and losses on such investments in the amount of ¥20,103 million and ¥48,695 million for the years ended March 31, 2007 and 2008, respectively. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes. These investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships. In our consolidated financial statements, these investments are recorded at market value, with unrealized gains and losses on these investments recognized currently in income.

Non-interest expenses increased by 11% from ¥769,343 million for the year ended March 31, 2007 to ¥851,845 million for the year ended March 31, 2008. The increase in non-interest expenses was mainly due to other expenses and commissions and floor brokerage, offset by private equity entities cost of goods sold. Private equity entities cost of goods sold was no longer posted for the year ended March 31, 2008 as a result of deconsolidation of private equity entities with the application of Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies. Other expenses increased by 48% from ¥106,039 million for the year ended March 31, 2007 to ¥156,868 million for the year ended March 31, 2008, mainly due to an impairment loss for an affiliated company which was included other expenses. Commissions and floor brokerage increased by 78% from ¥ 50,812 million for the year ended March 31, 2007 to ¥ 90,192 million for the year ended March 31, 2008, due primarily to the consolidation of Instinet.

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Non-interest expenses increased by 10% from ¥700,050 million for the year ended March 31, 2006 to ¥769,343 million for the year ended March 31, 2007. The increase in non-interest expenses was mainly due to compensation and benefits and information processing and communications. Compensation and benefits increased by 6% from ¥325,431 million for the year ended March 31, 2006 to ¥345,936 million for the year ended March 31, 2007, resulting from the increase in headcount. Information processing and communications increased by 23% from ¥89,600 million for the year ended March 31, 2006 to ¥109,987 million for the year ended March 31, 2007, due primarily to an increase of IT investments.

Income from continuing operations before income taxes was ¥445,600 million for the year ended March 31, 2006, ¥321,758 million for the year ended March 31, 2007 and loss from continuing operations before income taxes was ¥ 64,588 million for the year ended March 31, 2008.

We are subject to a number of different taxes in Japan and have adopted the consolidation tax system permitted under Japanese tax law. The consolidation tax system targets only national tax. Since April 1, 2004, our domestic statutory tax rate is approximately 41%. Our foreign subsidiaries are subject to the income tax rates of the countries in which they operate, which are generally lower than those in Japan. Our effective tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for loss from continuing operations for the year ended March 31, 2008 was ¥3,259 million, representing an effective tax rate of negative 5.0%. The effective tax rate was significantly below the statutory tax rate of 41%. The most significant factor causing the difference was an increase in the valuation allowance as a result of reflecting several factors. The increase mainly relates to the non-recoverability of losses in certain U.S. subsidiaries and future realizable losses in Japan as a result of the review of the future realizable value of the deferred tax assets. Although the increase in the valuation allowance generally has the effect of increasing the effective tax rate, it resulted in a decreasing effective tax rate for the year ended March 31, 2008 by approximately 166.3% due to loss from continuing operations. Another significant factor causing the difference was a tax benefit recognized on the devaluations of investment in a foreign subsidiary company. This had the effect of increasing the effective tax rate for the year ended March 31, 2008 by approximately 121.6% due to the same reason described above.

Income tax expense for Income from continuing operations for the year ended March 31, 2007 was ¥145,930 million, representing an effective tax rate of 45.4%. The effective tax rate was above the statutory tax rate of 41%. The difference was mainly due to the following two factors, which had opposite effects. First, the valuation allowance has been increased to reflect several factors, mainly relating to the non-recoverability of losses in certain U.S. subsidiaries and certain Terra Firma investments in Europe as a result of the review of the future realizable value of the deferred tax assets. This had the effect of increasing the effective tax rate for the year ended March 31, 2007 by approximately 11.6%. Second, tax benefit has been recognized on the devaluations of investments in subsidiary companies, mainly overseas. This had the effect of decreasing the effective tax rate for the year ended March 31, 2007 by approximately 8.0%.

Income tax expense for Income from continuing operations for the year ended March 31, 2006 was ¥188,972 million, representing an effective tax rate of 42.4%. The effective tax rate was above the statutory tax rate of 41%. The difference was mainly due to the following two factors, which had opposite effects. First, the valuation allowance has been increased to reflect several factors, mainly relating to the local taxes in Japan and certain Terra Firma investments in Europe as a result of the review of the future realizable value of the deferred tax assets. This had the effect of increasing the effective tax rate for the year ended March 31, 2006 by approximately 12.3%. Second, tax benefit has been recognized in Japan on the devaluation of investment in a foreign subsidiary company. This had the effect of decreasing the effective tax rate for the year ended March 31, 2006 by approximately 10.5%.

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On January 31, 2006, we sold our stake in Millennium Retailing, Inc. ( MR ). MR was one of the investments in our private equity business and accounted for as a consolidated subsidiary. In the year ended March 31, 2006, MR has been classified as discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and its results of operations, including the gain on sale, and cash flows are separately reported.

Net income was ¥304,328 million for the year ended March 31, 2006, ¥175,828 million for the year ended March 31, 2007 and net loss was ¥67,847 million for the year ended March 31, 2008. Our return on equity was 15.5% for the year ended March 31, 2006, 8.3% for the year ended March 31, 2007, and negative 3.3% for the year ended March 31, 2008.

*Exposures to monoline insurers (financial guarantors)*

The following table sets forth our gross exposure, counter party risk reserves and other adjustments, net exposure, and CDS protection to monoline insurers (financial guarantors) by credit rating in structured credit trading business of Global Markets in Europe as of March 31, 2008.

Credit Rating <sup>(1)</sup>	(U.S. dollars in millions)			
	Gross Exposure <sup>(2)</sup>	Counterparty Risk Reserves and other Adjustments	Net Exposure	CDS Protection
AAA	\$ 903	\$ 160	\$ 743	\$ 416
AA	188	41	147	177
A	16		16	
<b>Total</b>	<b>1,107</b>	<b>201</b>	<b>907</b>	<b>593</b>
<b>Others</b>	<b>1,278</b>	<b>1,278</b>		<b>153</b>

(1) Based on Standard & Poor's or Moody's Investors Service as of March 31, 2008 depending on which rating is lower. Since April 1, 2008, these rating agencies have announced a downgrading of their credit ratings of certain monoline insurers (financial guarantors), as a result of which we may determine to recognize additional counterparty risk reserves and other adjustments with respect to our gross exposures relating to such monoline insurers (financial guarantors).

(2) There is no exposure related to U.S. RMBS as reference assets.

**Results by Business Segment**

As discussed in Overview under Item 4.B of this annual report, we operate five business divisions: Domestic Retail, Global Markets, Global Investment Banking, Global Merchant Banking and Asset Management. Gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments are included as Other operating results outside business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as reconciling items outside our segment information. The effects of consolidation and deconsolidation of certain investments in our private equity business were also classified as reconciling items outside our segment information for the year ended March 31, 2006 and 2007, while there is no reconciling item for the year ended March 31, 2008 due to the application of SOP 07-1, which resulted in all investments made by investment companies within the scope of the guide being carried at fair value with changes in fair value

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recognized in our consolidated financial statements. You should read the following segment information in conjunction with Item 4.B of this annual report and Note 20 to our consolidated financial statements included in this annual report. Reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 20. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

### **Domestic Retail**

In Domestic Retail, we receive commissions and fees from investment consultation services which we provide mainly to individual customers in Japan. Additionally, we receive operational fees from asset management

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companies in connection with the administration services of investment trust certificates that we distribute. We also receive agent commissions from insurance companies for the insurance products we sell as an agent.

*Operating Results of Domestic Retail*

	Year Ended March 31			
	2006	2007	2008	
	(in millions)			
Non-interest revenues	¥ 442,981	¥ 434,701	¥ 395,887	\$ 3,965
Net interest revenue	3,554	5,417	6,131	61
Net revenue	446,535	440,118	402,018	4,026
Non-interest expenses	249,330	279,253	279,702	2,801
Income before income taxes	¥ 197,205	¥ 160,865	¥ 122,316	\$ 1,225

Net revenue for the year ended March 31, 2008 was ¥402,018 million, decreasing 9% from ¥440,118 million for the year ended March 31, 2007. The overall market slump triggered by turmoil in the global financial markets led to a drop-off in stock subscriptions and purchases as well as weaker sales of investment trusts during the second half of the year, resulting in a decline in brokerage commissions and commissions for distribution of investment trusts. Distribution of newly-launched investment trusts remained robust, especially for bond investment trusts. Sales of structured bonds declined as a result of the rapid strengthening of the yen, leading to lower sales credit. However, sales of foreign currency bonds were strong in the second half of the year.

Net revenue for the year ended March 31, 2007 was ¥440,118 million, decreasing 1% from ¥446,535 million for the year ended March 31, 2006, due primarily to a decline in equity agency transaction value led to a drop in stock brokerage commissions. However, the effect was largely offset by robust sales of existing funds offering frequent distributions and newly established investment trusts resulted in an increase in commissions for distribution of investment trusts and investment trust administration fees.

Non-interest expenses for the year ended March 31, 2008 were ¥279,702 million, almost at the same level as ¥279,253 million for the year ended March 31, 2007, due primarily to an increase in occupancy and related depreciation due to the expansion of branches offset by a decrease in compensation and benefits.

Non-interest expenses for the year ended March 31, 2007 were ¥279,253 million, increasing 12% from ¥249,330 million for the year ended March 31, 2006, due primarily to an increase in our headcount, opened new branches, expanded our call centers, and built up our IT infrastructure.

Income before income taxes was ¥197,205 million for the year ended March 31, 2006, ¥160,865 million for the year ended March 31, 2007, and ¥122,316 million for the year ended March 31, 2008.



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The graph below shows the revenue composition by instrument in terms of Domestic Retail non-interest revenues for the years ended March 31, 2006, 2007, and 2008.

As described above, revenue composition of investment trusts and asset management increased from 31% for the year ended March 31, 2007 to 33% for the year ended March 31, 2008, and from 12% for the year ended March 31, 2007 to 16% for the year ended March 31, 2008, respectively due primarily to robust distribution of newly-launched investment trusts, especially for bond investment trusts. Revenue composition of bonds increased from 22% for the year ended March 31, 2007 to 24% for the year ended March 31, 2008, due primarily to robust sale of foreign currency bonds in the second half of the year. Revenue composition of equities decreased from 32% for the year ended March 31, 2007 to 24% for the year ended March 31, 2008, due primarily to a drop-off in stock subscriptions and purchases. Revenue composition of variable annuity insurance unchanged from the previous year as of March 31, 2008.

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*Domestic client assets*

The following graph shows amounts and details regarding domestic client assets at March 31, 2006, 2007, and 2008. Domestic client assets consist of customers' assets held in our custody, and assets relating to the variable annuity insurance products in Domestic Retail (including regional financial institutions) and Financial Management Division.

**Domestic Client Assets**

Domestic client assets decreased by ¥13.0 trillion from ¥85.2 trillion at March 31, 2007 to ¥72.2 trillion at March 31, 2008, due primarily to a decrease in the balance of equity securities. The balance of our clients' investment trusts decreased 5% from ¥14.1 trillion at March 31, 2007 to ¥13.4 trillion at March 31, 2008, reflecting net cash inflows by clients of ¥1.5 trillion and market depreciation of ¥2.2 trillion.

Domestic client assets increased by ¥4.7 trillion from ¥80.5 trillion at March 31, 2006 to ¥85.2 trillion at March 31, 2007, due primarily to net new money. The balance of our clients' investment trusts increased 16% from ¥12.1 trillion at March 31, 2006 to ¥14.1 trillion at March 31, 2007, reflecting net cash inflows by clients of ¥2.0 trillion.

**Global Markets**

We have a proven track record of sales and trading bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to institutional investors. In response to the increasingly

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diverse and complex needs of our customers, we are building up our trading and product origination capabilities to offer superior products not only to institutional investors but also to Domestic Retail and Asset Management. This cross-divisional approach also extends to Global Investment Banking, where close collaboration leads to high value-added solutions for our customers. In Asset Finance, we use our broad customer base at a maximum advantage and offer sophisticated financial solutions for raising capital through real estate and other asset securitization schemes.

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

*Operating Results of Global Markets*

	Year Ended March 31			
	2006	2007	2008	
	(in millions)			
Non-interest revenues	¥ 327,716	¥ 285,088	¥ 145,192	\$ 1,454
Net interest revenue	43,392	4,940	(49,595)	(496)
Net revenue	371,108	290,028	95,597	958
Non-interest expenses	213,387	231,222	321,794	3,223
Income (loss) before income taxes	¥ 157,721	¥ 58,806	¥ (226,197)	\$ (2,265)

Net revenue decreased by 67% from ¥290,028 million for the year ended March 31, 2007 to ¥95,597 million for the year ended March 31, 2008. In Global Fixed Income, the environment remained harsh as a global credit crunch sparked by subprime problems hit and the yen appreciated sharply. Net revenue declined due to net write-downs mainly related to increased credit valuation adjustments against monoline insurers (financial guarantors), a realized loss booked on our exit from the U.S. RMBS-related business, and realized and unrealized losses in the U.S. CMBS-related business. In Global Equity, although trading revenue from MPOs and equity derivatives declined, revenue increased as Instinet, which was acquired in February 2007, contributed to revenue, order flow for non-Japanese equities expanded, and trading of listed equities contributed to revenue.

Net revenue decreased by 22% from ¥371,108 million for the year ended March 31, 2006 to ¥290,028 million for the year ended March 31, 2007, due primarily to a decline in revenue as a result of weak trading reflecting changes in the interest rate and currency market environments in Global Fixed Income. Also trading revenue in Global Equity declined as equity market volatility remained low.

Non-interest expenses increased by 39% from ¥231,222 million for the year ended March 31, 2007 to ¥321,794 million for the year ended March 31, 2008, due primarily to increases in commissions and floor brokerage, other expenses on transactions and compensation and benefits resulting from the consolidation of Instinet.

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Non-interest expenses increased by 8% from ¥213,387 million for the year ended March 31, 2006 to ¥231,222 million for the year ended March 31, 2007, due primarily to increases in compensation and benefits and commissions and floor brokerage resulting from the consolidation of Instinet.

Income before income taxes was ¥157,721 million for the year ended March 31, 2006, ¥58,806 million for the year ended March 31, 2007 and loss before income taxes was ¥226,197 million for the year ended March 31, 2008.

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

	<b>Year Ended March 31</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Nomura's Share in Japanese Government bond auctions	11%	11%	11%
Nomura's Share in secondary bond trading	13%	13%	13%

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

<b>Stock Market Index</b>	<b>March 31</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
TOPIX	1,728.16 46.2%	1,713.61 (0.8)%	1,212.96 (29.2)%
Nikkei 225 ( Nikkei Stock Average )	17,059.66 46.2%	17,287.65 1.3%	12,525.54 (27.5)%

The Tokyo Stock Price Index, or TOPIX reached 1,800 for the first time in roughly 15 years in February 2007. However, it fell back to around 1,150 by March 2008 amid U.S. dollar depreciation in tandem with instability in U.S. and other stock markets overseas from July. The TOPIX was largely flat between the end of March 2006 (1,728.16) and the end of March 2007 (1,713.61), but dropped down at 1,212.96 ended March 2008. Similarly, the Nikkei Stock Average was little changed between the end of March 2006 (17,059.66) and the end of March 2007 (17,287.65), but ended March 2008 down at 12,525.54. The following table shows our market share of Japanese equity trading for the years indicated.

<b>Nomura's Share in</b>	<b>Year Ended March 31</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Total equity trading market in Japan	7%	7%	7%
Off-floor/off-exchange equity trading market in Japan	21%	21%	21%

**Global Investment Banking**

We offer various investment banking services, such as underwriting and advisory activities. We underwrite offerings of debt, equity, and other instruments in the major markets of Asia, Europe, and the U.S. regions. We have been enhancing our M&A and financial advisory capabilities for cross-regional deals as well as deals within each region.

*Operating Results of Global Investment Banking*

	Year Ended March 31			
	2006	2007	2008	
	(in millions)			
Non-interest revenues	¥ 98,087	¥ 97,427	¥ 81,305	\$ 814
Net interest revenue	1,579	1,760	1,804	18
Net revenue	99,666	99,187	83,109	832
Non-interest expenses	48,127	54,783	60,336	604
Income before income taxes	¥ 51,539	¥ 44,404	¥ 22,773	\$ 228

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Net revenue decreased by 16% from ¥99,187 million for the year ended March 31, 2007 to ¥83,109 million for the year ended March 31, 2008, due primarily to a marked decline in overall transaction value in the equity finance market, while the M&A-related business remained strong and we maintained our high market share.

Net revenue was ¥99,187 million for the year ended March 31, 2007 around the same level as the previous year as equity underwriting increased markedly during the year, M&A related businesses remained firm, and business in Europe expanded following a strategic build up.

Non-interest expenses increased by 10% from ¥54,783 million for the year ended March 31, 2007 to ¥60,336 million for the year ended March 31, 2008, due primarily to higher compensation and benefits.

Non-interest expenses increased by 14% from ¥48,127 million for the year ended March 31, 2006 to ¥54,783 million for the year ended March 31, 2007, due primarily to higher compensation and benefits reflecting an increase in the headcount in our international operations.

Income before income taxes was ¥51,539 million for the year ended March 31, 2006, ¥44,404 million for the year ended March 31, 2007 and ¥22,773 million for the year ended March 31, 2008.

The following table shows changes in our market share (value base) in the underwriting market for bonds and equity in Japan.

	Year Ended March 31		
	2006	2007	2008
Nomura's Share in Japanese IPOs	20%	21%	44%
Nomura's Share in Japanese Public Offerings	27%	40%	42%
Nomura's Share in Japanese Straight Bonds	18%	14%	16%
Nomura's Share in Japanese Samurai Bonds	13%	13%	10%

**Global Merchant Banking**

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

*Operating Results of Global Merchant Banking*

	Year Ended March 31			
	2006	2007	2008	
			(in millions)	
Non-interest revenues	¥ 80,402	¥ 77,325	¥ 74,795	\$ 749
Net interest revenue	(12,158)	(12,356)	(10,002)	(100)
Net revenue	68,244	64,969	64,793	649
Non-interest expenses	12,809	12,153	11,473	115
Income before income taxes	¥ 55,435	¥ 52,816	¥ 53,320	\$ 534

Net revenue was ¥64,793 million for the year ended March 31, 2008, almost at the same level as ¥64,969 million for the year ended March 31, 2007 due to realized and unrealized gains on the sale of Deutsche Annington and valuation at fair value of Annington in the UK, both Terra Firma Investments, as well as on the sale of our stake in Nomura Principal Finance investee companies, Sliontec and Wanbishi Archives.

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In the year ended March 31, 2008, realized gains from investments in Japan from which we exited were ¥16.6 billion and unrealized losses from investments in Japan were ¥21.2 billion. Realized gains from the Terra Firma Investments were ¥69.3 billion and unrealized gains from the Terra Firma Investments were ¥14.3 billion. Investments in the residential real estate sector continued to perform well, leading to a significant uplift.

Net revenue decreased by 5% from ¥68,244 million for the year ended March 31, 2006 to ¥64,969 million for the year ended March 31, 2007, despite realized and unrealized gains resulting from Nomura Principal Finance's sale of a part of its stake in Tungaloy Corporation, and the partial sale of Terra Firma Investments.

In the year ended March 31, 2007, realized gains from investments in Japan from which we exited were ¥12.0 billion and unrealized gains from investments in Japan were ¥9.8 billion. Realized gains from the Terra Firma Investments were ¥84.8 billion and unrealized losses from the Terra Firma Investments were ¥28.0 billion. Investments in the residential real estate sector continued to perform well on the back of a buoyant market, leading to a significant uplift. Gains from property related investments were partially offset by the continued underperformance of retail and service industry investments, where falling market share and lower than expected demand for new products and services were the main causes of the net realizable value of these assets being reduced. Further gains were made on utilities assets through refinancing and divestiture.

In the year ended March 31, 2006, realized gains from investments in Japan from which we exited were ¥77.6 billion and unrealized losses from investments in Japan were ¥3.8 billion. Unrealized gains from the Terra Firma Investments were ¥1.7 billion. The residential real estate investments continued to perform, in part buoyed by investor demand and strong property sales. In addition, rent reviews resulted in a significant uplift ahead of management expectations during this period. Lower cost of capital due to introduction of new debt financing also contributed to the sector's performance. The solid performance by the property investments was offset by fair value reductions in a number of investments in the Retail, Consumer Finance and Service sector. Falling market share, lower than expected demand for new products, a reduction in the contract base and increase in pension exposure were the main factors causing the net realizable value of these investments to be reduced.

Non-interest expenses decreased by 6% from ¥12,153 million for the year ended March 31, 2007 to ¥11,473 million for the year ended March 31, 2008, due primarily to a decrease in professional fees.

Non-interest expenses decreased by 5% from ¥12,809 million for the year ended March 31, 2006 to ¥12,153 million for the year ended March 31, 2007, due primarily to decreased compensation and benefits associated with decreased net revenue.

Income before income taxes was ¥55,435 million for the year ended March 31, 2006, ¥52,816 million for the year ended March 31, 2007 and ¥53,320 million for the year ended March 31, 2008.

## **Asset Management**

Our Asset Management business is conducted principally through Nomura Asset Management Co., Ltd. We earn portfolio management fees through the development and management of investment trusts, which are distributed by Nomura Securities Co., Ltd., other brokers, banks and Japan Post Bank. We also provide investment advisory services for pension funds and other institutional clients. Net revenues basically consist of asset management and portfolio services fees that are attributable to Asset Management. Also, in the defined contribution pension business, we receive commissions as a plan administrator. In October 2007, Private Equity Funds Research and Investments Co., Ltd., which is engaged in

evaluating and analyzing private equity funds, was established.

**Table of Contents***Operating Results of Asset Management*

	Year Ended March 31			
	2006	2007	2008	
	(in millions)			
Non-interest revenues	¥ 63,030	¥ 87,241	¥ 86,637	\$ 868
Net interest revenue	2,813	2,865	4,004	40
Net revenue	65,843	90,106	90,641	908
Non-interest expenses	45,220	53,649	59,652	598
Income before income taxes	¥ 20,623	¥ 36,457	¥ 30,989	\$ 310

Net revenue increased by 1% from ¥90,106 million for the year ended March 31, 2007 to ¥ 90,641 million for the year ended March 31, 2008, due primarily to an increase in asset management and portfolio service fees partially offset by unrealized losses from pilot funds and seed money for new product development.

Net revenue increased by 37% from ¥65,843 million for the year ended March 31, 2006 to ¥90,106 million for the year ended March 31, 2007, due primarily to increases in asset management and portfolio service fees driven by growth of assets under management reflecting robust sales of existing investment trusts as well as newly launched funds.

Non-interest expenses increased by 11% from ¥53,649 million for the year ended March 31, 2007 to ¥59,652 million for the year ended March 31, 2008, due primarily to compensation and benefits associated with increased headcount and information technology expenses increased due to new investment.

Non-interest expenses increased by 19% from ¥45,220 million for the year ended March 31, 2006 to ¥53,649 million for the year ended March 31, 2007, due primarily to increased compensation and benefits to improve asset management services and a client service structure and expenses related to the consolidation of offices at the headquarters.

Income before income taxes was ¥20,623 million for the year ended March 31, 2006, ¥36,457 million for the year ended March 31, 2007 and ¥30,989 million for the year ended March 31, 2008.

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

**March 31**

	2006	2007	2008
		(in billions)	
Nomura Asset Management Co., Ltd.	¥ 21,381	¥ 26,489	¥ 25,591
Nomura Funds Research and Technologies Co., Ltd.	1,395	2,980	2,829
Nomura Corporate Research and Asset Management Inc.	1,231	1,462	1,117
MAINTRUST KAG mbH.	299	337	320
Nomura Funds Research and Technologies America, Inc.	254	309	306
Private Equity Funds Research and Investments Co., Ltd.			104
Nomura BlackRock Asset Management Co., Ltd.	1,224		
<b>Combined total</b>	<b>¥ 25,785</b>	<b>¥ 31,577</b>	<b>¥ 30,268</b>
<b>Total*</b>	<b>¥ 23,123</b>	<b>¥ 27,036</b>	<b>¥ 25,766</b>

\* Overlapping asset amounts among group companies are adjusted in Total.

**Table of Contents***Asset Management Business*

Assets under management were ¥25.8 trillion as of March 31, 2008, ¥2.6 trillion increase from March 31, 2006, and ¥1.3 trillion decrease from March 31, 2007. The greatest proportion of these assets was managed by Nomura Asset Management with assets under management of ¥25.6 trillion.

The net assets of stock investment trusts decreased at March 31, 2008 compared to the previous year due to deteriorating market conditions and the appreciation of the yen, triggered by U.S. subprime problems. The net assets of bond investment trusts also declined. Assets from institutional clients were almost flat at March 31, 2008 compared to the previous year, reflecting large mandates in the domestic and overseas offset by depreciation in assets due to the slump in stock prices and appreciation of the yen.

Investment trust assets included in the assets under management by Nomura Asset Management were ¥17.2 trillion as of March 31, 2008, down ¥1.6 trillion, or 9%, from the previous year, reflecting net cash inflows by clients of ¥1.7 trillion and market depreciation of ¥3.3 trillion. While the balance of many investment trusts grew at a sluggish pace under the harsh environment, the sales of newly-launched investment trusts remains robust, including Nomura Global High Interest Rate Currencies Fund, Nomura New Global High Interest Rate Currencies Fund and Nomura African Stock Investment Fund. For the year ended March 31, 2007, the balance of investment trusts managed by Nomura Asset Management was ¥18.8 trillion as of March 31, 2007, up ¥4.8 trillion, or 35%, from the previous year, reflecting net cash inflows by clients of ¥4.6 trillion and market appreciation of ¥0.2 trillion.

The following table shows Nomura Asset Management's share, in terms of net asset value, in the Japanese asset management market as of the dates indicated. Nomura Asset Management's market share in publicly offered investment trusts declined to 22% (1% decrease from previous year) as of March 31, 2008, 17% for Stock investment trusts and 44% for Bond investment trusts.

Nomura Asset Management's share of the fund market in Japan

	As of March 31		
	2006	2007	2008
Total of publicly offered investment trusts	21%	23%	22%
Stock investment trusts	15%	18%	17%
Bond investment trusts	42%	44%	44%

*Defined contribution pension plan business in Japan*

We offer various services in connection with the defined contribution pension plan business in Japan. Among other things, we provide consulting and support services for plan implementation (plan design), product selection, provision of information to subscribers, trust services, product supply and investor education. As of March 31, 2008, there were 229 approved plans with respect to which we, through Nomura Pension Support & Service Co., Ltd., were entrusted with the administration and management of defined contribution pension plans, and the total number of participants in those plans was about 320,000 persons. As of March 31, 2007, there were 188 approved plans with about 260,000

participants in total.

### **Other Operating Results**

Other operating results include gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments. Please refer to Note 20 to our consolidated financial statements included in this annual report.

Loss before income taxes in other operating results was ¥30,531 million for the year ended March 31, 2006, income before income taxes in other operating results was ¥23,941 million for the year ended March 31, 2007 and loss before income taxes in other operating results was ¥17,620 million for the year ended March 31, 2008.

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### *Investments in Equity Securities Held for Operating Purposes*

In our consolidated financial statements, operating investments, which refer to investments in equity securities of companies not affiliated with us which we hold on a long-term basis in order to promote existing and potential business relationships, are treated in accordance with U.S. GAAP for broker-dealers they are recorded at market value, with unrealized gains and losses on these investments being recognized in income.

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

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

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

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

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

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

### **Summary of Regional Contribution**

For a summary of our net revenue, income (loss) from continuing operations before income taxes and long-lived assets by geographic region, see Note 20 to our consolidated financial statements included in this annual report.

### **Regulatory Capital Requirements**

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

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In Japan, Nomura Securities Co., Ltd. is subject to the capital adequacy rule of the Financial Services Agency. This rule requires the maintenance of a capital adequacy ratio of not less than 120%. The calculation of a capital adequacy ratio is described in Regulatory Capital Rules Japan under Item 4. B of this annual report. As of March 31, 2008, we had a capital adequacy ratio of 226.4% compared to 217.1% as of March 31, 2007.

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

### **Translation Exposure**

A significant portion of our business is conducted in currencies other than yen most significantly, U.S. dollars, British pounds and Euros. In foreign countries where we operate, our business is conducted in the

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currencies of those countries. We prepare financial statements of each of our consolidated entities in its functional currency, which is the currency of the primary economic environment in which the entity operates. Translation exposure is the risk arising from the effect of fluctuations in exchange rates on the net assets of our foreign subsidiaries. Translation exposure is not recognized in our statements of operations unless and until we dispose of, or liquidate, the relevant foreign subsidiary, which historically has not occurred, and which we do not expect to occur, frequently.

## **Critical Accounting Policies and Estimates**

### *Use of estimates*

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

### *Fair value for financial instruments*

The fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of financial instruments, including exchange-trading securities and derivatives is based on quoted market prices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to counterparty credit adjustment and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process.

Trading assets and trading liabilities, including contractual commitments arising pursuant to derivative transactions, are recognized on the consolidated balance sheets on a trade date basis and carried at fair value with changes in fair value recognized currently within *Revenue Net gain on trading* in the consolidated statements of operations.

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

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

	Billions of yen				Translation into billions of U.S. dollars	
	March 31, 2007		March 31, 2008		Assets	Liabilities
	Assets	Liabilities	Assets	Liabilities		
Trading securities, including securities pledged as collateral <sup>(1)</sup>	¥ 12,001	¥ 3,783	¥ 8,774	¥ 3,680	\$ 88	\$ 37
Non-trading debt securities, including securities pledged as collateral	256		246		2	
Investments in equity securities	195		139		1	
Investments in equity securities for other than operating purposes which are classified into						
<i>Other assets other</i>	45		20		0	
Private equity investments	347		331		3	
Derivative contracts <sup>(1)</sup>	830	1,017	1,551	1,474	16	15

(1) Securities options are classified as derivative contracts.

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

	Billions of yen		
	March 31, 2008		
	With price transparency	With little or no price transparency	Total
Trading securities inventory, including securities pledged as collateral	¥ 7,243	¥ 1,531	¥ 8,774
Trading securities sold but not yet purchased	3,679	1	3,680
Non-trading debt securities, including securities pledged as collateral	242	4	246
Investments in equity securities	112	27	139
Investments in equity securities for other than operating purposes which are classified into <i>Other assets other</i>	8	12	20
Private equity investments	0	331	331

  

	Billions of yen		
	March 31, 2007		
	With price transparency	With little or no price transparency	Total
Trading securities inventory, including securities pledged as collateral	¥ 9,992	¥ 2,009	¥ 12,001

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Trading securities sold but not yet purchased	3,782	1	3,783
Non-trading debt securities, including securities pledged as collateral	186	70	256
Investments in equity securities	164	31	195
Investments in equity securities for other than operating purposes which are classified into <i>Other assets other</i>	35	10	45
Private equity investments	14	333	347

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

The types of instruments valued in this manner include listed equity, major sovereign government and agency bonds, supernational bonds, municipal bonds, corporates and money market instruments.

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

On April 1, 2008 we adopted FASB Statement No. 157, *Fair Value Measurements* ( SFAS 157 ) which provides guidance on the methodology we should follow in determination of fair value for all financial instruments held at fair value. As a result of adoption of SFAS 157, the methodology we used to value certain financial instruments such as private equity investments changed, which in some cases increased the level of management judgment applied. In addition, we also adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* ( SFAS 159 ) as of that date which increased the number of financial instruments which we carried at fair value and hence, in some cases, increase the level of management judgment applied in determining fair value.

See Note 1, Summary of accounting policies: Accounting changes and new accounting pronouncements in our consolidated financial statements included in this annual report, for more details on the expected impact of adoption of SFAS 157 and SFAS 159.

### *Private equity business*

As of April 1, 2007 we adopted AICPA Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* ( SOP 07-1 ). As a result, all private equity investments made by investment company subsidiaries pursuant to the provisions of SOP 07-1 are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to adoption of SOP 07-1, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

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

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

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*Derivative contracts*

Derivative contracts consist of listed derivatives and OTC derivatives. The fair value of listed derivatives are generally determined from quoted market prices. OTC derivatives are valued using valuation models. Listed derivative and OTC derivative assets and liabilities are shown below:

	Billions of yen		Translation into billions of U.S. dollars	
	Assets	Liabilities	Assets	Liabilities
<b>March 31, 2008</b>				
Listed derivatives	¥ 52	¥ 53	\$ 1	\$ 1
OTC derivatives	1,499	1,421	15	14
	<b>¥ 1,551</b>	<b>¥ 1,474</b>	<b>\$ 16</b>	<b>\$ 15</b>
<b>Billions of yen</b>				
<b>March 31, 2007</b>				
Listed derivatives	¥ 64	¥ 66		
OTC derivatives	766	951		
	<b>¥ 830</b>	<b>¥ 1,017</b>		

The fair value of OTC derivative assets and liabilities at March 31, 2007 and 2008 by remaining contractual maturity are shown below:

	Billions of yen						Cross-maturity netting <sup>(1)</sup>	Total fair value
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years			
<b>March 31, 2008</b>								
OTC derivative assets	¥ 548	¥ 379	¥ 518	¥ 406	¥ 1,058	¥ (1,410)	¥ 1,499	
OTC derivative liabilities	636	414	484	362	934	(1,409)	1,421	

Billions of yen							
March 31, 2007							
	Years to Maturity					Cross-maturity netting <sup>(1)</sup>	Total fair value
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years		
OTC derivative assets	¥ 174	¥ 251	¥ 224	¥ 110	¥ 370	¥ (363)	¥ 766
OTC derivative liabilities	286	304	204	122	368	(333)	951

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

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

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### **Accounting Developments**

See Note 1, Summary of accounting policies: Accounting changes and new accounting pronouncements, in our consolidated financial statements included in this annual report.

### **Private Equity Business**

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

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

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

As a result of adoption of SOP 07-1, all private equity investments made by investment company subsidiaries pursuant to the provisions of SOP 07-1 are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to the adoption of SOP 07-1, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

#### *Private equity business in Japan*

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

Since its inception in 2001, NPF has made 21 investments and exited from 15 of these investments (including partial sales) and the fair value of its investment portfolio is ¥124,974 million (\$1,252 million) as at March 31, 2008.

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NPF is a consolidated investment company pursuant to the provisions of SOP 07-1 and therefore carries all of its investments at fair value, with changes in fair value recognized through earnings from the adoption date of SOP 07-1 on April 1, 2007, rather than applying the equity method of accounting or consolidation, which was the accounting applied to certain investments prior to that date.

On April 11, 2008, we and our joint investors entered into a share purchase agreement among Ashikaga Holdings Co., Ltd. ( Ashikaga Holdings ), a newly established entity for this transaction, The Ashikaga Bank Ltd. and Deposit Insurance Corporation of Japan ( DICJ ). Ashikaga Holdings is scheduled to buy Ashikaga Bank s shares from DICJ for ¥120 billion and to subscribe for Ashikaga Bank s new shares for ¥160 billion on July 1, 2008.

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### *Private equity business in Europe*

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

### *Terra Firma Investments*

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

With effect from March 27, 2002, we ceased consolidating the Terra Firma Investments and accounted for our investment managed by Terra Firma at fair value in accordance with the AICPA Audit and Accounting Guide, *Investment Companies* until March 31, 2007, following which we adopted SOP 07-1.

The Terra Firma Investments are held by entities which are consolidated investment companies pursuant to the provisions of SOP 07-1 and therefore we continue to account for these investments at fair value, with changes in fair value recognized through earnings.

The estimated fair value of the Terra Firma Investments was ¥ 282,824 million and ¥ 130,938 million (\$1,311 million) at March 31, 2007 and 2008, respectively.

### *Other Terra Firma Funds*

In addition to the Terra Firma Investments, we are a 10% investor in a ¥ 307 billion (\$3.1 billion) private equity fund ( TFCP II ) and a 2% investor in a ¥ 705 billion (\$7.1 billion) private equity fund ( TFCP III ), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥ 30,680 million (\$307 million) and reduced to ¥7,356 million (\$74 million) as a result of adjustments for recyclable distributions. As of March 31, 2008, ¥5,119 million (\$51 million) had been drawn down for investments.

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For TFCP III, our total commitment is ¥15,819 million (\$158 million) and ¥7,292 million (\$73 million) had been drawn down for investments as at March 31, 2008.

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

### *Other Investments*

We also makes private equity investments in Europe through wholly owned subsidiaries and other consolidated entities which have third party pooling of funds. These entities are consolidated investment companies pursuant to the provision of SOP 07-1 and therefore all investments are carried at fair value, with changes in fair value recognized through earnings.

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### **B. Liquidity and Capital Resources.**

#### **Liquidity**

##### *Overviews*

Liquidity is of critical importance to Nomura and other Firms in the financial services sector. We define liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from an inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Liquidity risk could be due both to Nomura-specific and market wide events. Our primary liquidity objective is to ensure continuous liquidity across market cycles and periods of stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within 1 year can be met without additional unsecured funding or forced liquidation of trading assets.

We have in place a number of liquidity policies to achieve our primary liquidity objective. These include (1) ensuring sufficient long term debt to meet our cash capital needs; (2) maintenance of liquidity portfolios comprising cash and highly liquid unencumbered securities that can be converted into cash to meet our immediate liquidity requirements; (3) diversification of funding sources by currency, products, investor base and maturity in order to minimize reliance on any one source; (4) contingency funding plans and committed, unsecured credit facilities.

The Chief Financial Officer exercises general control over the financial strategy of the Nomura group companies. Reporting to him, Global Treasury performs scenario analysis and liquidity stress testing for a variety of liquidity events, and is responsible for monitoring and managing our liquidity in accordance with policies determined by the Group Management Committee or other decision making bodies.

During the latter half of our 2007 fiscal year, there has been a significant contraction in the availability of liquidity in the global capital markets. Despite these constraints, we have maintained a ¥2,385.9 billion liquidity portfolio comprising cash and highly liquid, unencumbered securities. In addition to our designated liquidity portfolio, we have a significant amount of other unencumbered, trading inventory that can be pledged to provide additional funding. This amounts to a further ¥1,329.2 billion, our liquidity modeling does not consider this to be a liquidity source readily available to the rest of the Firm.

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

- (i) Our ability to finance assets using secured funding, including repurchase agreements and securities lending transactions. The cash capital requirements are calculated using conservative estimates of the assets secured borrowing power in stressed scenarios.
- (ii) Goodwill and indefinable intangible assets, property, equipment and other illiquid assets.

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- (iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating. In addition, other unencumbered assets held at exchanges for chaining requirements are also funded with long-term liquidity.
- (iv) Commitments to lend to external counterparties based on the probability of drawdown.
- (v) Capital or other forms of financing in our regulated subsidiaries that is in excess of their long-term cash capital requirements.

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

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We routinely issue long term debt in various maturities and currencies to maintain a long term funding surplus, and to also achieve both cost effective funding and a maturity profile where the average duration of our debt is sufficient to meet our long-term cash capital requirements. We therefore seek to maintain an average maturity for vanilla instruments greater than three years. The average maturity (for debt securities and borrowings with maturities longer than one year) was 4.49 years as of March 31, 2008. Approximately 80% of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. A portion of these structured notes are either auto callable or callable at the investors request. Where there is a possibility of a call within one year, we do not assign any cash capital value. Conditions for such calls by indexes are individually set. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called. We undertake back testing to verify that predicted maturity dates are in line with actual maturities. It should be noted that debt securities and borrowings with maturities shorter than one year are not included in the long term portfolio.

We expect a significant portion of such callable notes to remain outstanding beyond the earliest call date. On this basis the average maturity of structured notes (notes with maturities longer than one year) was 10.85 years as of March 31, 2008. The average maturity of our entire long term debt portfolio including plain vanilla debt securities and borrowings was 7.46 years as of March 31, 2008. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

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

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

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We also seek to diversify funding by currency. The proportion of our non-yen denominated long-term debt is 22.9% of total term debt outstanding as of March 31, 2008.

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other debt or equity securities, indices, currencies and commodities.

	March 31			
	2007		2008	
	(in billions, except percentages)			
Short-Term Unsecured Debt Total <sup>(1)(2)</sup>	¥ 1,810.9	21.7%	¥ 2,246.4	26.1%
Short-Term Bank Borrowings	529.5		698.7	
Other Loans	25.9		86.0	
Commercial Paper	526.2		445.9	
Deposit at Banking Entities	349.6		327.7	
Certificates of Deposit	62.1		16.7	
Bonds and Notes maturing within one year	317.6		671.4	
Long-Term Unsecured Debt Total	4,360.4	52.1%	4,356.1	50.8%
Long-Term Bank Borrowings	845.4		1,259.3	
Other Loans	135.9		145.0	
Bonds and Notes <sup>(3)</sup>	3,379.1		2,951.8	
Shareholders' Equity	2,185.9	26.2%	1,988.1	23.1%

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

(2) Including Deposits received on banking business and Certificate of deposit.

(3) Excluding Long term bonds and notes issued by consolidated VIEs that meet the definition of Variable Interest Entities (VIE) under FASB Interpretation No. 46-R and Financial liabilities recognized within long term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with SFAS140.

3. *Unsecured Funding Management.* We manage the overall level of unsecured funding and created internal limits on the additional amount of unsecured funding available across the Firm. The availability of unsecured funding is set by the Group Management Committee, and monitored closely by Global Treasury.

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

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

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

As of March 31 , 2008, our liquidity portfolio was ¥2,385.9 billion. In addition to our Liquidity Portfolio, we have ¥1,329.2 billion of unencumbered business assets that may be pledged to raise liquidity.

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

- (i) Upcoming maturities of unsecured debt (maturities less than 1 year)
- (ii) Potential buybacks of our outstanding debt
- (iii) Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates
- (iv) Normal business volatility
- (v) Cash and collateral outflows in the event of a stress event.

Our liquidity portfolio is composed of following highly liquid products.

	March 31	
	2007	2008
	(in billions)	
Liquidity Portfolios	¥ 1,937.2	¥ 2,385.9
Cash, Cash Equivalent and Time Deposits	910.0	1,265.3
Overnight Call Loans	85.2	139.4
Government Securities	942.0	981.2

In addition to the liquidity portfolio, we have other unencumbered assets comprising mainly unpledged trading inventory that can be used as an additional source of secured funding. The aggregate value of our liquidity portfolios and other unencumbered assets as of March 31, 2008 was ¥3,715.1 billion this represented 165% of our total unsecured debt maturing within one year.

	March 31	
	2007	2008
	(in billions)	
Net Liquidity Value of Other Unencumbered Assets	¥ 2,368.6	¥ 1,329.2
Liquidity Portfolios	1,937.2	2,385.9
<b>Total</b>	<b>¥ 4,305.8</b>	<b>¥ 3,715.1</b>

5. *Maintain Committed Bank Facilities.* In addition to our Liquidity Portfolio, we maintain un-drawn committed facilities with a group of globally recognized banks in order to provide contingent financing sources. Total committed facilities were ¥370.2 billion as of March 31, 2008.

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We have structured the facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw them. We may occasionally test the effectiveness of our drawdown procedures.

6. *Maintaining and testing Contingency Funding Plan (CFP).* We have developed a detailed contingency funding plan. As a part of the CFP, we have developed an approach for analyzing and specifying the extent of any liquidity crisis. This allows us to estimate the likely impact of both a Nomura-specific and market-wide crises; and specifies the immediate action to be taken to mitigate any risk. The CFP lists details of key internal and external parties to be contacted and the processes by which information is to be disseminated. This has been developed at the legal entity level in order to capture specific cash requirements at the local level it assumes that the parent company does not have access to cash that may be trapped at the subsidiary level due to regulatory, legal or tax constraints. We periodically test the effectiveness of our funding plans for different Nomura specific events and market-wide.

**Table of Contents***Cash Flow*

Cash and cash equivalents as of March 31, 2008, increased by ¥97.2 billion as compared to March 31, 2007. Net cash used in operating activities amounted to ¥647.9 billion due to an increase of trading related assets and private equity investments (net of trading related assets and liabilities). Net cash used in investing activities was ¥102.0 billion. Net cash provided by financing activities was ¥942.9 billion as a result of an increase in borrowings.

*Balance Sheet and Financial Leverage*

Total assets as of March 31, 2008, were ¥26.3 trillion, a decrease of ¥9.6 trillion compared to March 31, 2007, reflecting a decrease in loans and receivables, collateralized agreements, and other assets. Total liabilities as of March 31, 2008, were ¥24.3 trillion, a decrease of ¥9.4 trillion compared to March 31, 2007, due to a decrease in collateralized financing and borrowings. Total shareholders' equity at March 31, 2008, was ¥2.0 trillion, a decrease of ¥0.2 trillion compared to March 31, 2007, due to a decrease in retained earnings.

We seek to maintain sufficient capital at all times to withstand losses due to extreme market movements. Senior management is responsible for implementing and enforcing capital policies. This includes the determination of our balance sheet size and required capital levels. We continuously review our equity capital base to ensure that it can support the economic risk inherent in our business. There are also regulatory requirements for minimum capital of entities that operate in regulated securities or banking businesses. See Note 17, "Regulatory requirements" in our consolidated financial statements.

Our capital was ¥1,988.1 billion as of March 31, 2008 compared with ¥2,185.9 billion as of March 31, 2007. Our leverage ratio as of March 31, 2008 has decreased to 13.2 times from 16.4 times as of March 31, 2007, largely due to the increase of our shareholders' equity.

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

	March 31	
	2007	2008
	(in billions, except ratios)	
Shareholders' equity	¥ 2,185.9	¥ 1,988.1
Total assets	35,873.4	26,298.8
Adjusted assets <sup>(1)</sup>	18,035.1	15,907.4
Leverage ratio <sup>(2)</sup>	16.4x	13.2x
Adjusted leverage ratio <sup>(3)</sup>	8.3x	8.0x

(1) Adjusted assets represent total assets less securities purchased under agreements to resell and securities borrowed transactions.

(2) Leverage ratio equals total assets divided by shareholders' equity.

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

## **Capital Management**

### *Capital Management Policy*

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

### *Dividends*

When determining the amount of any cash dividend, we will first decide target dividend amounts, the minimum level of cash dividend, taking into account the firm's dividend-on-equity ratio (DOE) of about 3%.

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When we achieve a sufficient level of profit, we will decide the amount of the year-end cash dividend taking into consideration a pay-out ratio of over 30%. We seek to ensure sustainable growth of its target dividend in the mid- to long-term.

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

### *Stock Repurchases*

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

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

In line with our capital management policy, we paid the year-end dividend of ¥8.5. When added to the dividends paid in the first three quarters, the year-end dividend for the fiscal year ended March 31, 2008, brings the total annual dividend to ¥34 per share for the year.

On April 25, 2008, we announced an annual target dividend amount of ¥34 per share for the year ending March 31, 2009. The payment and dividend amounts are formally determined by a resolution of the Board of Directors. In line with the dividend policy, when Nomura achieves a sufficient level of profit, the year-end cash dividend will be decided, taking into consideration a pay-out ratio of over 30%.

## **Credit Ratings**

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

As of March 31, 2008, the credit ratings of Nomura Holdings, Inc. and Nomura Securities Co., Ltd. provided by such credit rating agencies were as follows:

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Nomura Holdings, Inc.	Short-term Debt	Senior Debt
Standard & Poor's	A-2	A-
Moody's Investors Service		A3
Rating and Investment Information, Inc.	a-1+	AA-
Japan Credit Rating Agency, Ltd.		AA

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

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

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

Not applicable.

### **D. Trend Information.**

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

### **E. Off-Balance Sheet Arrangements.**

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

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

an obligation under a guarantee contract;

a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets;

any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or

any obligation, including contingent obligation, arising out of a variable interest in an off-balance sheet entity that is held by, and material to, Nomura, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, Nomura.

Off-balance sheet entities may take the form of a corporation, partnership, fund, trust or other legal vehicle which are designed to fulfill a limited, specific purpose by its sponsor. We both create or sponsor these entities and also enter into arrangements with entities created or sponsored by others. Such entities generally meet the definition of a Variable Interest Entity ( VIE ) under FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* ( FIN 46-R ) or meet the definition of a Qualifying Special Purpose Entity ( QSPE ) under Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ( SFAS140 ).

A VIE, as defined by FIN46-R, is an entity with insufficient equity at risk to support its operations without additional subordinated financial support or whose equity investors lack the features of a controlling interest in the entity. In other words, equity investors in these entities lack either the ability to make significant decisions through their voting rights, an obligation to absorb the expected losses of the entity or a right to receive the expected residual returns of the entity. A QSPE is generally a passive vehicle whose activities are restricted and predetermined at inception in accordance with criteria under SFAS 140. Such vehicles are generally used to securitize financial assets such as loans and debt instruments.

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

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In the normal course of business, we also act as transferor of financial assets to, and underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities, in connection with our securitization and equity derivative activities. We retain, purchase and sell variable interests in Special Purpose Entities (SPEs) in connection with our market-making, investing and structuring activities. Our other types of off-balance sheet arrangements include guarantee agreements and derivative contracts. For further information about off-balance arrangements with VIEs, see Note 7, *Securitization and Variable Interest Entities (VIEs)* in our consolidated financial statements.

The following table sets forth Nomura's exposures of consolidated VIEs, exposure to significant unconsolidated VIEs and exposure to unconsolidated SPEs as at March 31, 2008, arising from our significant involvement with these entities. Nomura considers maximum exposures to loss to be limited to the amounts presented below, which are reflected in our consolidated balance sheet or the footnote discussing guarantees. 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.

Millions of yen			
March 31, 2008			
Exposure of consolidated VIEs	Exposure to significant unconsolidated VIEs	Exposure to unconsolidated SPEs	Total
<b>Trading Assets:</b>			
Equities and convertible bonds	173,226		173,226
Government and government agency bonds	1,133		1,133
Bank and corporate debt securities	2,553	26,517	37,459
Mortgage and mortgage-backed securities	63,063	195,381	258,444
Beneficiary interests and other		6,270	9,433
Derivatives(1)	95		(1,702)
Office buildings, land, equipment and facilities	47,580		47,580
Others	2,674	32,432	35,106
Standby letters of credit and other guarantees		409	409

(1) The amounts represent current balance sheet carrying value of derivatives. Notional amounts are ¥673 million for exposure of consolidated VIEs and ¥45,162 million for exposure to unconsolidated SPEs.

Nomura may be required to consolidate off-balance sheet entities which are currently not consolidated under the provisions of FIN 46-R, should it become the primary beneficiary of those vehicles. The primary beneficiary of an entity is determined through an assessment of which entity absorbs the majority of the expected losses or is entitled to the majority of the expected benefits of that entity, or both. Such an assessment takes into account Nomura's variable interests in the entity as well the seniority of its interests in relation to those of other variable interest holders.

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

The obligation to absorb expected losses or the right to receive expected residual returns is reallocated between the existing primary beneficiary and other parties due to a change in the entity's governing documents or contractual arrangements;

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The existing primary beneficiary sells or disposes of all or part of its variable interests to unrelated parties;

The variable interest entity issues new variable interests to parties other than the primary beneficiary and its related parties; or

Nomura acquires additional variable interests in the variable interest entity.

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

**F. Tabular Disclosure of Contractual Obligations.**

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

*Standby letters of credit and other guarantees:*

In the normal course of our banking / financing activities, we enter into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

*Long-term borrowings:*

In connection with our operating activities, we issue Japanese yen and non-Japanese yen denominated long-term borrowings with variable and fixed interest in accordance with our funding policy.

*Operating lease commitments:*

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

We lease certain equipment and facilities under non-cancellable operating lease agreements.

*Capital lease commitments:*

We lease certain equipment and facilities under capital lease agreements.

*Commitments to extend credit:*

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

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

*Commitments to invest in partnership:*

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

Note 11, *Borrowings* contains further detail on our short-term and long-term borrowing obligation and Note 19, *Commitments, contingencies and guarantees* contains further detail on our commitments, contingencies and guarantees.

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

The following table shows our contractual obligations and contingent commitments as well as their maturities as of March 31, 2008:

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
		(in millions)			
Standby letters of credit and other guarantees	¥ 6,438	¥ 3,277	¥ 3,045	¥ 116	¥
Long-term borrowings <sup>(1)</sup>	4,845,216	476,131	796,348	1,189,104	2,383,633
Operating lease commitments	57,884	12,765	18,358	12,266	14,495
Capital lease commitments <sup>(2)</sup>	1,333	501	625	206	1
Purchase obligations <sup>(3)</sup>	10,760	9,935	825		
Commitments to extend credit	181,341	64,448	31,975	33,518	51,400
Commitments to invest in partnerships	124,154	4,221	47,935	23,925	48,073
<b>Total</b>	<b>¥ 5,227,126</b>	<b>¥ 571,278</b>	<b>¥ 899,111</b>	<b>¥ 1,259,135</b>	<b>¥ 2,497,602</b>

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
		(in millions)			
Standby letters of credit and other guarantees	\$ 64	\$ 33	\$ 30	\$ 1	\$
Long-term borrowings <sup>(1)</sup>	48,525	4,768	7,975	11,909	23,873
Operating lease commitments	580	128	184	123	145
Capital lease commitments <sup>(2)</sup>	13	5	6	2	0
Purchase obligations <sup>(3)</sup>	108	100	8		
Commitments to extend credit	1,816	645	320	336	515
Commitments to invest in partnerships	1,243	42	480	240	481
<b>Total</b>	<b>\$ 52,349</b>	<b>\$ 5,721</b>	<b>\$ 9,003</b>	<b>\$ 12,611</b>	<b>\$ 25,014</b>

- (1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with SFAS 140. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
- (2) The total contractual amount of capital lease commitments is calculated as the present value of minimum lease payments.
- (3) Purchase obligations for goods and services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements. The amounts reflect the minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. The amounts exclude obligations that are already reflected on our consolidated balance

sheet as liabilities or payables.

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

In addition to amounts presented above, we have commitments to enter into resale and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki transactions. These commitments amount to ¥2,338 billion (\$23 billion) for resale agreements and ¥5,579 billion (\$56 billion) for repurchase agreements at March 31, 2008.

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

The following table provides information about Nomura's Directors as of June 30, 2008. With respect to the information under "Brief Personal History" below, some of the Directors changed their titles upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name  (Date of Birth)	Responsibilities and Status  in Other Companies	Brief Personal History
Junichi Ujiie (Oct. 12, 1945)	Chairman of the Board of Directors	Nov. 1975
	Chairman of the Nomination Committee	Jun. 1990
	Chairman of the Compensation Committee	Jun. 1992
		Jun. 1995
	Director and President & Chief Executive Officer of Nomura Institute of	Jun. 1996
	Capital Markets Research	May 1997
		Apr. 2003
Kenichi Watanabe (Oct. 28, 1952)	Director and President & CEO	Apr. 1975
	Director and President & CEO of	Jun. 1998
		Jun. 2000
	Nomura Securities Co., Ltd.	Oct. 2001
		Apr. 2002

	Executive Managing Director of Nomura Securities Co., Ltd.
Jun. 2003	Senior Managing Director Director and Executive Vice President of Nomura Securities Co., Ltd.
Apr. 2004	Executive Vice President of Nomura Securities Co., Ltd.

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Name  (Date of Birth)	Responsibilities and Status  in Other Companies	Brief Personal History	
Takumi Shibata  (Jan. 8, 1953)	Director and Deputy President & COO  Director and Deputy President & COO of Nomura Securities Co., Ltd.  Director of Fortress Investment LLC	Mar. 2006	Retired from Senior Managing Director
		Apr. 2006	Deputy President of Nomura Securities Co., Ltd.
		Apr. 2008	President & CEO Director and President & CEO of Nomura Securities Co., Ltd.
		Jun. 2008	Director and President & CEO
		Apr. 1976	Joined Nomura
		Jun. 1998	Director
		Jun. 2000	Managing Director
		Sep. 2001	Retired from Managing Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd.
		Apr. 2003	Executive Managing Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2004	Director and Executive Vice President of Nomura Securities Co., Ltd.
		Mar. 2005	Retired from Director and Executive Vice President of Nomura Securities Co., Ltd.
Apr. 2005	Director and President & CEO of Nomura Asset Management Co., Ltd.		
Mar. 2006	Retired from Senior Managing Director		
Mar. 2008	Retired from Director and President & CEO of Nomura Asset Management Co., Ltd.		
Apr. 2008	Deputy President & COO Director and Deputy President of Nomura Securities Co., Ltd.		
Jun. 2008	Director and Deputy President & COO Director and Deputy President & COO of Nomura Securities Co., Ltd.		
Masanori Itatani  (Oct. 13, 1953)	Director Director of Nomura Securities Co., Ltd.	Apr. 1976	Joined Nomura
		Jun. 1998	Director in charge of Corporate Communications and IR
		Jun. 2000	Director in charge of Planning Division and Corporate Communications
		Oct. 2001	Director in charge of General Affairs Department
		Jun. 2003	Senior Managing Director in charge of Global Corporate Communications, General Affairs Department and Secretariat

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Name  (Date of Birth)	Responsibilities and Status  in Other Companies	Brief Personal History	
Yoshifumi Kawabata  (Nov. 3, 1952)	Director	Apr. 2004	Senior Managing Director in charge of Internal Audit
		Apr. 2006	Executive Managing Director in charge of Internal Audit
		Jun. 2007	Director
		Apr. 1975	Joined Nomura
		Jun. 1998	Director
		Jun. 2000	President of Nomura Babcock & Brown Co., Ltd
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd.
		Apr. 2002	Managing Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director
Masaharu Shibata  (Feb. 21, 1937)	Director Member of the Nomination Committee Member of the Compensation Committee Director of Nomura Securities Co., Ltd. Chairman of NGK Insulators, Ltd. Chairman of NGK Technica, Ltd. Statutory Auditor of Chubu-Nippon Broadcasting Co., Ltd.		Director and President of Nomura Babcock & Brown Co., Ltd. Executive Managing Director of Nomura Securities Co., Ltd.
		Mar. 2005	Retired from Senior Managing Director Retired from Executive Managing Director of Nomura Securities Co., Ltd.
		Mar. 2008	Retired from Director and President of Nomura Babcock & Brown Co., Ltd.
		Apr. 2008	Advisor
		Jun. 2008	Retired from Advisor
		Jun. 2008	Director
		Apr. 1959	Joined NGK Insulators, Ltd.
		Jun. 1994	President & CEO of NGK Insulators, Ltd.
		Oct. 2001	Director
		Jun. 2002	Chairman of NGK Insulators, Ltd.
Jun. 2007	Statutory Auditor of Chubu-Nippon Broadcasting Co., Ltd.		
Hideaki Kubori  (Aug. 29, 1944)	Director Member of the Nomination Committee Member of the Compensation Committee Director of Nomura Securities Co., Ltd. Chairman of Hibiya Park Law Offices Statutory Auditor of Sourcnext Corporation	Apr. 1971	Registered as attorney at law and joined Mori Sogo Law Offices
		Mar. 1998	Left Mori Sogo Law Offices
		Apr. 1998	Chairman, Hibiya Park Law Offices
		Apr. 2001	Vice President, Japan Federation of Bar Associations and President, Daini Tokyo Bar Association

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Name  (Date of Birth)	Responsibilities and Status  in Other Companies	Brief Personal History
		Oct. 2001 Director
		Mar. 2002 Retired from Vice President, Japan Federation of Bar Associations and President, Daini Tokyo Bar Association
		Feb. 2003 Statutory Auditor, Sourcenext Corporation
Haruo Tsuji  (Dec. 6, 1932)	Director	Mar. 1955 Joined Hayakawa Electric Industry Co., Ltd. (currently, Sharp Corporation)
	Chairman of the Audit Committee	Jun. 1986 President, Sharp Corporation
	Director of Nomura Securities Co., Ltd.	Jun. 1998 Corporate Advisor, Sharp Corporation
	Corporate Advisor of Sharp Corporation	Jun. 2001 Statutory Auditor
		Jun. 2003 Director
	Director of Kobayashi Pharmaceutical Co., Ltd.	Jun. 2008 Director of Kobayashi Pharmaceutical Co., Ltd.
Fumihide Nomura (Apr. 13, 1934)	Director	Apr. 1957 Joined Nomura
	Member of the Audit Committee	Dec. 1976 Director
	President of Nomura Shokusan Co., Ltd.	Dec. 1979 Managing Director
		Dec. 1982 Statutory Auditor
		Jun. 2003 Director
Masahiro Sakane (Jan. 7, 1941)	Director	Apr. 1963 Joined Komatsu Ltd.
	Chairman of the Board of Komatsu Ltd.	Jun. 2001 President of Komatsu Ltd.
	Director of Tokyo Electron Limited	Jun. 2003 President & CEO of Komatsu Ltd.
		Jun. 2007 Chairman of the Board of Komatsu Ltd.
		Jun. 2008 Director of Tokyo Electron Limited
		Jun. 2008 Director
Tsuguoki Fujinuma  (Nov. 21, 1944)	Director	Apr. 1969 Entered Horie Morita Accounting Firm
	Director of Tokyo Stock Exchange Group, Inc.	Jun. 1970 Joined Arthur & Young Accounting Firm
	Governor of Tokyo Stock Exchange Regulation	Nov. 1974 Registered as a certified public accountant
	Advisor of The Japanese Institute of Certified Public Accountants	May 1991 Managing Partner of Asahi Shinwa Accounting Firm
	Statutory Auditor of Sumitomo Corporation	Jun. 1993 Managing Partner of Ota Showa & Co. (currently, Ernst & Young ShinNihon)
	Statutory Auditor of Takeda Pharmaceutical Company Limited	May 2000 President of the International Federation of Accountants

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Name	Responsibilities and Status	
(Date of Birth)	in Other Companies	Brief Personal History
		Nov. 2002 Retired from President of the International Federation of Accountants
		Jul. 2004 Chairman and President of the Japanese Institute of Certified Public Accountants
		Jun. 2007 Retired from Ernst & Young ShinNihon
		Jul. 2007 Retired from Chairman and President of the Japanese Institute of Certified Public Accountants Advisor of the Japanese Institute of Certified Public Accountants
		Aug. 2007 Director of Tokyo Stock Exchange Group, Inc.
		Oct. 2007 Governor of Tokyo Stock Exchange Regulation
		Apr. 2008 Specially-appointed Professor of Chuo Graduate School of Strategic Management
		Jun. 2008 Statutory Auditor of Sumitomo Corporation
		Jun. 2008 Director
		Jun. 2008 Statutory Auditor of Takeda Pharmaceutical Company Limited

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

**Table of Contents****Executive Officers**

The following table provides information about Nomura's Executive Officers as of June 30, 2008. With respect to the information under Brief Personal History below, some of the Executive Officers changed their titles or positions upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name	Responsibilities	Brief Personal History	
(Date of Birth)			
Kenichi Watanabe (Oct. 28, 1952)	Director  President & Chief Executive Officer  Representative Executive Officer	See	Directors under this Item 6.A.
Takumi Shibata (Jan. 8, 1953)	Director  Deputy President &  Chief Operating Officer  Representative Executive Officer	See	Directors under this Item 6.A.
Akihiko Nakamura (Apr. 14, 1954)	Executive Managing Director Chief Information Officer	Apr. 1978 Jun. 2000  Jun. 2001 Sep. 2001 Oct. 2001 Jun. 2003  Apr. 2004  Apr. 2006  Mar. 2007	Joined Nomura General Manager of Retail Strategy Dept. Director Retired from Director Director of Nomura Securities Co., Ltd. Senior Managing Director of Nomura Securities Co., Ltd. Senior Managing Director and Head of Global IT & Operations Executive Managing Director and Chief Information Officer Retired from Senior Managing Director of Nomura Securities Co., Ltd.
Toshio Hirota (Apr. 21, 1957)	Executive Managing Director Head of Communications	Apr. 1981 Jul. 2001  Apr. 2003 Jun. 2003  Mar. 2007  Apr. 2007	Joined Nomura General Manager of Investment Banking Department I. and Investment Banking Department III. Director of Nomura Securities Co., Ltd. Senior Managing Director of Nomura Securities Co., Ltd. Retired from Senior Managing Director of Nomura Securities Co., Ltd. Executive Managing Director and Head of Communications
Hideyuki Takahashi (Jan. 10, 1956)	Executive Managing Director Head of Internal Audit	Apr. 1979 Nov. 2000	Joined Nomura President & CEO of Nomura Securities International, Inc.



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Name  (Date of Birth)	Responsibilities	Brief Personal History	
		Apr. 2002	Director of Nomura Securities Co., Ltd.
		Apr. 2002	President & CEO of Nomura Holding America Inc.
		Oct. 2002	Head of Regional Management, Americas
		Jun. 2003	Retired from Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director
		Jun. 2007	Executive Managing Director and Head of Internal Audit
Yugo Ishida (Jan. 1, 1957)	Executive Managing Director Head of Regional Management, Europe	Apr. 1979	Joined Nomura
		Jun. 2000	Regional Head of Europe Equity
		Apr. 2004	Senior Managing Director, Co-Regional Management of Europe Region and President of Nomura Europe Holdings plc
		Apr. 2006	Head of Regional Management, Europe
		Apr. 2008	Executive Managing Director
Akihito Watanabe (May 24, 1957)	Senior Managing Director Head of Group Human Resources Development	Apr. 1981	Joined Nomura
		Oct. 2001	General Manager of Corporate Planning Department of Nomura Securities Co., Ltd.
		Apr. 2004	Senior Managing Director and Head of Global Research
			Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2006	Head of Group Human Resources Development
Shigesuke Kashiwagi (Nov. 13, 1959)	Senior Managing Director Head of Regional Management, Americas	Apr. 1982	Joined Nomura
		Apr. 2002	General Manager of Fixed Income Department of Nomura Securities Co., Ltd
		Apr. 2004	Senior Managing Director and Head of Global Fixed Income
			Senior Managing Director of Nomura Securities Co., Ltd.
		Mar. 2006	Retired from Senior Managing Director and Head of Global Fixed Income
		Jul. 2006	President & CEO of Nomura Securities International, Inc.
		Mar. 2007	Retired from Senior Managing Director of Nomura Securities Co., Ltd.

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<b>Name</b>	<b>Responsibilities</b>	<b>Brief Personal History</b>
<b>(Date of Birth)</b>		
		Apr. 2007 Senior Managing Director and Co-Head of Regional Management, Americas
		Jun. 2007 Head of Regional Management, Americas and President & CEO of Nomura Holding America Inc.
Masafumi Nakada (Jul. 30, 1958)	Senior Managing Director Chief Financial Officer	Apr. 1981 Joined Nomura Apr. 2003 General Manager of Compliance Department of Nomura Securities Co., Ltd. Apr. 2005 Senior Managing Director, Chief Financial Officer and Head of Global Risk Management, Treasury, Controller and IR Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2006 Chief Financial Officer Mar. 2008 Retired from Senior Managing Director of Nomura Securities Co., Ltd.
Noriaki Nagai (Dec. 1, 1957)	Senior Managing Director Head of Corporate Office	Apr. 1981 Joined Nomura Jun. 2000 General Manager of Legal Department of Nomura Securities Co. Ltd. Apr. 2006 Senior Managing Director and Head of Corporate Office Senior Managing Director of Nomura Securities Co., Ltd.
Yoshinori Go (Aug. 13, 1958)	Senior Managing Director Head of Regional Management, Asia	Apr. 1981 Joined Nomura Apr. 2006 Co-President & COO of Nomura Asia Holding N.V. Apr. 2007 Senior Managing Director and Head of Asia Region Marketing Apr. 2008 Head of Regional Management, Asia President & CEO of Nomura Asia Holding N.V.
Yuji Nakata (Jun. 6, 1959)	Senior Managing Director Global Markets (based in Europe)	Apr. 1983 Joined Nomura Jul. 2004 Managing Director of Risk Management Department of Nomura Securities Co., Ltd.

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Name			
(Date of Birth)	Responsibilities		Brief Personal History
			Apr. 2007 Senior Managing Director of Nomura Securities Co., Ltd. and Head of Asia Region Products
			Mar. 2008 Retired from Senior Managing Director of Nomura Securities Co., Ltd.
			Apr. 2008 Senior Managing Director and Global Markets (based in Europe)
Yoshihiro Fukuta (Jun. 4, 1962)	Senior Managing Director Head of Regional Management, Asia		Apr. 1985 Joined Nomura Jan. 2004 President of Nomura Italia S.I.M.p.A Apr. 2008 Senior Managing Director and Head of Regional Management, Asia

**B. Compensation.****Compensation Policy**

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

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

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

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

*Base Salary*

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

the amount reflecting his or her career;

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the amount reflecting his or her post and responsibilities; and

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

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

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

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*Cash Bonus*

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

our consolidated net income;

our consolidated return on equity; and

our segment/business line results.

Qualitative factors include:

the degree of achievement of our strategic business objectives;

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

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

Under our compensation policy, the aggregated cash bonus amount paid to our Directors and Executive Officers will not exceed 1% of our consolidated net income.

*Stock Bonus*

In determining stock bonus payable to our Directors and Executive Officers, the Compensation Committee considers not only our consolidated net income and return on equity but also the proportion of base salary, cash bonus, stock bonus as well as the anticipated cost and effect of awarding such stock bonus. Stock bonus is paid in the form of granting stock acquisition rights to our Directors and Executive Officers under Stock Option A Plan and Stock Option B Plan (see "Equity-Based Compensation" below).

**Aggregate Compensation**

(for the year ended March 31, 2008)

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Director or Executive Officer	Number of Directors or Executive Officers	Amount of Aggregate Compensation
Directors	8	¥ 445 million
(Of them, outside Directors)	(4)	¥ (131 million)
Executive Officers	13	¥ 1,198 million
<b>Total</b>	<b>21</b>	<b>¥ 1,643 million</b>

(Notes)

- 3 of the Directors are concurrently serving as Executive Officers. Those Directors who are also Executive Officers are paid as Executive Officers but not as Directors.
- Within the aggregate amount of compensation ¥1,643 million, ¥534 million of stock acquisition rights (equity-based compensation), other non-monetary compensation of ¥2 million and retirement allowance of ¥213 million which was resolved at the 98th ordinary general meeting of shareholders held on June 26, 2002 are included.

### Equity-Based Compensation

Stock acquisition rights are issued to executives and employees of Nomura and its subsidiaries as compensation for the execution of their duties. We believe that stock acquisition rights issued under our stock option plans provide incentives to our executives and employees so as to align their interests with those of our shareholders, to improve performance across Nomura and its subsidiaries.

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We have issued the following two types of stock acquisition rights:

**Stock Option A Plan**

Under this plan, which is intended to improve the performance of and to grant equity-linked incentive to executives and employees (senior staff) of Nomura and its subsidiaries, the exercise price is determined based on the market price of Nomura's stock price at the time of the allotment of the stock acquisition rights. They are qualified as stock acquisition rights under Japan's tax laws. After the determination of a solicitation plan to grant this type of stock options, there is a non-exercise period of two years in order to pursue capital gains. We expect that this creates a common incentive to executives and employees working in different divisions and geographic regions and to improve performance across Nomura and its subsidiaries.

**Stock Option B Plan**

This plan is intended to provide incentives that have the same economic effect as restricted stocks, which are commonly used by companies in the United States and in Europe. The exercise price will be ¥1 per share and a non-exercise period of two years from the determination of a solicitation plan to grant this type of stock options has been set. Grantees who leave Nomura and its subsidiaries before the start of the exercise period will, in principle, forfeit their rights to the stock acquisition rights. These stock options will be granted in lieu of a portion of cash compensation, making for a quasi-deferred payment to link compensation to Nomura's stock price. We believe that this creates an effective means to retain talented personnel over the medium- to long-term. If Nomura's stock price rises, grantees' compensation will also increase, thereby making it possible to align their interests with those of our shareholders.

**Table of Contents****Stock Acquisition Rights**

(as of March 31, 2008)

<b>Name of Stock Acquisition Rights</b>	<b>Allotment Date</b>	<b>Number of Shares under Stock Acquisition Rights</b>	<b>Exercise Period of Stock Acquisition Rights</b>	<b>Exercise Price per Share under Stock Acquisition Rights</b>	<b>Paid-in Amount for Stock Acquisition Rights</b>
Stock Acquisition Rights No.1	August 5, 2002	1,166,000	From July 1, 2004 to June 30, 2009	1,794	0
Stock Acquisition Rights No.2	July 22, 2003	1,239,000	From July 1, 2005 to June 30, 2010	1,619	0
Stock Acquisition Rights No.3	June 4, 2004	269,000	From June 5, 2006 to June 4, 2011	1	0
Stock Acquisition Rights No.4	August 16, 2004	1,250,000	From July 1, 2006 to June 30, 2011	1,607	0
Stock Acquisition Rights No.5	April 25, 2005	295,000	From April 26, 2007 to April 25, 2012	1	0
Stock Acquisition Rights No.6	June 3, 2005	480,000	From June 4, 2007 to June 3, 2012	1	0
Stock Acquisition Rights No.7	July 25, 2005	63,800	From July 26, 2007 to July 25, 2012	1	0
Stock Acquisition Rights No.8	July 25, 2005	1,534,800	From July 1, 2007 to June 30, 2012	1,409	0
Stock Acquisition Rights No.9	April 24, 2006	2,436,800	From April 25, 2008 to April 24, 2013	1	0
Stock Acquisition Rights No.10	June 12, 2006	985,500	From June 13, 2008 to June 12, 2013	1	0
Stock Acquisition Rights No.11	July 14, 2006	1,807,000	From July 7, 2008 to July 6, 2013	2,201	0
Stock Acquisition Rights No.12	October 10, 2006	16,000	From October 11, 2008 to October 10, 2013	1	0
Stock Acquisition Rights No.13	April 25, 2007	4,106,100	From April 26, 2009 to April 25, 2014	1	0
Stock Acquisition Rights No.14	June 21, 2007	1,204,400	From June 22, 2009 to June 21, 2014	1	0
Stock Acquisition Rights No.15	August 1, 2007	113,000	From August 2, 2009 to August 1, 2014	2,382	0
Stock Acquisition Rights No.16	August 1, 2007	1,891,000	From August 2, 2009 to August 1, 2014	2,382	0
Stock Acquisition Rights No.17	August 1, 2007	2,591,300	From August 2, 2009 to August 1, 2014	1	0
Stock Acquisition Rights No.18	October 19, 2007	216,600	From October 20, 2009 to October 19, 2014	1	0

(Notes)

- 1: Stock acquisition rights (including those granted to Directors and Executive Officers of Nomura which are stated in the table on next page) are issued in conjunction with stock option plan.
- 2: The number of shares issuable under stock acquisition rights is subject to adjustments under certain circumstances including stock split.



**Table of Contents****Stock Acquisition Rights Held by Directors and Executive Officers of Nomura**

(as of March 31, 2008)

Name of Stock Acquisition Rights	Number of Shares under Stock Acquisition Rights	Numbers of Holders	
		Directors and Executive Officers (excluding Outside Directors)	Outside Directors
Stock Acquisition Rights No.1	165,000	12	3
Stock Acquisition Rights No.2	253,000	13	4
Stock Acquisition Rights No.3	76,000	7	3
Stock Acquisition Rights No.4	174,000	16	4
Stock Acquisition Rights No.6	138,000	12	3
Stock Acquisition Rights No.8	166,000	17	4
Stock Acquisition Rights No.10	270,600	16	4
Stock Acquisition Rights No.11	106,000	17	4
Stock Acquisition Rights No.14	236,500	17	4
Stock Acquisition Rights No.15	106,000	17	4

At the ordinary general meeting of shareholders held on June 26, 2008, the authorization to determine a solicitation plan to grant Stock Option A and Stock Option B, each of which stock options represents 100 shares, to Directors, Executive Officers, and employees of our subsidiaries in and outside Japan was delegated to our Board of Directors. These stock options are exercisable during a period to fall within seven years of the allotment date, which is to be decided by our Board of Directors or an Executive Officer designated by our Board of Directors. The exercise price of Stock Option A will be determined by reference to the market price of our common stock while that of Stock Option B will be ¥1 per share. Subject to adjustments, a total of 17,500,000 shares will be issuable upon full exercise of all the stock options granted in this round, 2,500,000 shares of which will be issuable for Stock Option A and 15,000,000 shares of which will be issuable for Stock Option B.

**C. Board Practices.****Information Concerning Our Directors**

Under the Companies Act, which became effective on May 1, 2006, certain large publicly-held joint stock companies in Japan have the option of choosing committee-based corporate governance system (Committee System) that consists of Board of Directors and committees or a traditional corporate governance system that consists of board of directors and board of statutory auditors. In order to be eligible for the Committee System, a company must establish three committees: a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company's directors. A majority of each committee must be outside directors who are not executive officers of the company. The company must then appoint executive officers and representative executive officers by a resolution of the board of directors. Under the Committee System, the executive officers manage the business affairs of a company. While the board of directors is entitled to establish the basic management policy for the company and has decision-making authority over certain prescribed matters, all other decisions related to business affairs may be made by executive officers. When an eligible company adopts the Committee System, its board of statutory auditors is abolished.

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

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Our Articles of Incorporation provide for not more than 20 Directors. Directors are elected at a general meeting of shareholders, and the normal term of office of Directors is one year, although they may serve any number of consecutive terms. From among its members, our Board of Directors elects the Chairman. Our Board of Directors met 11 times during the year ended March 31, 2008. As a group, our Directors attended over 90% of the total number of meetings of our Board of Directors.

### *Compensation Committee*

Our Compensation Committee is authorized to determine the policy with respect to the determination of the particulars of the compensation for each Director and Executive Officer, and the particulars of the compensation for each Director and Executive Officer. This committee's current members are Junichi Ujiie, Masaharu Shibata and Hideaki Kubori. Junichi Ujiie is the Chairman of this committee. Our Compensation Committee met 2 times during the year ended March 31, 2008. Each member attended every meeting of our Compensation Committee during the year.

### *Nomination Committee*

Our Nomination Committee is authorized to determine the particulars of proposals concerning the election and dismissal of Directors to be submitted to a general meeting of shareholders by our Board of Directors. This committee's current members are Junichi Ujiie, Masaharu Shibata and Hideaki Kubori. Junichi Ujiie is the Chairman of this committee. Our Nomination Committee met 3 times during the year ended March 31, 2008. Each member Directors attended every meeting of our Nomination Committee during the year.

### *Audit Committee*

We have an Audit Committee that, according to our Articles of Incorporation, is authorized to (i) audit the execution by the Directors and the Executive Officers of their duties and formulation of audit reports and (ii) determine the particulars of proposals concerning the election and dismissal of the independent auditors and the non-retention of such independent auditors to be submitted to a general meeting of shareholders by our Board of Directors. With respect to financial reporting, our Audit Committee has the statutory duty to examine our financial statements and business reports to be prepared by Executive Officers designated by our Board of Directors and is authorized to report its opinion to the ordinary general meeting of shareholders. In addition, pursuant to our Regulations of the Audit Committee or resolutions of the Board of Directors concerning matters to be necessary for the performance of functions of the Audit Committee, our Audit Committee has the authority to (i) pre-approve audit or non-audit services provided by the independent auditor for SEC reporting purposes and their fees, (ii) fees for accounting auditors, (iii) establish the procedures for (a) the receipt, retention, and treatment of complaints received by us regarding accounting, internal controls, or auditing matters and (b) the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters, (iv) approve the annual audit plan of the independent auditors.

This committee is currently composed of Haruo Tsuji, Fumihide Nomura and Tsuguoki Fujinuma. Haruo Tsuji is the Chairman of this committee. Our Audit Committee met 23 times during the year ended March 31, 2008. Each member Directors attended over 90% of the total number of meetings of our Audit Committee during the year.

### **Limitation of Liabilities of Some Directors**

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

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**Information Concerning Our Executive Officers**

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

**Corporate Governance Practices**

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

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Nomura. The information set forth below is current as of June 30, 2008.

<b>Corporate Governance Practices Followed by NYSE-listed U.S. Companies</b>	<b>Corporate Governance Practices Followed by Nomura</b>
<p>A NYSE-listed U.S. company must have a majority of Directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p> <p>The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.</p> <p>A NYSE-listed U.S. company must have an audit committee with responsibilities described under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.</p>	<p>In accordance with the Companies Act, Nomura has elected to adopt the Committee System, under which, among other things, it has established an Audit Committee, a Nomination Committee and a Compensation Committee under its Board of Directors. Under the Companies Act, Nomura is not required to have outside directors comprising a majority of its Directors, but is required to have on each committee at least three Directors, a majority of whom must be outside Directors. Nomura has eleven Directors, five of whom are outside Directors. An outside director of a corporation is defined under the Companies Act as a non-executive director (i) who has never assumed the position of executive director, executive officer, manager or employee of the company or its subsidiaries and (ii) who does not currently assume the position of executive director, executive officer, manager or employee of the company or its subsidiaries.</p> <p>Under the Companies Act, Nomura is not required to hold such executive sessions for its outside Directors.</p> <p>Nomura has an Audit Committee consisting of three Directors, two of whom are outside Directors under the Companies Act and all of whom are independent directors under the Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The Audit Committee is charged with the responsibility to monitor the performance of the Directors and Executive Officers of Nomura and to propose the appointment or dismissal of its accounting auditors and accounting firm. The Audit Committee satisfies the requirements of Rule</p>



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

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

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

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

**Corporate Governance Practices Followed by Nomura**

Nomura has a Nomination Committee consisting of three Directors, two of whom are outside Directors. The Nomination Committee is charged with the responsibility to propose to the general meeting of shareholders the election or dismissal of Directors.

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

The Compensation Committee establishes the policy with respect to the determination of the individual compensation of each of our Directors and Executive Officers (including the equity compensation plan under our stock option plan in the form of stock acquisition rights) and makes such determination under such compensation policy. Under the Companies Act, the stock option is deemed to be payment of compensation equivalent to the services performed by our Directors and Executive Officers. In respect of the equity compensation for directors, executive officers, statutory auditors and employees of Nomura's subsidiaries under our stock option plan in the form of stock acquisition rights, such plan must be approved by a special resolution adopted at a general meeting of shareholders. A special resolution requires as a quorum one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting.

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

**D. Employees**

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

	As of March 31,		
	2006	2007	2008
Japan	11,302	12,132	13,938
Europe	1,515	1,791	1,956
Americas	1,073	1,322	1,063
Asia (other than Japan) and Oceania	778	900	1,070
<b>Total</b>	<b>14,668</b>	<b>16,145</b>	<b>18,027</b>



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*Japan*

In Japan, as of March 31, 2008, we had 13,938 employees, of which 9,368 were engaged in Domestic Retail, 773 were engaged in Global Markets, 869 were engaged in Global Investment Banking, 57 were engaged in Global Merchant Banking and 909 were engaged in Asset Management.

As of March 31, 2008, 8,425 of Nomura Securities employees in Japan were members of Nomura employees union, with which we have a labor contract. Pursuant to this contract, salaries and bonuses are negotiated with the labor union based on our overall performance during the relevant fiscal period and our financial position.

We emphasize and reward individual skills and performance.

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

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

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

*Overseas*

As of March 31, 2008, we had 4,089 employees overseas, including 1,956 in Europe, 1,063 in the Americas and 1,070 in Asia (excluding Japan) and Oceania.

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

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

**E. Share Ownership.**

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The following table shows the number of shares owned by our Directors and Executive Officers as of June 30, 2008. As of that date, none of them owned 1% or more of our issued and outstanding shares.

### Directors

Name	Number of Shareholdings
Junichi Ujiie	130,335
Kenichi Watanabe	11,839
Takumi Shibata	40,963
Masanori Itatani	59,140
Yoshifumi Kawabata	14,012
Masaharu Shibata	17,000
Hideaki Kubori	6,000
Haruo Tsuji	4,000
Fumihide Nomura	188,626
Masahiro Sakane	3,400
Tsuguoki Fujinuma	0
Total	475,315

**Table of Contents****Executive Officers**

Name	Number of Shareholdings
Kenichi Watanabe	See above
Takumi Shibata	See above
Akihiko Nakamura	29,870
Toshio Hirota	16,524
Hideyuki Takahashi	8,908
Yugo Ishida	13,399
Akihito Watanabe	11,000
Shigesuke Kashiwagi	35,000
Masafumi Nakada	3,203
Noriaki Nagai	10,800
Yoshinori Go	9,001
Yuji Nakata	5,507
Yoshihiro Fukuta	8,400
Total	204,414

For information regarding stock options granted to our Directors and Executive Officers, see [Equity-Based Compensation](#) under Item 6.B of this annual report.

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

The following table shows our major shareholders who are beneficial owners holding more than 5% of our outstanding common stock as of March 31, 2008.

Names of Shareholders	Number of Shares Owned and Percentage of Voting Right	
	(in thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	120,113	6.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	115,525	6.07

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2008, there were 180 record shareholders of Nomura with addresses in the United States, and those U.S. holders held 358,142,665 shares of Nomura's common stock, representing 18.2% of Nomura's then outstanding common stock. As of March 31, 2008,

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there were 55,608,974 ADSs outstanding, representing 55,608,974 shares of Nomura's common stock or 2.8% of Nomura's then outstanding common stock.

### **B. Related Party Transactions.**

#### **Nomura Land and Building Co., Ltd.**

Nomura Land and Building Co., Ltd. ( NLB ) currently owns some of our leased office space in Japan. We held 38.6% of NLB's outstanding share capital at March 31, 2008.

Other major shareholders of NLB were Nomura Research Institute, Ltd. ( NRI ), holding 19.2%, and JAFCO Co., Ltd., holding 19.2%.

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For the year ended March 31, 2008, we paid ¥4,912 million in rent to NLB. As of March 31, 2008, we had ¥9,246 million in lease deposits with NLB.

### **Nomura Research Institute, Ltd.**

NRI develops and manages computer systems and provides investigation/research services and management consulting services. We are one of the major customers of NRI.

In October 2005, Nomura applied for a share repurchase offered by NRI and NRI re-acquired 4 millions of its shares from Nomura in November 2005. We held 37.7% of NRI's outstanding share capital at March 31, 2008.

For the year ended March 31, 2008, we purchased ¥52,890 million worth of software and computer equipment, and paid NRI ¥40,366 million for other services.

### **Directors**

Our Director Mr. Fumihide Nomura serves as President of Nomura Shokusan Co., Ltd. ( Shokusan ) incorporated in Japan, which is principally engaged in real-estate leasing. Shokusan leases a commercial property to our subsidiary, Nomura Facilities, Inc. During the year ended March 31, 2008, Nomura Facilities, Inc. had paid ¥29 million in monthly rent to Shokusan from April 2007 to September 2007 and ¥34.8 million in monthly rent from October 2007 to March 2008. This transaction was in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with unrelated third parties. We hold approximately 0.9% of Shokusan's outstanding stocks.

Our Director Mr. Masaharu Shibata's daughter is employed in our subsidiary Nomura Securities International, Inc. ( NSI ), a registered broker-dealer in the United States. She is a vice president of the Investor Relations & Corporate Services. Her compensation is determined by NSI on no more favorable terms than those applicable to employees with equivalent qualifications and responsibilities.

### **C. Interests of Experts and Counsel.**

Not applicable.

## **Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information.**

**Financial Statements**

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

**Legal or Arbitration Proceedings**

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

The German bank West LB AG ( WestLB ) issued two sets of High court proceedings in England against Nomura International plc (NIP) (details of the claims were only made known to NIP in December 2006 and July 2007 respectively). These claims relate to Box Clever group ( Box Clever ) which was created by the merger of the TV rental businesses of Thorn UK Limited ( Thorn ) (then owned by NIP) and the Granada Group in June 2000. The merger was financed by WestLB who provided a loan facility to Box Clever to purchase the

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relevant Thorn and Granada businesses. In June 2002, the cash flows from the rental business of Box Clever were securitized, with WestLB acting as the joint lead manager with a Canadian investment bank. In September 2003, Box Clever ran into financial difficulties and was placed into administrative receivership.

WestLB's claims relate to NIP's compilation and the provision and accuracy of information and projections regarding the financial strength of Thorn and the future performance of Box Clever in relation to the 2000 merger and 2002 securitization. WestLB claims to have relied on this material to its detriment and seeks to recover from NIP approximately £460 million with other unquantified losses, being the loss WestLB claims to have suffered following the failure of the Box Clever group. Nomura believes that the claims are without merit and it shall vigorously defend them.

In 1998, one of our European subsidiaries, Nomura Principal Investment plc (NPI), acquired approximately 46% of the issued share capital of Investicni a postovni banka, a.s. (IPB), a Czech bank. On 16 June, 2000, the Czech National Bank (CNB) placed IPB into forced administration. On 19 June, 2000, the administrator appointed by the CNB transferred IPB's entire business to Ceskoslovenska obchodni banka (CSOB), another Czech bank. NPI and NIP have been and continue to be involved in both bringing and defending a number of legal claims arising out of the above circumstances.

These legal claims had included two separate international arbitration proceedings, one commenced by and the other against the Czech Republic. In March 2006, an award was issued in one of those arbitrations which found the Czech Republic's actions pertaining to IPB to have been a breach of the Czech Republic's international obligations for fair and equitable treatment under the Bilateral Investor Treaty between the Netherlands and the Czech Republic. On 30 November 2006, the Czech Republic entered into a settlement agreement with various Nomura parties, including Nomura Holdings, Inc, NPI and NIP (the Nomura Parties) as a result of which both of the international arbitration proceedings were terminated. The precise terms of the settlement are confidential, but on 6 June, 2008, in accordance with the settlement agreement, it was determined that the Czech Republic should pay to Nomura CZK 2.8 billion (approximately ¥18.7 billion) plus interest.

CSOB is pursuing a legal action before the Czech courts seeking damages of up to \$629 million against NPI, NIP and others arising out of IPB's sale of a Czech brewery. On 5 October 2006, CSOB's case was dismissed with costs awarded in favour of the defendants. CSOB has appealed the decision. Nomura believes that the claim is wholly without merit and it shall continue vigorously to defend it.

On April 22, 2008, a former employee of the M&A Advisory Department of Nomura Securities Co., Ltd. (NSC) was arrested on suspicion of insider trading and on June 2, 2008 he was indicted. On April 25, 2008, the Board of Directors of NSC established an independent committee to investigate the information management system in NSC. On June 6, 2008, the committee concluded that there was no evidence NSC had breached insider trading regulations and relevant self-regulatory rules including those of the Japan Securities Dealers Association. The committee made recommendations to NSC regarding risk mitigation measures for possible similar incidents in the future. In response to the recommendations, NSC announced it was adopting preventative measures including controlling the flow of information, improving procedures for the hiring and training of staff, and reinforcing internal rules on stock trading. In accordance with the Financial Instruments and Exchange Act, NSC may be required by the order of the Financial Services Agency of Japan to report on its measures for improving business operation.

## **Dividend Policy**

For our dividend policy, see *Capital Management Dividends* under Item 5.B of this annual report.

**B. Significant Changes.**

Except as disclosed in this annual report, there have been no significant changes since March 31, 2008.

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## Price History

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

Calendar Year	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
Annual highs and lows				
2001 (for the ADSs, starting on December 17, 2001)	¥ 2,890	¥ 1,451	\$ 13.05	\$ 11.35
2002	2,190	1,190	17.40	8.91
2003	2,125	1,087	19.11	9.07
2004	1,966	1,278	18.66	12.05
2005	2,320	1,295	19.73	11.65
2006	2,770	1,843	24.30	15.63
2007	2,870	1,726	23.61	15.22
Quarterly highs and lows				
2006				
First Quarter	2,630	1,960	22.43	17.50
Second Quarter	2,770	1,959	24.30	16.96
Third Quarter	2,310	1,912	19.81	16.44
Fourth Quarter	2,265	1,843	19.15	15.63
2007				
First Quarter	2,870	2,205	23.61	18.55
Second Quarter	2,580	2,250	21.05	19.12
Third Quarter	2,440	1,726	19.74	15.22
Fourth Quarter	2,175	1,728	18.96	15.75
Monthly highs and lows				
2008				
January	1,817	1,395	16.96	13.08
February	1,832	1,471	17.05	13.65
March	1,664	1,401	16.27	14.25
April	1,848	1,475	17.64	14.49
May	1,907	1,683	17.89	14.29
June (through June 27)	1,918	1,574	17.87	14.50

**B. Plan of Distribution.**

Not applicable.

**C. Markets.**

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

In December 2001, we listed our Common Stock on New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of Common Stock. Our Common stock has been listed on the Singapore Stock Exchange since 1994.

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**D. Selling Shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue.**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital.**

Not applicable.

**B. Memorandum and Articles of Association.**

**Objects and Purposes in Nomura's Articles of Incorporation**

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

**Provisions Regarding Our Directors**

There is no provision in our Articles of Incorporation as to a Director's power to vote on a proposal or arrangement in which the Director is materially interested, but, under the Companies Act and our Regulations of the Board of Directors, a Director must abstain from voting on such

matters at meetings of the Board of Directors.

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

Pursuant to the Companies Act, under the Committee System, the board of directors may delegate to executive officers powers regarding the incurrence by a company of a significant loan from a third party. Our Executive Officers are delegated such powers by our Board of Directors.

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

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

Pursuant to the Companies Act and our Articles of Incorporation, we may, by resolution of our Board of Directors, release the liabilities of any Directors or Executive Officers to us for damages suffered by us due to their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and our Articles of Incorporation. In addition, we may execute with outside Directors agreements that limit their liabilities to us for damages suffered by us due to their acts in good faith and without gross negligence, to the extent permitted by the Companies Act and our Articles of Incorporation. See Limitation of Liabilities of Some Directors under Item 6.C above.

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### **Holding of Our Shares by Foreign Investors**

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

### **Rights of Our Shareholders**

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

#### *General*

Under our Articles of Incorporation, the authorized share capital is 6,000,000,000 shares, of which 1,965,919,860 shares were issued as of March 31, 2008. All issued shares are fully-paid and non-assessable, and are in registered form. Under the Companies Act shares are transferable by delivery of share certificates. In order to assert shareholders' rights against us, a shareholder must have its name and address registered in our register of shareholders, in accordance with our Share Handling Regulations. For this purpose, shareholders are required to file their names, addresses and seals with our share registrar. Foreign shareholders may file specimen signatures in lieu of seals. Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

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

A new law to establish a new central clearing system for shares of listed companies and to eliminate the issuance and use of certificates for such shares was promulgated in June 2004 and the relevant parts of the law will come into effect within five years of the date of promulgation. On the effective date, currently expected to be January 5, 2009, a new central clearing system will be established and the shares of all Japanese companies listed on any Japanese stock exchange, including our shares, will be subject to the new central clearing system. On the same day, all existing share certificates of all Japanese companies listed on any Japanese stock exchange, including our shares, will become null and void and the transfer of such shares will be effected through entry in the books maintained under the new central clearing system.

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

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### *Distribution of Surplus*

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called dividends, are referred to as distribution of Surplus ( Surplus is defined in *Restriction on Distributions of Surplus* below). We may make distributions of Surplus to the shareholders any number of times per fiscal year, subject to certain limitations described in *Restriction on Distributions of Surplus*. Under the Companies Act, distributions of Surplus are required in principle to be authorized by a resolution of a general meeting of shareholders. However, according to the Companies Act our Articles of Incorporation provide that our Board of Directors has the authority to decide to make distributions of Surplus except for limited exceptions as provided by the Companies Act, since we have satisfied the following requirements:

- (a) the normal term of office of our Directors terminates on prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of the Directors; and
- (b) our non-consolidated annual financial statements and certain documents for the last fiscal year present fairly our assets and profit or loss, as required by the ordinances of the Ministry of Justice.

Under our Articles of Incorporation, dividends, if any, may be distributed to shareholders (or pledgees) appearing in the register of shareholders as of June 30, September 30, December 31 or March 31 of each year pursuant to a resolution of our Board of Directors. In addition, under the Companies Act and our Articles of Incorporation, we may make further distributions of Surplus by resolution of our Board of Directors. Under our Articles of Incorporation, we are not obliged to pay any dividends that are left unclaimed for a period of three years after the date on which they first became payable.

Distributions of Surplus may be distributed in cash or in kind in proportion to the number of shares held by each shareholder. A resolution of our Board of Directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may, pursuant to a resolution of our Board of Directors, grant a right to our shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders.

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

### *Restriction on Distributions of Surplus*

When we make a distribution of Surplus, we must, until the aggregate amount of our additional paid-in capital and legal reserve reaches one-quarter of our stated capital, set aside in our additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- A = the total amount of other capital surplus and other retained earnings each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year;
- B = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof;

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- C = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);
- D = (if we have reduced our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
- E = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock;
- F = (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the total book value of Surplus so distributed;
- G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the amount set aside in our additional paid-in capital or legal reserve (if any) as required by the ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by us may not exceed a prescribed distributable amount (the Distributable Amount ), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

- (a) the book value of our treasury stock;
- (b) the amount of consideration for our treasury stock disposed of by us after the end of the last fiscal year; and
- (c) certain other amounts set forth in the ordinances of the Ministry of Justice, including (if the sum of one-half of good will and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on our non-consolidate balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If we have become at our option a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders' equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in the ordinances of the Ministry of Justice over (y) the total amount of shareholders' equity and certain other amounts set forth in the ordinances of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year.

If we have prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors (if so required by the Companies Act) by a general meeting of shareholders, the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. We may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by us must be approved by the Board of Directors and audited by our Audit Committee and independent auditors, as required by the ordinances of the Ministry of Justice.

*Stock Splits*

We may at any time split the issued shares into a greater number of shares by resolution of our Board of Directors, and in accordance with the Companies Act, our Board of Directors has by resolution delegated to our Group Management Committee powers to make such stock splits.

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

Generally, shareholders do not need to exchange share certificates for new ones following a stock split, but certificates representing the additional shares resulting from the stock split will be issued to shareholders. Before a stock split, we must give public notice of the stock split, specifying the record date therefore, not less than two weeks prior to such record date.

### *Japanese Unit Share System*

Our Articles of Incorporation provide that 100 shares constitute one unit. The Companies Act permits us, by resolution of our Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system, and amend our Articles of Incorporation to this effect without the approval of a general meeting of shareholders.

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

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

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

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*Voting Rights of a Holder of Shares Representing Less Than One Unit.* A holder of shares representing less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various

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voting purposes, the aggregate number of shares representing less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

A holder of shares representing less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation of a Director, the right to participate in a demand for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose an agenda item to be addressed at a general meeting of shareholders. In addition, a holder of shares constituting less than one unit does not have the right to institute a representative action by shareholders.

In accordance with the Companies Act, our Articles of Incorporation provide that a holder of shares constituting less than one unit does not have any other rights of a shareholder in respect of those shares, other than those provided by our Articles of Incorporation including the following rights:

to receive dividends,

to receive cash or other assets in case of consolidation or split of shares, exchange or transfer of shares, corporate split or merger,

to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders, and

to participate in any distribution of surplus assets upon liquidation.

### *Ordinary General Meeting of Shareholders*

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

### *Voting Rights*

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

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The Companies Act provides that certain important matters shall be approved by a special resolution of general meeting of shareholders. Our Articles of Incorporation provide that the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights presented at the meeting is required for adopting a special resolution. Such important matters include:

a reduction of stated capital,

amendment to the Articles of Incorporation (except amendments which the Board of Directors (or under the Committee System, Executive Officers) are authorized to make under the Companies Act),

establishment of a 100% parent-subsiary relationship by way of share exchange or share transfer requiring shareholders approval,

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a dissolution, merger or consolidation requiring shareholders' approval,

a corporate split requiring shareholders' approval,

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

the taking over of the whole of the business of any other corporation requiring shareholders' approval,

any issuance of new shares or transfer of existing shares as treasury stock to persons other than the shareholders at a specially favorable price,

any issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under specially favorable conditions,

purchase of shares by us from a specific shareholder other than our subsidiary,

consolidation of shares, and

release of part of directors', independent auditor's or executive officers' liabilities to their corporation.

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

*Subscription Rights*

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

*Stock Acquisition Rights*

We may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by our Group Management Committee, which has been delegated by our Board of Directors with the authority to issue stock acquisition rights, unless it is made under specially favorable conditions in which case special resolution of general meeting of shareholders is required. In issuing stock acquisition rights, notice must be given at least two weeks prior to the date for allotment in the form of individual notice or public notice. Under the Companies Act we will not be required to make such notice if we make relevant securities filing or reporting under the Financial Instruments and Exchange Act at least two weeks prior to the date for allotment, subject to the

requirements provided by the ordinance of the Ministry of Justice.

A special resolution of our ordinary general meeting of shareholders held on June 26, 2008 authorizes us to issue up to 175,000 stock acquisition rights, each of which represents a right to subscribe for 100 shares of common stock, for 17,500,000 shares of common stock, to our subsidiaries directors, executive officers and employees. See *Equity-Based Compensation* under Item 6.B above.

*Liquidation Rights*

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

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### *Liability to Further Calls or Assessments*

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

### *Share Registrar*

Mitsubishi UFJ Trust and Banking Corporation is the share registrar for our shares. Mitsubishi UFJ Trust's office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212 Japan. Mitsubishi UFJ Trust maintains our register of shareholders and records transfers of record ownership upon presentation of share certificates.

### *Record Date*

The close of business of June 30, September 30, December 31 and March 31 are the record dates for our distributions of Surplus (dividends), if any. A holder of shares constituting one or more whole units, who is registered as a holder on our register of shareholders at the close of business as of March 31, is also entitled to exercise shareholders' voting rights at the ordinary general meeting of shareholders with respect to the year ended on March 31. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' public notice.

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

### *Acquisition by Us of Shares*

We may acquire our shares (i) by soliciting all our shareholders to offer to sell our shares held by them (pursuant to a resolution of the Board of Directors), (ii) from a specific shareholder other than any our subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (iii) from any of our subsidiaries (pursuant to a resolution of the Board of Directors), or (iv) by way of purchase on any Japanese stock exchange on which our shares are listed or by way of tender offer (in either case pursuant to a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Board of Directors that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter). This acquisition is subject to the condition that the aggregate amount of the purchase price must not exceed the Distributable Amount as described in *Distributions of Surplus* above.

We may hold our shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such shares by resolutions of the Board of Directors.

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

### **Report of Substantial Shareholdings**

The Financial Instruments and Exchange Act requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange to file with the relevant Local Finance Bureau, within five business days, a report concerning those

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shareholdings. With certain exceptions, a similar report must also be filed to reflect any change of 1% or more in the above shareholding or any change in material matters set out in any previous filed reports. Copies of any reports must also be furnished to the company. For this purpose, shares issuable to a person upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that holder and the company's total issued share capital.

**Daily Price Fluctuation Limits under Japanese Stock Exchange Rules**

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

On June 27, 2008, the closing price of our shares on the Tokyo Stock Exchange was ¥1,586 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥1,500 and ¥1,999 per share, as well as the daily price limit if our per share price were to rise to between ¥2,000 and ¥2,999, or fall to between ¥1,000 and ¥1,499. Other daily price limits would apply if our per share price moved to other ranges.

**Selected Daily Price Limits**

Previous Day's Closing Price or Special Quote				Maximum Daily Price Movement	
Equal to or greater than	¥ 1,000	Less than	¥ 1,500	¥	200
Equal to or greater than	1,500	Less than	2,000		300
Equal to or greater than	2,000	Less than	3,000		400

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

**Rights of Holders of ADSs**

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

**C. Material Contracts.**

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

### **D. Exchange Controls.**

#### *Acquisition or Disposition of Shares or ADSs*

The Foreign Exchange and Foreign Trade Law of Japan governs certain aspects relating to the acquisition and holding of securities by non-residents of Japan and foreign investors .

In general, acquisition of shares of stock of a Japanese company listed on any Japanese stock exchange by a non-resident of Japan from a resident of Japan is not subject to any prior notification requirement, but subject to a post reporting requirement by the resident.

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If a foreign investor acquires shares of a Japanese company listed on a Japanese stock exchange and as a result of this acquisition directly or indirectly holds, aggregated with existing holdings, 10% or more of the issued shares of the company, the foreign investor is, in general, required to report the acquisition to the Minister of Finance and any other competent ministers via the Bank of Japan within 15 days from and including the date of acquisition. In exceptional cases, a prior notification is required in respect of the acquisition.

Non-residents of Japan are generally defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Branches and other offices of Japanese corporations located outside Japan are considered as non-residents of Japan, and branches and other offices located within Japan of foreign corporations are considered as residents of Japan. Foreign investors are generally defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) corporations of which (a) 50% or more of the shares are held directly or indirectly by (i) or (ii) above, (b) a majority of officers consists of non-residents of Japan or (c) a majority of officers having the power of representation consists of non-residents of Japan.

### *Dividends and Proceeds of Sale*

Under the Foreign Exchange and Foreign Trade Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which our ADSs will be issued, the depositary is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

## **E. Taxation.**

### **United States Federal Income Taxation**

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

a dealer in securities,

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

a tax-exempt organization,

a life insurance company,

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a person liable for alternative minimum tax,

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

a person that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction, or

a person below whose functional currency is not the U.S. dollar.

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

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

a citizen or resident of the United States,

a domestic corporation,

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

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

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

This discussion addresses only United States federal income taxation.

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

### *Taxation of Dividends*

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet certain other requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

The dividend is taxable when you, in the case of shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax

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purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% rate. To the extent a refund of the tax withheld is available under Japanese law or the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability.

Dividends will be income from sources outside the United States, but dividends paid in taxable years beginning before January 1, 2007 generally will be passive income or financial services income and

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dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be passive income or general income, which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

As discussed in Japanese taxation below, if we purchase our shares, selling shareholders will be deemed to have received a dividend payment for Japanese tax purposes, in general. If we purchase the shares pursuant to a tender offer, selling shareholders might be subject to the deemed dividend taxation regime and part of consideration for the tender offer would be treated as dividends subject to withholding tax for Japanese tax purposes (please see the exceptional treatment discussed in Japanese taxation below). Such dividend is not generally a taxable event for United States federal income tax purposes (though a selling U.S. shareholder would be subject to U.S. federal income tax on capital gains realized on a sale of shares to us, as described below) and therefore would not give rise to foreign source income, and you would not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such distribution unless you can apply the credit (subject to limitations) against U.S. tax due or other foreign source income in the appropriate category for foreign tax credit purposes.

### *Taxation of Capital Gains*

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

### *PFIC Rules*

We do not expect our shares and ADSs to be treated as stock of a PFIC for United States federal income tax purposes for 2007, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation, such as Nomura, that is primarily engaged in an active business as a securities dealer is not entirely clear.

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

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

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

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

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

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

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

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Under these rules:

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

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

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

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

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

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

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your shares or ADSs, you will be treated as having a new holding period in your shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

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

## **Japanese Taxation**

The following is a summary of the principal Japanese tax consequences to owners of our shares who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable. As tax laws are frequently revised, the tax treatments described in this summary are also subject to changes in the applicable Japanese laws and/or double taxation

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conventions occurring in the future, if any. This summary is not exhaustive of all possible tax considerations which may apply to specific investors under particular circumstances. Potential investors should satisfy themselves as to

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

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

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

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Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by us. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase of number of shares (as opposed to an increase of value of shares) from Japanese tax perspectives. Due to the 2001 Japanese tax legislation effective from April 1, 2001, a conversion of retained earnings or legal reserve (but other than additional paid-in capital, in general) into stated capital on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation (Article 2 (16) of the Japanese Corporation Tax Law and Article 8 (1) (xv) of the Japanese Corporation Tax Law Enforcement Order).

Under the 2001 tax legislation, the deemed dividend taxation system has been drastically changed. Under the new rule, if we purchase our listed shares by way of a tender offer, the selling shareholders (both individuals and corporations) are in general required to recognize (i) a deemed dividend corresponding to a distribution of retained earnings proportionally computed by a statutory formula on a pro rata basis allocating the purchase price into share capital portion (including additional paid-in capital) and retained earnings portion on a non-consolidated basis under Article 24(1)(v) of the Japanese Corporation Tax Law, and (ii) capital gain or loss computed as a difference between the basis of the shares subject to the tender offer at the shareholder's level and the amount of the consideration for the tender offer (deducting the amount corresponding to the deemed dividend computed as (i) above) under Article 61-2(1) (i) of the same law. On the other hand, no deemed dividend is required to be recognized if we purchase our shares at/through the stock market due to the difficulty of identifying each shareholder who sold our shares (Article 24(1)(iv) of the Japanese Corporation Tax Law and Article 23(3) of the Japanese Corporation Tax Law Enforcement Order). In addition, in the case of individual shareholders, no deemed dividend is required to be recognized until March 31, 2009 (two years extension is provided for under the 2007 Japanese tax legislation) due to the operation of a temporary measure (Article 9-6 of the Japanese Special Tax Measures Law) and therefore they are only required to recognize capital gain or loss of the shares subject to the tender offer. In the meantime, when shares are acquired by us (whether by way of a tender offer or otherwise) for the purpose of cancellation with retained earnings, the shareholders (both individuals and corporations) whose shares were not canceled were previously deemed to have received a dividend corresponding to the increase of share value by the share cancellation, under the old tax law before the 2001 tax legislation. However, under the 2001 tax legislation, no deemed dividend taxation occurs for the remaining shareholders (both individuals and corporations) whose shares are not canceled.

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends on the listed shares such as those paid by us to non-resident shareholders is currently 7% which is applicable for the period from January 1, 2004 to December 31, 2008 (the expiration date is shortened by three months under the 2008 Japanese tax legislation) and 15% rate will apply thereafter, except for dividends paid to any individual shareholder who holds 5% or more of the issued shares for which the applicable rate is 20% (under Article 9-3(1) and (2) of the Japanese Special Tax Measures Law, and Article 182(2) of the Japanese Income Tax Law). Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Australia, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. Under the new tax treaty between United States and Japan of which withholding tax treatments is applicable effective from July 1, 2004, the withholding tax rate on dividends is 10% for portfolio investors, if they do not have a permanent establishment in Japan and the shares with respect to which such dividends are paid are not related in-fact to such permanent establishment, and if they are qualified U.S. residents eligible to enjoy treaty benefits. It shall be noted that, under the new tax treaty between the U.S. and Japan, withholding tax on dividends declared after July 1, 2004 is exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. The similar withholding tax treatment applies under the new Tax Treaty between the United Kingdom and Japan for dividends declared on or after January 1, 2007 due to the renewal of the Tax Treaty. The Tax Treaty between France and Japan is also renewed effective from January 1, 2008 under which the reduction of the standard treaty withholding rate for portfolio investors on

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dividends (15% to 10%) is promulgated. In addition, the tax treaty between Australia and Japan will be renewed and expected to come into effect as of January 1, 2009 under which the standard treaty withholding rate for portfolio investors on dividends will also be reduced from 15% to 10%. Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by us are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before payment of dividends. A standing proxy for non-resident shareholders may provide such application service. See Rights of Our Shareholders under Item 10.B of this annual report. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called preservation doctrine under Article 3-2 of the Special Measures Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. If the domestic tax rate still applies, no treaty application is required to be filed, consequently.

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

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

### **F. Dividends and Paying Agents.**

Not applicable.

### **G. Statement by Experts.**

Not applicable.

### **H. Documents on Display.**

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, we will file annual reports on Form 20-F within six months of our fiscal year-end and other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission at 100 F Street, NE., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange Commission public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. You can also access to the documents filed via the Electronic Data Gathering, Analysis, and Retrieval system on the SEC's website (<http://www.sec.gov>).

**I. Subsidiary Information.**

Not applicable.

**Item 11. Quantitative and Qualitative Disclosures about Market Risk**

**Risk Management**

Our group business activities are inherently subject to various risks. Managing those risks is an integral part of management's responsibilities to secure fiscal health as well as to contribute to the maintenance and expansion

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of corporate value. Our risk management framework and governance structure is intended to provide comprehensive controls, monitoring and reporting.

We establish Structure for Ensuring Appropriate Business which is a principle, at the Board of Directors. Within this is established the Structure for Regulations and others regarding Management of Risk Loss . In accordance with these structures, we are constantly seeking to upgrade the risk management expertise and we are trying to strengthen and promote the risk management.

## **Global Risk Management Structure**

### **Governance**

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

These units assist with the supervisory function of GMC (Group Management Committee) and the Executive Officer who is in charge of risk management, currently the Chief Financial Officer. Together they are responsible for implementation of the risk management framework and supervising risks. Supervision by the units includes establishing an enterprise-wide risk management framework, ensuring its adoption by the entire group, monitoring the appropriateness of risk management, and measuring and analyzing the risks of the entire group. In particular, the units establish and enhance all of our risk management policies and rules. The units gather necessary information for risk management and implement risk management policies for our global operations. The units report ongoing risk status and the results of their analysis to senior management. These processes are audited regularly by Internal Audit.

We have established a Risk Management Committee (RMC) under the GMC. The RMC considers significant risk matters including Basel II regulated risk items, matters related to Nomura Group's debt structure & capital policy, and implementation and updating of important policies and procedures related to risk management. Further, we have established the Risk Management Sub Committee under the RMC for the management of important positions, market risk, credit risk, risk concentration and strategic risk within the Nomura Group.

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### **Definition and Types of Risk Managed**

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

In addition to managing each risk, we calculate economic capital for each risk.

### **Risk Control**

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

### **Market Risk**

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

**Table of Contents****VaR**

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

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

**Trading Portfolio Risk**

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

	As of												
	Mar. 30, 2007	Apr. 30, 2007	May 31, 2007	Jun. 29, 2007	Jul. 31, 2007	Aug. 31, 2007	Sep. 28, 2007	Oct. 31, 2007	Nov. 30, 2007	Dec. 31, 2007	Jan. 31, 2008	Feb. 29, 2008	Mar. 31, 2008
	(in 100 millions of Yen)												
Equity	¥ 46.5	¥ 44.1	¥ 39.5	¥ 47.4	¥ 41.8	¥ 33.5	¥ 32.8	¥ 45.0	¥ 30.5	¥ 38.4	¥ 36.7	¥ 48.5	¥ 41.6
Interest Rate	37.4	32.1	33.5	35.0	26.3	28.6	32.4	29.8	34.5	24.1	31.1	31.5	47.0
Foreign Exchange	14.3	18.3	20.2	24.1	19.7	21.1	25.8	41.4	40.7	42.0	41.3	42.4	80.0
Sub-total	98.2	94.5	93.2	106.4	87.7	83.2	91.1	116.2	105.7	104.4	109.0	122.3	168.7
Less:													
Diversification Benefit	(35.9)	(37.1)	(36.7)	(42.2)	(36.1)	(32.0)	(35.3)	(51.0)	(46.3)	(50.5)	(47.7)	(48.5)	(67.6)
Value at Risk	¥ 62.3	¥ 57.4	¥ 56.5	¥ 64.2	¥ 51.7	¥ 51.2	¥ 55.8	¥ 65.2	¥ 59.5	¥ 53.9	¥ 61.3	¥ 73.8	¥ 101.0

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

	As of												
	Mar. 31, 2006	Apr. 28, 2006	May 31, 2006	Jun. 30, 2006	Jul. 31, 2006	Aug. 31, 2006	Sep. 29, 2006	Oct. 31, 2006	Nov. 30, 2006	Dec. 29, 2006	Jan. 31, 2007	Feb. 28, 2007	Mar. 30, 2007

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(in 100 millions of Yen)

Equity	¥ 60.4	¥ 46.8	¥ 50.8	¥ 53.8	¥ 59.1	¥ 58.5	¥ 60.4	¥ 61.7	¥ 63.3	¥ 56.3	¥ 64.4	¥ 54.0	¥ 46.5
Interest Rate	32.8	31.1	35.9	41.1	45.8	38.8	35.2	40.3	39.6	40.3	39.8	43.4	37.4
Foreign Exchange	14.0	16.7	14.5	14.6	13.2	16.0	12.9	13.1	12.6	13.8	11.1	12.9	14.3
Sub-total	107.2	94.6	101.2	109.5	118.1	113.2	108.6	115.1	115.5	110.4	115.3	110.4	98.2
Less:													
Diversification Benefit	(36.7)	(36.7)	(36.1)	(38.1)	(38.6)	(39.0)	(35.5)	(38.3)	(38.0)	(38.8)	(36.8)	(40.5)	(35.9)
Value at Risk	¥ 70.4	¥ 57.9	¥ 65.1	¥ 71.4	¥ 79.6	¥ 74.2	¥ 73.1	¥ 76.8	¥ 77.5	¥ 71.7	¥ 78.5	¥ 69.9	¥ 62.3

Value at Risk

(maximum)

¥109.3 : February 15, 2007

(average)

74.4 : Average for the period from April 1, 2006 to March 30, 2007

(minimum)

57.7 : April 12, 2006

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VaR relating to equity risk decreased from ¥4.65 billion at the end of March 2007 to ¥4.16 billion at the end of March 2008. VaR relating to interest rate risk increased from ¥3.74 billion at the end of March 2007 to ¥4.70 billion at the end of March 2008 mainly due to a rise of interest rate related volatility. VaR relating to foreign exchange risk significantly increased from ¥1.43 billion at the end of March 2007 to ¥8.0 billion at the end of March 2008 mainly due to a rise in FX volatility.

In the preceding year, VaR relating to equity risk decreased from ¥6.04 billion at the end of March 2006 to ¥4.65 billion at the end of March 2007 mainly due to a drop of market linked risk and individual equity risk with reduction of the equity related positions. VaR relating to interest rate risk increased slightly from ¥3.28 billion at the end of March 2006 to ¥3.74 billion at the end of March 2007 mainly due to a rise of USD / Euro interest spread risk. VaR relating to foreign exchange risk slightly increased from ¥1.40 billion at the end of March 2006 to ¥1.43 billion at the end of March 2007.

## Back-Testing

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

## Other Measures

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

## Stress Testing

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

## Model Review

We use pricing models when some of the financial instruments cannot be valued based upon quoted market prices. Such models are used for management of risk positions, such as reporting against limits, as well as for valuation. The global risk management unit reviews the models and

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assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about the model's suitability for valuation and risk management of a particular product.

### Non-trading Risk

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

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We use regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of our operating equity investments held for operating purposes. Our simulation indicates that, for each 10% change in the TOPIX, the market value of our operating equity investments held for operating purposes can be expected to change by ¥16,942 million as of March 30, 2007 and ¥18,528 million as of March 31, 2008. On March 30, 2007, the TOPIX closed at 1,713.61 points and on March 31, 2008, the TOPIX closed at 1,212.96 points. This simulation analyzes data for our entire portfolio of equity investments held for operating purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

## **Credit Risk**

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

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

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

## **Scope of Credit Risk Management**

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

## **Integrated Management**

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

## **Credit Risk Reporting**

The global Risk Management unit is responsible for monitoring, evaluating and analyzing credit risk and for reporting the status of credit risk to the Executive Officer who is in charge of risk management and the RMC with appropriate frequency.

Credit Risk Measurement

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

Credit Risk to counterparties to derivatives transaction

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

We enter into International Swaps and Derivatives Association, Inc. ( ISDA ) master agreements or equivalent agreements (called master netting agreements) with many of our derivative counterparties. Master netting

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agreements provide protection to reduce our risks of counterparty default and, in some cases, offset our consolidated balance sheet exposure with the same counterparty. This provides a more meaningful presentation of our balance sheet credit exposure.

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

The credit quality of our trading-related derivatives as of March 31, 2008 is summarized in the table below, showing the fair value of the related assets by counterparty credit rating. The actual credit ratings are internally determined by our credit unit, referring to public rating agency equivalents.

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

Credit Rating	Years to Maturity					Cross-Maturity Netting <sup>(1)</sup>	Total Fair Value	Collateral Obtained	Replacement Cost	Replacement Cost
	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years					
							(a)	(b)	(a)-(b)	
	(in billions of Yen and millions of U.S. dollars)									
AAA	¥ 27	¥ 26	¥ 43	¥ 59	¥ 225	¥ (65)	¥ 315	¥	¥ 315	\$ 3,155
AA	289	232	352	247	551	(996)	675	202	473	4,737
A	201	96	97	93	229	(313)	403	48	355	3,555
BBB	11	20	15	3	40	(28)	61	4	57	571
BB	3	4	4	1	6	(3)	15	3	12	120
Other <sup>(2)</sup>	17	1	7	3	7	(5)	30	11	19	190
Sub-total	548	379	518	406	1,058	(1,410)	1,499	268	1,231	12,328
Listed	37	13	1	1			52		52	521
Total	¥ 585	¥ 392	¥ 519	¥ 407	¥ 1,058	¥ (1,410)	¥ 1,551	¥ 268	¥ 1,283	\$ 12,849

Notes:

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

**Operational Risk**

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

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

### Governance

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

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### **Framework**

The Nomura group is in the process of implementing a formal Operational Risk Management framework globally that meets the expected standards for a sophisticated global financial institution. The framework is designed to provide shareholder and investor confidence and transparency in our management of operational risk. We are aiming for a Basel II approach to operational risk management. To achieve this goal, we will meet the Standardized Approach ( TSA ) requirements of Basel II by capturing loss data, executing qualitative assessments and by monitoring and reporting operational risk to RMC.

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

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

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

### **Item 12. Description of Securities Other Than Equity Securities**

Not applicable.

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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

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

None.

**Item 15. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.**

Our Disclosure Committee is charged with the maintenance and evaluation of our disclosure controls and procedures. As of March 31, 2008, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, these officers concluded that, as of March 31, 2008, the disclosure controls and procedures were effective.

**Management's Report on Internal Control Over Financial Reporting.**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Nomura. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) using the criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2008. Our independent registered public accounting firm, Ernst & Young ShinNihon, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page F-3 of this annual report.

**Evaluation of Changes in Internal Control Over Financial Reporting.**

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Management also carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of changes in our internal control over financial reporting during the year ended March 31, 2008. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2008 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

### **Item 16A. Audit Committee Financial Expert**

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

### **Item 16B. Code of Ethics**

On March 5, 2004, we adopted the Code of Ethics of Nomura Group that includes the Code of Ethics for Financial Professionals, which applies to our financial professionals including our principal Executive Officer, principal financial officer, principal accounting officer and persons performing similar functions.

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

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

	Year ended March 31		
	2007	2008	2008
	(in millions)		
Audit Fees	¥ 2,916	¥ 2,961	\$ 30
Audit-Related Fees	217	118	1
Tax Fees	112	200	2
All Other Fees	27	164	2
<b>Total</b>	<b>¥ 3,272</b>	<b>¥ 3,443</b>	<b>\$ 35</b>

Audit-Related Fees included fees for services relating to consultations on accounting issues relating to our business such as securitization. Tax Fees included fees for services relating to tax planning and compliance, and tax advice for securitization or structured bonds. All Other Fees included fees for services relating to advice with respect to regulations and disclosures under the Financial Instruments and Exchange Act in connection with our underwriting business.

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

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

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

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List exceed the fee levels prescribed on the List, our CFO must submit an application to our Audit Committee for new fee levels for such services. Our Audit Committee may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

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

**Table of Contents****Item 16D. Exemptions from the Listing Standards for Audit Committees**

We do not avail ourselves of any exemption from the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

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

In the year ended March 31, 2008, we acquired 2,344,149 shares of our common stock by means of repurchase of shares constituting less than one unit upon the request of the holders of those shares. For an explanation of the right of our shareholders to demand such repurchases by us, see *Rights of Our Shareholders* under Item 10.B of this annual report. As of March 31, 2008, we had 1,906,885,059 outstanding shares excluding 59,034,801 shares as treasury stock. During the year ended March 31, 2008, no affiliated purchaser of Nomura purchased shares of our common stock.

We had share buyback programs during the year ended March 31, 2008.

On January 31, 2008, we announced that our Board of Directors had approved a resolution to establish a share buyback program for the fourth quarter of the current fiscal year ending March 31, 2008, in accordance with Article 459-1 of the Companies Act of Japan. The share buyback period ran from February 8, 2008, to March 14, 2008, and we were authorized to purchase up to 25 million shares of our common stock or to a maximum of ¥40,000 million. On March 14, 2008, we announced the aggregate number of shares repurchased through this buyback program was 1,718,500 shares and the aggregate value of shares repurchased was ¥2,520 million.

The following table sets forth certain information with respect to our purchases of shares of our common stock during the year ended March 31, 2008.

Month	Total Number of Shares Purchased	Average Price Paid per Share (in JPY)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2007	6,779	2,385		
May 1 to 31, 2007	6,323	2,415		
June 1 to 30, 2007	10,028	2,476		
July 1 to 31, 2007	12,179	2,302		
August 1 to 31, 2007	4,896	2,148		
September 1 to 30, 2007	3,803	1,881		
October 1 to 31, 2007	6,124	1,995		
November 1 to 30, 2007	4,005	1,924		
December 1 to 31, 2007	6,895	1,964		
January 1 to 31, 2008	5,391	1,748		

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February 1 to 29, 2008	918,358	1,523	362,600	24,637,400
March 1 to 31, 2008	1,359,368	1,458	1,355,900	23,281,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	2,344,149	1,504	1,718,500	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Nomura recognizes the need to set out flexible financial strategies that allow the Board to respond quickly to any changes in the business environment and is looking into implementing further share buybacks. Details will be announced when finalized.

As of May 31, 2008, Nomura Holdings had 1,908,032,916 outstanding shares excluding 57,886,944 shares as treasury stock.

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**PART III**

**Item 17. Financial Statements**

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

**Item 18. Financial Statements**

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

Pursuant to Regulation S-X, Rule 3-09, this annual report contains the consolidated financial statements of Nomura Land and Building Co., Ltd., one of our 50%-or-less-owned companies accounted for by the equity method in our consolidated financial statements. The consolidated financial statements of Nomura Land and Building contained herein, which are as of March 31, 2007 and 2008 and for each of the three years ended March 31, 2008, have been prepared in accordance with generally accepted accounting principles in Japan. Nomura's and its subsidiaries equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of Nomura Land and Building exceeded 20%, but did not exceed 30%, of such income of Nomura and its subsidiaries for the year ended March 31, 2007, while such percentage for each of the years ended March 31, 2006 and 2008 did not exceed 20%. Nomura's and its subsidiaries investments in and advances to Nomura Land and Building did not exceed 20% of the total assets of Nomura and its subsidiaries as of any of March 31, 2006, 2007 or 2008. Accordingly, pursuant to Regulation S-X, Rule 3-09 as well as Item 17 of Form 20-F, of the consolidated financial statements of Nomura Land and Building contained herein, only those as of and for the year ended March 31, 2007 have been audited in accordance with generally accepted auditing standards in the United States. In Japan, Nomura Land and Building has publicly disclosed the consolidated financial statements contained herein which have been audited by its outside auditor for purposes of the Financial Instruments and Exchange Act in accordance with generally accepted auditing standards in Japan.

**Table of Contents****Item 19. Exhibits**

Exhibit Number	Description
1.1	Articles of Incorporation of the registrant (English translation) (incorporated by reference to the Registration Statement on Form S-8 (File No. 333-144112) filed on June 28, 2007)
1.2	Share Handling Regulations of the registrant (English translation) (incorporated by reference to the Registration Statement on Form S-8 (File No. 333-144112) filed on June 28, 2007)
1.3	Regulations of the Board of Directors of the registrant (English translation)
1.4	Regulations of the Nomination Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 29, 2006)
1.5	Regulations of the Audit Committee (English translation)
1.6	Regulations of the Compensation Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 29, 2006)
2.1	Specimen common stock certificates of the registrant (English translation)
2.2	Form of Deposit Agreement among the registrant, The Bank of New York as Depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14178) filed on December 10, 2001)
4.1	Liabilities Limitation Agreement (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 29, 2006)* <sup>1</sup>
4.2	Liabilities Limitation Agreement (English translation)* <sup>2</sup>
8.1	Subsidiaries of the registrant
11.1	Code of Ethics (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 29, 2004)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon with respect to its report on the audit of the financial statements included in this annual report
15.2	Consent of Ernst & Young ShinNihon with respect to its report on the audit of the financial statements included in this annual report

\*1 Nomura and each of Masaharu Shibata, Hideaki Kubori and Haruo Tsuji entered into a Liabilities Limitation Agreement, dated June 28, 2006, in the form of this exhibit.

\*2 Nomura and each of Masahiro Sakane and Tsuguoki Fujinuma entered into a Liabilities Limitation Agreement, dated June 26, 2008, in the form of this exhibit.

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

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**NOMURA HOLDINGS, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

Nomura Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2007 and 2008, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. at March 31, 2007 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 30, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon

Tokyo, Japan

June 30, 2008

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

Nomura Holdings, Inc.

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Nomura Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nomura Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nomura Holdings, Inc. as of March 31, 2007 and 2008, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended March 31, 2008 and our report dated June 30, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon

Tokyo, Japan

June 30, 2008

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

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2007	2008	2008
<b>ASSETS</b>			
Cash and cash deposits:			
Cash and cash equivalents	¥ 410,028	¥ 507,236	\$ 5,080
Time deposits	546,682	758,130	7,592
Deposits with stock exchanges and other segregated cash	97,302	168,701	1,690
	<u>1,054,012</u>	<u>1,434,067</u>	<u>14,362</u>
Loans and receivables:			
Loans receivable	935,711	784,262	7,854
Receivables from customers	47,518	43,623	437
Receivables from other than customers	637,209	1,045,541	10,471
Allowance for doubtful accounts	(2,027)	(1,399)	(14)
	<u>1,618,411</u>	<u>1,872,027</u>	<u>18,748</u>
Collateralized agreements:			
Securities purchased under agreements to resell	8,061,805	3,233,200	32,381
Securities borrowed	9,776,422	7,158,167	71,689
	<u>17,838,227</u>	<u>10,391,367</u>	<u>104,070</u>
Trading assets and private equity investments (including securities pledged as collateral of ¥5,719,748 million in 2007 and ¥3,140,923 million (\$31,456 million) in 2008):			
Trading assets	12,830,826	10,325,760	103,413
Private equity investments	347,394	330,745	3,312
	<u>13,178,220</u>	<u>10,656,505</u>	<u>106,725</u>
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥249,592 million in 2007 and ¥260,910 million (\$2,613 million) in 2008)	422,290	389,151	3,897
Non-trading debt securities	255,934	246,108	2,465
Investments in equity securities	195,238	139,330	1,395
Investments in and advances to affiliated companies (including securities pledged as collateral of ¥7,451 million in 2007 and ¥3,361 million (\$34 million) in 2008)	441,536	361,334	3,619

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Other	869,506	808,909	8,102
	<u>2,184,504</u>	<u>1,944,832</u>	<u>19,478</u>
Total assets	<u>¥ 35,873,374</u>	<u>¥ 26,298,798</u>	<u>\$ 263,383</u>

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

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

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2007	2008	2008
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Short-term borrowings	¥ 1,093,529	¥ 1,426,266	\$ 14,284
Payables and deposits:			
Payables to customers	304,462	396,629	3,972
Payables to other than customers	623,143	569,294	5,702
Deposits received at banks	418,250	362,775	3,633
	<u>1,345,855</u>	<u>1,328,698</u>	<u>13,307</u>
Collateralized financing:			
Securities sold under agreements to repurchase	11,874,697	4,298,872	43,053
Securities loaned	7,334,086	3,753,730	37,594
Other secured borrowings	1,390,473	2,488,129	24,919
	<u>20,599,256</u>	<u>10,540,731</u>	<u>105,566</u>
Trading liabilities	4,800,403	5,154,369	51,621
Other liabilities	845,522	636,184	6,371
Long-term borrowings	5,002,890	5,224,426	52,323
	<u>33,687,455</u>	<u>24,310,674</u>	<u>243,472</u>
Commitments and contingencies (Note 19)			
Shareholders' equity:			
Common stock			
No par value share;			
Authorized 6,000,000,000 shares in 2007 and 2008			
Issued 1,965,919,860 shares in 2007 and 2008			
Outstanding 1,907,049,871 shares in 2007 and 1,906,885,059 shares in 2008	182,800	182,800	1,831
Additional paid-in capital	165,496	177,227	1,775
Retained earnings	1,910,978	1,779,783	17,824
Accumulated other comprehensive income (loss)	6,613	(71,111)	(712)
	<u>2,265,887</u>	<u>2,068,699</u>	<u>20,718</u>
Common stock held in treasury, at cost 58,869,989 shares in 2007 and 59,034,801 shares in 2008	(79,968)	(80,575)	(807)

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Total shareholders' equity	2,185,919	1,988,124	19,911
Total liabilities and shareholders' equity	¥ 35,873,374	¥ 26,298,798	\$ 263,383

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

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

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2006	2007	2008	2008
<b>Revenue:</b>				
Commissions	¥ 356,325	¥ 337,458	¥ 404,659	\$ 4,053
Fees from investment banking	108,819	99,276	85,096	852
Asset management and portfolio service fees	102,667	145,977	189,712	1,900
Net gain on trading	304,223	290,008	61,720	618
Gain on private equity investments	12,328	47,590	76,505	766
Interest and dividends	693,813	981,344	796,540	7,978
Gain (loss) on investments in equity securities	67,702	(20,103)	(48,695)	(488)
Private equity entities product sales	88,210	100,126		
Other	58,753	67,425	28,185	282
<b>Total revenue</b>	<b>1,792,840</b>	<b>2,049,101</b>	<b>1,593,722</b>	<b>15,961</b>
Interest expense	647,190	958,000	806,465	8,077
<b>Net revenue</b>	<b>1,145,650</b>	<b>1,091,101</b>	<b>787,257</b>	<b>7,884</b>
<b>Non-interest expenses</b>				
Compensation and benefits	325,431	345,936	366,805	3,674
Commissions and floor brokerage	32,931	50,812	90,192	903
Information processing and communications	89,600	109,987	135,004	1,352
Occupancy and related depreciation	55,049	61,279	64,841	649
Business development expenses	32,790	38,106	38,135	382
Private equity entities cost of goods sold	48,802	57,184		
Other	115,447	106,039	156,868	1,571
	700,050	769,343	851,845	8,531
<b>Income (loss) from continuing operations before income taxes</b>	<b>445,600</b>	<b>321,758</b>	<b>(64,588)</b>	<b>(647)</b>
Income tax expense	188,972	145,930	3,259	32
<b>Income (loss) from continuing operations</b>	<b>256,628</b>	<b>175,828</b>	<b>(67,847)</b>	<b>(679)</b>
<b>Discontinued operations</b>				
Income from discontinued operations before income taxes (including gain on disposal of ¥74,852 million in 2006)	99,413			
Income tax expense	51,713			

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Gain on discontinued operations	47,700			
Net income (loss)	¥ 304,328	¥ 175,828	¥ (67,847)	\$ (679)
		Yen		Translation into U.S. dollars
Per share of common stock:				
Basic				
Income (loss) from continuing operations	¥ 134.10	¥ 92.25	¥ (35.55)	\$ (0.36)
Gain on discontinued operations	24.92			
Net income (loss)	¥ 159.02	¥ 92.25	¥ (35.55)	\$ (0.36)
Diluted				
Income (loss) from continuing operations	¥ 133.89	¥ 92.00	¥ (35.57)	\$ (0.36)
Gain on discontinued operations	24.89			
Net income (loss)	¥ 158.78	¥ 92.00	¥ (35.57)	\$ (0.36)

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

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

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2006	2007	2008	2008
<b>Common stock</b>				
Balance at beginning of year	¥ 182,800	¥ 182,800	¥ 182,800	\$ 1,831
Balance at end of year	182,800	182,800	182,800	1,831
<b>Additional paid-in capital</b>				
Balance at beginning of year	155,947	159,527	165,496	1,657
Gain (loss) on sales of treasury stock	192	(556)	(1,458)	(14)
Issuance of common stock options	3,388	6,525	13,189	132
Balance at end of year	159,527	165,496	177,227	1,775
<b>Retained earnings</b>				
Balance at beginning of year	1,606,136	1,819,037	1,910,978	19,138
Net income (loss)	304,328	175,828	(67,847)	(679)
Cash dividends	(91,427)	(83,887)	(64,883)	(651)
Adjustments to initially apply FIN 48			1,266	13
Adjustments to initially apply EITF 06-2			(1,119)	(11)
Adjustments to initially apply SOP 07-1			2,049	21
Loss on sales of treasury stock			(661)	(7)
Balance at end of year	1,819,037	1,910,978	1,779,783	17,824
<b>Accumulated other comprehensive (loss) income:</b>				
Cumulative translation adjustments				
Balance at beginning of year	(18,083)	(1,129)	36,889	369
Net change during the year	16,954	38,018	(65,305)	(654)
Balance at end of year	(1,129)	36,889	(28,416)	(285)
<b>Defined benefit pension plans:</b>				
Balance at beginning of year	(24,645)	(14,096)	(30,276)	(303)
Pension liability adjustment <sup>(1)</sup>	10,549	(387)	(12,419)	(124)
Adjustments to initially apply SFAS 158 <sup>(2)</sup>		(15,793)		

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Balance at end of year	(14,096)	(30,276)	(42,695)	(427)
Balance at end of year	(15,225)	6,613	(71,111)	(712)
<b>Common stock held in treasury</b>				
Balance at beginning of year	(33,726)	(82,812)	(79,968)	(801)
Repurchases of common stock	(49,507)	(204)	(3,525)	(35)
Sales of common stock	11	25	85	1
Common stock issued to employees	668	2,910	2,862	29
Other net change in treasury stock	(258)	113	(29)	(1)
Balance at end of year	(82,812)	(79,968)	(80,575)	(807)
<b>Total shareholders' equity</b>				
Balance at end of year	¥ 2,063,327	¥ 2,185,919	¥ 1,988,124	\$ 19,911

- (1) The amounts for the year ended March 31, 2006 and 2007 are minimum pension liability adjustment.
- (2) For the initial year of application, the adjustments are not reflected on the consolidated statements of comprehensive income.

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

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

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2006	2007	2008	2008
Net income (loss)	¥ 304,328	¥ 175,828	¥ (67,847)	\$ (679)
Other comprehensive income (loss) <sup>(1)</sup> :				
Change in cumulative translation adjustments, net of tax	16,954	38,018	(65,305)	(654)
Defined benefit pension plans:				
Pension liability adjustment <sup>(2)</sup>	18,412	(608)	(21,853)	(219)
Deferred income taxes	(7,863)	221	9,434	95
<b>Total</b>	<b>10,549</b>	<b>(387)</b>	<b>(12,419)</b>	<b>(124)</b>
<b>Total other comprehensive income (loss)</b>	<b>27,503</b>	<b>37,631</b>	<b>(77,724)</b>	<b>(778)</b>
<b>Comprehensive income (loss)</b>	<b>¥ 331,831</b>	<b>¥ 213,459</b>	<b>¥ (145,571)</b>	<b>\$ (1,457)</b>

(1) Adjustments due to the initial adoption of SFAS 158 are not reflected on the consolidated statements of comprehensive income.

(2) The amounts for the year ended March 31, 2006 and 2007 are minimum pension liability adjustment.

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

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

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2006	2007	2008	2008
<b>Cash flows from operating activities from continuing operations:</b>				
Net income (loss) from continuing operations	¥ 256,628	¥ 175,828	¥ (67,847)	\$ (679)
Adjustments to reconcile net income (loss) from continuing operations to net cash used in operating activities:				
Depreciation and amortization	42,812	50,432	63,463	636
Stock-based compensation	3,388	6,525	13,188	132
(Gain) loss on investments in equity securities	(67,702)	20,103	48,695	488
Equity in earnings of affiliates, net of dividends received	(26,695)	(50,274)	(381)	(4)
Loss on disposal of office buildings, land, equipment and facilities	8,777	5,182	7,820	78
Deferred income taxes	(23,540)	(256)	(139,861)	(1,401)
Changes in operating assets and liabilities:				
Time deposits	(81,193)	24,395	(314,240)	(3,147)
Deposits with stock exchanges and other segregated cash	(440)	(30,186)	(82,817)	(829)
Trading assets and private equity investments	2,302,636	1,039,123	1,790,764	17,935
Trading liabilities	1,084,026	(1,986,980)	841,065	8,423
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(3,107,197)	1,243,337	(2,562,836)	(25,667)
Securities borrowed, net of securities loaned	(761,584)	(177,234)	(1,036,076)	(10,376)
Other secured borrowings	(416,566)	(1,612,879)	1,097,679	10,993
Loans and receivables, net of allowance for doubtful accounts	(43,656)	95,843	(599,995)	(6,009)
Payables	126,952	(154,665)	347,224	3,477
Accrued income taxes, net	171,016	(184,036)	25,549	256
Other, net	(32,876)	(91,414)	(79,300)	(794)
<b>Net cash used in operating activities from continuing operations</b>	<b>(565,214)</b>	<b>(1,627,156)</b>	<b>(647,906)</b>	<b>(6,488)</b>
<b>Cash flows from investing activities from continuing operations:</b>				
Payments for purchases of office buildings, land, equipment and facilities	(83,983)	(101,784)	(126,285)	(1,265)
Proceeds from sales of office buildings, land, equipment and facilities	1,557	634	15,621	156
Payments for purchases of investments in equity securities	(2,126)	(9,284)	(615)	(6)
Proceeds from sales of investments in equity securities	10,523	25,109	7,887	79
(Increase) decrease in loans receivable at banks, net	(32,117)	(73,611)	14,042	141
Decrease (increase) in non-trading debt securities, net	56,824	(37,861)	2,665	27
Business dispositions or acquisitions, net	(4,663)	(172,019)	1,428	14
Decrease (increase) in investments in affiliated companies, net	49,268	(164,700)	(15,673)	(157)
Other, net	39	(297)	(1,089)	(11)
<b>Net cash used in investing activities from continuing operations</b>	<b>(4,678)</b>	<b>(533,813)</b>	<b>(102,019)</b>	<b>(1,022)</b>
<b>Cash flows from financing activities from continuing operations:</b>				
Increase in long-term borrowings	1,656,317	2,736,688	2,425,393	24,290
Decrease in long-term borrowings	(943,086)	(1,451,500)	(1,722,644)	(17,252)
Increase in short-term borrowings, net	175,910	377,788	386,048	3,866

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Increase (decrease) in deposits received at banks, net	31,004	17,947	(57,756)	(578)
Proceeds from sales of common stock	871	2,379	828	8
Payments for repurchases of common stock	(49,507)	(204)	(3,525)	(35)
Payments for cash dividends	(42,290)	(114,395)	(86,866)	(870)
Proceeds from issuances of stock by a subsidiary			1,401	14
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by financing activities from continuing operations	829,219	1,568,703	942,879	9,443
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Effect of initial adoption of SOP 07-1 on cash and cash equivalents			(38,427)	(385)
Effect of exchange rate changes on cash and cash equivalents	16,419	10,333	(57,319)	(574)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Discontinued operations:				
Net cash provided by (used in) discontinued operations from				
Operating activities	28,856			
Investing activities	(19,178)			
Financing activities	(12,067)			
Cash and cash equivalents classified as discontinued operations	2,389			
Proceeds from sales of discontinued operations	131,100			
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	131,100			
Net increase (decrease) in cash and cash equivalents	406,846	(581,933)	97,208	974
Cash and cash equivalents at beginning of the year	585,115	991,961	410,028	4,106
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents at end of the year	¥ 991,961	¥ 410,028	¥ 507,236	¥ 5,080
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Supplemental disclosure:				
Cash paid during the year for				
Interest	¥ 708,107	¥ 1,056,820	¥ 987,228	¥ 9,887
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income tax payments, net	¥ 41,496	¥ 330,222	¥ 117,570	¥ 1,177
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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**NOMURA HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

Non cash activities

Business acquisitions:

Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥1,836 million and ¥1,576 million, respectively, for the year ended March 31, 2006. Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥344,299 million and ¥151,106 million, respectively, for the year ended March 31, 2007. There were no business acquisitions during the year ended March 31, 2008.

Business dispositions:

There were no business dispositions for the year ended March 31, 2006. Assets sold, excluding cash and cash equivalents, and debt assumed by the purchaser were ¥7,958 million and ¥8,211 million for the year ended March 31, 2007, respectively. There were no business dispositions during the year ended March 31, 2008.

Reclassifications

All prior year amounts have been reclassified to conform to the current year presentation.

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

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of accounting policies:**

**Description of business**

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

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

In the Domestic Retail business, Nomura provides investment consultation services mainly to individual customers in Japan. In the Global Markets business, Nomura is engaged in the sales and trading of equity securities and bonds and currency exchange on a global basis to institutions domestically and abroad. In the Global Investment Banking business, Nomura provides investment banking services such as the underwriting of bonds and equities as well as mergers and acquisition and financial advice. In the Global Merchant Banking business, Nomura invests in private equity businesses and seek to maximize returns on the investments by increasing the corporate value of investee companies. In the Asset Management business, Nomura develops and manages investment trusts, and provides investment advisory services.

**Basis of presentation**

The consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity (VIE) or not in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46, *Consolidation of Variable Interest Entities* as revised (FIN 46-R). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company consolidates VIEs where Nomura is the primary beneficiary, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. For entities other than VIEs, Nomura is generally determined to have a controlling financial interest in an entity when it owns a majority of the voting interest. Therefore, the Company consolidates these entities in which it has a majority voting interest. Additionally, the Company does not consolidate certain special purpose entities utilized for securitization transactions if they meet the qualifying special purpose entities QSPE criteria in accordance with Statement of Financial Accounting Standards (SFAS) No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (SFAS 140).

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Investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of the voting stock of a corporate entity, or at least 3% of a limited partnership) are accounted for using the equity method of accounting and are reported in *Other assets Investments in and advances to affiliated companies*. Investments in which Nomura has neither control nor significant influence are carried at fair value, with changes in fair value recognized currently through earnings.

Certain entities in which the Company has a financial interest are investment companies pursuant to the provisions of AICPA Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for*

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Investments in Investment Companies* ( SOP 07-1 ). SOP 07-1 addresses whether the accounting principles of the Audit and Accounting Guide for Investment Companies should be applied to an entity by clarifying the definition of an investment company, and whether those accounting principles should be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. These entities, including subsidiaries such as Nomura Principal Finance Co., Ltd. ( NPF ), carry all of their investments at fair value, with changes in fair value recognized through earnings, rather than apply the equity method of accounting or consolidation.

The Company's principal subsidiaries include Nomura Securities Co., Ltd., Nomura Securities International, Inc. and Nomura International plc.

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States ( U.S. GAAP ) as applicable to broker-dealers. All material intercompany transactions and balances have been eliminated on consolidation. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

**Discontinued operations**

On January 31, 2006, Nomura sold its stake in the Millennium Retailing Group, ( MRG ). MRG was one of the investments in Nomura's private equity business accounted for as a consolidated subsidiary. During the year ended March 31, 2006, MRG was classified within discontinued operations in accordance with SFAS No.144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ( SFAS 144 ) and its results of operations and cash flows were separately reported. Also, all amounts in previous years related to the discontinued operations have been excluded in the footnotes to the consolidated financial statements.

**Use of estimates**

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

**Fair value of financial instruments**

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The fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of financial instruments, including exchange-traded securities and derivatives is based on quoted market prices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to counterparty credit adjustment and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**Private equity business**

As of April 1, 2007 Nomura adopted SOP 07-1 and as a result, all private equity investments made by investment company subsidiaries pursuant to the provisions of SOP 07-1 are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to adoption of SOP 07-1, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

The valuation of unlisted private equity investments at fair value requires significant management judgment because 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 realizable value of the investment has been different from the carrying value. In reaching that determination, Nomura primarily uses either its own internal valuation models based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital or comparable market multiple valuations. Where possible these valuations are compared with the operating cash flows and financial performance of the companies or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences.

Any changes to valuations are then stress tested to assess the impact of particular risk factors in order to establish the final estimated valuation. See Note 4, *Private Equity Business* below.

**Transfers of financial assets**

Nomura accounts for the transfer of financial assets in accordance with SFAS 140. This statement requires that Nomura account for the transfer of financial assets as a sale when Nomura relinquishes control over the asset. SFAS 140 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is a QSPE, 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.

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In connection with its securitization activities, Nomura utilizes special purpose entities, or SPEs to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Nomura's involvement with SPEs includes structuring SPEs and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets under SFAS 140. Nomura may obtain an interest in the financial assets, including residual interests in the SPEs subject to prevailing market conditions. Any such interests are accounted for at fair value and included in *Trading assets* within Nomura's consolidated balance sheets, with the change in fair value included in *Revenue Net gain on trading*.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Foreign currency translation**

The financial statements of the Company's subsidiaries are measured using their functional currency which is the currency of the primary economic environment in which the entity operates. All assets and liabilities of subsidiaries which have a functional currency of other than Japanese yen, are translated into Japanese yen at exchange rates in effect at the balance sheet date; all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported as *Accumulated other comprehensive (loss) income* in shareholders' equity.

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

**Fee revenue**

*Revenue - Commissions* include amounts charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. *Revenue - Fees from investment banking* include securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when related services are performed. *Revenue - Asset management and portfolio service fees* are accrued over the period that the related services are provided or when specified performance requirements are met.

**Trading assets and trading liabilities**

Trading assets and trading liabilities, including contractual commitments arising pursuant to derivative transactions, are recognized on the consolidated balance sheets on a trade date basis and carried at fair value with changes in fair value recognized currently within *Revenue - Net gain on trading* in the consolidated statements of operations.

**Collateralized agreements and collateralized financing**

*Collateralized agreements* consist of resale agreements and securities borrowed. *Collateralized financing* consist of repurchase agreements, securities loaned and other secured borrowings.

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

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

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

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.

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

*Other secured borrowings*, which consist primarily of secured borrowings from financial institutions and central banks in the inter-bank money market, are recorded at contractual amounts.

Secured loans to financial institutions in the inter-bank money market are included in the consolidated balance sheets in *Loans receivable*.

Trading balances of secured borrowings, which consist of the liabilities related to transfers of financial assets that are accounted for as financings rather than sales under SFAS 140 are recorded based on cash received and are included in the consolidated balance sheets in *Short-term borrowings and Long-term borrowings*. See Note 11, *Borrowings* for further information regarding these arrangements.

On the consolidated balance sheet, all Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including Gensaki Repo transactions, are shown parenthetically in *Trading assets and private equity investments* and *Other assets Investments in and advances to affiliated companies* as *Securities pledged as collateral* in accordance with SFAS 140.

**Derivatives**

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

**Trading**

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Derivative financial instruments used for trading activities are carried at fair value with changes in fair value recognized currently within *Revenue Net gain on trading*. Nomura's dealings in over-the-counter ( OTC ) derivative financial instruments are presented in the accompanying consolidated balance sheets on a net-by-counterparty basis where net presentation is consistent with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* ( FIN 39 ).

### **Non-trading**

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

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

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Certain derivatives embedded in debt instruments are bifurcated from the host contract, such as bonds and certificates of deposit, are carried at fair value and presented on a combined basis with the host contract, with changes in fair value of these embedded derivatives recognized currently within *Revenue Net gain on trading*. Derivatives used to economically hedge these instruments are also carried at fair value, with changes in fair value recognized currently within *Revenue Net gain on trading*.

**Loans receivable**

*Loans receivable* are loans which management intends to hold for the foreseeable future. Interest including accrued interest is generally recognized within *Revenue Interest and dividends*. These consist primarily of loans at banks, financing activities loans, margin transaction loans and inter-bank money market loans. Loans receivable are carried at cost adjusted for deferred fees or costs on originated loans, any unamortized premiums or discounts on purchased loans less any applicable allowances for loan losses.

Loans at banks are loans receivable in connection with banking activities undertaken by banking subsidiaries such as The Nomura Trust & Banking Co., Ltd., Nomura Singapore Limited and Nomura Bank International plc.

Financing activities loans are loans receivable in connection with financing activities undertaken by non-banking subsidiaries.

Margin transaction loans are loans receivable from customers in connection with stock brokerage activities. These loans are usually collateralized by customers' securities and customers' deposits.

Inter-bank money market loans are loans receivable from financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers.

For each of the above types of loans, management establishes an allowance for loan losses which is disclosed within the *Allowance for doubtful accounts* and which reflects management's best estimate of probable losses incurred. The allowance for loan losses comprises a specific component for loans which have been specifically identified as impaired and a general component for loans which, while not specifically identified as impaired, are collectively assessed for impairment based on historical loss experience.

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The specific component of the allowance for loan losses reflects probable losses incurred within loans which have been specifically identified as impaired. 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 and payment shortfalls are not classified as impaired. The allowance is measured on a loan by loan basis by adjusting the carrying value of the impaired loan to either the present value of expected future cash flows discounted as the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance for loan losses for loans not specifically identified as impaired includes judgment about collectibility based on available information at the balance sheet date, and the uncertainties inherent in those underlying assumptions. The allowance is measured taking into consideration historical loss experience adjusted for qualitative factors such as current economic conditions.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 the original assumptions.

**Other receivables**

*Receivables from customers* include amounts receivable on customer securities transactions.

*Receivables from other than customers* include amounts receivable for securities not delivered to a purchaser by the settlement date ( fails to deliver ), margin deposits, commissions, and net receivables arising from unsettled securities transactions.

The allowance for receivables is included in *Allowance for doubtful accounts* and reflects management's best estimate of probable losses incurred within receivables which have been specifically identified as impaired.

**Payables and deposits**

*Payables to customers* include amounts payable on customer securities transactions and are measured at contractual amounts due.

*Payables to other than customers* include payables to brokers and dealers for securities not received from a seller by the settlement date ( fails to receive ) and net payables arising from unsettled securities transactions. Amount are measured at contractual amounts due.

*Deposits received at banks* represent amounts held on deposit within our banking subsidiaries and are measured at contractual amounts due.

**Office buildings, land, equipment and facilities**

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

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

Office buildings	15 to 50 years
Equipment and installations	2 to 15 years
Software	5 years

Depreciation and amortization is included in *Non-interest expenses Information processing and communications* in the amount of ¥30,817 million, ¥39,265 million and ¥47,350 million (\$474 million), and in *Non-interest expenses Occupancy and related depreciation* in the amount of ¥11,995 million, ¥11,167 million and ¥16,113 million (\$162 million) for the years ended March 31, 2006, 2007 and 2008, respectively.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Long-lived assets**

In accordance with SFAS 144, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flow is less than the carrying amount of the assets, a loss is recognized to the extent that carrying value exceeded its fair value.

Nomura recorded non-cash impairment charges of ¥250 million, ¥214 million and ¥93 million (\$1 million) substantially related to write-downs of software, office buildings, land, equipment, facilities, and other assets for the years ended March 31, 2006, 2007 and 2008, respectively. These losses are included in consolidated statements of operations under *Non-interest expenses Other*. The revised carrying values of these assets were based on the estimated fair value of the assets.

**Investments in equity securities and non-trading debt securities**

Nomura holds minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations in order to promote existing and potential business relationships. These companies will also often have similar investments in Nomura. Such cross-holdings are a customary business practice in Japan and provide a way for companies to manage their shareholder relationships.

These investments, which are classified within *Other assets Investments in equity securities* in our consolidated balance sheet are carried at fair value, with changes in fair value recognized through *Revenue Gain (loss) on investments in equity securities* in our consolidated statements of operations. These investments comprise listed and unlisted equity securities in the amounts of ¥164,570 million and ¥30,668 million, respectively, at March 31, 2007, and ¥112,946 million (\$1,131 million) and ¥26,384 (\$264 million), respectively, at March 31, 2008.

*Other assets-other* includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments are comprised of listed equity securities and unlisted equity securities in the amounts of ¥34,895 million and ¥9,763 million, respectively, at March 31, 2007 and ¥8,287 million (\$83 million) and ¥11,911 million (\$119 million), respectively, at March 31, 2008. These securities are carried at fair value, with unrealized gains and losses recognized within *Revenue Other* in the consolidated statements of operations.

Non-trading debt securities consist of debt securities mainly held by non-trading subsidiaries. Non-trading debt securities are carried at fair value, with unrealized gains and losses recognized within *Revenue Other* in the consolidated statements of operations.

**Income taxes**

In accordance with SFAS No. 109, *Accounting for Income Taxes*, deferred tax assets and liabilities are recorded for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities based upon enacted tax laws and rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Nomura recognizes and measures unrecognized tax benefits in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109* ( FIN 48 ).

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura estimates the likelihood, based on their technical merits, that tax positions will be sustained upon examination based on the facts and circumstances and information available at the end of each period. Nomura adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. The reassessment of unrecognized tax benefits could have a material impact on Nomura's effective tax rate in the period in which it occurs.

**Stock-based compensation**

Effective April 1, 2006, Nomura adopted SFAS No. 123 (Revised 2004), *Share-Based Payment, a revision of SFAS No. 123, Accounting for Stock-Based Compensation* ( SFAS 123-R ). Compensation cost is determined using option pricing models intended to estimate the fair value of the awards at the grant date, and it is recognized over the requisite service period, which generally is equal to the vesting period. As Nomura had previously adopted a policy of expensing stock-based compensation that was generally consistent with the provisions of SFAS 123-R, the impacts of adopting SFAS 123-R were not significant to Nomura's consolidated financial statements.

**Earnings per share**

In accordance with SFAS No. 128, *Earnings per Share* ( SFAS 128 ) the computation of basic earnings per share is based on the average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities.

**Cash and cash equivalents**

Nomura defines cash and cash equivalents as cash on hand and demand deposits with banks.

**Goodwill and intangible assets**

In accordance with SFAS No. 142 *Goodwill and Other Intangible Assets* ( SFAS 142 ), goodwill and indefinite-lived intangible assets are reviewed annually, or more frequently in certain circumstance, for impairment. Goodwill is the cost of acquired companies in excess of the fair value of identifiable net assets at acquisition date. Nomura periodically assesses the recoverability of goodwill by comparing the fair value of the reporting units to which goodwill relates to the carrying amount of the reporting units including goodwill. If such assessment indicates that the fair value is less than the related carrying amount, a goodwill impairment determination is made. Identifiable intangible assets with finite lives are amortized over their expected useful lives. Identifiable intangible assets with indefinite lives are not amortized. Instead, these assets are evaluated at least annually for impairment.

**Accounting changes and new accounting pronouncements**

*Accounting for certain hybrid financial instruments*

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140* ( SFAS 155 ). This Statement permits an entity to elect to measure any hybrid financial instrument at fair value (with changes in fair value recognized in earnings) if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* ( SFAS 133 ). This election is permitted on an instrument-by-instrument basis for all hybrid financial instruments held, obtained, or issued as of the adoption date. SFAS 155 was effective as of a reporting entity's first fiscal year that begins after September 15, 2006, with earlier adoption permitted.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On April 1, 2006, Nomura early adopted SFAS 155, primarily on a prospective basis and certain hybrid financial instruments, principally structured notes that contain embedded derivatives are accounted for at fair value, with the change recorded in *Revenue -Net gain on trading*.

On April 1, 2008 Nomura intends to adopt SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* ( SFAS 159 ) which incorporates similar accounting and disclosure requirements to SFAS 155 and therefore Nomura intends to apply SFAS 159 to all such hybrid financial instruments which have been issued on or after that date.

*Accounting for servicing of financial assets*

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statement No.140* ( SFAS 156 ), which requires that a reporting entity separately recognize a servicing asset or a servicing liability when it undertakes an obligation to service a financial asset under a servicing contract in certain situations and requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. A reporting entity may choose one of two methods when subsequently measuring its servicing assets and servicing liabilities for each class: (1) the amortization method or (2) the fair value measurement method. Separate presentation of servicing assets and servicing liabilities subsequently measured at fair value are required in the statement of financial position. SFAS 156 was effective as of the beginning of a reporting entity's first fiscal year that begins after September 15, 2006, with the earlier adoption permitted under certain conditions. The adoption of SFAS 156 by Nomura on April 1, 2007 did not have a material impact on these consolidated financial statements.

*Accounting for uncertainty in income taxes*

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a reporting entity's financial statements and prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. In addition, FIN 48 requires that management determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

On April 1, 2007, Nomura adopted the provisions of FIN 48 and recognized an increase to opening retained earnings of ¥1,266 million after-tax. For additional information regarding the adoption of FIN 48, see Note 15, *Income Taxes* within these consolidated financial statements.

*Accounting for sabbatical leave and other similar benefits*

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In June 2006, the FASB ratified the Emerging Issues Task Force consensus on EITF Issue No. 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43* ( EITF 06-2 ). EITF 06-2 requires a reporting entity to accrue the costs of compensated absences under a sabbatical or similar benefit arrangement over the requisite service period. Prior to the adoption of EITF 06-2, Nomura recorded a liability for sabbatical leave upon employee vesting in the benefit, which occurred only at the end of the service period. Under EITF 06-2, Nomura accrued an estimated liability for sabbatical leave over the requisite service period as employee services are rendered.

On April 1, 2007, Nomura adopted EITF 06-2 and recognized a decrease to opening retained earnings of ¥1,119 million after-tax.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Fair value measurements*

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability, in an orderly transaction between market participants. In addition, SFAS 157 also:

requires that a fair value measurement technique include an adjustment for risks inherent in a particular valuation technique (such as a pricing model);

establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial asset or financial liability;

nullifies the guidance in EITF Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* ( EITF 02-3 ), which requires deferral of profit at inception of a derivative transaction in the absence of observable data supporting the valuation technique;

eliminates large position ( block ) discounts for financial instruments quoted in active markets; and

requires a reporting entity to consider its own credit rating when valuing liabilities carried at fair value.

The requirements of SFAS 157 are generally applied prospectively to financial instruments apart from derivatives which have been accounted for in accordance with EITF 02-03, hybrid financial instruments that are currently measured at fair value in their entirety under SFAS 155 and certain investments which have block discounts applied to them. The impact of adjusting the fair value of these financial instruments in accordance with SFAS 157 will be recorded as a cumulative-effect adjustment to opening retained earnings.

In February 2008, the FASB issued Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ( FSP SFAS 157-2 ) which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of the FSP.

The remainder of SFAS 157 relating to financial assets and financial liabilities is effective for fiscal years beginning after November 15, 2007. As permitted by FSP SFAS 157-2, Nomura intends to adopt SFAS 157 on April 1, 2008 for financial assets and financial liabilities only and does not apply the provisions of SFAS 157 to certain non financial assets and liabilities not carried at fair value on a recurring basis, including:

Non financial assets and non financial liabilities acquired in a business combination but not measured at fair value on a recurring basis;

Goodwill and other intangible assets;

Long-lived non financial assets.

Nomura currently estimates the adjustment to opening retained earnings from partial adoption of SFAS 157 on April 1, 2008 to be an increase of approximately ¥10,306 million after-tax. The key components of the transition adjustment are an increase of approximately ¥3,373 million after-tax for reversal of block discounts against financial instruments quoted in active markets and an increase ¥6,933 million after-tax for the nullification of EITF 02-3.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura is currently unable to quantify the impact, if any, that the adoption of SFAS 157 will have on these consolidated financial statements, since such impact will be dependent upon, among other things, the nature, volume and size of structured derivative transactions that the Company may enter into during that period.

*Accounting for defined benefit pension and other postretirement plans*

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132-R* ( SFAS 158 ). SFAS 158 requires an entity to recognize in its statement of financial condition the funded status of its defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS 158 is effective as of the end of the fiscal year ending after December 15, 2006. In accordance with SFAS 158, Nomura adopted this provision of SFAS 158 as of the end of the year ended March 31, 2007. Consequently, Nomura recorded a reduction of ¥15,793 million to *Accumulated other comprehensive income* (net of tax) as of that date.

SFAS 158 also requires an entity to measure plan assets and benefit obligations as of the date of its financial statements, rather than on another date within three months of that date. This provision of SFAS 158 is effective as of the end of the fiscal year ending after December 15, 2008. As the measurement date already coincides with the date of the financial statements, the provision will not have a material impact on Nomura's consolidated financial statements.

For additional information regarding the adoption of SFAS 158, see Note 13, *Employee benefit plans* within these consolidated financial statements.

*Fair value option for financial assets and financial liabilities*

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* ( SFAS 159 ). SFAS 159 allows an entity to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If the entity elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SFAS 159 permits the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. SFAS 159 also establishes presentation and disclosure requirements designed to provide a comparison between entities that elect different measurement attributes for similar assets and liabilities.

An entity may elect the fair value option for eligible items that exist at the date of adoption and reports the difference between the carrying value and fair value as a cumulative-effect adjustment to the opening balance of retained earnings.

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SFAS 159 is effective for fiscal years beginning after November 15, 2007 and Nomura intends to adopt SFAS 159 on April 1, 2008. The existing financial assets and financial liabilities Nomura elected the fair value option for as of that date, and the reasons for that election are as follows:

Loans and receivables which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate income statement volatility caused by the difference in measurement basis for loans and receivables and the derivatives it uses to risk manage those instruments;

Equity method investments which are held for capital appreciation or current income purposes, which generally have an exit strategy. Nomura elects the fair value option to simplify the accounting for these investments, and to more faithfully represent the purpose of these investments in our consolidated financial statements; and

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial liabilities for transactions which are accounted for as financings under SFAS 140. Nomura elects the fair value option for these financial liabilities to mitigate income statement volatility which currently arises because even though Nomura has no continuing economic exposure to the transferred financial assets, they remain on its consolidated balance sheet and continue to be carried at fair value, with changes in fair value recognized through earnings.

Nomura currently estimates the adjustment to retained earnings as of that date to be an increase of approximately ¥4,327 million after-tax.

Nomura also intends to elect the fair value option for these financial assets and financial liabilities, together with all structured notes issued on or after the date of adoption. Because SFAS 159 incorporates similar accounting and disclosure requirements to SFAS 155, Nomura intends to apply SFAS 159 to all such financial instruments which have been issued on or after that date.

This blanket election for structured notes will be made primarily to mitigate the income statement volatility caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions and to generally simplify the accounting it applies to these financial instruments.

*Offsetting of amounts related to certain contracts*

In April 2007, the FASB issued Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39* ( FSP FIN 39-1 ). FSP FIN 39-1 addresses whether a reporting entity that is party to a master netting arrangement can offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with FIN 39. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007.

Nomura intends to adopt FSP FIN 39-1 on April 1, 2008 and currently estimate approximately ¥684.8 billion of netting of cash collateral receivables against net derivative liabilities and ¥378.3 billion of netting of cash collateral payables against net derivative assets as of that date.

*Accounting for investment companies*

In June 2007, the AICPA issued SOP 07-1. SOP 07-1 addresses whether the accounting principles of the Audit and Accounting Guide *Investment Companies* should be applied to an entity by clarifying the definition of an investment company, and whether those accounting principles should be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting.

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In February 2008, the FASB issued Staff Position No. SOP 07-1-1, *Effective Date of AICPA Statement of Position 07-1*, which indefinitely deferred SOP 07-1 for companies that had not adopted it. Nomura adopted SOP 07-1, as issued, as of December 14, 2007, and as permitted by the Staff Position, have chosen not to rescind its adoption and therefore continue to apply its provisions.

As Nomura's adoption of SOP 07-1 was made in other than the first interim period of the year of change, the change is reported by retrospective application to the previous interim periods of the year and therefore Nomura effectively adopted SOP 07-1 as of April 1, 2007. Certain entities, including Nomura Principal Finance Co., Ltd, ( NPF ) and Terra Firma Capital Partners I ( TFCPI ) are investment companies pursuant to SOP 07-1's provisions. The impact of adoption for those entities was a credit adjustment to opening retained earnings

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

of ¥2,049 million after-tax, which represents the difference between the fair value of the investments held by these entities and their existing carrying amounts. The impact of adoption was not material to these consolidated financial statements.

In May 2007, the FASB issued FSP FIN No. 46-R-7, *Application of FIN 46-R to Investment Companies* ( FSP FIN 46-R-7 ) which amends FIN 46-R to make permanent the temporary deferral of the application of FIN 46-R by entities within the scope of SOP 07-1. FSP FIN 46-R-7 is effective upon adoption of SOP 07-1. Nomura has therefore adopted FSP FIN 46-R-7 as of December 14, 2007. The impact of adoption was not material to these consolidated financial statements.

All investments made by investment companies pursuant to SOP 07-1 are carried at fair value, with changes in fair value recognized through earnings.

For additional information regarding the adoption of SOP 07-1, see Note 4, *Private equity business* and Note 5, *Investment company accounting* within these consolidated financial statements.

*Accounting for business combinations*

In December 2007, the FASB issued SFAS No. 141-R, *Business Combinations* ( SFAS 141-R ). SFAS 141-R expands the definition of transactions and events that qualify as business combinations; requires that the full value of acquired assets and liabilities, including contingent consideration, be recorded at the fair value determined on the acquisition date and changes thereafter in contingent consideration to be reflected in revenue, not goodwill; changes the recognition timing for restructuring costs; and requires acquisition costs to be expensed as incurred.

SFAS 141-R applies prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption and retroactive application is not permitted and therefore Nomura will adopt SFAS 141-R for business combinations for which the acquisition date is on or after April 1, 2009. Nomura is evaluating the impact of adoption of SFAS 141-R on its consolidated financial statements.

*Accounting for noncontrolling interests*

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements* ( SFAS 160 ). SFAS 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of non-controlling interests as a component of equity (rather than as a liability or as mezzanine equity). Under SFAS 160, a change in control will be measured at

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fair value, with any gain or loss recognized in earnings and provides guidance on the accounting for transactions between an entity and noncontrolling interests.

The effective date for SFAS 160 is for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is not permitted and therefore Nomura will adopt SFAS 160 on April 1, 2009. The Statement is applied prospectively as of the beginning of the fiscal year in which the Statement is initially applied, except for the presentation and disclosure requirements which are applied retrospectively for all periods presented. Nomura is evaluating the impact of adoption on its consolidated financial statements.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Enhanced disclosures about derivatives and hedging*

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ( SFAS 161 ). SFAS 161 replaces and expands the quantitative and qualitative disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ( SFAS 133 ) and other related literature and intends to provide an enhanced understanding of:

How and why a reporting entity uses derivative instruments;

How derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations; and

How derivative instruments affect a reporting entity's financial position, financial performance and cash flows.

SFAS 161 is effective for financial statements issued and for fiscal years and interim periods beginning after November 15, 2008 with early application permitted. Because SFAS 161 is a disclosure statement and does not impact the accounting treatment for derivative instruments and related hedged items, Nomura's adoption of SFAS 161 will not impact on its consolidated financial statements.

*Useful lives of intangible assets*

In April 2008, the FASB issued FSP No. SFAS 142-3, *Determination of the Useful Lives of Intangible Assets*, ( FSP SFAS 142-3 ). FSP SFAS 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets* ( SFAS 142 ) and introduces new disclosures in addition to those Nomura currently makes under SFAS 142. FSP SFAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years with early adoption prohibited.

Nomura will adopt FSP SFAS 142-3 on April 1, 2009. As the guidance for determining the useful life of a recognized intangible asset is only applied prospectively to intangible assets acquired after that date, Nomura does not expect a material impact on its consolidated financial statements.

*GAAP hierarchy*

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In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ( *SFAS 162* ) which provides a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP.

SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles* . Nomura is currently considering the potential impact of adoption of SFAS 162 but does not expect a material impact on its consolidated financial statements.

### **2. U.S. dollar amounts:**

The U.S. dollar amounts are included solely for the convenience of the reader and have been translated at the rate of ¥99.85 = U.S.\$1, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2008. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Financial instruments:**

Nomura enters into transactions involving financial instruments including cash instruments and derivatives primarily for trading activities and, where needed, non-trading activities.

**Trading activities**

Nomura's trading activities consist primarily of securities brokerage, trading, and underwriting; derivatives dealing and brokerage; and securities financing transactions. Trading assets and trading liabilities consist of cash instruments (such as securities) and derivative instruments used for trading purposes or for hedging other trading assets or liabilities.

*Trading assets and Trading liabilities*

*Trading assets*, including those that are disclosed parenthetically as *Securities pledged as collateral*, and *Trading liabilities* consist of the following major types of financial instruments:

	Millions of yen				Translation into millions of U.S. dollars	
	March 31					
	2007		2008		2008	
	Trading assets	Trading liabilities	Trading assets	Trading liabilities	Trading assets	Trading liabilities
Equities and convertible bonds	¥ 3,088,440	¥ 525,943	¥ 1,296,462	¥ 870,933	\$ 12,984	\$ 8,722
Government and government agency bonds	5,200,419	3,074,291	4,751,195	2,663,609	47,583	26,676
Bank and corporate debt securities	2,065,509	183,068	1,650,844	145,552	16,533	1,458
Commercial paper and certificates of deposit	382,801		320,773		3,213	
Mortgage and mortgage-backed securities	1,109,058		477,887		4,786	

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Beneficiary interests and other	154,962	4	277,250	10	2,777	0
Derivative contracts <sup>(1)</sup>	829,637	1,017,097	1,551,349	1,474,265	15,537	14,765
	<u>¥ 12,830,826</u>	<u>¥ 4,800,403</u>	<u>¥ 10,325,760</u>	<u>¥ 5,154,369</u>	<u>\$ 103,413</u>	<u>\$ 51,621</u>

(1) Amounts disclosed for derivative contracts are reported on a net-by-counterparty basis where net presentation is consistent with FIN39.

Nomura seeks to minimize the market and credit risks associated with its customer securities activities through various control policies and procedures, including continuous monitoring of market and customer exposures, hedging strategies, and requiring collateral or additional margin or reduced positions when necessary.

*Concentrations of credit risk*

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura's significant single concentrations of credit risk were with the Japanese Government and U.S. Government and its agencies. These concentrations generally arise from taking trading securities positions. Government and government agency bonds (which are mainly sovereign to Japan and the United States of America), including *Securities pledged as collateral*, represented 14.5% and 18.1% of total assets as of March 31, 2007 and 2008, respectively.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Derivatives utilized for trading purposes*

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

These instruments involve, to varying degrees, off-balance sheet market and credit risk under which default by the counterparty and future changes in interest rates, foreign currency exchange rates or the market values of the securities underlying the instruments may ultimately result in cash settlements in excess of the amounts recognized on the consolidated balance sheets.

Nomura enters into various derivative financial instrument transactions including futures, forwards, swap and option contracts involving securities, foreign currency, interest rate and other money market instruments as part of its normal trading activities and for market risk management of certain non-trading assets and liabilities.

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

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

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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 loss in the event of the counterparties' default.

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

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**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments. Credit risk associated with these financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce default risk, Nomura requires collateral, principally government securities, for certain derivative transactions. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, Nomura generally enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalents ( master netting agreements ) with each of its counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and mitigate the credit risk exposure from these transactions. In some cases, they enable unrealized gains and losses arising from Nomura's dealings in over-the-counter derivatives to be presented on a net-by-counterparty basis in accordance with FIN 39.

EITF Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* ( EITF 02-3 ), precludes mark-to-market accounting for energy-trading contracts that are not derivatives pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. EITF 02-3 also communicates the FASB staff's view that the transaction price for a derivative contract is the best information available with which to estimate fair value at the inception of a contract when the estimate is not based on other observable market data. Nomura defers recognition of certain gains and losses at the inception of a contract in accordance with EITF 02-3.

The table below discloses the fair value of derivative financial instruments for trading purposes held or issued by Nomura. These amounts are not reported net of collateral, which Nomura obtains to reduce credit risk exposure.

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2007	2008	2008
<b>Derivative Trading Assets:</b>			
Foreign exchange forwards	¥ 51,274	¥ 91,476	\$ 916
FRA <sup>(1)</sup> and other OTC forwards	39,716	67,450	676
Swap agreements	373,139	1,039,106	10,407
Securities options purchased	156,979	155,310	1,555
Options other than securities options purchased	208,529	198,007	1,983
Total <sup>(2)</sup>	¥ 829,637	¥ 1,551,349	\$ 15,537
<b>Derivative Trading Liabilities:</b>			
Foreign exchange forwards	¥ 28,698	¥ 120,752	\$ 1,209

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FRA <sup>(1)</sup> and other OTC forwards	32,986	38,787	389
Swap agreements	533,388	748,944	7,501
Securities options written	268,393	327,844	3,283
Options other than securities options written	153,632	237,938	2,383
	<u>          </u>	<u>          </u>	<u>          </u>
Total <sup>(2)</sup>	¥ 1,017,097	¥ 1,474,265	\$ 14,765
	<u>          </u>	<u>          </u>	<u>          </u>

(1) Forward Rate Agreements.

(2) Total amounts disclosed for derivative contracts are reported on a net-by-counterparty basis where net presentation is consistent with FIN 39.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Net gain on trading*

While trading activities are primarily generated by client order flow, Nomura also takes proprietary positions in interest rate, debt and equity instruments. Revenues from trading include realized and unrealized gains and losses arising from trading as principal. Revenues also include realized and unrealized gains and losses on debt and equity securities and derivatives utilized in arbitrage strategies for Nomura's own account. Nomura manages its trading business by product groupings. The following table of net trading gains by business unit has been prepared in order to present Nomura's net trading gains and losses in a format which reflects the manner in which Nomura manages its businesses.

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2006	2007	2008	2008
Merchant Banking	¥ 5,246	¥ (2,459)	¥ (4,969)	\$ (50)
Equity trading-including units trading primarily in stocks, convertible bonds, stock subscription warrants, and related derivatives	148,073	137,595	136,955	1,372
Fixed income trading-including units trading primarily in government bonds, corporate debt securities, related derivatives, and foreign exchange in connection with Nomura's securities business	150,904	154,872	(70,266)	(704)
	¥ 304,223	¥ 290,008	¥ 61,720	\$ 618

**Non-trading activities**

Nomura's non-trading activities consist primarily of non-trading debt securities, investments in equity securities and derivatives for purposes other than trading.

*Derivatives utilized for non-trading purposes*

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Nomura's principal objective in utilizing derivatives for purposes other than trading is market risk management for certain non-trading assets and liabilities such as non-trading debt securities, loans receivable from customers and other assets as well as bonds and notes issued. The operations of Nomura are subject to the risk of interest rate and currency rate fluctuations to the extent that there is a difference between the amounts of Nomura's interest-bearing and/or foreign currency assets and liabilities which mature or reprice in specified periods. To manage its exposures to market movements, Nomura uses derivative financial instruments.

Nomura issues Japanese yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed or floating rate interest payments on its debt obligations to floating rate or fixed payments. The maturity structure of the swaps corresponds with the maturity of the debt obligations being hedged. Nomura also uses interest rate swaps to modify the interest rate characteristics of certain assets including loans receivable from customers. Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

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**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Fair value of financial instruments**

The majority of Nomura's assets and liabilities are carried at fair value or at amounts that approximate fair value. Assets which are carried at fair value include *Trading assets, Private equity investments, Non-trading debt securities* and *Investments in equity securities*. Liabilities which are carried at fair value include *Trading liabilities*. Assets which are carried at contractual amounts that approximate fair value include *Cash and cash equivalents, Time deposits, Deposits with stock exchange and other segregated cash, Receivable from customers, Receivable from other than customers, Securities purchased under agreements to resell, Securities borrowed, and Loans receivable*. Liabilities which are carried at contractual amounts that approximate fair value include *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*. These financial instruments mature principally within one year and bear interest at rates that approximate market.

*Long-term borrowings*

For long-term borrowings, certain hybrid financial instruments including structured notes are carried at fair value under SFAS 155. Except for those instruments, long-term borrowings are carried at historical amounts unless such borrowings are designated as the hedged item in a fair value hedge. The fair value of long-term borrowings is estimated using quoted market prices where available or by discounting future cash flows.

The following table presents financial instruments with carrying values that differ from their fair value or approximate fair value.

Billions of yen		Translation into billions of U.S. dollars
<b>March 31</b>		
2007	2008	2008