

NOMURA HOLDINGS INC
Form 6-K
December 17, 2003
Table of Contents

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 December 2003.

Total number of pages: 69.

The exhibit index is located on page 2.

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.

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Form 20-F

Form 40-F

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

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

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

Yes

No

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

Table of Contents

Information furnished on this form:

EXHIBIT

Exhibit Number

Page Number

1. [Interim Report for the six months ended September 30, 2003]

4

2

Table of Contents

Interim Report Pursuant to The Securities and Exchange Law of Japan for The Six Months Ended September 30, 2003

Items included in the Interim Report

	<u>Page</u>
PART I Corporate Information	
Item 1. Information on the Company and Its Subsidiaries and Affiliates	
<u>1. Selected Financial Data</u>	5
<u>2. Business Overview</u>	7
3. Subsidiaries and Affiliates	
4. Employees	
Item 2. Operating and Financial Review	
<u>1. Operating Results</u>	8
<u>2. Current Challenges</u>	15
<u>3. Significant Contracts</u>	15
4. Research and Development, Patent and Licenses, etc.	
Item 3. Property, Plants and Equipment	
1. Principal Properties	
2. Prospects of New Capital Expenditure, Abandonment, and Other	
Item 4. Company Information	
<u>1. Share Capital Information</u>	16
<u>2. Share Price History</u>	22
3. Directors and Senior Management	
Item 5. Financial Information	
<u>Preparation Method of Consolidated Financial Statements and Stand-alone Financial Statements and Semi-annual Audit Certificate</u>	23
<u>1. Consolidated Financial Statements and Other</u>	24
<u>(1) Consolidated Financial Statements</u>	24
<u>1) Consolidated Balance Sheets</u>	24
<u>2) Consolidated Income Statements</u>	26
<u>3) Consolidated Statements of Shareholders' Equity</u>	28
<u>4) Consolidated Statements of Comprehensive Income</u>	29
<u>5) Consolidated Statements of Cash Flows</u>	30
<u>Notes to the Consolidated Financial statements</u>	32
(2) Other	
<u>2. Stand-alone Financial Statements and Other</u>	48
<u>(1) Stand-alone Financial Statements</u>	48
<u>1) Stand-alone Balance Sheets</u>	48
<u>2) Stand-alone Income Statements</u>	50
<u>Significant Accounting Policies</u>	52
<u>Additional Information</u>	56
<u>Notes to the Stand-alone Financial Statements</u>	58
(2) Other	65
Item 6. Reference Information	
PART II Information on Guarantor of the Company	
Item 1. Information on Guarantor	

Item 2. Information on Corporations Other than Guarantor

Item 3. Information on Index

Semiannual Audit Report and Semiannual Audit Report of Independent Auditors

66

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

-4-

Table of Contents

Part I Corporate Information

Item 1. Information on the Company and Its Subsidiaries and Affiliates

1. Selected Financial Data

(1) Selected consolidated financial data

Accounting Principles		U.S. GAAP			Japanese GAAP	
		Six months ended September 30,	Six months ended September 30,	Six months ended September 30,	Year ended March 31,	Year ended March 31,
		2001	2002	2003	2002	2003
Revenue	(Mil yen)		430,253	573,378		840,919
Operating revenue	(Mil yen)	550,422			1,121,743	
Net revenue	(Mil yen)		283,415	414,774		566,274
Net operating revenue	(Mil yen)	279,251			705,346	
Income before income taxes and cumulative effect of accounting change	(Mil yen)		40,637	159,251		47,409
Ordinary income	(Mil yen)	52,914			192,255	
Net income	(Mil yen)	11,332	131,070	86,686	102,756	119,913
Shareholders' equity	(Mil yen)	1,589,584	1,732,621	1,705,548	1,704,988	1,642,328
Total assets	(Mil yen)	16,781,678	18,963,616	27,238,887	18,177,716	21,169,446
Shareholders' equity per share	(Yen)	809.78	881.56	878.34	867.38	846.40
Net income per share	(Yen)	5.77	66.68	44.71	52.32	61.26
Net income per share - diluted	(Yen)		66.68	44.71	52.22	61.26
Shareholders' equity as a percentage of total assets	(%)	9.5	9.1	6.3	9.4	7.8
Cash flows from operating activities	(Mil yen)	(310,446)	(396,355)	(30,697)	(369,530)	34,113
Cash flows from investing activities	(Mil yen)	38,097	16,521	95,276	(146,175)	134,053
Cash flows from financing activities	(Mil yen)	209,995	192,850	112,825	484,315	(24,612)
Cash and cash equivalents at end of period	(Mil yen)	319,227	159,694	654,158	356,634	491,237
Number of staffs		12,664	12,536	12,296	12,373	12,060
[Average number of temporary staffs, excluded from above]		[3,145]	[3,044]	[3,057]	[3,157]	[3,062]

Table of Contents

(Notes)

1 The selected consolidated financial data as of September 30, 2002, September 30, 2003 and March 31, 2003 and for the six months ended September 30, 2002 and 2003 and for the year ended March 31, 2003 are stated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). And the selected consolidated financial data as of September 30, 2001 and March 31, 2002 and for the six months ended September 30, 2001 and for the year ended March 31, 2002 are stated in accordance with Japanese GAAP.

2 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.

3 Shareholders' equity as a percentage of total assets as of September 30, 2002 onwards is calculated based on the following formula.

$$\text{Shareholders' equity as a percentage of total assets} = \frac{\text{Shareholders' equity total}}{\text{Liabilities and shareholders' equity total}} \times 100(\%)$$

4 Shareholders' equity as a percentage of total assets as of September 30, 2001 and March 31, 2002 is calculated based on the following formula.

$$\text{Shareholders' equity as a percentage of total assets} = \frac{\text{Shareholders' equity total}}{\text{Liabilities, minority interest and shareholders' equity total}} \times 100(\%)$$

5 Net income per share - diluted as of September 30, 2001 is not presented as there is no dilution effect.

6 Net operating revenue was stated for the six months ended September 30, 2001 and for the year ended March 31, 2002 by the amendment (Japan Securities Dealers Association, September 28, 2001) of the Uniform Accounting Standards of Securities Companies.

7 In addition to the numbers presented above, the number of staffs in investee companies of private equity investments that were consolidated as subsidiaries on the consolidated financial statements as of September 30, 2003 was 328 and the average number of temporary staffs in those investee companies was 58.

Table of Contents

(2) Selected stand-alone financial data

		Six months ended September 30, 2001	Six months ended September 30, 2002	Six months ended September 30, 2003	Year ended March 31, 2002	Year ended March 31, 2003
Operating revenue	(Mil yen)	218,667	50,064	66,694	269,122	102,633
[Commissions]	(Mil yen)	[110,523]	[]	[]	[110,523]	[]
Ordinary income	(Mil yen)	60,043	7,240	21,751	68,186	10,742
Net income (loss)	(Mil yen)	(24,637)	10,264	19,207	(37,212)	(12,825)
Common stock	(Mil yen)	182,799	182,799	182,799	182,799	182,799
Number of issued shares	(1000 shares)	1,962,980	1,965,919	1,965,919	1,965,919	1,965,919
Shareholders' equity	(Mil yen)	1,456,709	1,409,498	1,355,565	1,441,634	1,342,035
Total assets	(Mil yen)	8,508,619	2,047,106	2,321,921	2,023,909	2,121,113
Interim Dividend per share						
[dividend per share]	(Yen)			7.50	15.00	15.00
Shareholders' equity as a percentage of total assets	(%)	17.1	68.9	58.4	71.2	63.3
Capital Adequacy Ratio	(%)	297.0				
Number of staffs		8,296	5	8	5	5
[Average number of temporary staffs, excluded from above]		[1,798]	[0]	[]	[1]	[0]

(Notes)

- The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.
- The shareholders' equity percentage was calculated based on following formula:
$$\text{Shareholders' equity as a percentage of total assets} = \frac{\text{Shareholders' equity total}}{\text{Liabilities and shareholders' equity total}} \times 100(\%)$$
- The information presented above is based on the stand-alone information of Nomura Holdings, Inc (the Company). For information on shareholders' equity per share, net income per share and net income per share-diluted, see the consolidated financial data of the Company.
- The Company transferred its securities and securities-related business to Nomura Securities Co., Ltd. (formerly Nomura Securities Spin-off Preparation Co., Ltd.) Therefore the Capital Adequacy Ratio after September 30, 2001 is not presented.
- On October 1, 2001, the Company completed its reorganization and adopted a holding company structure. The data for the year ended March 31, 2002 include six months' results of securities and securities-related business. The number of staffs of the Company decreased as most of the employees was transferred to Nomura Securities Co., Ltd. along with the securities and securities related business.

6 The Company introduced the interim dividend system from the six month period ended September 30, 2003.

2. Business Overview

There was no significant change for the business of Nomura Holdings, Inc. and its affiliated companies for the six months ended September 30, 2003.

Table of Contents

Item 2. Operating and Financial Review

1. Operating Results

Following operating results are stated based on the U.S. GAAP consolidated financial statements for the six months ended September 30, 2003 and September 30, 2002 which are reported in Item 5. Financial Information 1. Consolidated Financial Statements and Other (1) Consolidated Financial Statements.

(1) Summary

Nomura Holdings, Inc. and its consolidated subsidiaries (Nomura) reported net revenue of ¥ 414.8 billion for the six months ended September 30, 2003, an increase of 46% from the same period in the prior year. Non-interest expenses were ¥ 255.5 billion for the six months ended September 30, 2003, an increase of 5% from the same period in the prior year. As a result, income before income taxes (and before cumulative effect of accounting change) was ¥ 159.3 billion for the six months ended September 30, 2003, an increase of 292% from the same period in the prior year. On the other hand, net income for the six months ended September 30, 2003 was ¥ 86.7 billion, a decrease of 34% from the same period in the prior year, as cumulative effect of accounting change of ¥ 109.8 billion had been recognized during the same period in the prior year. Total shareholders' equity increased to ¥ 1.7 trillion at September 30, 2003, and as a result, return on equity was 10.4% for the six months ended September 30, 2003.

Cash and cash equivalents at September 30, 2003 increased by ¥162.9 billion compared with March 31, 2003 (decrease of ¥196.9 billion for the same period in the prior year). Net cash used in operating activities was ¥30.7 billion (net cash used in operating activities for the same period in the prior year was ¥396.4 billion), mainly due to an increase in net trading-related balances. Net cash provided by investing activities was ¥95.3 billion (net cash provided by investing activities for the same period in the prior year was ¥16.5 billion) mainly because of sales and redemptions of investments in equity securities and non-trading debt securities. Net cash provided by financing activities was ¥112.8 billion (net cash provided by financing activities for the same period in the prior year was ¥192.9 billion) mainly due to an increase in borrowings.

Table of Contents

The breakdown of Net revenue and Non-interest expenses on the consolidated income statements are as follows.

	Six months ended September 30, 2002	Six months ended September 30, 2003
	(Mil Yen)	(Mil Yen)
Commissions	80,776	89,719
Brokerage commissions	47,290	64,258
Commissions for distribution of investment trust	18,004	15,341
Other	15,482	10,120
Fees from investment banking	33,913	34,358
Underwriting and distribution	25,611	27,865
M&A / financial advisory fees	7,163	6,424
Other	1,139	69
Asset management and portfolio service fees	46,095	30,757
Asset management fees	41,461	25,759
Other	4,634	4,998
Net gain on trading	66,149	147,529
Merchant banking	(2,246)	1,155
Equity trading	15,064	52,866
Fixed income and other trading	53,331	93,508
Net interest revenue	60,075	59,276
Gain (loss) on investments in equity securities	(10,419)	31,769
Gain (loss) on private equity investments	(2,892)	6,598
Other	9,718	14,768
Net revenue	283,415	414,774

	Six months ended September 30, 2002	Six months ended September 30, 2003
	(Mil Yen)	(Mil Yen)
Compensation and benefits	121,283	133,589
Commissions and floor brokerage	10,030	9,529
Information processing and communications	37,409	38,410
Occupancy and related depreciation	29,100	26,825
Business development expenses	13,677	10,411
Other	31,279	36,759
Non-interest expenses	242,778	255,523

Table of Contents

Business Segment Information

Results by business segment are as follows. Reconciliations of Net revenue and Income before income taxes on segment results of operations and the consolidated income statements are set forth in Consolidated Financial Statements, Note 10. Segment information.

Net revenue

	Six months ended September 30, 2002	Six months ended September 30, 2003
	(Mil Yen)	(Mil Yen)
Domestic Retail	123,777	150,562
Global Wholesale	145,155	209,108
Asset Management	20,106	16,302
Other (Inc. elimination)	14,349	1,514
Total	303,387	377,486

Income (loss) before income taxes

	Six months ended September 30, 2002	Six months ended September 30, 2003
	(Mil Yen)	(Mil Yen)
Domestic Retail	15,348	39,445
Global Wholesale	45,448	95,352
Asset Management	2,429	(2,407)
Other (Inc. elimination)	(1,587)	(5,861)
Total	61,638	126,529

Domestic Retail

Domestic Retail has further strengthened its capabilities to provide personalized investment consultation services with customers in order to meet their various investment needs in the current low interest rate environment. Net revenue increased by 22% from ¥ 123,777 million for the six months ended September 30, 2002 to ¥ 150,562 million for the six months ended September 30, 2003. Non-interest expenses increased by 2% from ¥ 108,429 million for the six months ended September 30, 2002 to ¥ 111,117 million for the six months ended September 30, 2003. As a result, Income before income taxes increased by 157% from ¥ 15,348 million for the six months ended September 30, 2002 to ¥ 39,445 million for the six months ended September 30, 2003.

Global Wholesale

Global Wholesale has made an effort to manage its business portfolio based on global customers' order-flow and Fixed Income and Equity increased net gain on trading. Net revenue increased by 44% from ¥ 145,155 million for the six months ended September 30, 2002 to ¥ 209,108 million for the six months ended September 30, 2003. Non-interest expenses increased by 14% from ¥ 99,707 million for the six months ended September 30, 2002 to ¥ 113,756 million for the six months ended September 30, 2003. As a result, Income before income taxes increased by 110% from ¥ 45,448 million for the six months ended September 30, 2002 to ¥ 95,352 million for the six months ended September 30, 2003.

Table of Contents

Fixed Income

Net revenue increased by 45% from ¥ 76,363 million for the six months ended September 30, 2002 to ¥ 110,379 million for the six months ended September 30, 2003, mainly due to an increase in net gain on trading relating to foreign currency bonds. Non-interest expenses increased by 34% from ¥ 35,278 million for the six months ended September 30, 2002 to ¥ 47,367 million for the six months ended September 30, 2003. As a result, Income before income taxes increased by 53% from ¥ 41,085 million for the six months ended September 30, 2002 to ¥ 63,012 million for the six months ended September 30, 2003.

Equity

Net revenue increased by 39% from ¥ 42,770 million for the six months ended September 30, 2002 to ¥ 59,331 million for the six months ended September 30, 2003, mainly due to an increase in customers' order-flow, such as block trading. Non-interest expenses increased by 9% from ¥ 32,670 million for the six months ended September 30, 2002 to ¥ 35,672 million for the six months ended September 30, 2003. As a result, Income before income taxes increased by 134% from ¥ 10,100 million for the six months ended September 30, 2002 to ¥ 23,659 million for the six months ended September 30, 2003.

Investment Banking

Net revenue for Investment Banking increased by 1% from ¥ 33,283 million for the six months ended September 30, 2002 to ¥ 33,476 million for the six months ended September 30, 2003, partly due to a revitalization in equity capital markets. Non-interest expenses for Investment Banking decreased by 7% from ¥ 27,487 million for the six months ended September 30, 2002 to ¥ 25,544 million for the six months ended September 30, 2003. As a result, Income before income taxes for Investment Banking increased by 37% from ¥ 5,796 million for the six months ended September 30, 2002 to ¥ 7,932 million for the six months ended September 30, 2003.

Merchant Banking

Net loss for Merchant Banking was ¥ 7,261 million for the six months ended September 30, 2002 and Net revenue for Merchant Banking was ¥ 5,922 million for the six months ended September 30, 2003, mainly due to gains from exit transactions and a rise in the fair value of investments. Non-interest expenses for Merchant Banking increased by 21% from ¥ 4,272 million for the six months ended September 30, 2002 to ¥ 5,173 million for the six months ended September 30, 2003. As a result, Loss before income taxes for Merchant Banking was ¥ 11,533 million for the six months ended September 30, 2002 and Income before income taxes for Merchant Banking was ¥ 749 million for the six months ended September 30, 2003.

Asset Management

Net revenue decreased by 19% from ¥ 20,106 million for the six months ended September 30, 2002 to ¥ 16,302 million for the six months ended September 30, 2003, due to a decrease in asset management and portfolio service fees reflecting declines in the outstanding balance of bond

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investment trusts. Non-interest expenses increased by 6% from ¥ 17,677 million for the six months ended September 30, 2002 to ¥ 18,709 million for the six months ended September 30, 2003, mainly due to a special withdrawal charge paid to the Japan Securities Dealers Employees Pension Fund by Nomura Asset Management Co., Ltd. As a result, Income before income taxes was ¥ 2,429 million for the six months ended September 30, 2002 and Loss before income taxes was ¥ 2,407 million for the six months ended September 30, 2003.

-11-

Table of Contents

Other Operating Results

Other operating results include gain (loss) on investment securities, equity in earnings (losses) of affiliates and other financial adjustments. Loss before income taxes in Other increased from ¥ 1,587 million for the six months ended September 30, 2002 to ¥ 5,861 million for the six months ended September 30, 2003.

Table of Contents

(2) Trading Activities

Assets and liabilities for trading purposes

The balances of assets and liabilities for trading purposes, including securities pledged as collateral at September 30, 2002 and 2003 are as follows.

	September 30, 2002 (Mil Yen)	September 30, 2003 (Mil Yen)
Trading assets and Private equity investments	9,150,061	11,790,722
Securities inventory	8,461,658	10,987,122
Equity securities and convertible bonds	1,719,165	1,927,227
Government and government agency bonds	3,674,803	5,526,349
Bank and corporate debt securities	1,284,532	1,384,773
Commercial paper and certificates of deposit	123,946	27,999
Options and warrants	68,872	55,986
Mortgage and mortgage-backed securities	864,184	757,388
Beneficiary certificates and other	726,156	1,307,400
Derivative contracts	417,724	526,306
Foreign exchange forwards	20,771	55,513
Forward rate agreements and other over the counter forwards	953	573
Swap agreements	261,026	292,900
Options other than securities options purchased	134,974	177,320
Private equity investments	270,679	277,294
Trading liabilities	2,898,739	6,957,302
Securities sold but not yet purchased	2,538,738	6,427,291
Equity securities and convertible bonds	715,358	1,947,988
Government and government agency bonds	1,539,073	4,222,651
Bank and corporate debt securities	234,641	218,178
Options and warrants	48,396	32,942
Mortgage and mortgage-backed securities	1,270	5,532
Derivative contracts	360,001	530,011
Foreign exchange forwards	18,908	69,426
Forward rate agreements and other over the counter forwards	1,392	600
Swap agreements	235,447	348,229
Options other than securities options written	104,254	111,756

Table of Contents

Risk management of trading activity

Nomura adopts Value at Risk (VaR) for measurement of market risk to the trading activity.

1) Assumption on VaR

2.33 standard deviations 99% confidence level

Holding period: One day

Consider correlation of price movement among the products

2) Records of VaR

	September 30, 2002 (Bil Yen)	September 30, 2003 (Bil Yen)
Equity	1.3	2.3
Interest rate	1.8	2.3
Foreign exchange	0.4	0.3
Sub-total	3.5	4.9
Diversification benefit	(1.2)	(1.3)
Value at Risk (VaR)	2.3	3.6

	Six months ended September 30, 2003		
	Maximum (Bil Yen)	Minimum (Bil Yen)	Average (Bil Yen)
Value at Risk (VaR)	5.6	2.8	3.7

Table of Contents

2. Current Challenges

While there remain many cautious views on Japan's economy and securities markets, some indications of economic recovery can be found, such as growth of real gross domestic products and favorable changes in corporate profits. In this environment, the Nomura Group (Nomura Holdings, Inc. (the Company)) and its domestic and overseas consolidated subsidiaries, except for companies invested through merchant banking activities) will analyze various customer needs, combine its accumulated experience and expertise both at home and abroad and develop products so that it can provide creative solutions to problems of customers through capital markets. The strategies of each business line are as follows.

With regards to Domestic Retail, the Nomura Group will enhance its flexibility and capacity to quickly supply domestic and overseas products based on specific needs of each customer. Through providing the best financial services, the Group seeks to increase customers' assets entrusted to it. In addition, the Group will continue its efforts to broaden individual investors' participation in the securities markets by supporting capital market lectures at colleges and universities and investor education programs in local communities.

In Global Wholesale, the Nomura Group will flexibly respond to changes in the business environment and exploit expanding business opportunities. The Group will promote a globalization strategy through providing solutions to various problems of customers, such as advice on mergers and acquisitions, industrial revitalization and trading for asset liquidation and compression.

Regarding Asset Management, the Nomura Group aims to improve investment performance through generating medium- to long-term value-added by strengthening research functions among others. In addition, while expanding the marketing channels and enhancing the product development capabilities, the Group endeavors to increase assets under management and revenues. On defined contribution pension plan business, the Group will broaden its customer base through enhancing the integrated services ranging from consulting for the plan implementation to supply of products.

Utilizing its combined strengths, the Nomura Group is committed to actively contributing to structural reforms of the Japanese economy and expansion of securities market, and increasing its own corporate value.

3. Significant Contracts

None

Table of Contents**Item 4. 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
Total	6,000,000,000

b. Issued Shares

Type	Number of Issued Shares as of September 30, 2003	Number of Issued Shares as of December 3, 2003	Trading Markets
			Tokyo Stock Exchange ^{(*)3}
			Osaka Stock Exchange ^{(*)3}
			Nagoya Stock Exchange ^{(*)3}
Common Stock	1,965,919,860	1,965,919,860	Amsterdam Stock Market N.V. ^{(*)4}
			Singapore Stock Exchange ^{(*)5}
			New York Stock Exchange ^{(*)6}
Total	1,965,919,860	1,965,919,860	

Notes

- Voting rights pertained.
- Shares that may have increased from exercise of warrants and stock options between December 1, 2003 and December 3, 2003 are not included in the number of outstanding shares as of December 3, 2003.
- Listed on the First Section of each stock exchange.
- Common stock and Continental Depositary Receipts listed.

- 5 Common stock listed.
- 6 American Depositary Shares listed.

Table of Contents

(2) Stock Options

a. Stock Acquisition Right

Resolved by the special resolution at the General Shareholders Meeting on June 26, 2002

	<u>End of Interim Accounting Period(September 30, 2003)</u>	<u>End of Preceding Month to Filing of this Report (November 30, 2003)</u>
Number of Stock Acquisition Rights	2,221 ^(*1)	2,221 ^(*1)
Type of Share under the Stock Acquisition Right	Common stock	Common stock
Number of Shares under the Stock Acquisition Rights	2,221,000	2,221,000
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1,807 per share	Same as left
Exercise Period of the Stock Acquisition Right	From July 1, 2004 to June 30, 2009	Same as left
Issue Price of Shares and Capital Inclusion Price if Shares Are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1,807 Capital Inclusion Price ¥904	Same as left
Conditions to Exercise of Stock Acquisition Right	<p>1. Not to be partial exercise of one stock acquisition right.</p> <p>2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions:</p> <p>(1) The Optionee maintains position as a director, statutory auditor or employee of the Company or a company, a majority of whose outstanding shares or interests (only limited to those with voting rights) are held directly or indirectly by the Company (hereinafter collectively referred to as the Company's Subsidiary), during the time between the grant of the stock acquisition rights and the exercise. The Optionee is deemed to maintain such a position as a director, statutory auditor or employee of the Company or the Company's Subsidiary in case the Optionee loses such a position by either of the following situations:</p> <p>a) Regarding the Optionee as a director or statutory auditor of the Company or the Company's Subsidiary: retirement from</p>	Same as left

office on account of the expiration of the Optionee's term of office or other similar reasons; or

b) Regarding the Optionee as an employee of the Company or the Company's Subsidiary: retirement due to the attainment of the retirement age, transfer by order of the Company or the Company's Subsidiary, retirement mainly due to sickness or injuries arising out of duty, discharge for a compelling business reason, or other similar reasons.

(2) The Optionee, at the time of exercising the stock acquisition rights, does not fall within either of the following cases:

a) The Company or the Company's Subsidiary determines in accordance with their Employment Regulations to dismiss the Optionee by suggestion or disciplinary procedures; or

b) There is any other reason similar to a).

3. Regarding the successors of the Optionee, the Optionee must have satisfied both conditions of the 2.(1) and (2) above, immediately prior to the occurrence of succession.

Restriction of Transfer of Stock
Acquisition Rights

Approval of the board of directors shall be required for transfer of the stock acquisition rights.

Same as left

Table of Contents

(Notes)

1. 1,000 shares will be issued per one stock acquisition right.
2. In the event that the shares are split or consolidated, the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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

In the event that the Company issues new shares or sells its treasury shares at a price less than market price (excluding for the exercise of the stock acquisition rights, conversion of outstanding convertible bonds and the exercise of the stock subscription rights), 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.

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price before Adjustment} \times \left(\text{Number of Outstanding Shares} + \frac{\text{Number of Newly Issued Shares and/or Treasury Shares Sold} \times \text{Paid-in Amount Per Share}}{\text{Market Price per Share}} \right)}{\text{Number of (Outstanding + Newly Issued Shares and/or Treasury Shares Sold)}}$$

3. Senior managing director is treated in accordance with the director.

Table of Contents

Resolved by the 99th General Shareholders Meeting on June 26, 2003

	<u>End of Interim Accounting Period (September 30, 2003)</u>	<u>End of Preceding Month to Filing of this Report (November 30, 2003)</u>
Number of Stock Acquisition Rights	2,252 ^(*)	2,252 ^(*)
Type of Share under the Stock Acquisition Right	Common stock	Common stock
Number of Shares under the Stock Acquisition Rights	2,252,000	2,252,000
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1,631 per share	Same as left
Exercise Period of the Stock Acquisition Right	From July 1, 2005 to June 30, 2010	Same as left
Issue Price of Shares and Capital Inclusion Price if Shares Are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1,631 Capital Inclusion Price ¥816	Same as left
Conditions to Exercise of Stock Acquisition Right	<p>1. Not to be partial exercise of one stock acquisition right.</p> <p>2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions:</p> <p>(1) The Optionee maintains position as a director, senior managing director or employee of the Company or a company, a majority of whose outstanding shares or interests (only limited to those with voting rights) are held directly or indirectly by the Company (hereinafter collectively referred to as the Company's Subsidiary), during the time between the grant of the stock acquisition rights and the exercise. The Optionee is deemed to maintain such a position as a director, senior managing director or employee of the Company or the Company's Subsidiary in case the Optionee loses such a position by either of the following situations:</p> <p>a) Regarding the Optionee as a director or senior managing director of the Company or the Company's Subsidiary: retirement from office on account of the expiration of the Optionee's term of office or other similar reasons; or</p>	

b) Regarding the Optionee as an employee of the

Company or the Company's Subsidiary: retirement due to the attainment of the retirement age, transfer by order of the Company or the Company's Subsidiary, retirement mainly due to sickness or injuries arising out of duty, discharge for a compelling business reason, or other similar reasons.

Same as left

(2) The Optionee, at the time of exercising the stock acquisition rights, does not fall within either of the following cases:

a) The Company or the Company's Subsidiary determines in accordance with their Employment Regulations to dismiss the Optionee by suggestion or disciplinary procedures; or

b) There is any other reason similar to a).

3. Regarding the successors of the Optionee, the Optionee must have satisfied both conditions of 2.(1) and (2) above, immediately prior to the occurrence of succession.

Restriction of Transfer of Stock Acquisition Rights

Approval of the board of directors shall be required for transfer of the stock acquisition rights.

Same as left

Table of Contents

(Notes)

1. 1,000 shares will be issued per one stock acquisition right.
2. In the event that the shares are split or consolidated, the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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

In the event that the Company issues new shares or sells its treasury shares at a price less than market price (excluding for the exercise of the stock acquisition rights, conversion of outstanding convertible bonds and the exercise of the stock subscription rights), 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.

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price before Adjustment} \times \left(\text{Number of Outstanding Shares} + \frac{\text{Number of Newly Issued Shares and/or Treasury Shares Sold} \times \text{Paid-in Amount Per Share}}{\text{Market Price per Share}} \right)}{\text{Number of (Outstanding + Newly Issued Shares and/or Treasury Shares Sold)}}$$

- b. Convertible Bonds and Warrants which are deemed as Bonds with stock reservation rights according to Article 19, paragraph 2 of Law Amending and Furnishing Commercial Code, etc.

Bond with Subscription Warrant No.1 (issued August 24, 2000)

	End of Interim Accounting Period (September 30, 2003)	End of Preceding Month to Filing of this Report (November 30, 2003)
Subscription rights outstanding (thousand Yen)	2,625,000	2,625,000
Issue price of stock (Yen)	2,305.00	2,305.00
Capital Inclusion Price (Yen)	1,153 (per share)	1,153 (per share)

Table of Contents

(3) Changes in Issued Shares, Shareholders' Equity, etc.

<u>Date</u>	<u>Increase/Decrease of Issued Shares</u>	<u>Total Issued Shares</u>	<u>Increase/Decrease of Shareholders' Equity (thousand Yen)</u>	<u>Shareholders' Equity (thousand Yen)</u>	<u>Increase/Decrease of Additional paid-in capital (thousand Yen)</u>	<u>Additional paid-in capital (thousand Yen)</u>
April 1, 2003 - September 30, 2003		1,965,919,860		182,799,788		112,504,264

(4) Major Shareholders

As of September 30, 2003

<u>Name</u>	<u>Address</u>	<u>Shares Held (thousand shares)</u>	<u>Percentage of Issued Shares (%)</u>
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	148,796	7.57
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-Ku, Tokyo, Japan	94,933	4.83
State Street Bank and Trust Company	225 Frank Street, Boston, Massachusetts, U.S.A.	80,896	4.11
The Chase Manhattan Bank, N.A. London	Woolgate House, EC Callman St., London, United Kingdom	63,260	3.22
UFJ Trust Bank, Limited (Trust Account A)	1-4-3 Marunouchi, Chiyoda-Ku, Tokyo, Japan	36,282	1.85
The Chase Manhattan Bank, N.A. 385036	360 North Creacent Drive, Beverly Hills, California, U.S.A.	33,908	1.72
The Chase Manhattan Bank, N.A. London SL Omnibus Account	Woolgate House, EC Callman St., London, United Kingdom	30,197	1.54
Nippon Life Insurance Company	1-2-2 Yuraku-cho, Chiyoda-Ku, Tokyo, Japan	27,882	1.42
Nomura Holdings, Inc.	1-9-1 Nihonbashi, Chuo-Ku, Tokyo, Japan	23,382	1.19
Mellon Bank Treaty Clients Omnibus	One Boston Place, Boston, Massachusetts, U.S.A.	22,229	1.13
Total		561,768	28.58

Table of Contents

(5) Voting Rights

a. Outstanding Shares

As of September 30, 2003

	<u>Number of Shares</u>	<u>Number of Votes</u>	<u>Description</u>
Stock without voting right			
Stock with limited voting right			
(treasury stocks, etc.)			
Stock with limited voting right			
(others)			
	(Treasury stocks)		
Stock with full voting right	Common stock 23,382,000		Our standard stock with no limitation to its rights
(treasury stocks, etc.)	(Crossholding stocks)		
	Common stock 3,000,000		Same as above
Stock with full voting right (Others)	Common stock 1,929,413,000	1,929,155	Same as above
Shares less than 1 unit	Common stock 10,124,860		Shares less than 1 unit (1,000 shares)
Total Shares Issued	1,965,919,860		
Voting Rights of Total Shareholders		1,929,155	

(Note) 255,000 shares held by Japan Securities Depository Center, Inc. are included in Stock with full voting right (Others). 288 treasury stocks are included in Shares less than 1 unit.

b. Treasury Stocks

As of September 30, 2003

<u>Name</u>	<u>Address</u>	<u>Directly held shares</u>	<u>Indirectly held shares</u>	<u>Total</u>	<u>Percentage of Issued Shares (%)</u>
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1 Nihonbashi, Chuo-Ku, Tokyo, Japan	23,382,000		23,382,000	1.19

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(Crossholding Stocks)				
JAFCO Co., Ltd.	1-8-2 Marunouchi, Chiyoda-Ku, Tokyo, Japan	2,000,000	2,000,000	0.10
Nomura Research Institute Ltd.	2-2-1 Otemachi, Chiyoda-Ku, Tokyo, Japan	1,000,000	1,000,000	0.05
Total		26,382,000	26,382,000	1.34

(Note) In addition to the treasury stocks shown here, there are 3,000 shares which are recorded on register of shareholders as treasury stocks but not owned by us. These shares are included in Stock with full voting right (Others) in a. Outstanding Shares above .

2. Share Price History

Monthly Highs and Lows

<u>Month</u>	<u>April, 2003</u>	<u>May, 2003</u>	<u>June, 2003</u>	<u>July, 2003</u>	<u>August, 2003</u>	<u>September, 2003</u>
High (Yen)	1,285	1,266	1,542	1,770	1,800	1,953
Low (Yen)	1,087	1,143	1,251	1,521	1,480	1,717

(Note) Prices are based on the First Section of Tokyo Stock Exchange.

Table of Contents

Item 5. Financial Information

1 Preparation Method of Consolidated Financial Statements and Stand-alone Financial Statements

- (1) Pursuant to Section 81 of Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Annual Consolidated Financial Statements (Ministry of Finance Ordinance No. 24, 1999), the consolidated financial statements have been prepared in accordance with accounting principles which are required in order to issue American Depositary Shares (ADS), i.e., the accounting principles generally accepted in the United States of America (U.S. GAAP).
- (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 in (1).
- (3) The stand-alone financial statements were prepared under Japanese GAAP in accordance with Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-annual Financial Statements (Ministry of Finance Ordinance No. 38, 1977) (the Regulations).

The stand-alone financial statements for the previous period (from April 1, 2002 to September 30, 2002) were prepared based on the Regulations before amendment and the stand-alone financial statements for the current period (from April 1, 2003 to September 30, 2003) were prepared based on the Regulations after amendment.

2 Semi-annual Audit Certificate

Under articles No.193-2 of the Securities and Exchange Law, Shin Nihon & Co. performed semi-annual audits of the consolidated and stand-alone financial statements for the previous period (from April 1, 2002 to September 30, 2002) and for the current period (from April 1, 2003 to September 30, 2003).

Table of Contents

1. Consolidated Financial Statements and Other

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

	September 30, 2002		September 30, 2003		March 31, 2003	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
ASSETS						
Cash and cash deposits:						
Cash and cash equivalents	159,694		654,158		491,237	
Time deposits	416,930		313,608		422,570	
Deposits with stock exchanges and other segregated cash	37,717		63,605		41,702	
	<u>614,341</u>	3.2	<u>1,031,371</u>	3.8	<u>955,509</u>	4.5
Loans and receivables:						
Loans receivable	509,691		423,216		436,371	
Receivables from customers	173,539		505,251		404,388	
Receivables from other than customers	273,977		452,095		311,665	
Receivables under resale agreements and securities borrowed transactions	6,916,802		11,999,160		8,603,170	
Securities pledged as collateral	3,667,215		5,020,151		3,359,807	
Allowance for doubtful accounts	(18,812)		(6,789)		(15,159)	
	<u>11,522,412</u>	60.8	<u>18,393,084</u>	67.5	<u>13,100,242</u>	61.9
Trading assets and private equity investments:						
Securities inventory	4,794,443		5,966,971		5,152,393	
Derivative contracts	417,724		526,306		503,417	
Private equity investments	270,679		277,294		270,890	
	<u>5,482,846</u>	28.9	<u>6,770,571</u>	24.9	<u>5,926,700</u>	28.0
Other assets:						
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥176,274 million at September 30, 2002, ¥173,713 million at September 30, 2003, and ¥177,374 million at March 31, 2003)	181,359		180,891		184,868	
Lease deposits	77,842		71,964		65,211	
Non-trading debt securities	402,479		201,716		270,120	
Investments in equity securities	170,690		150,465		138,084	
Investments in and advances to affiliated companies	263,892		203,507		223,970	
Deferred tax assets	112,682		99,283		112,313	
Other	135,073		136,035		192,429	
	<u>1,344,017</u>	7.1	<u>1,043,861</u>	3.8	<u>1,186,995</u>	5.6
Total assets	18,963,616	100.0	27,238,887	100.0	21,169,446	100.0

Table of Contents

	<u>September 30, 2002</u>		<u>September 30, 2003</u>		<u>March 31, 2003</u>	
	<u>Millions of</u>		<u>Millions of</u>		<u>Millions of</u>	
	<u>yen</u>	<u>(%)</u>	<u>yen</u>	<u>(%)</u>	<u>yen</u>	<u>(%)</u>
LIABILITIES AND SHAREHOLDERS EQUITY						
Payables, borrowings and deposits:						
Payables to customers	263,265		207,540		180,565	
Payables to other than customers	193,430		415,765		384,910	
Payables under repurchase agreements and securities loaned transactions	9,728,958		13,695,818		10,952,135	
Short-term borrowings	1,813,442		1,429,608		1,497,468	
Time and other deposits received	196,611		301,516		256,184	
	<u>12,195,706</u>	<u>64.3</u>	<u>16,050,247</u>	<u>58.9</u>	<u>13,271,262</u>	<u>62.7</u>
Trading liabilities:						
Securities sold but not yet purchased	2,538,738		6,427,291		3,401,715	
Derivative contracts	360,001		530,011		487,005	
	<u>2,898,739</u>	<u>15.3</u>	<u>6,957,302</u>	<u>25.5</u>	<u>3,888,720</u>	<u>18.4</u>
Other liabilities:						
Accrued income taxes	19,024		58,269		28,608	
Accrued pension and severance costs	57,083		87,157		86,582	
Other	236,213		239,811		296,509	
	<u>312,320</u>	<u>1.7</u>	<u>385,237</u>	<u>1.4</u>	<u>411,699</u>	<u>1.9</u>
Long-term borrowings	1,824,230	9.6	2,140,553	7.9	1,955,437	9.2
Total liabilities	<u>17,230,995</u>	<u>90.9</u>	<u>25,533,339</u>	<u>93.7</u>	<u>19,527,118</u>	<u>92.2</u>
Commitments and contingencies (See Notes 8 and 9)						
Shareholders' equity:						
Common stock						
Authorized - 6,000,000,000 shares at September 30, 2002, September 30, 2003 and March 31, 2003						
Issued - 1,965,919,860 shares at September 30, 2002, September 30, 2003 and March 31, 2003						
	<u>182,800</u>	<u>1.0</u>	<u>182,800</u>	<u>0.7</u>	<u>182,800</u>	<u>0.9</u>
Additional paid-in capital	<u>151,066</u>	<u>0.8</u>	<u>153,491</u>	<u>0.6</u>	<u>151,328</u>	<u>0.7</u>
Retained earnings	<u>1,447,291</u>	<u>7.6</u>	<u>1,479,150</u>	<u>5.4</u>	<u>1,407,028</u>	<u>6.6</u>
Accumulated other comprehensive (loss) income						
Minimum pension liability adjustment	(23,900)		(39,735)		(41,558)	
Cumulative translation adjustments	(23,766)		(37,588)		(22,329)	
	<u>(47,666)</u>	<u>(0.3)</u>	<u>(77,323)</u>	<u>(0.3)</u>	<u>(63,887)</u>	<u>(0.3)</u>
	<u>1,733,491</u>	<u>9.1</u>	<u>1,738,118</u>	<u>6.4</u>	<u>1,677,269</u>	<u>7.9</u>
Less-Common stock held in treasury, at cost -	(870)	(0.0)	(32,570)	(0.1)	(34,941)	(0.1)

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510,599 shares at September 30, 2002,

24,137,689 shares at September 30, 2003

and 25,556,340 shares at March 31, 2003

Total shareholders' equity	1,732,621	9.1	1,705,548	6.3	1,642,328	7.8
Total liabilities and shareholders' equity	18,963,616	100.0	27,238,887	100.0	21,169,446	100.0

-25-

Table of Contents

2) Consolidated Income Statements

	Six months ended		Six months ended		Year ended	
	September 30, 2002		September 30, 2003		March 31, 2003	
	Millions of Yen	(%)	Millions of Yen	(%)	Millions of Yen	(%)
Revenue:						
Commissions	80,776		89,719		141,640	
Fees from investment banking	33,913		34,358		81,847	
Asset management and portfolio service fees	46,095		30,757		79,290	
Net gain on trading	66,149		147,529		172,308	
Interest and dividends	206,913		217,880		401,924	
(Loss) gain on investments in equity securities	(10,419)		31,769		(41,288)	
(Loss) gain on private equity investments	(2,892)		6,598		(14,391)	
Other	9,718		14,768		19,589	
	<u>430,253</u>	<u>100.0</u>	<u>573,378</u>	<u>100.0</u>	<u>840,919</u>	<u>100.0</u>
Interest expense	146,838	34.1	158,604	27.7	274,645	32.7
	<u>283,415</u>	<u>65.9</u>	<u>414,774</u>	<u>72.3</u>	<u>566,274</u>	<u>67.3</u>
Non-interest expenses:						
Compensation and benefits	121,283		133,589		244,167	
Commissions and floor brokerage	10,030		9,529		20,844	
Information processing and communications	37,409		38,410		77,389	
Occupancy and related depreciation	29,100		26,825		57,152	
Business development expenses	13,677		10,411		24,361	
Other	31,279		36,759		94,952	
	<u>242,778</u>	<u>56.4</u>	<u>255,523</u>	<u>44.5</u>	<u>518,865</u>	<u>61.7</u>
Income before income taxes and cumulative effect of accounting change	40,637	9.5	159,251	27.8	47,409	5.6
Income tax expense:						
Current	13,844		65,511		25,519	
Deferred	5,522		7,054		11,776	
	<u>19,366</u>	<u>4.5</u>	<u>72,565</u>	<u>12.7</u>	<u>37,295</u>	<u>4.4</u>
Income before cumulative effect of accounting change	21,271	5.0	86,686	15.1	10,114	1.2
Cumulative effect of accounting change	109,799	25.5			109,799	13.1
	<u>131,070</u>	<u>30.5</u>	<u>86,686</u>	<u>15.1</u>	<u>119,913</u>	<u>14.3</u>

Table of Contents

	<u>Six months ended September 30, 2002</u>	<u>Six months ended September 30, 2003</u>	<u>Year ended March 31, 2003</u>
	<u>Yen</u>	<u>Yen</u>	<u>Yen</u>
Per share of common stock:			
Basic-			
Income before cumulative effect of accounting change	10.82	44.71	5.17
Cumulative effect of accounting change	55.86		56.09
Net income	66.68	44.71	61.26
Diluted-			
Income before cumulative effect of accounting change	10.82	44.71	5.17
Cumulative effect of accounting change	55.86		56.09
Net income	66.68	44.71	61.26

Table of Contents

3) Consolidated Statements of Shareholders' Equity

	Six months ended September 30, 2002	Six months ended September 30, 2003	Year ended March 31, 2003
	Millions of Yen	Millions of Yen	Millions of Yen
Common Stock			
Balance at beginning of year	182,800	182,800	182,800
Balance at end of the period	182,800	182,800	182,800
Additional paid-in capital			
Balance at beginning of year	150,979	151,328	150,979
Gain on sales of treasury stock		1,800	
Issuance of common stock options	87	363	349
Balance at end of the period	151,066	153,491	151,328
Retained earnings			
Balance at beginning of year	1,316,221	1,407,028	1,316,221
Net income	131,070	86,686	119,913
Cash dividends		(14,564)	(29,106)
Balance at end of the period	1,447,291	1,479,150	1,407,028
Accumulated comprehensive income:			
Minimum pension liability adjustment			
Balance at beginning of year	(24,972)	(41,558)	(24,972)
Net change during the period	1,072	1,823	(16,586)
Balance at end of the period	(23,900)	(39,735)	(41,558)
Cumulative translation adjustments			
Balance at beginning of year	(19,685)	(22,329)	(19,685)
Other change during the period, net	(4,081)	(15,259)	(2,644)
Balance at end of the period	(23,766)	(37,588)	(22,329)
Common stock held in treasury			
Balance at beginning of year	(414)	(34,941)	(414)
Repurchase of common stock		(3,824)	(34,527)
Sale of common stock		6,195	
Other net change in treasury stock	(456)		
Balance at end of the period	(870)	(32,570)	(34,941)
Number of shares issued			
Balance at beginning of year	1,965,919,860	1,965,919,860	1,965,919,860
Balance at end of the period	1,965,919,860	1,965,919,860	1,965,919,860

Table of Contents

4) Consolidated Statements of Comprehensive Income

	Six months ended September 30, 2002	Six months ended September 30, 2003	Year ended March 31, 2003
	Millions of Yen	Millions of Yen	Millions of Yen
Net income	131,070	86,686	119,913
Other comprehensive (loss) income:			
Change in cumulative translation adjustments, net of tax:	(4,081)	(15,259)	(2,644)
Minimum pension liability adjustment:			
Changes in minimum pension liability during the period	1,848	3,017	(27,460)
Deferred income taxes	(776)	(1,194)	10,874
Total	1,072	1,823	(16,586)
Total other comprehensive (loss) income	(3,009)	(13,436)	(19,230)
Comprehensive income	128,061	73,250	100,683

Table of Contents

5) Consolidated Statements of Cash Flows

	<u>Six months ended</u> <u>September 30, 2002</u>	<u>Six months ended</u> <u>September 30, 2003</u>	<u>Year ended</u> <u>March 31, 2003</u>
	<u>Millions of yen</u>	<u>Millions of yen</u>	<u>Millions of yen</u>
Cash flows from operating activities:			
Net income	131,070	86,686	119,913
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Cumulative effect of accounting change	(109,799)		(109,799)
Depreciation and amortization	14,920	16,752	31,249
Loss (gain) on investments in equity securities	10,419	(31,769)	41,288
Deferred income tax expense	5,522	7,054	11,776
Changes in operating assets and liabilities:			
Time deposits	(35,009)	102,670	(36,585)
Deposits with stock exchanges and other segregated cash	(1,880)	(25,858)	(6,271)
Trading assets and private equity investments	(691,711)	(996,325)	(1,167,700)
Trading liabilities	235,433	3,200,188	1,242,333
Receivables under resale agreements and securities borrowed transactions	(537,419)	(3,860,503)	(2,315,743)
Payables under repurchase agreements and securities loaned transactions	1,872,243	3,319,421	3,236,698
Loans, receivables and securities pledged as collateral, net of allowance	(638,909)	(2,059,805)	(590,802)
Time and other deposits received and other payables	(591,554)	127,899	(477,756)
Accrued income taxes, net	(18,923)	53,650	(31,738)
Other, net	(40,758)	29,243	87,250
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	(396,355)	(30,697)	34,113
	<u> </u>	<u> </u>	<u> </u>

Table of Contents

	Six months ended September 30, 2002	Six months ended September 30, 2003	Year ended March 31, 2003
	Millions of yen	Millions of yen	Millions of yen
Cash flows from investing activities:			
Payments for purchases of office buildings, land, equipment and facilities	(20,756)	(15,610)	(45,235)
Proceeds from sales of office buildings, land, equipment and facilities	285	921	690
Payments for purchases of investments in equity securities	(1,134)	(19)	(10,299)
Proceeds from sales of investments in equity securities	20,079	19,407	30,067
Decrease in non-trading debt securities, net	23,033	68,633	152,209
(Increase) decrease in other investments and other assets, net	(4,986)	21,944	6,621
Net cash provided by investing activities	16,521	95,276	134,053
Cash flows from financing activities:			
Increase in long-term borrowings	375,638	354,375	654,407
Decrease in long-term borrowings	(109,488)	(350,624)	(324,232)
(Decrease) increase in short-term borrowings, net	(43,815)	134,020	(290,775)
Proceeds from sales of common stock		7,995	
Payments for repurchases of common stock		(3,824)	(34,527)
Payments for cash dividends	(29,485)	(29,117)	(29,485)
Net cash provided by (used in) financing activities	192,850	112,825	(24,612)
Effect of exchange rate changes on cash and cash equivalents	(9,957)	(14,483)	(8,952)
Net (decrease) increase in cash and cash equivalents	(196,941)	162,921	134,602
Cash and cash equivalents at beginning of period	356,635	491,237	356,635
Cash and cash equivalents at end of period	159,694	654,158	491,237
Supplemental information on cash flows:			
Cash paid during the period for-			
Interest	133,511	101,585	253,098
Income tax payments, net	32,767	11,861	57,257

Table of Contents

[Notes to the Consolidated Financial Statements]

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 an obligation to file an annual report, Form 20-F, with the SEC in accordance with the Securities Exchange Act of 1934.

Pursuant to Section 81 of Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Annual Consolidated Financial Statements (Ministry of Finance Ordinance No. 24, 1999), the consolidated financial statements for the six months ended September 30, 2003 have been prepared in accordance with the accounting principles which are required in order to issue ADS, i.e., the accounting principles generally accepted in the United States of America (U.S. GAAP). The following paragraphs describe the major differences between U.S. GAAP which Nomura (the Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura) adopts and accounting principles generally accepted in Japan (Japanese GAAP), and where significant differences exist, the amount of effect to income before income taxes pursuant to Japanese GAAP.

Unrealized gains and losses on investments in equity securities

Under U.S. GAAP for broker-dealers, unrealized gains and losses on investments in equity securities are recognized in the income statement. Under Japanese GAAP, unrealized gains and losses on investments in equity securities, net of applicable income taxes, are reported in a separate component of shareholders' equity. Therefore, under Japanese GAAP, the difference has a positive impact of ¥33,039 million on income before income taxes.

Unrealized gains and losses on non-trading debt securities

Under U.S. GAAP for broker-dealers, unrealized gains and losses on non-trading debt securities are recognized in the income statement. Under Japanese GAAP, unrealized gains and losses on non-trading debt securities, net of applicable income taxes, are reported in a separate component of shareholders' equity. Therefore, under Japanese GAAP, the difference has a positive impact of ¥1,774 million on income before income taxes.

Retirement and severance benefit

Under U.S. GAAP, gain or loss resulting from experience different from that assumed or from a change in an actuarial assumption is amortized over the remaining service period of employees when such balance 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, while such gain or loss is amortized for a certain period regardless of the Corridor under Japanese GAAP. Under U.S. GAAP, additional minimum pension liabilities are provided when the accumulated benefit obligation exceeds the fair value of plan assets, while such treatment is not provided under Japanese GAAP.

Amortization of goodwill and equity method goodwill

Under U.S. GAAP, goodwill and equity method goodwill shall not be amortized and shall be tested for impairment regularly. Under Japanese GAAP, goodwill and equity method goodwill shall be amortized over certain periods within 20 years. Under U.S. GAAP, negative goodwill and equity method negative goodwill shall be written off at once when negative goodwill arises. Under Japanese GAAP, negative goodwill shall be amortized over certain periods within 20 years based on the straight-line method.

Appropriations of retained earnings

Under U.S. GAAP, appropriations of retained earnings are reflected and recorded in the consolidated financial statements in the period to which they relate. Under Japanese GAAP, a company may select the accounting method for appropriations of retained earnings to reflect and record appropriations in the consolidated financial statements either in the period to which they relate or in a subsequent period when approval for the appropriations by the board of directors has been obtained.

Table of Contents

Changes in the fair value of derivative contracts

Under U.S. GAAP, all derivative contracts, including derivative contracts that have been designated as hedges to specific assets or specific liabilities, are valued at fair value, and changes in the fair value of derivative contracts are recognized in the income statement or other comprehensive income. Under Japanese GAAP, derivative contracts that have been entered into for hedging purpose are valued at fair value and changes in the fair value of derivative contracts are deferred on the balance sheet.

Leveraged leases

Under U.S. GAAP, fixed income and expenses are recognized for each year over the period of the leveraged leases. Under Japanese GAAP, depreciation expenses arising from leased assets are recognized on a declining balance method and income and expenses are not averaged during the period of leveraged leases.

2. Summary of accounting policies:

Description of business

Nomura Holdings, Inc. and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government customers on a global basis.

Nomura's business segments are structured based on its management structure, the nature of products and services and its customer base. Nomura reports operating results in three business segments: Domestic Retail, Global Wholesale and Asset Management.

In Nomura's Domestic Retail business, Nomura receives commissions and fees from investment consultation services which it provides mainly to individual customers in Japan. Additionally, Nomura receives operational fees from asset management companies in connection with the administration services of investment trust certificates that it distributes. Nomura also receives agent commissions from insurance companies for the variable annuity insurance products it sells as an agent. In Nomura's Global Wholesale business, Nomura earns fees, commissions and other revenues by providing sales and trading services, and investment banking services mainly to institutional customers globally. In Nomura's sales and trading activities, Nomura facilitates customer transactions and trades for its own account by market-making and trading fixed income and equity securities. Nomura also provides a broad range of investment banking services, including underwriting and financial advisory services. Also, Nomura conducts proprietary transactions, including arbitrage and principal finance transactions. In Nomura's Asset Management business, Nomura develops and manages investment trusts and earns management fees for the portfolio management of investment trusts. Nomura also provides investment advisory services for pension funds and other institutional customers. Additionally, in the defined contribution business, Nomura receives commissions as a defined contribution pension plan administrator.

Basis of presentation

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The consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest. Because the usual condition for a controlling financial interest in an entity is ownership of a majority of the voting interest, the Company consolidates its majority-owned subsidiaries. A controlling financial interest can also exist in entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such entities are referred to as variable interest entities (VIEs). The Company consolidates VIEs created after January 31, 2003 where Nomura is the primary beneficiary, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. Investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of voting interest) are accounted for using the equity method of accounting and are reported in *Investments in and advances to affiliated companies*. Investments in which Nomura has neither control nor significant influence are carried at fair value.

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States (US GAAP) as applicable to broker-dealers.

Table of Contents

The Company's principal subsidiaries include Nomura Securities Co., Ltd., Nomura Securities International, Inc. and Nomura International plc.

All material inter-company transactions and balances have been eliminated on consolidation.

Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

Use of estimates

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

Fair value of financial instruments

Fair value of financial instruments is based on quoted market prices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. Fair value of exchange-traded securities and certain exchange-traded derivative contracts are generally based on quoted market prices or broker/dealer quotations. Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process.

Trading assets and trading liabilities, including derivative contracts, are recorded at fair value, and unrealized gains and losses are reflected in trading revenues. Fair values are based on quoted market prices or broker/dealer quotations where possible. If quoted market prices or broker/dealer quotations are not available or if the liquidation of Nomura's positions would reasonably be expected to impact quoted market prices, fair value is determined based on valuation pricing models that take into consideration time value and volatility factors underlying the financial instrument.

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

Private equity investments

Nomura had been actively involved in the private equity business, through its UK based PFG. As a result of a review to determine the optimum structure to run this business going forward, on March 27, 2002, Nomura restructured PFG and, as a result, contributed its investments in certain of its remaining investee companies (the PFG entities) to Terra Firma Capital Partners I (TFCP I), a limited partnership which is engaged in the private equity business. As a result of Nomura's contribution of its investments in the PFG entities to TFCP I in exchange for a limited partnership interest, Terra Firma Investments (GP) Limited (Terra Firma), the general partner of TFCP I, which is independent of Nomura, assumed control of these investments, together with one investment, Annington Holdings plc, which was not transferred to the partnership. Accordingly, Nomura ceased consolidating the investments at that time. Terra Firma Capital Partners Limited (TFCPL) has been established by former employees of Nomura to advise Terra Firma in relation to the management of TFCP I as well as the raising and investing of additional capital. With effect from March 27, 2002, Nomura accounts for its investments managed by Terra Firma (collectively referred to as the Terra Firma Investment) at fair value in accordance with accounting practices for broker-dealers.

Table of Contents

As stated above, the Terra Firma Investment are carried at fair value. Corresponding changes in the fair value of these investments are included in gains/losses on private equity investments. The determination of fair value is significant to Nomura's financial condition and results of operations and requires management to make judgments based on complex factors.

As the underlying investments are in non-publicly listed companies, there are no externally quoted market prices available. As a result, Nomura's Risk Management unit meets with TFCPL and the management teams of the underlying investments to discuss, among other things, Terra Firma's valuation of the investments, current business performance, actual versus budgeted results, revised full year projections and the status of major initiatives to boost sales, or reduce operating costs. Terra Firma also provides regular performance reports for each investment. The information obtained from these meetings and reports, together with comparisons made to similar quoted businesses and, in the case of any property based investments, input from external advisors allows Nomura to produce its own estimates of the fair value for each underlying investment.

In estimating fair value, Nomura estimates the price that would be obtained between a willing buyer and a willing seller dealing at arm's length.

Valuations are typically based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital. The cost of capital is estimated, where possible, by reference to quoted comparables with a similar risk profile. Cash flows are derived from bottom up, detailed projections prepared by management of each respective investment. These projections will reflect the business drivers specific to each investment.

Examples of the factors affecting the business valuations are set out in the table below:

<u>Sector</u>	<u>Valuation Factors</u>
Hotels	Room rate achieved and occupancy, which in turn are driven by business and leisure travel. Revenue from conference facilities and food and beverage sales. Staff and other costs and central overheads.
Real Estate	Sales values, leaseback and open market rental values achieved, driven by underlying demand for housing in both the homeowner and rental markets. Property holding and refurbishment and head office costs. Availability and cost of finance.
Consumer Finance	Number of rental agreements outstanding, average revenue per rental agreement (taking into account arrears), rental acquisition costs, rental maintenance costs, as well as overheads and head office costs.
Retail	Market share, changes in market size, underlying trends in consumer behavior. Gross margin and operating costs, including outlet overheads and head office costs.
Services	Contract terms negotiated at beginning of contract. Initial contract set up costs and capital expenditure. Ongoing servicing costs, including staff costs and central overheads. Additional contracts and additional non-contracted works. Availability and cost of finance.

Where possible these valuations are compared with price/earnings data for comparable quoted companies or recent market price data for comparable transactions. Any significant differences are analyzed and consideration given to whether this analysis indicates an adjustment to the Discounted Cash Flow valuation is required. While it is likely that certain potential purchasers may have special interests in the relevant investments that would allow them to justify a premium price, such as synergy or strategic benefits, no such premium has been included within the valuation models. Conversely, no discounts have been taken for the fact that there may only be a limited number of potential purchasers of the investments. These valuations are then stress tested to assess the impact of particular risk factors. Examples of such stress tests include:

Table of Contents

Stressing exit assumptions, either by altering the timing or the exit multiple used. In particular, using exit multiples in line with 5-year lows of trading multiples for similar companies are considered

Stressing growth assumptions, to assume lower growth. Where possible, the impact of a mild recession is considered

Removing or curtailing any assumptions about increases in operating margins.

An assessment of the results of the fair value exercise and the stress tests allows the final estimated valuation to be established. The fair value of Terra Firma investments represents the sum of the fair values of the individual investments less any performance bonuses that may be payable, either to the management team of a particular business or to Terra Firma.

For recently acquired investments (i.e., those acquired within 12 months), fair value is equal to acquisition cost unless there has been a material change to the operating performance of the specific investment or a significant event has occurred in the marketplace.

The use of different valuation models, methodologies or assumptions could produce materially different estimates of fair value, which could materially affect the results of operations or statement of financial condition.

Transfers of financial assets

Nomura accounts for the transfer of financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140). This statement requires that Nomura account for the transfer of financial assets, as a sale when Nomura relinquishes control over the asset. SFAS 140 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received and (c) the transferor has not maintained effective control over the transferred assets. In connection with its securitization activities, Nomura utilizes special purpose entities principally for (but not limited to) the securitization of commercial and residential mortgages, home equity loans, government and corporate bonds, and lease and trade receivables. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets.

Nomura has historically used special purpose entities, or SPE vehicles, as conduits, and has generally not retained a financial interest in the asset securitizations. In conduit transactions, Nomura serves as the administrator and provides contingency liquidity support. Conduits provide clients with a way to access liquidity in the commercial paper markets by allowing clients to sell assets to the conduit, which in return issues commercial paper to fund the purchases. The commercial paper issued by the conduits is supported with sufficient collateral, other credit enhancement, and liquidity support to receive at least an A-1 or P-1 rating. Nomura may obtain an interest in the financial assets in the future, which may include residual interests in the special purpose entities established to facilitate the securitization. Any such interests would be included in *Securities inventory* within Nomura's balance sheet. Nomura records its securities inventory, including such interests, at fair value with any changes in fair value included in revenues.

Foreign currency translation

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The financial statements of the Company's subsidiaries outside Japan are measured using their functional currency. All assets and liabilities of foreign subsidiaries are translated into Japanese yen at exchange rates in effect at the balance sheet date; all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported as *Cumulative translation adjustments* in shareholders' equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date and the resulting translation gains or losses are currently credited or charged to income.

Fee revenue

Commissions charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. Fees from investment banking include securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when related services are performed. Asset management fees are accrued as earned.

Table of Contents

Trading assets and trading liabilities

Trading assets and trading liabilities, including contractual commitments arising pursuant to derivative transactions, are recorded on the consolidated balance sheets on a trade date basis at fair value with the related gains and losses recorded in *Net gain on trading* in the consolidated income statements.

Securities financing transactions

Repurchase and reverse repurchase transactions (Repo transactions) principally involve the buying or selling of Government and Government agency securities under agreements with customers to resell or repurchase these securities to or from those customers. Nomura takes possession of securities purchased under agreements to resell while providing collateral to counterparties to collateralize securities sold under agreements to repurchase. Nomura monitors the value of the underlying securities on a daily basis relative to the related receivables and payables, including accrued interest, and requests or returns additional collateral when deemed appropriate. Repo transactions are accounted for as collateralized financing transactions and are recorded on the consolidated balance sheets at the amount at which the securities will be repurchased or resold, as appropriate.

Repo transactions are presented on the accompanying consolidated balance sheets net-by-counterparty, where net presentation is consistent with Financial Accounting Standards Board Interpretation (FIN) No. 41, Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements.

Securities borrowed and securities loaned are accounted for as financing transactions. Securities borrowed and securities loaned that are cash collateralized are recorded on the accompanying consolidated balance sheets at the amount of cash collateral advanced or received. Securities borrowed transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities loaned transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.

Historically, Nomura engaged in Gensaki transactions which originated in the Japanese financial markets. Gensaki transactions involved the selling of commercial paper, certificates of deposit, Japanese government bonds and various other debt securities to an institution wishing to make a short-term investment, with Nomura agreeing to reacquire them from the institution on a specified date at a specified price. The repurchase price reflects the current interest rates in the money markets and any interest derived from the securities. There are no margin requirements for Gensaki transactions nor is there any right of security substitution. As such, Gensaki transactions are recorded as sales in the consolidated income statements and the related securities and obligations to repurchase such Gensaki securities are not reflected in the accompanying consolidated balance sheets.

New Gensaki transactions (Gensaki Repo transactions) started in the Japanese financial markets in 2001. Gensaki Repo transactions contain margin requirements, rights of security substitution, or restrictions on the customer's right to sell or repledge the transferred securities. Accordingly, Gensaki Repo transactions are accounted for as collateralized financing transactions and are recorded on the consolidated balance sheets at the amount that the securities will be repurchased or resold, as repurchase and reverse repurchase transactions.

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On the consolidated balance sheets, all Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including Gensaki Repo transactions, are classified as *Securities pledged as collateral* in accordance with SFAS 140.

Derivatives

Trading

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, in its trading activities and in the management of its interest rate, market price and currency exposures.

Those derivative financial instruments used in trading activities are valued at market or estimated fair value with the related gains and losses recorded in *Net gain on trading*. Unrealized gains and losses arising from Nomura's dealings in over-the-counter derivative financial instruments are presented in the accompanying consolidated balance sheets on a net-by-counterparty basis where net presentation is consistent with FIN No. 39, *Offsetting of Amounts Related to Certain Contracts*.

Table of Contents

Non-trading

In addition to its trading activities, Nomura, as an end user, uses derivative financial instruments to manage its interest rate and currency exposures or to modify the interest rate characteristics of certain non-trading assets and liabilities.

These derivative financial instruments are linked to specific assets or specific liabilities and are designated as hedges as they are effective in reducing the risk associated with the exposure being hedged, and they are highly correlated with changes in the market or fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Nomura applies fair value hedge accounting to these hedging transactions, and the relating unrealized profit and losses are recognized together with those of the hedged assets and liabilities as interest revenue or expenses.

Derivatives that do not meet these criteria are carried at market or fair value and with changes in value included currently in earnings.

Allowance for loan losses

Loans receivable consist primarily of margin transaction loans related to broker dealers (margin transaction loans), loans receivable in connection with banking/financing activities (banking/financing activities loans) and loans receivable from financial institutions in the inter-bank money market used for short-term financing (inter-bank money market loans).

Allowances for loan losses on margin transactions loans and inter-bank money market loans are provided for based primarily on historical loss experience.

Allowances for loan losses on banking/financing activities loans reflect management's best estimate of probable losses. The evaluation includes an assessment of the ability of borrowers to pay by considering various factors such as changes in the nature of the loan, volume of the loan, deterioration of pledged collateral, delinquencies and the current financial situation of the borrower.

Office buildings, land, equipment and facilities

Office buildings, land, equipment and facilities, which consist mainly of computer installations and software, are stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged currently to income.

Depreciation is generally computed by the declining-balance method and at rates based on estimated useful lives of each asset according to general class, type of construction and use. Amortization is generally computed by the straight-line method over the estimated useful lives. The estimated useful lives are generally as follows:

Office buildings	15 to 50 years
Equipment and installations	3 to 6 years
Software	5 years

Depreciation and amortization is included in *Information processing and communications* in the amount of ¥12,095 million, ¥14,298 million and ¥25,570 million, and is included in *Occupancy and related depreciation* in the amount of ¥2,825 million, ¥2,454 million and ¥5,678 million for the six months ended September 30, 2002 and 2003, and for the year ended March 31, 2003, respectively.

Long-lived assets

As required by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated undiscounted cash flow is less than the carrying amount of the assets, a loss is recognized based on the market or fair value.

These charges were incurred as a result of Nomura's analysis to determine if there was any impairment of long-lived assets and significant decreases in the market or fair value of certain assets were identified. The revised carrying values of these assets were based on the market or fair value of the assets.

Table of Contents

Investments in equity securities and non-trading debt securities

Nomura's investments in equity securities consist of marketable and non-marketable equity securities that have been acquired for Nomura's operating purposes and other than operating purposes. For Nomura's operating purposes, Nomura holds such investments for the long-term in order to promote existing and potential business relationships. In doing so, Nomura is following customary business practices in Japan which, through cross-shareholdings, provide a way for companies to manage their shareholder relationships. Such investments consist mainly of equity securities of various financial institutions such as Japanese commercial banks, regional banks and insurance companies. Nomura also holds equity securities such as stock exchange memberships for other than operating purposes. In accordance with US GAAP for broker-dealers, investments in equity securities for Nomura's operating purposes and other than operating purposes are recorded at fair value and unrealized gains and losses are recognized currently in income.

Investments in equity securities for Nomura's operating purposes recorded as *Investments in equity securities* in the consolidated balance sheets are comprised of listed equity securities and unlisted equity securities in the amounts of ¥131,180 million and ¥39,510 million at September 30, 2002, ¥119,270 million and ¥31,195 million at September 30, 2003, and ¥93,176 million and ¥44,908 million at March 31, 2003, respectively.

Investments in equity securities for other than operating purposes are included in the consolidated balance sheets in *Other assets - Other* and such investments are mainly comprised of unlisted equity securities.

Non-trading debt securities are recorded at market or fair value together with the related hedges and the related gains and losses are recorded in *Revenue - Other* in the consolidated income statements.

Income taxes

In accordance with SFAS No. 109, *Accounting for Income Taxes*, deferred tax assets and liabilities are recorded for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of the assets and liabilities based upon enacted tax laws and rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Income taxes of Japanese entities have been accounted for based on the consolidated tax return system from the six months ended September 30, 2002.

Stock-based compensation

At September 30, 2003, Nomura has three stock-based compensation plans. The first commenced in August 2000, the second commenced in August 2002, and the third commenced in July 2003. Prior to April 1, 2002, Nomura accounted for the first plan under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Effective April 1, 2002, Nomura adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* and applied the

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modified prospective method under the provisions of SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure . Due to the application, the compensation and benefits increased by ¥87 million, and income before income taxes decreased by the same amount in the six months ended September 30,2002. Compensation cost recognized in the six months ended September 30, 2003 and the year ended March 31, 2003 is the same as that which would have been recognized had the recognition provisions of SFAS No. 123 been applied from its original effective date. Results for prior years have not been restated.

Earnings per share

In accordance with SFAS No. 128, Earnings per Share , the computation of basic earnings per share is based on the average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilutive effect of convertible bonds, warrants and stock acquisition rights.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposits with banks.

Table of Contents

Goodwill, intangible assets and negative goodwill

In June 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires that negative goodwill that arises in a business combination completed after June 30, 2001 be written off immediately. SFAS No. 141 also requires that any unamortized negative goodwill arising from business combinations completed before July 1, 2001 be written off and recognized as a cumulative effect of a change in accounting principle when SFAS No. 142 is adopted. SFAS No. 142 no longer permits the amortization of goodwill and intangible assets with indefinite lives. Instead these assets must be reviewed annually, or more frequently in certain circumstances, for impairment. Intangible assets that have determinable lives will continue to be amortized over their useful lives and reviewed for impairment.

Goodwill recorded prior to July 1, 2001 was recognized as the excess of acquisition cost over the fair value of net assets acquired and was being amortized over 10 to 20 years on a straight-line basis. The amortization of goodwill is included in *Non-interest expenses - Other*. Goodwill recorded after June 30, 2001 and, upon adoption of SFAS No. 142, goodwill acquired prior to July 1, 2001 is not amortized. Nomura periodically assesses the recoverability of goodwill by comparing the fair value of the businesses to which goodwill relates to the carrying amount of the businesses including goodwill. If such assessment indicates that the fair value is less than the related carrying amount, a goodwill impairment determination is made.

Prior to the year ended March 31, 2003, negative goodwill, which was recognized as the excess of the fair value of net assets acquired over the acquisition cost, was included in *Other liabilities - Other* on the accompanying balance sheets, and was being amortized over a 10 year period, on a straight-line basis. The amortization of negative goodwill was included in *Non-interest expenses - Other*. Nomura adopted SFAS No. 142 effective April 1, 2002, which resulted in the write-off of negative goodwill arising from a previous business combination of ¥109,799 million, net of taxes, as of March 31, 2002 in the year ended March 31, 2003.

New accounting pronouncements

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* an interpretation of ARB No. 51 (*FIN 46*). *FIN 46* provides guidance on what constitutes a variable interest entity (*VIE*) and the circumstances under which it is to be consolidated. Public entities were required to apply the provisions of *FIN 46* to *VIEs* created before February 1, 2003, in the period beginning after June 15, 2003, i.e., July 1, 2003 in Nomura's case.

On October 10, 2003, the FASB issued FASB Staff Position No. *FIN 46-6* (the *FSP*), which deferred the effective date for applying the provisions of *FIN 46* by public entities to *VIEs* created before February 1, 2003, until the end of the period ending after December 15, 2003, i.e., December 31, 2003 in Nomura's case. The *FSP* also deferred the effective date for applying *FIN 46* to non-registered investment companies until the AICPA finalizes its proposed Statement of Position (*SOP*) on the clarification of the scope of the Audit Guide (AICPA Audit and Accounting Guide - Audits of Investment Companies) and accounting by parent companies and equity method investors for investments in investment companies.

As a result of the *FSP*, Nomura did not apply the provisions of *FIN 46* to variable interests in *VIEs* created before February 1, 2003, in its consolidated financial information for the period ended September 30, 2003. Nomura estimates at this time that applying *FIN 46* will not have a material impact on its consolidated financial statement as of and for the year ended March 31, 2004.

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In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group (DIG) process that effectively required amendments to SFAS No. 133, and decisions made in connection with other FASB projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative and characteristics of a derivative that contains financing components. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The implementation of SFAS No. 149 did not have a material impact on Nomura's consolidated financial statement for the six months ended September 30, 2003.

Table of Contents

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 requires an issuer to classify certain financial instruments with characteristics of both liabilities and equity as liabilities (or an asset in some circumstances). Many of those instruments were previously classified as equity. Under SFAS No. 150, certain financial instruments issued in the form of shares that are mandatorily redeemable, that embody an obligation to repurchase the issuer's equity shares, and that the issuer must or may settle by issuing a variable number of its equity shares, are classified as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation of SFAS No. 150 did not have a material impact on Nomura's consolidated financial statement for the six months ended September 30, 2003.

3. Securities inventory and securities sold but not yet purchased

Securities inventory, including securities, which are classified as pledged as collateral, and securities sold but not yet purchased consist of trading securities at fair value classified as follows:

	Millions of yen					
	September 30				March 31	
	2002		2003		2003	
	Securities sold but Securities inventory	not yet purchased	Securities inventory	not yet purchased	Securities inventory	Securities Purchased
Equity securities and convertible bonds	¥ 1,719,165	¥ 715,358	¥ 1,927,227	¥ 1,947,988	¥ 1,669,100	¥ 907,635
Government and government agency bonds	3,674,803	1,539,073	5,526,349	4,222,651	3,840,167	2,260,809
Bank and corporate debt securities	1,284,532	234,641	1,384,773	218,178	1,382,211	204,231
Commercial paper and certificates of deposit	123,946		27,999		34,012	
Options and warrants	68,872	48,396	55,986	32,942	38,033	27,191
Mortgage and mortgage-backed securities	864,184	1,270	757,388	5,532	1,007,928	1,750
Beneficiary certificates and other	726,156		1,307,400		540,749	99
	¥ 8,461,658	¥ 2,538,738	¥ 10,987,122	¥ 6,427,291	¥ 8,512,200	¥ 3,401,715

4. Derivatives utilized for trading purposes

The table below discloses the fair values of derivative financial instruments for trading purposes held or issued by Nomura. These amounts are not reported net of collateral, which Nomura obtained to reduce credit risk exposure.

Millions of yen

	September 30		March 31
	2002	2003	2003
Trading Assets:			
Foreign exchange forwards	¥ 20,771	¥ 55,513	¥ 16,558
FRA ⁽¹⁾ and other OTC ⁽²⁾ forwards	953	573	296
Swap agreements	261,026	292,900	410,912
Options other than securities options purchased	134,974	177,320	75,651
Sub-total	417,724	526,306	503,417
Securities options purchased ⁽³⁾	64,414	55,954	37,704
Total	¥ 482,138	¥ 582,260	¥ 541,121

Millions of yen

	September 30		March 31
	2002	2003	2003
Trading Liabilities:			
Foreign exchange forwards	¥ 18,908	¥ 69,426	¥ 16,999
FRA and other OTC forwards	1,392	600	8
Swap agreements	235,447	348,229	443,408
Options other than securities options written	104,254	111,756	26,590
Sub-total	360,001	530,011	487,005
Securities options written ⁽³⁾	44,582	30,902	26,900
Total	¥ 404,583	¥ 560,913	¥ 513,905

(1) FRA is Forward Rate Agreements.

(2) OTC is Over The Counter.

(3) Included in *Securities inventory* and *Securities sold but not yet purchased*, as appropriate

Table of Contents**5. The balance of receivables and payables under securities financing transactions**

Nomura enters into secured borrowing and lending transactions mainly to meet customers' needs and finance trading inventory positions. The balance of receivables and payables under resale and repurchase agreements and securities borrowed and loaned transactions are as follows:

	Millions of yen		
	September 30		March 31
	2002	2003	2003
Receivables under:			
Resale agreements	¥ 3,368,744	¥ 4,221,030	¥ 4,224,229
Securities borrowed transactions	3,548,058	7,778,130	4,378,941
Total	¥ 6,916,802	¥ 11,999,160	¥ 8,603,170
Payables under:			
Repurchase agreements	¥ 5,985,258	¥ 8,161,227	¥ 7,024,677
Securities loaned transactions	3,743,700	5,534,591	3,927,458
Total	¥ 9,728,958	¥ 13,695,818	¥ 10,952,135

6. Assets pledged:

In many cases, Nomura is permitted to use its securities to secure repurchase agreements, enter into securities lending transactions or deliver to counterparties to cover short positions. The related balances are as follows:

	Billions of yen		
	September 30		March 31
	2002	2003	2003
The fair value of securities received as collateral where Nomura is permitted to sell or repledge the securities	¥ 11,251	¥ 17,362	¥ 13,056
The portion of the above that has been sold (included in <i>Securities sold but not yet purchased</i> on the consolidated balance sheets) or repledged	9,765	14,593	10,881

Nomura pledges firm-owned securities to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party, including Gensaki Repo transactions, are classified as *Securities pledged as collateral* on the consolidated balance sheets.

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Securities and loans receivables owned by Nomura, which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them, are summarized in the table below:

	Millions of yen		
	September 30		March 31
	2002	2003	2003
Trading assets:			
Equity securities and convertible bonds	¥ 64,702	¥ 299,918	¥ 286,940
Government and government agency bonds	370,152	456,211	365,585
Bank and corporate debt securities	387,839	639,603	749,398
Warrants	8,645	32	172
Mortgage and mortgage-backed securities	701,584	638,779	842,561
	<u>¥ 1,532,922</u>	<u>¥ 2,034,543</u>	<u>¥ 2,244,656</u>
Loans receivables and Investments:			
Loans receivable	¥	¥ 58,737	¥ 43,367
Non-trading debt securities	111,218	44,484	50,483
	<u>¥ 111,218</u>	<u>¥ 103,221</u>	<u>¥ 93,850</u>

Table of Contents

In the normal course of business, certain of Nomura's assets are pledged to collateralize borrowing transactions, securities financing transactions, derivative transactions and for other purposes. The carrying value of assets pledged, except for those disclosed in the above table, are as follows:

	Millions of yen		
	September 30		March 31
	2002	2003	2003
Trading securities	¥ 994,779	¥ 1,015,211	¥ 773,267
Non-trading debt securities	1,030		
Land and buildings	8,628		8,606
	<u>¥ 1,004,437</u>	<u>¥ 1,015,211</u>	<u>¥ 781,873</u>

Assets in the above table were mainly pledged to financial institutions for loan payable and derivative transactions.

In addition, Nomura repledged ¥133,774 million, ¥54,858 million and ¥168,472 million of securities borrowed at September 30, 2002 and 2003 and March 31, 2003, respectively, as collateral for bank loans and other loans.

7. Earnings per share:

The reconciliation of the amounts and the numbers used in the basic and diluted earnings per share (EPS) computations is as follows:

	Yen amounts in millions		
	except per share data presented in yen		
	Six months ended September 30	Year ended March 31	
	2002	2003	2003
Basic -			
Income before cumulative effect of accounting change applicable to common stock	¥ 21,271	¥ 86,686	¥ 10,114
Cumulative effect of accounting change applicable to common stock	109,799		109,799
Net income applicable to common stock	<u>¥ 131,070</u>	<u>¥ 86,686</u>	<u>¥ 119,913</u>
Weighted average number of shares outstanding (in thousands)	<u>1,965,537</u>	<u>1,938,752</u>	<u>1,957,316</u>

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Basic EPS:			
Income before cumulative effect of accounting change	¥ 10.82	¥ 44.71	¥ 5.17
Cumulative effect of accounting change	55.86		56.09
	<u> </u>	<u> </u>	<u> </u>
Net income	¥ 66.68	¥ 44.71	¥ 61.26
	<u> </u>	<u> </u>	<u> </u>
Diluted -			
Income before cumulative effect of accounting change applicable to common stock	¥ 21,271	¥ 86,686	¥ 10,114
Cumulative effect of accounting change applicable to common stock	109,799		109,799
	<u> </u>	<u> </u>	<u> </u>
Net income applicable to common stock	¥ 131,070	¥ 86,686	¥ 119,913
	<u> </u>	<u> </u>	<u> </u>
Weighted average number of shares outstanding used in diluted EPS computations (in thousands)	1,965,537	1,938,752	1,957,316
	<u> </u>	<u> </u>	<u> </u>
Diluted EPS:			
Income before cumulative effect of accounting change	¥ 10.82	¥ 44.71	¥ 5.17
Cumulative effect of accounting change	55.86		56.09
	<u> </u>	<u> </u>	<u> </u>
Net income	¥ 66.68	¥ 44.71	¥ 61.26
	<u> </u>	<u> </u>	<u> </u>

Table of Contents

At September 30, 2002, there were 6,647 thousand shares of potential common stock related to convertible bonds, which did not have a dilutive effect and thus were not included in the above calculations. There were warrants and options to purchase 3,322 thousand, 5,445 thousand, and 3,230 thousand shares of common stock at September 30, 2002 and 2003, and March 31, 2003 respectively, which were not included in the computation of diluted EPS because their exercise prices were greater than the average market prices of the common shares for each period.

8. Credit commitments:

Nomura enters into, in the normal course of its subsidiaries' banking/financing activities, contractual commitments to extend credit, standby letters of credit, underwriting commitments and issuance of financial guarantees, which generally have a fixed expiration date.

Contractual amounts of these commitments at September 30, 2002 were as follows:

	<u>Millions of yen</u>
	<u>September 30,</u>
	<u>2002</u>
Commitments to extend credit and note issuance facility	¥ 135,172
Standby letters of credit and financial guarantees	44,618

9. Credit and investment commitments and guarantees:

In November 2002, the FASB issued FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 specifies the disclosures to be made about obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation. The recognition and measurement provisions of the interpretation apply prospectively to guarantees issued or amended after December 31, 2002. The disclosure provisions are effective with Nomura's year ended March 31, 2003.

Credit and investment commitments

Nomura has provided to counterparties through subsidiaries, in connection with its banking/financing activities, commitments to extend credit, which generally have a fixed expiration date. In connection with its investment banking activities, Nomura has entered into agreements with customers under which Nomura has committed to underwrite notes that may be issued by the customers. The outstanding commitments under these agreements are included in Commitments to extend credit. Nomura has also had commitments in connection with its merchant banking activities.

Contractual amounts of these commitments at September 30, 2003 and March 31, 2003 were as follows:

	Millions of yen	
	September 30	March 31
	2003	2003
Commitments to extend credit and commitments in connection with merchant banking activities	¥ 156,965	¥ 247,344

Guarantees

Nomura enters into, in the normal course of its subsidiaries' banking/financing activities, various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the FIN No. 45 definition of guarantees. FIN No.45 defines guarantees to include derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security of a guaranteed party. These derivative contracts include certain written options and credit default swaps. Because Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed information about derivative contracts that could meet the FIN No. 45 definition of guarantees.

Table of Contents

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

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura does not monitor its risk exposure to such derivative contracts based on notional amounts, rather Nomura manages its risk exposure on a fair value basis. Overall risk limits have been established and the extent of risk exposure is routinely monitored against these limits. Nomura believes the notional amounts generally overstate its risk exposure.

The following table sets forth maximum potential payout/notional about Nomura's derivative contracts that could meet the definition of a guarantee and certain other guarantees at September 30, 2003 and March 31, 2003:

	Millions of yen	
	September 30 2003	March 31 2003
Derivative contracts	¥ 12,389,628	¥ 6,898,950
Standby letters of credit and other guarantees	24,139	49,449

10. Segment information:**Operating segments**

Nomura reports its results in three distinct core segments: Domestic Retail, Global Wholesale, and Asset Management. Nomura structures its business segments based upon the nature of specific products and services, its main customer base and its management structure.

The accounting policies for segment information materially follow US GAAP, except as described below:

The impact of unrealized gains/losses on long-term investments in equity securities held for relationship purposes, which under US GAAP is included in net income, is excluded from segment information.

Investments in the private equity investee companies are treated as private equity positions for management reporting purposes, as management views these entities not as operating subsidiaries but as investments held for ultimate sale and the realization of capital gains. Any changes in management's estimate of fair value of these investments are included in the non-interest revenue line under Global Wholesale. For the six months ended September 30, 2002 and 2003, and for the year ended March 31, 2003, these investments were not shown at fair value, but were consolidated at historical cost under US GAAP. The impact of consolidating/deconsolidating the private equity investee companies, including the elimination impact under US GAAP, is excluded from the segment information and described in the reconciliation table.

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

Business segments' results for the six months ended September 30, 2002 and 2003, and for the year ended March 31, 2003 are shown in the following table. Business segments' information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

Table of Contents

	Millions of yen				Total
	Domestic	Global	Asset	Other	
	Retail	Wholesale	Management	(Inc. elimination)	
Six months ended September 30, 2002					
Non-interest revenue	¥ 122,573	¥ 97,645	¥ 20,138	¥ 2,956	¥ 243,312
Net interest revenue	1,204	47,510	(32)	11,393	60,075
Net revenue	123,777	145,155	20,106	14,349	303,387
Non-interest expenses	108,429	99,707	17,677	15,936	241,749
Income (loss) before income taxes	¥ 15,348	¥ 45,448	¥ 2,429	¥ (1,587)	¥ 61,638
Six months ended September 30, 2003					
Non-interest revenue	¥ 149,787	¥ 163,829	¥ 15,231	¥ (10,637)	¥ 318,210
Net interest revenue	775	45,279	1,071	12,151	59,276
Net revenue	150,562	209,108	16,302	1,514	377,486
Non-interest expenses	111,117	113,756	18,709	7,375	250,957
Income (loss) before income taxes	¥ 39,445	¥ 95,352	¥ (2,407)	¥ (5,861)	¥ 126,529
Year ended March 31, 2003					
Non-interest revenue	¥ 246,938	¥ 196,675	¥ 34,828	¥ (2,966)	¥ 475,475
Net interest revenue	2,313	101,794	2,232	20,939	127,278
Net revenue	249,251	298,469	37,060	17,973	602,753
Non-interest expenses	213,562	207,436	33,866	58,678	513,542
Income (loss) before income taxes	¥ 35,689	¥ 91,033	¥ 3,194	¥ (40,705)	¥ 89,211

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

The following table presents the major components of income/(loss) before income taxes in Other.

	Millions of yen		
	Six months ended September 30		Year ended March 31
	2002	2003	2003
(Loss)/gain on undesignated hedging instruments included in Net gain on trading	¥ (1,753)	¥ (11,680)	¥ 2,065

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Gain/(Loss) on investment securities	10,892	(556)	(561)
Equity in income/(losses) of affiliates	353	2,394	(3,842)
Corporate items	(678)	(8,461)	(9,356)
Impairment loss on investment in an affiliated company			(21,165)
Others	(10,401)	12,442	(7,846)
	<u> </u>	<u> </u>	<u> </u>
Total	¥ (1,587)	¥ (5,861)	¥ (40,705)
	<u> </u>	<u> </u>	<u> </u>

The table below presents reconciliation of the combined business segments results included in the preceding table to Nomura's reported net revenue and income before income taxes and cumulative effect of accounting change in the consolidated income statements.

	Millions of yen		
	Six months ended	Year ended	
	September 30	March 31	
	2002	2003	2003
	<u> </u>	<u> </u>	<u> </u>
Net revenue	¥ 303,387	¥ 377,486	¥ 602,753
Unrealized (loss)/gain on investments in equity securities held for relationship purpose	(21,675)	33,039	(43,017)
Effect of consolidation/deconsolidation of the private equity investee companies	1,703	4,249	6,538
	<u> </u>	<u> </u>	<u> </u>
Consolidated net revenue	¥ 283,415	¥ 414,774	¥ 566,274
	<u> </u>	<u> </u>	<u> </u>
Income before income taxes	¥ 61,638	¥ 126,529	¥ 89,211
Unrealized (loss)/gain on investments in equity securities held for relationship purpose	(21,675)	33,039	(43,017)
Effect of consolidation/deconsolidation of the private equity investee companies	674	(317)	1,215
	<u> </u>	<u> </u>	<u> </u>
Consolidated income before income taxes and cumulative effect of accounting change	¥ 40,637	¥ 159,251	¥ 47,409
	<u> </u>	<u> </u>	<u> </u>

Table of Contents**Geographic Information**

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

The table below presents a geographic allocation of net revenue and income (loss) before income taxes and cumulative effect of accounting change from operations by geographic areas, and long-lived assets associated with Nomura's operations. Net revenue in Americas and Europe substantially represents Nomura's operations in the United States and the United Kingdom, respectively.

	Millions of yen		
	Six months ended		Year ended
	September 30		March 31
	2002	2003	2003
Net revenue:			
Americas	¥ 25,338	¥ 26,757	¥ 58,019
Europe	14,229	31,475	47,872
Asia and Oceania	5,824	5,798	8,902
Sub-total	45,391	64,030	114,793
Japan	238,024	350,744	451,481
Consolidated	¥ 283,415	¥ 414,774	¥ 566,274

	Millions of yen		
	Six months ended		Year ended
	September 30		March 31
	2002	2003	2003
Income (loss) before income taxes and cumulative effect of accounting change:			
Americas	¥ 4,362	¥ (2,060)	¥ 14,851
Europe	(20,582)	(6,138)	(34,314)
Asia and Oceania	(3,384)	(3,929)	(10,026)
Sub-total	(19,604)	(12,127)	(29,489)
Japan	60,241	171,378	76,898
Consolidated	¥ 40,637	¥ 159,251	¥ 47,409

	Millions of yen		
	September 30		March 31
	2002	2003	2003
Long-lived assets:			
Americas	¥ 9,758	¥ 7,788	¥ 9,938
Europe	38,800	38,411	38,451
Asia and Oceania	1,275	1,921	1,630
Sub-total	49,833	48,120	50,019
Japan	138,433	139,553	145,134
Consolidated	¥ 188,266	¥ 187,673	¥ 195,153

There is no revenue derived from transactions with a single major external customer for the six months ended September 30, 2002 and 2003 and for the year ended March 31, 2003.

11.