NOMURA HOLDINGS INC
Form 6-K
February 21, 2018
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of February 2018

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F _____

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

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

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Information furnished on this form:

EXHIBITS

Exhibit Number

1. (English Translation) Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Nine Months Ended December 31, 2017
2. (English Translation) Confirmation Letter
3. Ratio of Earnings to Fixed Charges and Computation Thereof for the Nine Months Ended December 31, 2017

The registrant hereby incorporates Exhibits 1, 2 and 3 to this report on Form 6-K by reference in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-209596) of the registrant, filed with the SEC on February 19, 2016.

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SIGNATURES

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

NOMURA HOLDINGS, INC.

Date: February 21, 2018

By: /s/ Hajime Ikeda
Hajime Ikeda
Senior Managing Director

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Exhibit 1

Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Nine Months Ended December 31, 2017

Items included in the Quarterly Securities Report

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

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Part I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data

		Nine months ended December 31, 2016	Nine months ended December 31, 2017	Three months ended December 31, 2016	Three months ended December 31, 2017	Year ended March 31, 2017
Total revenue	(Mil yen)	1,288,405	1,460,944	443,884	530,629	1,715,516
Net revenue	(Mil yen)	1,054,120	1,118,932	368,645	406,616	1,403,197
Income before income taxes	(Mil yen)	240,487	281,235	95,948	120,753	322,795
Net income attributable to Nomura Holdings, Inc. (NHI) shareholders	(Mil yen)	178,351	196,668	70,346	87,962	239,617
Comprehensive income attributable to NHI shareholders	(Mil yen)	189,923	175,122	192,575	64,483	208,995
Total equity	(Mil yen)	2,867,979	2,905,681			2,843,791
Total assets	(Mil yen)	43,052,109	44,479,642			42,852,078
Net income attributable to NHI shareholders per share basic	(Yen)	49.94	56.20	19.89	25.55	67.29
Net income attributable to NHI shareholders per share diluted	(Yen)	48.76	55.12	19.44	25.12	65.65
Total NHI shareholders equity as a percentage of total assets	(%)	6.5	6.4			6.5
Cash flows from operating activities	(Mil yen)	1,103,427	(541,085)			1,305,025
Cash flows from investing activities	(Mil yen)	(98,918)	23,274			(118,051)
Cash flows from financing activities	(Mil yen)	(1,879,569)	326,212			(2,130,644)
Cash and cash equivalents at end of the period	(Mil yen)	2,647,280	2,357,073			2,536,840

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

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

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

2. Business Overview

There were no significant changes to the businesses of the Company and its 1,308 consolidated subsidiaries for the nine months ended December 31, 2017.

There were 11 affiliated companies which were accounted for by the equity method as of December 31, 2017.

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Item 2. Operating and Financial Review

1. Risk Factors

There is no significant change in our Risk Factors for the nine months ended December 31, 2017 and until the submission date of this report.

2. Significant Contracts

Not applicable.

3. Operating, Financial and Cash Flows Analysis

(1) Operating Results

Nomura reported net revenue of ¥1,118.9 billion, non-interest expenses of ¥837.7 billion, income before income taxes of ¥281.2 billion, and net income attributable to NHI shareholders of ¥196.7 billion for the nine months ended December 31, 2017.

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

	Millions of yen Nine months ended December 31	
	2016	2017
Commissions	¥ 237,152	¥ 277,947
Brokerage commissions	164,937	190,994
Commissions for distribution of investment trust	52,518	66,205
Other	19,697	20,748
Fees from investment banking	64,409	79,079
Underwriting and distribution	30,778	33,975
M&A / financial advisory fees	28,665	30,235
Other	4,966	14,869
Asset management and portfolio service fees	159,858	183,322
Asset management fees	146,754	170,169
Other	13,104	13,153
Net gain on trading	367,286	296,583
Gain (loss) on private equity investments	163	(2,352)
Net interest	98,512	95,437
Gain (loss) on investments in equity securities	10,553	7,654
Other	116,187	181,262
Net revenue	¥ 1,054,120	¥ 1,118,932

	Millions of yen Nine months ended December 31

	2016	2017
Compensation and benefits	¥ 381,510	¥ 389,656
Commissions and floor brokerage	70,016	74,269
Information processing and communications	128,002	140,881
Occupancy and related depreciation	51,910	51,070
Business development expenses	24,025	26,033
Other	158,170	155,788
Non-interest expenses	¥ 813,633	¥ 837,697

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Business Segment Information

Results by business segment are noted below.

Reconciliations of *Net revenue* and *Income (loss) before income taxes* on segment results of operations and the consolidated statements of income are set forth in Item 4. Financial Information, 1. Consolidated Financial Statements, Note 15. *Segment and geographic information.*

Net revenue

	Millions of yen	
	Nine months ended December 31	
	2016	2017
Retail	¥ 271,257	¥ 314,754
Asset Management	76,118	100,018
Wholesale	568,080	503,927
Other (Incl. elimination)	129,213	193,340
Total	¥ 1,044,668	¥ 1,112,039

Non-interest expenses

	Millions of yen	
	Nine months ended December 31	
	2016	2017
Retail	¥ 222,233	¥ 233,028
Asset Management	42,458	45,148
Wholesale	434,757	447,545
Other (Incl. elimination)	114,185	111,976
Total	¥ 813,633	¥ 837,697

Income (loss) before income taxes

	Millions of yen	
	Nine months ended December 31	
	2016	2017
Retail	¥ 49,024	¥ 81,726
Asset Management	33,660	54,870
Wholesale	133,323	56,382
Other (Incl. elimination)	15,028	81,364
Total	¥ 231,035	¥ 274,342

Retail

Net revenue was ¥314.8 billion primarily due to favorable market conditions increasing commissions from brokerage. Non-interest expenses were ¥233.0 billion and income before income taxes was ¥81.7 billion. Retail client assets were ¥122.8 trillion as of December 31, 2017, a ¥15.1 trillion increase from March 31, 2017.

Asset Management

Net revenue was ¥100.0 billion. Non-interest expenses were ¥45.1 billion and income before income taxes was ¥54.9 billion. Assets under management were ¥50.7 trillion as of December 31, 2017, a ¥6.3 trillion increase from March 31, 2017.

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Wholesale

Net revenue was ¥503.9 billion. Non-interest expenses were ¥447.5 billion and income before income taxes was ¥56.4 billion.

The breakdown of net revenue for Wholesale is as follows.

	Millions of yen Nine months ended December 31	
	2016	2017
Fixed Income	¥ 324,787	¥ 253,299
Equities	174,841	177,137
Global Markets	499,628	430,436
Investment Banking	68,452	73,491
Net revenue	¥ 568,080	¥ 503,927
Investment Banking (gross)[(1)]	¥ 117,611	¥ 127,764

(1) Investment Banking (gross) revenue represents gross revenue mainly generated by investment banking transactions, including revenue attributable to other business lines that we allocate to Global Markets and our other business segments.

Fixed Income net revenue was ¥253.3 billion under trying market conditions due to low volatility. Equities net revenue was ¥177.1 billion due to strong equity market. Investment Banking net revenue was ¥73.5 billion, primarily due to increasing revenue from M&A.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. Other operating results for the nine months ended December 31, 2017 include gains from changes in the fair value of derivative liabilities attributable to the change in its own creditworthiness of ¥0.1 billion; and gains from changes in counterparty credit spread of ¥9.2 billion. Net revenue was ¥193.3 billion, non-interest expenses were ¥112.0 billion and income before income taxes was ¥81.4 billion for the nine months ended December 31, 2017.

Geographic Information

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 15. *Segment and geographic information* for net revenue and income (loss) before income taxes by geographic allocation.

Cash Flow Information

Please refer to (6) Liquidity and Capital Resources.

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

1) Exposure to Certain Financial Instruments and Counterparties

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

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of December 31, 2017.

	Millions of yen December 31, 2017		
	Funded	**Unfunded**	**Total**
Europe	¥ 124,139	¥ 146,499	¥ 270,638
Americas	15,008	151,587	166,595
Asia and Oceania	11,438	557	11,995
Total	¥ 150,585	¥ 298,643	¥ 449,228

Special Purpose Entities

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

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

2) Fair Value of Financial Instruments

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

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

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

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Level 3 financial assets as a proportion of total financial assets, carried at fair value on a recurring basis was 3% as of December 31, 2017 as listed below:

	Billions of yen December 31, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total
Financial assets measured at fair value (Excluding derivative assets)	¥8,865	¥ 9,416	¥ 531	¥	¥18,812
Derivative assets	18	20,917	158	(20,070)	1,023
Total	¥8,883	¥30,333	¥ 689	¥ (20,070)	¥19,835

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

(3) Trading Activities

Assets and liabilities for trading purposes

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

Risk management of trading activity

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

1) Assumptions on VaR

Confidence Level: 99%

Holding period: One day

Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2017	December 31, 2017

Equity	¥ 0.7	¥ 1.2
Interest rate	2.7	2.7
Foreign exchange	1.7	2.6
Subtotal	5.0	6.5
Diversification benefit	(1.7)	(1.3)
VaR	¥ 3.3	¥ 5.2

	Billions of yen		
	Nine months ended December 31, 2017		
	Maximum[1]	Minimum[1]	Average[1]
VaR	¥ 5.3	¥ 3.0	¥ 3.8

(1) Represents the maximum, average and minimum VaR based on all daily calculations over the nine-month period.

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(4) Deferred Tax Assets Information

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities*, respectively, in the consolidated balance sheets as of December 31, 2017.

	Millions of yen December 31, 2017
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 19,271
Investments in subsidiaries and affiliates	80,791
Valuation of financial instruments	60,652
Accrued pension and severance costs	20,585
Other accrued expenses and provisions	69,294
Operating losses	361,769
Other	6,215
Gross deferred tax assets	618,577
Less Valuation allowance	(449,676)
Total deferred tax assets	168,901
Deferred tax liabilities	
Investments in subsidiaries and affiliates	114,858
Valuation of financial instruments	54,875
Undistributed earnings of foreign subsidiaries	1,118
Valuation of fixed assets	13,426
Other	4,965
Total deferred tax liabilities	189,242
Net deferred tax assets (liabilities)	¥ (20,341)

Calculation method of deferred tax assets

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

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(5) Qualitative Disclosures about Market Risk

1) Risk Management

Nomura defines risks as (i) the potential erosion of Nomura s capital base due to unexpected losses arising from risks to which its business operations are exposed, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher than normal costs of funding due to a deterioration in Nomura s creditworthiness or deterioration in market conditions, and (iii) business risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

A fundamental principle established by Nomura is that all employees shall regard themselves as principals of risk management and appropriately manage these risks. Nomura seeks to promote a culture of proactive risk management throughout all levels of the organization and to limit risks to the confines of its risk appetite. The risk management framework that Nomura uses to manage these risks consists of its risk appetite, risk management governance and oversight, the management of financial resources, the management of all risk classes, and processes to measure and control risks.

2) Global Risk Management Structure

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

Market Risk Management

Market risk is the risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market factors (interest rates, foreign exchange rates, prices of securities and others). Effective management of market risk requires the ability to analyze a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

Nomura uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis, including, but not limited to, VaR, Stressed VaR (SVaR) and Incremental Risk Charge (IRC). In addition, Nomura uses sensitivity analysis and stress testing to measure and analyze its market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors. They are specific to each asset class and cannot usually be aggregated across risk factors. Stress testing enables the analysis of portfolio risks or tail risks, including non-linear behaviors and can be aggregated across risk factors at any level of the group hierarchy, from group level to business division, units or desk levels. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

Credit Risk Management

Credit risk is the risk of loss arising from an obligor s default, insolvency or administrative proceeding which results in the obligor s failure to meet its contractual obligations in accordance with agreed terms. This includes both on and

off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment (CVA) associated with deterioration in the creditworthiness of a counterparty.

Nomura manages credit risk on a global basis and on an individual Nomura legal entity basis.

The measurement, monitoring and management of credit risk at Nomura are governed by a set of global policies and procedures. Credit Risk Management (CRM), a global function within the Risk Management Division, is responsible for the implementation and maintenance of these policies and procedures. These policies are authorized by the GIRMC and/or Global Risk Strategic Committee (GRSC), prescribe the basic principles of credit risk management and set delegated authority which enables CRM personnel to set Credit limits.

Credit risk is managed by CRM together with various global and regional risk committees. This ensures transparency of material credit risks and compliance with established credit limits, the approval of material extensions of credit and the escalation of risk concentrations to appropriate senior management.

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CRM operates as a credit risk control function within the Risk Management Division, reporting to the Chief Risk Officer. The process for managing credit risk at Nomura includes:

Evaluation of likelihood that a counterparty defaults on its payments and obligations;

Assignment of internal credit ratings to all active counterparties;

Approval of extensions of credit and establishment of credit limits;

Measurement, monitoring and management of Nomura s current and potential future credit exposures;

Setting credit terms in legal documentation;

Use of appropriate credit risk mitigants including netting, collateral and hedging.

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

The exposure calculation model used for counterparty credit risk management has also been used for the Internal Model Method based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura s reputation if caused by an operational risk.

Nomura adopts the industry standard Three Lines of Defence for the management of operational risk, comprising the following elements:

1) 1st Line of Defence: The business which owns and manages its risks

2) 2nd Line of Defence: The Operational Risk Management function, which defines and co-ordinates Nomura s operational risk strategy and framework and provides challenge to the 1st Line of Defence

3) 3rd Line of Defence: Internal Audit, who provide independent assurance

An Operational Risk Management Framework has been established in order to allow Nomura to identify, assess, manage, monitor and report on operational risk. The GIRMC, with delegated authority from the EMB has formal oversight over the management of operational risk.

Nomura uses The Standardized Approach for calculating regulatory capital for operational risk. This involves using a three-year average of gross income allocated to business lines, which is multiplied by a fixed percentage determined by the Financial Services Agency of Japan (FSA), to establish the amount of required operational risk capital.

Model Risk Management

Nomura uses risk models for regulatory and economic capital calculations and valuation models for pricing and sensitivity calculations of positions. Model risk is the risk of loss arising from model errors or incorrect or inappropriate model application with regard to valuation models and risk models. Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused. To address these risks, Nomura has established its model risk appetite, which includes a qualitative statement and a quantitative measure. The qualitative statement for model risk specifies that it is expected that models are used correctly and appropriately. The quantitative risk appetite measure is based on Nomura s assessment of the potential loss arising from model risk.

Nomura has documented policies and procedures in place, approved by the GIRMC and/or GRSC, which define the process and validation requirements for implementing changes to valuation and risk models. Before these models are put into official use, the Model Validation Group (MVG) is responsible for validating their integrity and comprehensiveness independently from those who design and build them. All models are also subject to an annual re-approval process by MVG to ensure they remain suitable.

In addition, a Model Performance Monitoring process has been established to identify and assess specific events, that can indicate that a Model is not performing as it should or is potentially unsuitable and to determine what actions (for example, additional validation work) might be necessary. For changes with an impact above certain materiality thresholds, model approval is required.

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(6) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group s creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as 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. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board (EMB). Nomura s liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and 30-day periods, respectively, without raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

We have in place a number of liquidity risk management frameworks that enable us to achieve our primary liquidity objective. These frameworks include (1) Centralized Control of Residual Cash and Maintenance of Liquidity Portfolio; (2) Utilization of Unencumbered Assets as Part of Our Liquidity Portfolio; (3) Appropriate Funding and Diversification of Funding Sources and Maturities Commensurate with the Composition of Assets; (4) Management of Credit Lines to Nomura Group Entities; (5) Implementation of Liquidity Stress Tests; and (6) Contingency Funding Plan.

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

1. Centralized Control of Residual Cash and Maintenance of Liquidity Portfolio.

We centrally control residual cash held at Nomura Group entities for effective liquidity utilization purposes. As for the usage of funds, the CFO decides the maximum amount of available funds, provided without posting any collateral, for allocation within Nomura and the EMB allocates the funds to each business division. Global Treasury monitors usage by businesses and reports to the EMB.

In order to enable us to transfer funds smoothly between group entities, we limit the issuance of securities by regulated broker-dealers or banking entities within the Nomura Group and seek to raise unsecured funding primarily through the Company or through unregulated subsidiaries. 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.

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of December 31, 2017, our liquidity portfolio was ¥4,856.8 billion which sufficiently met liquidity requirements under the stress scenarios.

2. Utilization of Unencumbered Assets as Part of Our Liquidity Portfolio.

In addition to our liquidity portfolio, we had unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets was sufficient against our total unsecured debt maturing within one year.

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

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets. We also seek to achieve diversification of our funding by market, instrument type, investors, currency, and staggered maturities in order to reduce unsecured refinancing risk.

We diversify funding by issuing various types of debt instruments these include both structured loans and structured notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt.

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3.1 Short-Term Unsecured Debt

Our short-term unsecured debt consists of short-term bank borrowings (including long-term bank borrowings maturing within one year), other loans, commercial paper, deposit at banking entities, certificates of deposit and debt securities maturing within one year. Deposits at banking entities and certificates of deposit comprise customer deposits and certificates of deposit of our banking subsidiaries. Short-term unsecured debt includes the current portion of long-term unsecured debt.

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2017 and December 31, 2017.

	Billions of yen	
	March 31, 2017	December 31, 2017
Short-term bank borrowings	¥ 206.4	¥ 272.9
Other loans	177.9	185.8
Commercial paper	2.6	70.0
Deposits at banking entities	909.0	981.8
Certificates of deposit	16.1	11.1
Debt securities maturing within one year	571.0	697.3
Total short-term unsecured debt	¥ 1,883.0	¥ 2,218.9

3.2 Long-Term Unsecured Debt

We meet our long-term capital requirements and also achieve both cost-effective funding and an appropriate maturity profile by routinely funding through long-term debt and diversifying across various maturities and currencies.

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

As a globally competitive financial services group in Japan, we have access to multiple global markets and major funding centers. The Company, Nomura Securities Co. Ltd., Nomura Europe Finance N.V., Nomura Bank International plc, and Nomura International Funding Pte. Ltd. are the main group entities that borrow externally, issue debt instruments and engage in other funding activities. By raising funds to match the currencies and liquidities of our assets or by using foreign exchange swaps as necessary, we pursue optimization of our funding structures.

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2017 and December 31, 2017.

	Billions of yen	
	March 31, 2017	**December 31, 2017**
Long-term deposits at banking entities	¥ 207.8	¥ 206.6
Long-term bank borrowings	2,474.0	2,561.8
Other loans	116.8	121.8
Debt securities[(1)]	3,120.3	3,383.8
Total long-term unsecured debt	¥ 5,918.9	¥ 6,274.0

(1) Excludes long-term debt securities issued by consolidated special purpose entities and similar entities that meet the definition of variable interest entities under ASC 810 *Consolidation* and secured financing transactions recognized within Long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860 *Transfer and Servicing*.

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3.3 Maturity Profile

We also seek to maintain an average maturity for our plain vanilla debt securities and borrowings greater than or equal to three years. A significant amount of our structured loans and structured notes are linked to interest rates, currencies, equities, commodities, or related indices. These maturities are evaluated based on internal models and monitored by Global Treasury. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. The model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called.

3.4 Secured Funding

We typically fund our trading activities through secured borrowings, repurchase agreements and Japanese Gensaki Repo transactions. We believe such funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Our secured funding capabilities depend on the quality of the underlying collateral and market conditions. While we have shorter term secured financing for highly liquid assets, we seek longer terms for less liquid assets. We also seek to lower the refinancing risks of secured funding by transacting with a diverse group of global counterparties and delivering various types of securities collateral. In addition, we reserve an appropriate level of liquidity portfolio for the refinancing risks of secured funding maturing in the short term for less liquid assets. For more detail of secured borrowings and repurchase agreements, see Note 4 *Collateralized transactions* in our consolidated financial statements.

4. Management of Credit Lines to Nomura Group Entities

We maintain and expand credit lines to Nomura Group entities from other financial institutions to secure stable funding. We ensure that the maturity dates of borrowing agreements are distributed evenly throughout the year in order to prevent excessive maturities in any given period.

5. Implementation of Liquidity Stress Tests

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

We assess the liquidity requirements of the Nomura Group under various stress scenarios with differing levels of severity over multiple time horizons. We evaluate these requirements under Nomura-specific and broad market-wide events, including potential credit rating downgrades at the Company and subsidiary levels. We call this risk analysis our Maximum Cumulative Outflow (MCO) framework.

The MCO framework is designed to incorporate the primary liquidity risks for Nomura and models the relevant future cash flows in the following two primary scenarios:

Stressed scenario To maintain adequate liquidity during a severe market-wide liquidity event without raising funds through unsecured financing or through the liquidation of assets for a year; and

Acute stress scenario To maintain adequate liquidity during a severe market-wide liquidity event coupled with credit concerns regarding Nomura s liquidity position, without raising funds through unsecured funding or through the liquidation of assets for 30 days.

We assume that Nomura will not be able to liquidate assets or adjust its business model during the time horizons used in each of these scenarios. The MCO framework therefore defines the amount of liquidity required to be held in order to meet our expected liquidity needs in a stress event to a level we believe appropriate based on our liquidity risk appetite.

As of December 31, 2017, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

We constantly evaluate and modify our liquidity risk assumptions based on regulatory and market changes. The model we use in order to simulate the impact of stress scenarios includes the following assumptions:

No liquidation of assets;

No ability to issue additional unsecured funding;

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

Potential buybacks of our outstanding debt;

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Loss of secured funding lines particularly for less liquid assets;

Fluctuation of funding needs under normal business circumstances;

Cash deposits and free collateral roll-off in a stress event;

Widening of haircuts on outstanding repo funding;

Additional collateralization requirements of clearing banks and depositories;

Drawdown on loan commitments;

Loss of liquidity from market losses;

Assuming a two-notch downgrade of our credit ratings, the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts; and

Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

6. Contingency Funding Plan

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

Liquidity Regulatory Framework

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

The first objective is to promote short-term resilience of a financial institution s liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The Committee developed the Liquidity Coverage Ratio (LCR) to achieve this objective.

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

These two standards are comprised mainly of specific parameters which are internationally harmonized with prescribed values. Certain parameters, however, contain elements of national discretion to reflect jurisdiction-specific conditions.

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Average of Nomura s month-end LCRs for the three months ended December 31, 2017 was 175.9%, and Nomura was compliant with requirements of the above notices. As for the NSFR, it is not yet implemented in Japan.

Cash Flows

Cash and cash equivalents balance as of December 31, 2016 and as of December 31, 2017 were ¥2,647.3 billion and ¥2,357.1 billion, respectively. Cash flows from operating activities for the nine months ended December 31, 2016 were inflows of ¥1,103.4 billion due primarily to an increase in *Trading liabilities,* and for the comparable period in 2017 were outflows of ¥541.1 billion due primarily to an increase in *Trading assets and private equity investments*. Cash flows from investing activities for the nine months ended December 31, 2016 were outflows of ¥98.9 billion due primarily to an increase in *Other, net* and for the comparable period in 2017 were inflows of ¥23.3 billion due primarily to an increase in *Proceeds from sales of office buildings, land, equipment and facilities*. Cash flows from financing activities for the nine months ended December 31, 2016 were outflows of ¥1,879.6 billion due primarily to a decrease in *Long-term borrowings* and *Deposits received at banks, net* and for the comparable period in 2017 were inflows of ¥326.2 billion due primarily to an increase in *Long-term borrowings.*

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Balance Sheet and Financial Leverage

Total assets as of December 31, 2017, were ¥44,479.6 billion, an increase of ¥1,627.6 billion compared with ¥42,852.1 billion as of March 31, 2017, mainly due to the increase in *Trading assets*. Total liabilities as of December 31, 2017, were ¥41,574.0 billion, an increase of ¥1,565.7 billion compared with ¥40,008.3 billion as of March 31, 2017, mainly due to the increases in *Trading liabilities* and *Long-term borrowings*. NHI shareholders equity as of December 31, 2017, was ¥2,841.7 billion, an increase of ¥51.8 billion compared with ¥2,789.9 billion as of March 31, 2017, reflecting increases such as in *Retained earnings.*

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

As leverage ratios are commonly used by other financial institutions similar to us, we voluntarily provide a Leverage ratio and Adjusted leverage ratio primarily for benchmarking purposes so that users of our annual report can compare our leverage against other financial institutions. Adjusted leverage ratio is a non-GAAP financial measure that Nomura considers to be a useful supplemental measure of leverage.

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

	Billions of yen, except ratios	
	March 31, 2017	December 31, 2017
NHI shareholders equity	¥ 2,789.9	¥ 2,841.7
Total assets	42,852.1	44,479.6
Adjusted assets[1]	24,122.3	25,926.0
Leverage ratio[2]	15.4x	15.7x
Adjusted leverage ratio[3]	8.6x	9.1x

(1) Represents total assets less *Securities purchased under agreements to resell* and *Securities borrowed*. Adjusted assets is a non-GAAP financial measure and is calculated as follows:

	Billions of yen	
	March 31, 2017	December 31, 2017
Total assets	¥ 42,852.1	¥ 44,479.6
Less:		
Securities purchased under agreements to resell	11,456.6	12,465.5
Securities borrowed	7,273.2	6,088.2
Adjusted assets	¥ 24,122.3	¥ 25,926.0

(2) Equals total assets divided by NHI shareholders equity.
(3) Equals adjusted assets divided by NHI shareholders equity.
Total assets increased by 3.8% reflecting primarily an increase in *Trading assets*. NHI shareholders equity increased by 1.9% reflecting increases such as in *Retained earnings.* As a result, our leverage ratio rose from 15.4 times as of March 31, 2017 to 15.7 times as of December 31, 2017.

Adjusted assets increased primarily due to an increase in *Trading assets.* As a result, our adjusted leverage ratio rose from 8.6 times as of March 31, 2017 to 9.1 times as of December 31, 2017.

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Consolidated Regulatory Capital Requirements

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

The Company has been assigned by the FSA as a Final Designated Parent Company who must calculate a consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company in April 2011. Since then, we have been calculating our consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 and Basel III since then. We have calculated a Basel III-based consolidated capital adequacy ratio from the end of March 2013. Basel 2.5 includes significant change in calculation method of market risk and Basel III includes redefinition of capital items for the purpose of requiring higher quality of capital and expansion of the scope of credit risk-weighted assets calculation.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of December 31, 2017, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) was 17.3%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) was 18.2% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) was 18.8% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of December 31, 2017 was 6.00% for common equity Tier 1 capital ratio, 7.50% for Tier 1 capital ratio and 9.50% for consolidated capital adequacy ratio).

The following table presents the Company s consolidated capital adequacy ratios as of December 31, 2017.

		Billions of yen, except ratios December 31, 2017
Common equity Tier 1 capital	¥	2,605.4
Tier 1 capital		2,742.4
Total capital		2,827.4
Risk-Weighted Assets		
Credit risk-weighted assets		8,099.3
Market risk equivalent assets		4,229.7
Operational risk equivalent assets		2,681.0
Total risk-weighted assets	¥	15,010.0
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio		17.3%
Tier 1 capital ratio		18.2%
Consolidated capital adequacy ratio		18.8%

Consolidated Leverage Ratio Requirements

In March 2015, the FSA set out requirements for the calculation and disclosure of a consolidated leverage ratio, through amendments to revising Specification of items which a final designated parent company should disclose on documents to show the status of its sound management (2010 FSA Regulatory Notice No. 132; Notice on Pillar 3 Disclosure) and the publication of Consolidated Leverage Ratio prescribed by Commissioner of Financial Services Agency in accordance with Article 3, paragraph 1 of Pillar 3 Notice (2015 FSA Regulatory Notice No. 11; Notice on Consolidated Leverage Ratio). We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with the Notice on Pillar 3 Disclosure and Notice on Consolidated Leverage Ratio. Management receives and reviews this consolidated leverage ratio on a regular basis. As of December 31, 2017, our consolidated leverage ratio was 4.49%.

(7) Current Challenges

There is no significant change to our current challenges nor new challenges for the nine months ended December 31, 2017 and until the submission date of this report.

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Item 3. Company Information

1. Share Capital Information

(1) Total Number of Shares

A. Number of Authorized Share Capital

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

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

B. Issued Shares

Type	Number of Issued Shares as of December 31, 2017	Number of Issued Shares as of February 14, 2018	Trading Markets	Details
Common stock	3,643,562,601	3,643,562,601	Tokyo Stock Exchange[2]	1 unit is 100 shares
			Nagoya Stock Exchange[2]	
			Singapore Exchange	
			New York Stock Exchange	
Total	3,643,562,601	3,643,562,601		

(1) Shares that may have increased from exercise of stock options between February 1, 2018 and the submission date (February 14, 2018) are not included in the number of issued shares as of the submission date.
(2) Listed on the First Section of each stock exchange.

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(2) Stock Options

Stock acquisition rights issued during the three months ended December 31, 2017 are as follows:

Stock Acquisition Rights No. 84

Date of Resolution	October 27, 2017
Number of Stock Acquisition Right	25,575
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	2,557,500
The Amount to be Paid upon Exercising the Stock Acquisition Right[(1)]	¥684 per share
Exercise Period of the Stock Acquisition Right	From November 17, 2019 to November 16, 2024
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥684 Capital Inclusion Price ¥398
Conditions to Exercise of Stock Acquisition Right	No Stock Acquisition Right may be exercised partially.
Restriction of Transfer of Stock Acquisition Rights	Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.

Substituted Payment

Issue of the Stock Acquisition Right Attendant on Reorganization

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

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

In the event that the Company offers for subscription of the issuance of the new shares of common stock or the disposal of treasury shares of common stock of the Company at a paid-in amount below the market price of the common stock of the Company which is used in the adjustment formula for the Exercise Price (excluding Stock Acquisition Rights (including those attached to bonds with stock subscription rights) which is able to request for the delivery of the common shares of the Company and any other securities or the conversion, replacement or the exercise

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

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

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(3) Exercise of Moving Strike Bonds with Subscription Warrant

None

(4) Rights Plan

None

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

			Millions of yen			
Date	Increase/Decrease of Issued Shares	Total Issued Shares	Increase/Decrease of Shareholders Equity Common stock	Shareholders Equity Common stock	Increase/Decrease of Additional capital reserve	Additional capital reserve
December 18, 2017	(179,000,000)	3,643,562,601		594,493		559,676

The decrease of issued shares is due to cancellation of treasury stock.

(6) Major Shareholders

Not applicable as this is the third quarter.

(7) Voting Rights

The Voting Rights as of the end of the current third quarter is presented as of September 30, 2017, the most recent cutoff date, because the number of beneficiary shareholders as of December 31, 2017, could not be ascertained.

A. Outstanding Shares

		As of September 30, 2017		
		Number of Shares	Number of Votes	Description
Stock without voting right				
Stock with limited voting right (Treasury stocks, etc.)				
Stock with limited voting right (Others)				
Stock with full voting right (Treasury stocks, etc.)	(Treasury Stocks)			
	Common stock	336,080,500		
	(Crossholding Stocks)			
	Common stock	1,005,000		

Stock with full voting right (Others)	Common stock	3,483,866,600	34,838,666	
Shares less than 1 unit	Common stock	1,610,501		Shares less than 1 unit (100 shares)
Total Shares Issued		3,822,562,601		
Voting Rights of Total Shareholders			34,838,666	

2,000 shares held by Japan Securities Depository Center, Inc. are included in Stock with full voting right (Others). 4 shares of treasury stocks are included in Shares less than 1 unit.

179,000,000 shares of treasury stock were cancelled on December 18, 2017. As a result of the cancellation, the total issued shares as of December 31, 2017 are 3,643,562,601.

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B. Treasury Stocks

		As of September 30, 2017			
Name	**Address**	**Directly held shares**	**Indirectly held shares**	**Total**	**Percentage of Issued Shares(%)**
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	336,080,500		336,080,500	8.79
(Crossholding Stocks)					
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Nomura Japan Corporation.	2-1-3, Nihonbashihoridomecho, Chuo-ku, Tokyo, Japan	5,000		5,000	0.00
Total		337,085,500		337,085,500	8.82

Number of treasury stocks as of December 31, 2017 is 242,910,441 shares due mainly to cancellation of 179,000,000 shares of treasury stock conducted on December 18, 2017

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Item 4. Financial Information

1 Preparation Method of Consolidated Financial Statements

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

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

2 Quarterly Review Certificate

Under Article 193-2 Section 1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed a quarterly review of the consolidated financial statements for the nine and three months ended December 31, 2017.

<Note>

Although Ernst & Young ShinNihon LLC reported that they applied limited procedures in accordance with professional standards in Japan on the interim consolidated financial statements, prepared in Japanese for the nine and three months ended December 31, 2017, they have not performed any such limited procedures nor have they performed an audit on the English translated version of the consolidated financial statements for the above-mentioned periods which are included in this report on Form 6-K.

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1. Consolidated Financial Statements

(1) Consolidated Balance Sheets (UNAUDITED)

	Notes	Millions of yen	
		March 31, 2017	December 31, 2017
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents		¥ 2,536,840	¥ 2,357,073
Time deposits		207,792	230,526
Deposits with stock exchanges and other segregated cash		227,456	250,622
Total cash and cash deposits		2,972,088	2,838,221
Loans and receivables:			
Loans receivable (including ¥537,664 million and ¥549,146 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2, 7	1,875,828	2,243,227
Receivables from customers (including ¥1,281 million and ¥12 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	148,378	247,014
Receivables from other than customers		1,076,773	1,216,383
Allowance for doubtful accounts	*7	(3,551)	(3,678)
Total loans and receivables		3,097,428	3,702,946
Collateralized agreements:			
Securities purchased under agreements to resell (including ¥1,089,000 million and ¥1,183,093 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	11,456,591	12,465,454
Securities borrowed		7,273,234	6,088,171
Total collateralized agreements		18,729,825	18,553,625
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥5,123,444 million and ¥6,162,464 million as of March 31, 2017 and December 31, 2017, respectively; including ¥7,334 million and ¥6,820 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2, 3	15,165,310	16,693,155
Private equity investments (including ¥7,451 million and ¥3,664 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	27,054	17,231

Total trading assets and private equity investments		15,192,364	16,710,386
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥445,000 million and ¥465,860 million as of March 31, 2017 and December 31, 2017, respectively)		349,696	325,284
Non-trading debt securities	*2, 5	775,025	717,488
Investments in equity securities	*2	146,730	158,456
Investments in and advances to affiliated companies	*7	420,116	402,690
Other (including ¥177,726 million and ¥190,196 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2, 5, 9	1,168,806	1,070,546
Total other assets		2,860,373	2,674,464
Total assets		¥ 42,852,078	¥ 44,479,642

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

	Notes	Millions of yen	
		March 31, 2017	December 31, 2017
LIABILITIES AND EQUITY			
Short-term borrowings (including ¥401,300 million and ¥411,298 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	¥ 543,049	¥ 688,385
Payables and deposits:			
Payables to customers		1,005,670	1,177,179
Payables to other than customers		1,569,922	1,539,948
Deposits received at banks	*2	1,132,843	1,199,380
Total payables and deposits		3,708,435	3,916,507
Collateralized financing:			
Securities sold under agreements to repurchase (including ¥390,677 million and ¥416,051 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	17,095,898	17,102,282
Securities loaned (including ¥149,377 million and ¥176,700 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	1,627,124	1,721,945
Other secured borrowings		338,069	481,879
Total collateralized financing		19,061,091	19,306,106
Trading liabilities	*2, 3	8,191,794	8,842,268
Other liabilities (including ¥11,202 million and ¥26,886 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2, 9	1,308,510	1,144,130
Long-term borrowings (including ¥2,562,962 million and ¥2,924,233 million measured at fair value by applying the fair value option as of March 31, 2017 and December 31, 2017, respectively)	*2	7,195,408	7,676,565
Total liabilities		40,008,287	41,573,961
Commitments and contingencies	*14		
Equity:			
Nomura Holdings, Inc. (NHI) shareholders equity:			
Common stock			
No par value share			
Authorized 6,000,000,000 shares as of March 31, 2017 and December 31, 2017			

Issued 3,822,562,601 shares as of March 31, 2017 and 3,643,562,601 shares as of December 31, 2017			
Outstanding 3,528,429,451 shares as of March 31, 2017 and 3,400,312,160 shares as of December 31, 2017		594,493	594,493
Additional paid-in capital		681,329	675,128
Retained earnings		1,663,234	1,712,489
Accumulated other comprehensive income	*13	33,652	12,106
Total NHI shareholders equity before treasury stock		2,972,708	2,994,216
Common stock held in treasury, at cost 294,133,150 shares as of March 31, 2017 and 243,250,441 shares as of December 31, 2017		(182,792)	(152,501)
Total NHI shareholders equity		2,789,916	2,841,715
Noncontrolling interests		53,875	63,966
Total equity		2,843,791	2,905,681
Total liabilities and equity		¥ 42,852,078	¥ 44,479,642

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

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

	Billions of yen	
	March 31, 2017	**December 31, 2017**
Cash and cash deposits	¥ 4	¥ 22
Trading assets and private equity investments	1,400	1,367
Other assets	59	61
Total assets	¥ 1,463	¥ 1,450
Trading liabilities	¥ 18	¥ 24
Other liabilities	2	2
Borrowings	954	1,038
Total liabilities	¥ 974	¥ 1,064

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

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(2) Consolidated Statements of Income (UNAUDITED)

	Notes	Millions of yen Nine months ended December 31 2016	2017
Revenue:			
Commissions		¥ 237,152	¥ 277,947
Fees from investment banking		64,409	79,079
Asset management and portfolio service fees		159,858	183,322
Net gain on trading	*2, 3	367,286	296,583
Gain (loss) on private equity investments		163	(2,352)
Interest and dividends		332,797	437,449
Gain on investments in equity securities		10,553	7,654
Other		116,187	181,262
Total revenue		1,288,405	1,460,944
Interest expense		234,285	342,012
Net revenue		1,054,120	1,118,932
Non-interest expenses:			
Compensation and benefits		381,510	389,656
Commissions and floor brokerage		70,016	74,269
Information processing and communications		128,002	140,881
Occupancy and related depreciation		51,910	51,070
Business development expenses		24,025	26,033
Other		158,170	155,788
Total non-interest expenses		813,633	837,697
Income before income taxes		240,487	281,235
Income tax expense	*12	60,730	79,788
Net income		¥ 179,757	¥ 201,447
Less: Net income attributable to noncontrolling interests		1,406	4,779
Net income attributable to NHI shareholders		¥ 178,351	¥ 196,668

	Notes	Yen Nine months ended December 31 2016	2017
Per share of common stock:	*10		
Basic			

Net income attributable to NHI shareholders per share	¥	49.94	¥	56.20
Diluted				
Net income attributable to NHI shareholders per share	¥	48.76	¥	55.12

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

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	Notes	Millions of yen Three months ended December 31 2016	2017
Revenue:			
Commissions		¥ 86,257	¥ 101,655
Fees from investment banking		23,743	29,289
Asset management and portfolio service fees		55,106	63,767
Net gain on trading	*2, 3	108,385	87,725
Gain (loss) on private equity investments		596	(2,381)
Interest and dividends		117,383	161,445
Gain on investments in equity securities		12,865	4,532
Other		39,549	84,597
Total revenue		443,884	530,629
Interest expense		75,239	124,013
Net revenue		368,645	406,616
Non-interest expenses:			
Compensation and benefits		127,592	131,372
Commissions and floor brokerage		22,977	25,252
Information processing and communications		42,152	49,049
Occupancy and related depreciation		16,879	16,805
Business development expenses		8,848	9,801
Other		54,249	53,584
Total non-interest expenses		272,697	285,863
Income before income taxes		95,948	120,753
Income tax expense	*12	25,218	30,960
Net income		¥ 70,730	¥ 89,793
Less: Net income attributable to noncontrolling interests		384	1,831
Net income attributable to NHI shareholders		¥ 70,346	¥ 87,962

	Notes	Yen Three months ended December 31 2016	2017
Per share of common stock:	*10		
Basic			
Net income attributable to NHI shareholders per share		¥ 19.89	¥ 25.55
Diluted			
Net income attributable to NHI shareholders per share		¥ 19.44	¥ 25.12

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

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(3) Consolidated Statements of Comprehensive Income (UNAUDITED)

	Millions of yen	
	Nine months ended December 31	
	2016	2017
Net income	¥ 179,757	¥ 201,447
Other comprehensive income (loss):		
Cumulative translation adjustments:		
Cumulative translation adjustments	27,770	(29,831)
Deferred income taxes	(1,332)	13,335
Total	26,438	(16,496)
Defined benefit pension plans:		
Pension liability adjustment	1,197	1,124
Deferred income taxes	(334)	(336)
Total	863	788
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	(7,606)	2,165
Deferred income taxes	2,463	(539)
Total	(5,143)	1,626
Own credit adjustments:		
Own credit adjustments	(13,865)	(7,197)
Deferred income taxes	2,020	1,021
Total	(11,845)	(6,176)
Total other comprehensive income (loss)	10,313	(20,258)
Comprehensive income	¥ 190,070	¥ 181,189
Less: Comprehensive income attributable to noncontrolling interests	147	6,067
Comprehensive income attributable to NHI shareholders	¥ 189,923	¥ 175,122

	Millions of yen	
	Three months ended December 31	
	2016	2017
Net income	¥ 70,730	¥ 89,793
Other comprehensive income (loss):		
Cumulative translation adjustments:		
Cumulative translation adjustments	122,899	(40,467)
Deferred income taxes	(7,214)	14,136

Total		115,685		(26,331)
Defined benefit pension plans:				
Pension liability adjustment		1,105		743
Deferred income taxes		(253)		(318)
Total		852		425
Non-trading securities:				
Net unrealized gain on non-trading securities		886		678
Deferred income taxes		1,118		(360)
Total		2,004		318
Own credit adjustments:				
Own credit adjustments		5,228		3,473
Deferred income taxes		(900)		(310)
Total		4,328		3,163
Total other comprehensive income (loss)		122,869		(22,425)
Comprehensive income	¥	193,599	¥	67,368
Less: Comprehensive income attributable to noncontrolling interests		1,024		2,885
Comprehensive income attributable to NHI shareholders	¥	192,575	¥	64,483

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

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

	Millions of yen Nine months ended December 31	
	2016	2017
Common stock		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of period	594,493	594,493
Additional paid-in capital		
Balance at beginning of year	692,706	681,329
Issuance and exercise of common stock options	(10,948)	(6,201)
Balance at end of period	681,758	675,128
Retained earnings		
Balance at beginning of year	1,516,577	1,663,234
Cumulative effect of change in accounting principle[(1)]	(19,294)	
Net income attributable to NHI shareholders	178,351	196,668
Cash dividends[(2)]	(31,997)	(31,375)
Gain (loss) on sales of treasury stock	(2,470)	(4,097)
Cancellation of treasury stock		(111,941)
Balance at end of period	1,641,167	1,712,489
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments		
Balance at beginning of year	53,418	47,767
Net change during the period	26,373	(17,340)
Balance at end of period	79,791	30,427
Defined benefit pension plans		
Balance at beginning of year	(33,325)	(41,020)
Pension liability adjustment	863	788
Balance at end of period	(32,462)	(40,232)
Non-trading securities		
Balance at beginning of year	24,887	20,344
Net unrealized gain (loss) on non-trading securities	(3,819)	1,182
Balance at end of period	21,068	21,526
Own credit adjustments		

Balance at beginning of year		6,561
Cumulative effect of change in accounting principle(1)	19,294	
Own credit adjustments	(11,845)	(6,176)
Balance at end of period	7,449	385
Balance at end of period	75,846	12,106
Common stock held in treasury		
Balance at beginning of year	(148,517)	(182,792)
Repurchases of common stock	(61,334)	(101,268)
Sales of common stock	1	0
Common stock issued to employees	22,554	19,055
Cancellation of common stock		111,941
Other net change in treasury stock	1,273	563
Balance at end of period	(186,023)	(152,501)
Total NHI shareholders equity		
Balance at end of period	2,807,241	2,841,715
Noncontrolling interests		
Balance at beginning of year	42,776	53,875
Cumulative effect of change in accounting principle(3)	11,330	
Cash dividends	(1,618)	(1,940)
Net income attributable to noncontrolling interests	1,406	4,779
Accumulated other comprehensive income (loss) attributable to noncontrolling interests	(1,259)	1,288
Purchase / sale of subsidiary shares, net	(14)	191
Other net change in noncontrolling interests	8,117	5,773
Balance at end of period	60,738	63,966
Total equity		
Balance at end of period	¥ 2,867,979	¥ 2,905,681

(1) Represents the adjustment to initially apply Accounting Standards Update (ASU) 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*.

(2) Dividends per share

Nine months ended December 31, 2016	¥ 9.00	Three months ended December 31, 2016	¥ 0.00
Nine months ended December 31, 2017	¥ 9.00	Three months ended December 31, 2017	¥ 0.00

(3) Represents the adjustment to initially apply ASU 2015-02, *Amendments to the Consolidation analysis.*

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

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(5) Consolidated Statements of Cash Flows (UNAUDITED)

	Millions of yen Nine months ended December 31	
	2016	2017
Cash flows from operating activities:		
Net income	¥ 179,757	¥ 201,447
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	52,634	56,194
Gain on investments in equity securities	(10,553)	(7,654)
Deferred income taxes	16,960	21,072
Changes in operating assets and liabilities:		
Time deposits	7,309	(2,759)
Deposits with stock exchanges and other segregated cash	(30,206)	(19,431)
Trading assets and private equity investments	622,204	(1,412,361)
Trading liabilities	1,049,460	610,277
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(589,848)	(1,010,584)
Securities borrowed, net of securities loaned	(911,985)	1,279,869
Other secured borrowings	(185,423)	143,810
Loans and receivables, net of allowance for doubtful accounts	85,686	(525,583)
Payables	886,718	153,243
Bonus accrual	(13,720)	(42,095)
Accrued income taxes, net	42	10,046
Other, net	(55,608)	3,424
Net cash provided by (used in) operating activities	1,103,427	(541,085)
Cash flows from investing activities:		
Payments for purchases of office buildings, land, equipment and facilities	(234,903)	(187,245)
Proceeds from sales of office buildings, land, equipment and facilities	189,639	164,243
Payments for purchases of investments in equity securities	(520)	(61)
Proceeds from sales of investments in equity securities	1,863	932
Increase in loans receivable at banks, net	(11,695)	(49,248)
Decrease in non-trading debt securities, net	68,368	52,887
Other, net	(111,670)	41,766
Net cash provided by (used in) investing activities	(98,918)	23,274
Cash flows from financing activities:		
Increase in long-term borrowings	1,158,156	1,758,315
Decrease in long-term borrowings	(1,772,015)	(1,424,989)
Increase (decrease) in short-term borrowings, net	(12,265)	142,004
Increase (decrease) in deposits received at banks, net	(1,149,482)	21,667
Proceeds from sales of common stock held in treasury	204	682

Payments for repurchases of common stock held in treasury		(61,334)		(101,268)
Payments for cash dividends		(42,833)		(70,199)
Net cash provided by (used in) financing activities		(1,879,569)		326,212
Effect of exchange rate changes on cash and cash equivalents		46,079		11,832
Net decrease in cash and cash equivalents		(828,981)		(179,767)
Cash and cash equivalents at beginning of year		3,476,261		2,536,840
Cash and cash equivalents at end of period	¥	2,647,280	¥	2,357,073
Supplemental information:				
Cash paid during the period for				
Interest	¥	224,893	¥	344,913
Income tax payments, net	¥	43,727	¥	48,670

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

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Notes to the Consolidated Financial Statements (UNAUDITED)

1. Basis of accounting:

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

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

The following paragraphs describe the major differences between U.S. GAAP applied by Nomura and accounting principles generally accepted in Japan (Japanese GAAP) for the nine and three months ended December 31, 2017. Where the effect of these major differences are significant to *Income before income taxes,* Nomura discloses as (higher) or (lower) below the amount by which *Income before income taxes* based on U.S. GAAP was higher or lower than Japanese GAAP, respectively.

Scope of consolidation

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

Unrealized gains and losses on investments in equity securities

Under U.S. GAAP applicable to broker-dealers, minority investments in equity securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥9,464 million (higher) and ¥6,893 million (higher) for the nine months ended December 31, 2016 and 2017, respectively and ¥12,419 million (higher) and ¥4,158 million (higher) for the three months ended December 31, 2016 and 2017, respectively.

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

Under U.S. GAAP applicable to broker-dealers, non-trading securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these securities are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥3,478 million (lower) and ¥30 million (lower) for the nine months ended December 31, 2016 and 2017, respectively, and ¥3,245 million (lower) and ¥381 million (lower) for the three months ended December 31, 2016 and 2017, respectively for non-trading debt securities. *Income before income taxes* prepared under U.S. GAAP was ¥2,051 million (lower) and ¥2,245 million (higher) for the nine months ended December 31, 2016 and 2017, respectively, and ¥2,135 million (lower) and ¥506 million (higher) for the three months

ended December 31, 2016 and 2017, respectively for non-trading equity securities.

Retirement and severance benefits

Under U.S. GAAP, gains or losses resulting from either experience that is different from an actuarial assumption or a change in assumption is amortized over the average remaining service period of employees when a net gain or loss at the beginning of the year exceeds the Corridor which is defined as 10% of the larger of projected benefit obligation or the fair value of plan assets. Under Japanese GAAP, these gains or losses are amortized over a certain period regardless of the Corridor.

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Amortization of goodwill and equity method goodwill

Under U.S. GAAP, goodwill is not amortized and is tested for impairment periodically. Under Japanese GAAP, goodwill is amortized over certain periods of less than 20 years using the straight-line method. Therefore, under U.S. GAAP, *Income before income taxes* was ¥5,089 million (higher) and ¥5,232 million (higher) for the nine months ended December 31, 2016 and 2017, respectively, and ¥1,717 million (higher) and ¥1,751 million (higher) for the three months ended December 31, 2016 and 2017, respectively.

Changes in the fair value of derivative contracts

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

Fair value for financial assets and financial liabilities

Under U.S. GAAP, the fair value option may be elected for eligible financial assets and financial liabilities which would otherwise be carried on a basis other than fair value (the fair value option). Where the fair value option is elected, the financial asset or financial liability is carried at fair value with changes in fair value are recognized in earnings. Under Japanese GAAP, the fair value option is not permitted. Therefore, under U.S. GAAP, *Income before income taxes* was ¥6,099 million (higher) and ¥17,035 million (higher) for the nine months ended December 31, 2016 and 2017, respectively and ¥6,122 million (higher) and ¥5,121 million (higher) for the three months ended December 31, 2016 and 2017, respectively. In addition, non-marketable equity securities which are carried at fair value under U.S. GAAP applicable to broker-dealers are carried at cost less impairment loss under Japanese GAAP.

Offsetting of amounts related to certain contracts

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

Stock issuance costs

Under U.S. GAAP, stock issuance costs are deducted from capital. Under Japanese GAAP, stock issuance costs are either immediately expensed or capitalized as a deferred asset and amortized over periods of up to three years using the straight-line method.

Accounting for change in controlling interest in a consolidated subsidiary s shares

Under U.S. GAAP, when a parent s ownership interest decreases as a result of sales of a subsidiary s common shares by the parent, and the subsidiary becomes an equity method investee, the parent s remaining investment in the former subsidiary is measured at fair value as of the date of loss of a controlling interest and a related valuation gain or loss is recognized in earnings. Under Japanese GAAP, the remaining investment on the parent s consolidated balance sheet is computed as the sum of the carrying amount of investment in the equity method investee recorded in the parent s stand-alone balance sheet as adjusted for the share of net income or losses and other adjustments from initial

acquisition through to the date of loss of a controlling interest multiplied by the ratio of the remaining shareholding percentage against the holding percentage prior to loss of control.

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New accounting pronouncements recently adopted

The following table presents a summary of new accounting pronouncements relevant to Nomura were adopted during the three months ended December 31, 2017:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
SEC Staff Accounting Bulletin No. 118 *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*	Provides guidance on application of ASC 740 to the Tax Cuts and Jobs Act (Act) enacted on December 22, 2017. Permits a registrant to provisionally report reasonable estimates of the various impacts of the Act on current and deferred taxes at December 31, 2017 and subsequent reporting dates through a measurement period ending on or before December 22, 2018. Prohibits recognition of adjustments to current and deferred taxes if not based on reasonable estimates. Requires adjustments made to provisional amounts through the measurement period are recognised in the reporting period in which such amounts are finalized. Requires quantitative and qualitative footnote disclosures around the nature, impact and status of analysis of the impacts of the Act on current and deferred taxes.	Immediately effective on issuance on December 22, 2017.	Nomura recognized a reduction in deferred tax liabilities and income tax expense of ¥2,800 million as of December 31, 2017.(1)

No new accounting pronouncements relevant to Nomura were adopted during the three months ended September 30, 2017.

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The following table presents a summary of new accounting pronouncements relevant to Nomura which were adopted during the three months ended June 30, 2017:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*	Clarifies how a change in counterparty of a derivative designated as hedging instrument in an existing hedging relationship affects the hedging relationship under ASC 815.	Prospective adoption from April 1, 2017.	No material impact.
ASU 2016-07, *Simplifying the Transition Method of Equity Method of Accounting*	Simplifies investor s accounting for equity method investments as a result of an increase in ownership level or degree of influence over the investee from prior period. Requires prospective application of equity method accounting from the date when an equity investment qualifies for equity method of accounting.	Prospective adoption from April 1, 2017.	No material impact.
ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*	Allows an accounting policy election to be made to either account for forfeitures when they occur or to include estimated forfeitures in compensation expense recognized during a reporting period. Requires all associated excess tax benefits to be recognized as an income tax benefit through earnings rather than as additional paid-in capital with excess tax deficiencies recognized as income tax expense rather than as an offset of excess tax benefits, if any.	Prospective adoption from April 1, 2017.	No material impact.

	Requires recognition of excess tax benefits regardless of whether the benefit reduces taxes payable in the current reporting period.		
ASU 2016-17 *Interests Held through Related Parties That Are under Common Control*	Changes how a single decision-maker of a VIE should consider indirect variable interests in a VIE held through related parties that are under common control when determining if the single decision-maker is the primary beneficiary and should consolidate the VIE. Amends existing guidance to align treatment of such variable interests with those held by related parties not under common control by considering variable interests of the single-decision maker on a proportionate basis.	Full retrospective adoption from April 1, 2017.	No material impact.
ASU 2017-09, *Scope of Modification Accounting*	Amends ASC 718 *Compensation Stock Compensation* to clarify when modification accounting should be applied to a share-based payment award when the terms and/or conditions of an award are changed. Removes guidance which states that modification accounting is not required when an antidilution provision is added to a share-based payment award provided that this change is not made in anticipation of an equity restructuring.	Nomura early adopted from April 1, 2017.	No material impact.

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Future accounting developments

The following table presents a summary of new authoritative accounting pronouncements relevant to Nomura which will be adopted on or after April 1, 2018 and which may have a material impact on these financial statements:

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* -Other amendments	Requires all equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in earnings. Introduces new disclosures for financial instruments including embedded derivatives. Eliminates certain existing disclosures around the assumptions and methodology used to determine fair value of financial instruments.	Modified retrospective adoption from April 1, 2018.	Unrealized changes in fair value of equity investment of an insurance subsidiary will be reported through earnings rather than other comprehensive income. Cumulative unrealized changes in fair value at adoption date will be reclassified to Retained earnings from Accumulated other comprehensive income (loss).
ASU 2014-09, *Revenue from Contracts with Customers*[2]	Replaces existing revenue recognition guidance in ASC 605 *Revenue Recognition* and certain industry-specific revenue recognition guidance with a new prescriptive model for recognition of revenue for services provided to customers. Introduces specific guidance for the treatment of variable consideration, non-cash consideration, significant financing arrangements and amounts payable to the customer. Revises existing guidance for principal-versus-agency determination.	Modified retrospective adoption from April 1, 2018.[3]	Expected impact on timing of recognition and presentation of certain revenues and costs in the consolidated statement of income.[4]

Requires revenue recognition and measurement principles to be applied to sales of nonfinancial and in substance nonfinancial assets to noncustomers.

Specifies the accounting for costs to obtain or fulfill a customer contract.

Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers.

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Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-02, *Leases*[5]	Replaces ASC 840 *Leases*, the current guidance on lease accounting, and revised the definition of a lease.	Modified retrospective adoption from April 1, 2019.[6]	Currently evaluating the potential impact however a gross up of Nomura s balance sheet is expected.
	Requires all lessees to recognize a right of use asset and corresponding lease liability on balance sheet.		
	Lessor accounting is largely unchanged from current guidance.		
	Simplifies the accounting for sale leaseback and build-to-suit leases.		
	Requires extensive new qualitative and quantitative footnote disclosures on lease arrangements.		
ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*	Introduces a new model for recognition and measurement of credit losses against certain financial instruments such as loans, debt securities and receivables which are not carried at fair value with changes in fair value recognized through earnings. The model also applies to off balance sheet credit exposures such as written loan commitments, standby letters of credit and issued financial guarantees not accounted for as insurance, which are not carried at fair value through earnings.	Modified retrospective adoption from April 1, 2020.[6]	Currently evaluating the potential impact but increased allowances for credit losses will be recognized against financial instruments in scope of the new model which will impact earnings.
	The new model based on lifetime current expected credit losses (CECL) measurement, to be recognized at the time an in-scope instrument is originated, acquired or issued.		

Replaces existing incurred credit losses model under current GAAP.

Requires enhanced qualitative and quantitative disclosures around credit risk, the methodology used to estimate and monitor expected credit losses and changes in estimates of expected credit losses.

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Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* and ASU 2016-18, *Restricted Cash*	Amends the classification of certain cash receipts and cash payments in the statement of cash flows.	Full retrospective adoption from April 1, 2018.(6)	Currently evaluating the potential impact.
	Requires movements in restricted cash and restricted cash equivalents to be presented as part of cash and cash equivalents in the statement of cash flows.		
	Requires new disclosures on the nature and amount of restricted cash and restricted cash equivalents.		

(1) The adjustments to deferred tax liabilities primarily arise because of the reduction in the corporate income tax rate applicable to Nomura group entities in the U.S. effective from January 1, 2018. Nomura continues to evaluate and assess the impact of the Act on these entities and may recognize further adjustments to deferred tax assets and liabilities, and therefore to income tax expense (benefit), during the quarter ending March 31, 2018 and subsequent reporting periods depending on, among other things, finalization of calculations for all impacted entities, changes in certain assumptions and interpretations made by Nomura, certain actions to be taken by Nomura in the future and whether additional guidance is released by the U.S. taxing authorities and other bodies.

(2) As subsequently amended by ASU 2015-14 *Revenue from Contracts with Customers Deferral of the Effective Date* , ASU 2016 -08 *Revenue from Contracts with Customers Principal versus Agent Considerations* , ASU 2016-10 *Revenue from Contracts with Customers Identifying Performance Obligations and Licensing* and certain other Accounting Standard Updates.

(3) Nomura will adopt ASU 2014-09 and related guidance on April 1, 2018 through modified retrospective adoption.

(4) Based on the current status of Nomura s evaluation of ASU 2014-09 and related guidance, Nomura currently expects the new guidance to have the following impacts on these consolidated financial statements:

A delay in the timing of when certain financial advisory fees are recognized as revenue but earlier recognition of certain asset management distribution fees;

A change in the timing of when certain costs to obtain and fulfill a contract in scope of the ASU are expensed, because of new guidance requiring such costs to be capitalized;

A change in the presentation of certain trade execution revenues and associated costs from a gross to a net basis in the consolidated statement of income as a result of revised principal-versus-agency guidance;

A change in the presentation of certain investment banking revenues and associated costs from a net to a gross basis in the consolidated statement of income as a result of revised principal-versus-agency guidance; and

A significant increase in qualitative disclosures included within the footnotes to the financial statements which will discuss the accounting policies applied by Nomura in recognition of revenue from services and the treatment of associated costs.

Nomura continues to assess and evaluate the impact of the new guidance and as a result, additional impacts may be identified through to adoption date on April 1, 2018. Whilst Nomura s evaluation is not complete, changes to the timing of when revenues or costs are recognized are not expected to have a material impact on these consolidated financial statements.

(5) As subsequently amended by ASU 2018-01 *Land Easement Practical Expedient for Transition to Topic 842* and certain other Accounting Standard Updates.

(6) Unless Nomura early adopts which is considered unlikely as of the date of these consolidated financial statements.

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2. Fair value measurements:

The fair value of financial instruments

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

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

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

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

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

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

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

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

Where quoted prices are available in active markets, no valuation adjustments are taken to modify the fair value of assets or liabilities marked using such prices. Other instruments may be measured using valuation techniques, such as valuation pricing models incorporating observable valuation inputs, unobservable parameters or a combination of

both. Valuation pricing models use valuation inputs which would be considered by market participants in valuing similar financial instruments.

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

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

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

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The Global Model Validation Group (MVG) within Nomura s Risk Management Department reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about a model s suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

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

Fair value hierarchy

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

Level 1:

Observable valuation inputs that reflect quoted prices (unadjusted) for identical financial instruments traded in active markets at the measurement date.

Level 2:

Valuation inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the financial instrument.

Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

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

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

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

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

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The following tables present the amounts of Nomura s financial instruments measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2017 within the fair value hierarchy.

	Billions of yen March 31, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of March 31, 2017
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥1,199	¥ 984	¥ 34	¥	¥ 2,217
Private equity investments[3]			13		13
Japanese government securities	2,319				2,319
Japanese agency and municipal securities		174	1		175
Foreign government, agency and municipal securities	2,704	1,134	3		3,841
Bank and corporate debt securities and loans for trading purposes		1,178	108		1,286
Commercial mortgage-backed securities (CMBS)		10	1		11
Residential mortgage-backed securities (RMBS)		3,787	0		3,787
Real estate-backed securities			41		41
Collateralized debt obligations (CDOs) and other[4]		64	27		91
Investment trust funds and other	256	56	0		312
Total trading assets and private equity investments	6,478	7,387	228		14,093
Derivative assets[5]					
Equity contracts	6	986	40		1,032
Interest rate contracts	10	15,293	88		15,391
Credit contracts	1	485	11		497
Foreign exchange contracts	0	6,399	39		6,438
Commodity contracts	1	0			1
Netting				(22,322)	(22,322)
Total derivative assets	18	23,163	178	(22,322)	1,037
Subtotal	¥6,496	¥30,550	¥ 406	¥ (22,322)	¥ 15,130
Loans and receivables[6]	0	473	66		539
Collateralized agreements[7]		1,084	5		1,089
Other assets					
Non-trading debt securities	212	563			775
Other[2][3]	571	109	163		843

Total	¥7,279	¥32,779	¥ 640	¥ (22,322)	¥ 18,376
Liabilities:					
Trading liabilities					
Equities	¥1,000	¥ 273	¥ 1	¥	¥ 1,274
Japanese government securities	2,182				2,182
Japanese agency and municipal securities		4			4
Foreign government, agency and municipal securities	2,634	627			3,261
Bank and corporate debt securities		503			503
Residential mortgage-backed securities (RMBS)		0			0
Collateralized debt obligations (CDOs) and other[4]		2	1		3
Investment trust funds and other	42	3			45
Total trading liabilities	5,858	1,412	2		7,272
Derivative liabilities[5]					
Equity contracts	5	1,199	46		1,250
Interest rate contracts	5	15,084	110		15,199
Credit contracts	1	619	21		641
Foreign exchange contracts	0	6,080	16		6,096
Commodity contracts	4	0			4
Netting				(22,270)	(22,270)
Total derivative liabilities	15	22,982	193	(22,270)	920
Subtotal	¥5,873	¥24,394	¥ 195	¥ (22,270)	¥ 8,192
Short-term borrowings[8]		331	70		401
Payables and deposits[9]		0	0		0
Collateralized financing[7]		537	3		540
Long-term borrowings[8][10][11]	109	2,036	410		2,555
Other liabilities[12]	351	105	1		457
Total	¥6,333	¥27,403	¥ 679	¥ (22,270)	¥ 12,145

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	Billions of yen December 31, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of December 31, 2017
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥1,377	¥ 1,174	¥ 24	¥	¥ 2,575
Private equity investments[3]		3	3		6
Japanese government securities	2,977				2,977
Japanese agency and municipal securities		195	1		196
Foreign government, agency and municipal securities	3,325	1,169	3		4,497
Bank and corporate debt securities and loans for trading purposes		1,374	148		1,522
Commercial mortgage-backed securities (CMBS)		2	2		4
Residential mortgage-backed securities (RMBS)		3,117	0		3,117
Real estate-backed securities			81		81
Collateralized debt obligations (CDOs) and other[4]		69	23		92
Investment trust funds and other	471	92	1		564
Total trading assets and private equity investments	8,150	7,195	286		15,631
Derivative assets[5]					
Equity contracts	5	1,132	27		1,164
Interest rate contracts	9	13,536	82		13,627
Credit contracts	0	534	12		546
Foreign exchange contracts		5,715	37		5,752
Commodity contracts	4				4
Netting				(20,070)	(20,070)
Total derivative assets	18	20,917	158	(20,070)	1,023
Subtotal	¥8,168	¥28,112	¥ 444	¥ (20,070)	¥ 16,654
Loans and receivables[6]	0	485	64		549
Collateralized agreements[7]		1,178	5		1,183
Other assets					
Non-trading debt securities	174	543			717
Other[2][3]	541	15	176		732
Total	¥8,883	¥30,333	¥ 689	¥ (20,070)	¥ 19,835
Liabilities:					

Trading liabilities					
Equities	¥ 976	¥ 345	¥ 2	¥	¥ 1,323
Japanese government securities	2,205				2,205
Japanese agency and municipal securities		2			2
Foreign government, agency and municipal securities	3,224	693			3,917
Bank and corporate debt securities	0	425	0		425
Residential mortgage-backed securities (RMBS)		5			5
Collateralized debt obligations (CDOs) and other[4]		0			0
Investment trust funds and other	47	18	0		65
Total trading liabilities	6,452	1,488	2		7,942
Derivative liabilities[5]					
Equity contracts	14	1,329	31		1,374
Interest rate contracts	7	13,268	116		13,391
Credit contracts	1	484	18		503
Foreign exchange contracts	0	5,321	20		5,341
Commodity contracts	1				1
Netting				(19,710)	(19,710)
Total derivative liabilities	23	20,402	185	(19,710)	900
Subtotal	¥ 6,475	¥ 21,890	¥ 187	¥ (19,710)	¥ 8,842
Short-term borrowings[8]		397	14		411
Payables and deposits[9]		0	0		0
Collateralized financing[7]		590	3		593
Long-term borrowings[8][10][11]	22	2,464	436		2,922
Other liabilities[12]	296	31	1		328
Total	¥ 6,793	¥ 25,372	¥ 641	¥ (19,710)	¥ 13,096

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(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.
(2) Certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. As of March 31, 2017 and December 31, 2017, the fair values of these investments which are included in *Trading assets and private equity investments* were ¥62 billion and ¥56 billion, respectively. As of March 31, 2017 and December 31, 2017, the fair values of these investments which are included in *Other assets Others* were ¥8 billion and ¥10 billion, respectively.
(3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
(4) Includes collateralized loan obligations (CLOs) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans and student loans.
(5) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
(6) Includes loans for which the fair value option has been elected.
(7) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
(8) Includes structured notes for which the fair value option has been elected.
(9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
(10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
(11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
(12) Includes loan commitments for which the fair value option has been elected.

Valuation techniques by major class of financial instrument

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

Equities and equity securities reported within *Other assets* Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2017 and December 31, 2017, respectively. The fair value of unlisted equity securities is determined using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable. As a practical expedient, fund investments which do not have a readily determinable fair value are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily

NAV per share are classified in Level 1. Fund investments where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified in Level 2. Fund investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The Direct Capitalization Method (DCM) is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified in Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued.

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

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

Bank and corporate debt securities The fair value of bank and corporate debt securities is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

Commercial mortgage-backed securities (CMBS) and *Residential mortgage-backed securities (RMBS)* The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded

infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

Real estate-backed securities The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or DCM valuation techniques and are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as yields or loss severities.

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

Investment trust funds and other The fair value of investment trust funds is primarily determined using NAV per share. Publicly traded funds which are valued using a daily NAV per share are classified in Level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in Level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The fair value of certain other investments reported within *Investment trust funds and other* is determined using DCF valuation techniques. These investments are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as credit spreads of issuer and correlation.

Derivatives Equity contracts Nomura enters into both exchange-traded and OTC equity derivative transactions such as index and equity options, equity basket options and index and equity swaps. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded equity derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC equity derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, volatility or correlation valuation inputs are significant and unobservable.

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

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

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Derivatives Foreign exchange contracts Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain foreign exchange derivatives are classified in Level 3 where interest rates, volatility or correlation valuation inputs are significant and unobservable.

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value.

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

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

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

Short-term and *long-term borrowings (Structured notes)* Structured notes are debt securities issued by Nomura or by consolidated variable interest entities (VIEs) which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves, prepayment rates default probabilities

and loss severities. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura s own creditworthiness. As of March 31, 2017 and December 31, 2017, the fair value of structured notes includes debit adjustments of ¥10 billion and credit adjustments of ¥0 billion, respectively, to reflect Nomura s own creditworthiness. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as yields, prepayment rates, default probabilities, loss severities, volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

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

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Valuation processes

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

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

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

- The MVG within Nomura s Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. This group reports to the Chief Risk Officer.

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

Independent price verification processes

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

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

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

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

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Model review and validation

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

Scope of the model (different financial instruments may require different but consistent pricing approaches);

Mathematical and financial assumptions;

Full or partial independent benchmarking along with boundary and stability tests, numerical convergence, calibration quality and stability;

Model integration within Nomura s trading and risk systems;

Calculation of risk numbers and risk reporting; and

Hedging strategies/practical use of the model.

New models are reviewed and approved by the MVG. The frequency of subsequent MVG reviews (Model Re-approvals) is at least annually.

Revenue substantiation

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

Level 3 financial instruments

As described above, the valuation of Level 3 financial assets and liabilities is dependent on certain significant valuation inputs which are unobservable. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, non-executable broker quotes or little publicly released information.

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be measured using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered as an unobservable valuation input. Other techniques for determining an appropriate value for unobservable input may consider information such as consensus pricing data

among certain market participants, historical trends, extrapolation from observable market data and other information Nomura would expect market participants to use in valuing similar instruments.

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

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Quantitative and qualitative information regarding significant unobservable inputs

The following tables present quantitative and qualitative information about the significant unobservable valuation inputs used by Nomura to measure the fair value of financial instruments classified in Level 3 as of March 31, 2017 and December 31, 2017. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy. Changes in each of these significant unobservable valuation inputs used by Nomura will impact upon the fair value measurement of the financial instrument. The following tables also therefore qualitatively summarize the sensitivity of the fair value measurement for each type of financial instrument as a result of an increase in each unobservable valuation input and summarize the interrelationship between significant unobservable valuation inputs where more than one is used to measure fair value.

	March 31, 2017							
Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable input	Range of valuation inputs[1]		Weighted Average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationships between valuation inputs[5]
Assets:								
Trading assets and private equity investments								
Equities	¥ 34	DCF	Liquidity discounts	45.0	65.0%	57.7%	Lower fair value	Not applicable
Private equity investments	13	Market multiples	EV/EBITDA ratios	7.4 x		7.4 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			Liquidity discounts	30.0%		30.0%	Lower fair value	
Foreign government, agency and municipal securities	3	DCF	Credit spreads	0.0	1.3%	0.9%	Lower fair value	Not applicable
Bank and corporate debt securities and loans for	108	DCF	Credit spreads	0.0	16.9%	4.4%	Lower fair value	No predictable interrelationship
			Recovery rates	0.0	97.0%	38.0%	Higher fair value	

trading purposes								
Real estate-backed securities	41	DCF	Yields	7.0	77.8%	20.7%	Lower fair value	No predictable interrelationship
			Loss severities	0.0	35.2%	15.8%	Lower fair value	
Collateralized debt obligations (CDOs) and other	27	DCF	Yields	5.0	18.0%	11.9%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
			Prepayment rates	20.0%		20.0%	Lower fair value	
			Default probabilities	1.0	2.0%	2.0%	Lower fair value	
			Loss severities	44.0	100.0%	90.3%	Lower fair value	

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	March 31, 2017						
Financial Instrument	**Fair value in billions of yen**	**Valuation technique**	**Significant unobservable input**	**Range of valuation inputs[1]**	**Weighted Average[2]**	**Impact of increases in significant unobservable valuation inputs[3][4]**	**Interrelationships between valuation inputs[5]**
Derivatives, net:							
Equity contracts	¥ (6)	Option models	Dividend yield	0.0 10.0%		Higher fair value	No predictable interrelationship
			Volatilities	3.0 70.0%		Higher fair value	
			Correlations	(0.80) 0.96		Higher fair value	
Interest rate contracts	(22)	DCF/ Option models	Interest rates	0.1 3.7%		Higher fair value	No predictable interrelationship
			Volatilities	12.4 15.7%		Higher fair value	
			Volatilities	30.2 79.0bp		Higher fair value	
			Correlations	(0.55) 0.99		Higher fair value	
Credit contracts	(10)	DCF/ Option models	Credit spreads	0.0 17.0%		Higher fair value	No predictable interrelationship
			Recovery rates	20.0 90.0%		Higher fair value	
			Volatilities	16.2 83.0%		Higher fair value	
			Correlations	0.35 0.93		Higher fair value	
Foreign exchange contracts	23	DCF/ Option models	Interest rates	0.1 3.0%		Higher fair value	No predictable interrelationship
			Volatilities	1.0 27.5%		Higher fair value	
			Correlations	0.35 0.80			

							Higher fair value	
Loans and receivables	66	DCF	Credit spreads	0.0	20.0%	2.1%	Lower fair value	Not applicable
Collateralized agreements	5	DCF	Repo rate	3.5%		3.5%	Lower fair value	Not applicable
Other assets								
Other[6]	163	DCF	WACC	5.2	10.5%	10.0%	Lower fair value	No predictable interrelationship
						2.4%	0.7%	
			Growth rates	1.0	2.5%	2.7%		
							Higher fair value	
			Credit spreads	0.6	0.7%			
			Liquidity discounts	0.0	30.0%		Lower fair value	
							Lower fair value	
		Market multiples	EV/EBITDA ratios	3.3	8.8 x	7.0 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			PE ratios	6.7	59.2 x	15.1 x		
							Higher fair value	
			Price/Book ratios	0.0	3.8 x	1.1 x		
			EV/AUM	1.5 x		1.5 x	Higher fair value	
						27.3%		
			Liquidity discounts	12.9	30.0%			
							Higher fair value	
							Lower fair value	
Liabilities:								
Short-term borrowings	70	DCF/	Volatilities	3.9	60.1%		Higher fair value	No predictable
		Option models	Correlations	(0.80)	0.96		Higher fair value	interrelationship
Collateralized financing	3	DCF	Repo rate	2.2%		2.2%	Lower fair value	Not applicable
Long-term borrowings	410	DCF	Yields	9.2	13.0%	20.0%	11.3%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities
							20.0%	
			Prepayment rates	2.0%			2.0%	
							30.0%	Lower fair value
			Default probabilities	30.0%				

	Loss severities		Lower fair value	and opposite change in prepayment rates
DCF/ Option models	Volatilities	3.9 60.1%	Higher fair value	No predictable interrelationship
	Volatilities	38.4 61.6bp (0.80)	Lower fair value	
	Correlations	0.99	Higher fair value	

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			December 31, 2017				
ncial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable input	Range of valuation inputs[1]	Weighted Average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationship between valuatio inputs[5]
ts:							
ing assets and te equity stments							
ties	¥ 24	DCF	Liquidity discounts	27.5 75.0%	68.2%	Lower fair value	Not applicable
te equity stments	3	Market multiples	EV/EBITDA ratios	9.0 x	9.0 x	Higher fair value	Generally changes multiples results ir
			Liquidity discounts	30.0%	30.0%	Lower fair value	corresponding simi directional change i fair value measurem assuming earnings le remain constant.
gn government, cy and municipal ities	3	DCF	Credit spreads	0.0 1.3%	0.8%	Lower fair value	Not applicable
and corporate securities and for trading oses	148	DCF	Credit spreads	0.0 20.4%	5.5%	Lower fair value	No predictable interrelationship
			Recovery rates	0.0 80.0%	33.6%	Higher fair value	
mercial gage- backed ities (CMBS)	2	DCF	Yields	6.7 8.6%	7.6%	Lower fair value	No predictable interrelationship
			Loss severities	26.5%	26.5%	Lower fair value	
estate-backed ities	81	DCF	Yields	4.8 36.7%	12.9%	Lower fair value	No predictable interrelationship
			Loss severities	0.0 38.2%	9.8%	Lower fair value	
teralized debt ations (CDOs) other	23	DCF	Yields	0.7 24.0%	11.9%	Lower fair value	Change in defaul probabilities typica
			Prepayment rates Default probabilities	20.0%	20.0%	Lower fair value	accompanied by directionally simil
			Loss severities	1.0 2.0%	2.0%	Lower fair value	change in loss sever and opposite chang
				0.0 100.0%	68.3%	Lower fair value	prepayment rates

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	December 31, 2017						
nancial Instrument	**Fair value in billions of yen**	**Valuation technique**	**Significant unobservable input**	**Range of valuation inputs[1]**	**Weighted Average[2]**	**Impact of increases in significant unobservable valuation inputs[3][4]**	**Interrelationships between valuation inputs[5]**
erivatives, net:							
quity contracts	(4)	Option models	Dividend yield	0.0 6.7%		Higher fair value	No predictable interrelationship
			Volatilities	6.9 59.5%		Higher fair value	
			Correlations	(0.80) 0.96		Higher fair value	
terest rate contracts	(34)	DCF/ Option models	Interest rates	0.1 3.3%		Higher fair value	No predictable interrelationship
			Volatilities	11.1 14.7%		Higher fair value	
			Volatilities	28.2 65.6bp		Higher fair value	
			Correlations	(0.63) 0.99		Higher fair value	
redit contracts	(6)	DCF/ Option models	Credit spreads	0.0 99.2%		Higher fair value	No predictable interrelationship
			Recovery rates	0.0 90.0%		Higher fair value	
			Volatilities	35.0 83.0%		Higher fair value	
			Correlations	0.23 0.89		Higher fair value	
oreign exchange ontracts	17	DCF/ Option models	Interest rates	0.2 2.8%		Higher fair value	No predictable interrelationship
			Volatilities	1.0 24.2%		Higher fair value	
			Volatilities	29.3 227.0bp			
			Correlations	(0.25) 0.80			

						Higher fair value	
						Higher fair value	
oans and receivables	64	DCF	Credit spreads	0.0 37.6%	4.4%	Lower fair value	Not applicable
ollateralized greements	5	DCF	Repo rate	3.5%	3.5%	Lower fair value	Not applicable
ther assets							
ther[(6)]	176	DCF	WACC	11.5%	11.5%	Lower fair value	No predictable interrelationship
			Growth rates	2.5%	2.5% 0.7% 10.0%	Higher fair value	
			Credit spreads	0.6 0.7%		Lower fair value	
			Liquidity discounts	10.0%		Lower fair value	
		Market multiples	EV/EBITDA ratios	3.6 7.9 x	6.1 x	Higher fair value	Generally changes in multiples results in a corresponding simila directional change in fair value measurement, assuming earnings levels remain constar
			PE ratios	5.2 126.4 x	29.3 x	Higher fair value	
			Price/Book ratios	0.0 3.8 x	1.2 x	Higher fair value	
			Liquidity discounts	10.0 30.0%	28.9%	Lower fair value	
abilities:							
hort-term borrowings	¥ 14	DCF/ Option models	Volatilities	6.9 51.8%		Higher fair value	No predictable interrelationship
			Correlations	(0.80) 0.96		Higher fair value	
ollateralized hancing	3	DCF	Repo rate	2.2%	2.2%	Lower fair value	Not applicable
ong-term borrowings	436	DCF/ Option models	Volatilities	6.9 51.8%		Higher fair value	No predictable interrelations
			Volatilities	29.3 65.7bp			

Correlations	(0.80)	0.99	Higher fair value
			Higher fair value

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(1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
(2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
(3) The above table only considers the impact of an increase in each significant unobservable valuation input on the fair value measurement of the financial instrument. However, a decrease in the significant unobservable valuation input would have the opposite effect on the fair value measurement of the financial instrument. For example, if an increase in a significant unobservable valuation input would result in a lower fair value measurement, a decrease in the significant unobservable valuation input would result in a higher fair value measurement.
(4) The impact of an increase in the significant unobservable input on the fair value measurement for a derivative assumes Nomura is long risk to the input e.g., long volatility. Where Nomura is short such risk, the impact of an increase would have a converse effect on the fair value measurement of the derivative.
(5) Consideration of the interrelationships between significant unobservable inputs is only relevant where more than one unobservable valuation input is used to determine the fair value measurement of the financial instrument.
(6) Valuation technique(s) and unobservable valuation inputs in respect of equity securities reported within *Other assets* in the consolidated balance sheets.

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Qualitative discussion of the ranges of significant unobservable inputs

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

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

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

Derivatives Credit contracts The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads reflects the different risk of default present within the portfolio. At the low end of the range, underlying reference names have a very limited risk of default whereas at the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong.

Derivatives Foreign exchange contracts The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is relatively narrow with the lower end of the range arising from currencies that trade in narrow ranges versus the U.S. Dollar. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

Short-term borrowings and Long-term borrowings The significant unobservable inputs are yields, prepayment rates, default probabilities, loss severities, volatilities and correlations. The range of volatilities is wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves

from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

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Movements in Level 3 financial instruments

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified in Level 3 for the nine and three months ended December 31, 2016 and 2017. Financial instruments classified in Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable valuation inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable valuation inputs.

For the nine months ended December 31, 2016 and 2017, gains and losses related to Level 3 assets and liabilities did not have a material impact on Nomura s liquidity and capital resources management.

Billions of yen
Nine months ended December 31, 2016

	Beginning balance as of nine months ended December 31, 2016	Total gains (losses) recognized in net revenue[1]	Total gains (losses) recognized in other comprehensive income	Purchases / issues[2]	Sales / redemptions[2]	Settlements	Foreign exchange movements	Transfers into Level 3[3]	Transfers out of Level 3[3]	De
ets equity										
	¥ 34	¥ (1)	¥	¥ 9	¥ (9)	¥	¥ 0	¥ 6	¥ (6)	¥
ty	20	1		0	(5)		(3)		0	
ency al		0		2	0			0		
,	4	0		4	(7)		0	5	(4)	
bt d ding	107	0		57	(82)		1	57	(23)	
acked	17	0			(15)		0	0	0	

acked								
	9	0	14	(10)	(1)	1	(1)	
d								
	38	(3)	33	(18)	2			
ed								
ions								
and other	10	(9)	49	(33)	3	15	(5)	
rust								
her	2	1	0	(3)	0	0	0	
g								
rivate								
	241	(11)	168	(182)	2	84	(39)	
net[4]								
acts	6	(15)		(7)	(1)	16	(18)	
	17	23		(20)	0	(17)	(8)	
acts	0	2		(4)	(1)	(3)	0	
hange								
	(9)	9		15	2	0	2	
		0		0	0			
tives,								
	14	19		(16)	0	(4)	(24)	
¥	255 ¥	8 ¥	¥ 168 ¥	(182) ¥	(16) ¥	2 ¥	80 ¥	(63) ¥
	26	(1)	43	(14)	3	10	(5)	
ed								
		0			1	4		
debt								
	0	0		0	0			
	57	(4)	0 106	(3)	15	6	(10)	
¥	338 ¥	3 ¥	0 ¥ 317 ¥	(199) ¥	(16) ¥	21 ¥	100 ¥	(78) ¥
ilities								
¥	0 ¥	0 ¥	¥ 3 ¥	(1) ¥	¥	0 ¥	1 ¥	(2) ¥
	3	0	0	0		0	0	(2)
bt								

ed ions and other		0		4	(3)		0		0	
rust her	0	0		0	0		0		0	
g	¥ 3	¥ 0	¥	¥ 7	¥ (4)	¥	¥ 0	¥ 1	¥ (4)	¥
	21	0	0	40	(34)		(2)	4	(4)	
d	0	0		0	0				0	
	331	13	(5)	111	(88)		0	76	(123)	
ties	2	0		0	0	(2)	0	0	0	
	¥ 357	¥ 13	¥ (5)	¥ 158	¥ (126)	¥ (2)	¥ (2)	¥ 81	¥ (131)	¥

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	Billions of yen Nine months ended December 31, 2017									
	Beginning balance as of nine months ended December 31, 2017	Total gains (losses) recognized in net revenue[1]	Total gains (losses) recognized in other comprehensive income	Purchases / issues[2]	Sales / redemptions[2]	Settlements	Foreign exchange movements	Transfers into Level 3[3]	Transfers out of Level 3[3]	De
ets equity										
	¥ 34	¥ 1	¥	¥ 20	¥ (37)	¥	¥ 1	¥ 8	¥ (3)	¥
ty	13	0		0	(8)		1	0	(3)	
ency bal	1	0			0		0			
,	3	1		69	(73)		0	4	(1)	
ebt nd ding	108	9		118	(92)		1	13	(9)	
l acked	1	0		5	(2)		0		(2)	
acked	0	0		2	(2)		0			
ed	41	1		78	(39)		0			
ed ions and other	27	(8)		40	(38)		0	6	(4)	
trust ther	0	0		2	(3)		0	2	0	

g rivate									
	228	4		334	(294)		3	33	(22)
net[4]									
racts	(6)	(3)				0	0	5	0
	(22)	13				8	0	(6)	(27)
acts	(10)	(1)				7	0	(2)	0
hange	23	(4)				(2)	1	(2)	1
tives,	(15)	5				13	1	(5)	(26)
	¥ 213	¥ 9	¥	¥ 334	¥ (294)	¥ 13	¥ 4	¥ 28	¥ (48) ¥
	66	(14)		34	(43)		0	21	
ed	5	0					0		
	163	14	0	0	(2)		1	0	0
	¥ 447	¥ 9	¥ 0	¥ 368	¥ (339)	¥ 13	¥ 5	¥ 49	¥ (48) ¥
ilities									
	¥ 1	¥ 0	¥	¥ 3	¥ (1)	¥	¥ 0	¥ 0	¥ (1) ¥
ebt	0	0			0		0	0	0
ed ions and other	1	0		1	(2)		0		
trust ther	0	0		0	0		0	0	0
g	¥ 2	¥ 0	¥	¥ 4	¥ (3)	¥	¥ 0	¥ 0	¥ (1) ¥
	70	(1)	0	81	(105)		0	1	(34)
d	0	0		0	0		0		
ed	3						0		
	410	(20)	1	182	(115)		0	44	(104)
ties	1	1		0	0		1	0	0

¥	486	¥	(20)	¥	1	¥	267	¥	(223)	¥		¥	1	¥	45	¥	(139)	¥

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	Billions of yen Three months ended December 31, 2016										
	Beginning balance as of three months ended December 31, 2016	Total gains (losses) recognized in net revenue[1]	Total gains (losses) recognized in other comprehensive income	Purchases / issues[2]	Sales / redemptions[2]	Settlements	Foreign exchange movements	Transfers into Level 3[3]	Transfers out of Level 3[3]	De
ets equity										
	¥ 30	¥ 1	¥	¥ 1	¥ (3)	¥	¥ 2	¥ 2	¥ 0	¥
ty	16	0		0	(4)		1			
ency bal	1	0		1	0					
,	5	0		1	(2)		0	0	(2)	
bt d ding	95	0		36	(34)		14	12	(6)	
acked	2	0			0		0		0	
acked	2	0		12	(1)		0	0	(1)	
d	38	(2)		15	(5)		6			
ed ions and other	18	(2)		26	(19)		3	5	(1)	
rust her	0	0		0	0		0	0		

g rivate									
	207	(3)		92	(68)		26	19	(10)
net[4]									
racts	2	(7)				(6)	(2)	2	(8)
	(9)	7				(3)	2	(3)	1
acts	(3)	1				(2)	0	(2)	0
hange	8	9				4	2	0	(4)
	0	0					0		
tives,	(2)	10				(7)	2	(3)	(11)
¥	205 ¥	7 ¥	¥	92 ¥	(68) ¥	(7) ¥	28 ¥	16 ¥	(21) ¥
	48	(1)		11	(3)		7		
ed		0					1	4	
debt			0				0		
	154	(4)	0	1	(1)		17	0	
¥	407 ¥	2 ¥	0 ¥	104 ¥	(72) ¥	(7) ¥	53 ¥	20 ¥	(21) ¥
ilities									
¥	1 ¥	0 ¥	¥	1 ¥	(1) ¥	¥	0 ¥	0 ¥	0 ¥
bt	0	0							