NOMURA HOLDINGS INC
Form 6-K
July 27, 2017
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of July 2017

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F ______

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

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

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On June 26, 2017, Nomura Holdings, Inc. filed its Annual Securities Report for the year ended March 31, 2017 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Act.

Information furnished on this form:

EXHIBITS

Exhibit Number

1. English translation of certain items disclosed in the Annual Securities Report pursuant to the Financial Instruments and Exchange Act for the fiscal year ended March 31, 2017.

2. English translation of Management s Report on Internal Control over Financial Reporting and Confirmation Letter.

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SIGNATURE

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

NOMURA HOLDINGS, INC.

Date: July 27, 2017

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

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EXHIBIT 1

Annual Securities Report Pursuant to the Financial Instruments and Exchange Act for the Fiscal Year Ended March 31, 2017

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An English translation of the underlined items above is included in this document.

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PART I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data.

(1) Selected consolidated financial data for the latest five fiscal years.

Year ended March 31	2013	2014	2015	2016	2017
Total revenue (millions of yen)	2,079,943	1,831,844	1,930,588	1,723,096	1,715,516
Net revenue (millions of yen)	1,813,631	1,557,070	1,604,176	1,395,681	1,403,197
Income (loss) before income taxes (millions of yen)	237,730	361,614	346,759	165,158	322,795
Net income (loss) attributable to Nomura Holdings, Inc. (NHI) shareholders (millions of yen)	107,234	213,591	224,785	131,550	239,617
Comprehensive income (loss) attributable to NHI shareholders (millions of yen)	194,988	291,622	347,888	32,791	208,995
Total equity (millions of yen)	2,318,983	2,553,213	2,744,946	2,743,015	2,843,791
Total assets (millions of yen)	37,942,439	43,520,314	41,783,236	41,090,167	42,852,078
Shareholders equity per share (yen)	618.27	676.15	752.40	748.32	790.70
Net income (loss) attributable to NHI common shareholders per share basic (yen)	29.04	57.57	61.66	36.53	67.29
Net income (loss) attributable to NHI common shareholders per share diluted (yen)	28.37	55.81	60.03	35.52	65.65
Total NHI shareholders equity as a percentage of total assets (%)	6.0	5.8	6.5	6.6	6.5
Return on shareholders equity (%)	4.87	8.88	8.61	4.87	8.73
Price/earnings ratio (times)	19.87	11.50	11.45	13.77	10.28
Cash flows from operating activities (millions of yen)	549,501	457,426	(77,028)	1,238,372	1,305,025
Cash flows from investing activities (millions of yen)	(160,486)	(103,195)	12,337	(23,711)	(118,051)
Cash flows from financing activities (millions of yen)	(701,623)	289,385	(178,206)	986,387	(2,130,644)
Cash and cash equivalents at end of the year (millions of yen)	805,087	1,489,792	1,315,408	3,476,261	2,536,840
Number of staffs	27,956	27,670	28,672	28,865	28,186
[Average number of temporary staffs, excluded from above]	[6,372]	[4,266]	[4,419]	[4,677]	[4,749]

1 The selected financial data of Nomura Holdings, Inc. and its consolidated subsidiaries (Nomura) were stated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

2 *Shareholders equity per share, Total NHI shareholders equity as a percentage of total assets, Return on shareholders equity* are calculated using Total NHI shareholders equity.

3 The consumption tax and local consumption tax on taxable transaction are accounted for based on the tax exclusion method.

4 Certain contract employees are included in Number of staffs.

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(2) Selected stand-alone financial data for the latest five fiscal years

Year ended March 31,	**2013**	**2014**	**2015**	**2016**	**2017**
Operating revenue (millions of yen)	278,523	399,318	461,912	585,394	437,187
Ordinary income (millions of yen)	67,577	185,224	235,519	353,058	209,221
Net income (loss) (millions of yen)	42,210	107,858	294,816	419,507	205,936
Common stock (millions of yen)	594,493	594,493	594,493	594,493	594,493
Number of issued shares (thousands of shares)	3,822,563	3,822,563	3,822,563	3,822,563	3,822,563
Shareholders equity (millions of yen)	1,875,723	1,918,276	2,095,108	2,421,160	2,526,761
Total assets (millions of yen)	5,775,850	6,190,114	6,641,723	7,379,122	6,423,868
Shareholders equity per share (yen)	492.88	504.02	569.56	670.77	715.96
Dividend per share (yen)	8.00	17.00	19.00	13.00	20.00
The first quarter					
The second quarter	2.00	8.00	6.00	10.00	9.00
The third quarter					
The end of a term (the fourth quarter)	6.00	9.00	13.00	3.00	11.00
Net income (loss) per share (yen)	11.42	29.06	80.85	116.47	57.82
Net income per share diluted (yen)	11.16	28.18	78.72	113.33	56.44
Shareholders equity as a percentage of total assets (%)	31.7	30.3	30.9	32.2	38.8
Return on shareholders equity (%)	2.33	5.82	15.02	18.97	8.47
Price/earnings ratio (times)	50.52	23.49	8.97	4.44	12.26
Payout ratio (%)	70.32	58.53	23.29	11.16	34.39
Dividend on shareholders equity (%)	1.62	3.37	3.35	1.97	2.84
Number of staffs	146	132	102	111	127
[Average number of temporary staffs, excluded from above]	[ ]	[ ]	[ ]	[ ]	[ ]

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

2 Number of staffs represents staffs who work at the Company.

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3. Business Overview.

The Company and its 1,285 consolidated subsidiaries and variable interest entities primarily operate investment and financial services business focusing on securities business as their core business. Nomura provides wide-ranging services to customers for both of financing and investment through the operations in Japan and other major financial capital markets in the world. Such services include securities trading and brokerage, underwriting and distribution, arrangement of public offering and secondary distribution, arrangement of private placement, principal investment, asset management and other broker-dealer and financial business. There are also 15 companies accounted for under the equity method as of March 31, 2017.

The reporting of the business operations and results of the Company and its consolidated subsidiaries are based on business segments referred in Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report. Please refer to the table below in the organizational structure listing the main companies by business segments.

Organizational Structure

The following table lists Nomura Holdings, Inc. and its significant subsidiaries and affiliates by business segments.

Nomura Holdings, Inc.

Retail Division

(Domestic)

Nomura Securities Co., Ltd. and others

Asset Management Division

(Domestic)

Nomura Asset Management Co., Ltd. and others

Wholesale Division

(Domestic)

Nomura Securities Co., Ltd.

Nomura Financial Products & Services, Inc. and others

(Overseas)

Nomura Holding America Inc.

Nomura Securities International, Inc.

Nomura America Mortgage Finance, LLC

Instinet, Incorporated

Nomura Europe Holdings plc

Nomura International plc

Nomura Bank International plc

Nomura Capital Markets LTD

Nomura Asia Holding N.V.

Nomura International (Hong Kong) Limited

Nomura Singapore Limited and others

Others

(Domestic)

The Nomura Trust and Banking Co., Ltd.

Nomura Facilities, Inc.

Nomura Research Institute, Ltd.*

JAFCO Co., Ltd.*

Nomura Real Estate Holdings, Inc.*

*Affiliates

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Item 2. Operating and Financial Review

1. Operating Results.

You should read the following discussion of our operating and financial review together with Item 1 *1. Selected Financial Data* and Item 5 *1. Consolidated Financial Statements and Other* included in this annual report. The discussions and analyses contain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements.

Business Environment

Japan

The Japanese economy expanded at a modest pace. Japan s real gross domestic product (GDP) grew relatively rapidly in January-March 2016, at a quarter-on-quarter annualized rate of 1.9%, and continued to grow thereafter, by 2.2% in April-June, 1.2% in July-September, and 1.2% in October-December. We see the easing of concerns about price hikes for food and other items as one of the reasons why consumer spending carried on rising. Exports from Japan also embarked on a clear upward trend in July-September 2016 as global manufacturing activity picked up. Capital expenditure improved too, and the Bank of Japan s March 2017 Short-Term Economic Survey of Enterprises in Japan (Tankan) indicated that Japanese companies capital expenditure plans for fiscal 2017 were bullish. However, the Japanese government implemented an economic stimulus package totaling around ¥28.1trn in August 2016 in response to both considerable ongoing uncertainty about the economic outlook in January-June 2016 and concerns about the impact of the decision taken by the United Kingdom (UK) in a referendum held in June 2016 to leave the European Union (EU). In addition, Donald Trump was inaugurated as U.S. President in January 2017, but it is still not clear what the new administration s policies are on Japan. However, at summit talks between leaders of the two countries in February 2017 the Japanese deputy prime minister and the U.S. vice president agreed to work on creating a new economic dialogue. In September 2016 the Bank of Japan published a comprehensive assessment of its monetary policy since 2013, in which it said that its monetary easing policies to date had helped to put an end to deflation and noted the possibility that excessively low interest rates might have unwanted side-effects. The Bank of Japan then introduced its policy of quantitative and qualitative easing with yield curve control , switching the target of its monetary policy to interest rates while still mentioning quantity , and making clear its intention to achieve its 2% price stability target over the long term.

The yen was stronger versus the U.S. dollar in the fiscal year ended March 31, 2017 than in the fiscal year ended March 31, 2016, and this caused corporate earnings to struggle in some sectors, particularly exporting sectors. However, profits grew in sectors benefiting from the rebound in international commodity prices, including crude oil prices, and in some domestic demand-related sectors. This appears to have been the first time in two years that Japanese corporate profits rose overall. Major contributions to this profit growth came from sectors such as trading companies and chemicals, housing & real estate, and telecommunications. The trading companies and chemicals sectors saw profits rebound, after deteriorating in the previous fiscal year, partly in response to the recovery in international commodity prices; the housing & real estate sector saw a gradual recovery in demand in response to low interest rates; and in the telecommunications sector cost reductions and the expansion of non-telecommunications businesses supported earnings. Meanwhile, the autos, utilities, machinery, and transportation sectors all made substantial negative contributions to overall profit growth. The autos sector was hit hard because the yen was stronger versus the U.S. dollar than in the fiscal year ended March 31, 2016; the utilities sector was affected by delays in restarting nuclear power stations and by electricity rate cuts triggered by the full deregulation of the electricity retail market; the machinery sector was hit by production cutbacks and delays in reducing costs in commercial aircraft business, and also by additional costs at ship & offshore structure businesses; and in the transportation sector the marine transport subsector looks likely to swing to losses as containership rates deteriorate further in response to excess supply. As of April 7, 2017, we estimate that recurring profits at major Japanese companies (those in the Russell/Nomura Large Cap Index) rose 1% year-on-year in the fiscal year ended March 31, 2017, thus improving from the 1% decline recorded in the fiscal year ended March 31, 2016.

On the Japanese stock market, the view that monetary tightening in the U.S. looked likely to be slower than market participants had been expecting led to growing concerns that a strengthening of the yen versus the U.S. dollar would lead to a slowdown in corporate earnings. In addition, when those in favor of the UK leaving the EU won a majority in the referendum held in the UK in June 2016, this fueled concerns about the economic outlook in Europe. In response, the Nikkei Stock Average fell sharply, dipping temporarily below 15,000. However, Japanese equities were firm after expectations of economic stimulus measures in Japan rose to the surface following victory by the ruling coalition in the Japanese Upper House election in July 2016, the Bank of Japan raised the value of its annual ETF (exchange-traded fund) purchases to around ¥6 trillion, and a growing number of U.S. economic indicators pointed to U.S. economic strength. Republican Party candidate Donald Trump won the U.S. presidential election in November 2016. Immediately after the outcome of the election became clear, Japanese equity prices saw a sharp temporary fall on concerns about the U.S. political outlook. However, equity markets rose around the world, particularly in the U.S., on high hopes regarding President Trump s economic policies, and specifically the prospect of an increase in infrastructure investment and other forms of government spending. On the foreign exchange markets the yen weakened to more than ¥118 versus the U.S. dollar at one point, and Japanese equities similarly turned upward and subsequently remained firm, with the Nikkei Stock Average rising to around the 19,500 level by mid-December 2016. From the beginning of 2017, the weakening of the yen versus the U.S. dollar came to a halt, reflecting the view that market participants would take a wait-and-see stance on policies of the new U.S. administration, and Japanese equity prices saw limited upside, although the Bank of Japan supported equity prices by buying ETFs. The key Tokyo Stock Price Index (the TOPIX) rose 12.3% over the fiscal year, from 1,347.20 at the end of March 2016 to 1,512.60 at the end of March 2017. Meanwhile, the Nikkei Stock Average rose 12.8% over the fiscal year, from 16,758.67 at the end of March 2016 to 18,909.26 at the end of March 2017.

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Yields on Japanese government debt securities followed a downward trend through July 31, 2016 and an upward trend thereafter. The yield on newly issued 10-year Japanese government debt securities, which fell sharply after the Bank of Japan introduced a negative interest rate policy in January 2016, was in negative territory from the middle of February and fell further into negative territory in June 2016 after the UK voted in a referendum to leave the EU, briefly touching -0.3% in July. However, the yield on newly issued Japanese government debt securities then rose above -0.1% as expectations grew that the Bank of Japan would revise excessive easing policies after its announcement at the conclusion of the BOJ policy board meeting at the end of July that it would carry out a comprehensive assessment of the effects of its policies to date. As previously discussed, the BOJ released the results of its comprehensive assessment in September 2016 and simultaneously launched its policy of quantitative and qualitative easing with yield curve control , under which it buys long-term Japanese government debt securities to ensure that the yield on 10-year Japanese government debt securities is around zero. The yield on newly issued Japanese government debt securities was 0.065% at the end of March 2017, and was mostly within the 0.0-0.1% range in January-March 2017, after returning to positive territory in tandem with the sharp rise in U.S. long-term interest rates stoked by expectations for large-scale fiscal policies after Mr. Trump was elected in the U.S. presidential election in November, counter to most projections.

In foreign exchange markets, the dollar/yen exchange rate fluctuated sharply in both directions, strongly influenced by political events in the UK and the U.S. At the end of March 2016 the yen was trading at ¥112-113 versus the U.S. dollar. At the start of fiscal 2016, the dollar/yen exchange rate maintained the strong yen trend dating back to January 2016. Investors sold dollars and bought yen as deep-rooted concerns remained over a slowdown in the global economy, and particularly the Chinese economy, and expectations of further U.S. rate hikes weakened, and furthermore because of wariness about political risk, such as the impending referendum in the UK on leaving the EU in June 2016. The yen briefly strengthened to trade at less than ¥100 versus the U.S. dollar immediately after the UK voted to leave the EU. Uncertainty about the outcome of the November U.S. presidential election then weighed on the dollar/yen exchange rate, which traded in the range of ¥100-105 for a sustained period. After the November 2016 presidential election in the U.S., optimism about the prospects for the global economy grew, and the dollar/yen exchange rate rose to as high as ¥118-119 by mid-December as U.S. interest rates rose. The sharp weakening in the yen was aided also by the widening of the gap between U.S. and Japanese interest rates as yields on 10-year Japanese government debt securities remained at around zero under the yield curve control policy introduced by the Bank of Japan after its September 2016 policy board meeting. Then, as market expectations for the new U.S. administration weakened from the beginning of 2017 and investors became concerned about the presidential elections in France scheduled for April-May, the yen strengthened again versus the dollar and the dollar/yen exchange rate fell back to ¥111-112 at the end of March. Meanwhile, the euro/yen exchange rate started fiscal 2016 at ¥128-129 but fell sharply in the wake of the Brexit vote and traded in the ¥111-117 range in July-October. While interest rates rose around the world after the U.S. presidential election in November 2016, Japanese interest rates were effectively fixed, so the gap between Japanese and European interest rates widened. The euro/yen exchange rate rose to ¥122-123 by December. After this, however, the euro weakened again versus the yen in response to concerns about the French presidential election and other geopolitical risks, as well as in response to moves in global interest rates, and by the end of March 2017 the euro/yen exchange rate had fallen back to ¥118-119.

Overseas

The global economy continued to see a moderate recovery in growth, although the situation varied from region to region. The U.S. raised interest rates in December 2016 and March 2017 in response to a solid domestic economy and improvement in economic sentiment in China and other countries around the world. Japan and Europe continued with large-scale quantitative easing, but with economic sentiment improving and inflation rising in Europe, discussions about a strategy to put an end to this easing also became prominent in the markets. China maintained stable growth on the whole, supported by increased public investment and the effect of policies such as tax breaks on car purchases.

Economic conditions remained difficult for Brazil, Russia, and some other resource-rich/oil-producing nations, but with a bottoming in crude oil and other resource prices, currency weakness abated and signs of economic stabilization appeared, including declines in inflation.

In the U.S., the FRB (Federal Reserve Board) was unable to raise interest rates for the second time until December 2016, about a year after its first rate hike, after financial market volatility increased sharply in January 2016 and the UK voted in the June 2016 referendum to leave the EU. The FRB decided to raise rates for the third time, in March 2017, after determining that downside risk to its economic outlook had receded in response to the improvement in the Chinese economy, stability on commodity markets, and the rise in equity prices and improvement in consumer sentiment following Donald Trump s victory in the U.S. presidential election. Fiscal policy did not change much in 2016, but with the advent of the Trump administration expectations grew for tax reductions, an increase in public works, and higher defense spending. Real GDP growth weakened in January-June 2016 and picked up in July-December 2016, but over 2016 as a whole it slowed to +1.6% year-on-year, from +2.6% in 2015. Corporate earnings in July-December 2016 were higher than in the previous year as the U.S. currency stopped rising and crude oil prices rose. U.S. equity markets were flat through October 2016 but started to rise from November on expectations that pro-business policies would be rolled out with the victory of Donald Trump in the presidential election. The Dow Jones Industrial Average advanced 16.8% to 20,663.22 at the end of March 2017, from 17,685.09 at the end of March 2016. The yield on 10-year U.S. Treasuries was about 2.39% at the end of March 2017, up from about 1.77% at the end of March 2016.

In Europe, the result of the UK referendum on June 23, 2016 ran counter to expectations with the people choosing to leave the EU. In response, risk-off trades took hold around the world on June 24 and equity prices declined. The Bank of England lowered its policy interest rate to 0.25% in August 2016 and decided to carry out quantitative easing policies through the end of January 2017, in response to concerns about downside risks to the economy. Meanwhile, the underlying economy in Europe, including in the UK, remained favorable. The DAX German stock index at the end of March 2017 was 23.6% higher than at the end of March 2016, after Eurozone real GDP grew 1.7% year-on-year in 2016 on strong domestic demand, capex rose, after being held back during the 2012 European debt crisis, and the German government increased spending related to refugees in response to an influx of refugees from the Middle East. The European Central Bank announced in December 2016 that it planned to reduce monthly asset purchases under its quantitative easing program from April 2017, in a so-called tapering, in response to the ebbing of deflationary risk. In response, the yield on German 10-year government bonds rose to 0.3-0.4% by the end of March 2017, up from 0.1-0.2% at the end of March 2016, as market expectations for the ECB to conduct further monetary easing faded and Eurozone inflation came in line with the ECB target, at 2% year-on-year in February 2017.

In Asia, real GDP growth came in at 6.7% year-on-year in China in 2016. This represented a slowdown from 7.3% growth in 2014 and 6.9% growth in 2015 but was nevertheless stable. Domestic construction activity picked up from January-June 2016, contributing to a stable economy, as real estate prices recovered and regional government fund raising improved. Buoyancy in industrial production was supported by a turn to inventory accumulation in the corporate sector in July-December 2016. Earnings improved in the corporate sector, mainly at state-owned companies, supported partly by higher raw material prices after authorities started efforts in May to eliminate excess production capacity in the steel and coal industries. In Asia ex-China, exports picked up as demand in the US and China recovered, and domestic demand was buoyed by economic stimulus measures. India recovered from a temporary disruption in the economy caused by the withdrawal of high-denomination banknotes in November 2016, and continued to restructure, including efforts to strengthen infrastructure, resolve the nonperforming loan problem weighing on the financial sector, reform the tax system, and deregulate foreign direct investment. Indonesia plans to expand investment in infrastructure on the back of improvement in fiscal conditions resulting from a tax amnesty program and the scrapping of fuel subsidies. In the Philippines, we expect the economy to benefit from robust domestic demand, a healthy fiscal situation, and a low debt-to-GDP ratio.

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Executive Summary

During the fiscal year ended March 31, 2017, the global economy continued to see a moderate recovery in growth, although the situation varied from region to region. In the US, the real Gross Domestic Product (GDP) growth rate weakened in the first half of 2016 and although it picked up in the second half of the year, over 2016 as a whole growth slowed compared with the previous year. However, the Federal Reserve Board (FRB) has raised interest rates twice since December 2016, based on its view that downside risk to its economic outlook has receded. In Europe, including the UK, the underlying economy was favorable as a result of growth in capital expenditure and fiscal spending. In Asia ex-China, exports picked up as demand in the US and China recovered, and domestic demand was buoyed by economic stimulus measures.

The Japanese economy meanwhile expanded at a modest pace. Exports from Japan also embarked on a clear upward trend in July-September 2016 as global manufacturing activity picked up. Capital expenditure improved too. Following Donald Trump s inauguration as U.S. President in January 2017, at summit talks between the US and Japan in February 2017 the Japanese deputy prime minister and the U.S. vice president agreed to work on creating a new economic dialogue. The Tokyo Stock Price Index (the TOPIX) rose from 1,347.20 at the end of March 2016 to 1,512.60 at the end of March 2017, and the Nikkei Stock Average rose from 16,758.67 at the end of March 2016 to 18,909.26 at the end of March 2017. At the end of March 2016 the yen was trading at ¥112-113 versus the U.S. dollar, but the dollar/yen exchange rate fluctuated sharply in both directions, strongly influenced by political events, such as the UK referendum and the U.S. presidential election, and fell back to ¥111-112 at the end of March 2017. The yield on Japanese government debt securities followed a downward trend through July 31, 2016, following the introduction of a negative interest rate policy by the Bank of Japan. Thereafter expectations that the Bank of Japan would revise excessive easing policies coupled with the rise in U.S. long-term interest rates resulted in a return to an upward trend, and the yield on newly issued 10-year Japanese government debt securities was 0.065% at the end of March 2017.

From a regulatory perspective, in addition to the implementations of Basel III requirements relating to capital ratio, liquidity ratio, and leverage ratio, Nomura was identified as one of the domestic systemically important banks. As part of the global tightening of the financial regulations, wide-ranging reforms will be further introduced. Nomura will continue to monitor these issues closely and take necessary measures in responding to any such changes.

While our environment is changing drastically, based on our basic philosophy of placing our clients at the heart of everything we do, we have continued to transform our domestic business model of Retail Division. Also, we delivered strategic changes in EMEA and the Americas and worked on improving the profitability of our international operations. In our Retail Division, discretionary investment assets under management grew steadily. Our asset Management Division booked ongoing inflows and assets under management climbed to a record high. In our Wholesale Division, the cost base dropped and Fixed Income revenues grew driven by a strong performance in the Rates business.

As a result of these efforts, we generated net revenue of ¥1,403.2 billion for the year ended March 31, 2017, a 0.5% increase from the previous fiscal year. Non-interest expenses decreased by 12.2% to ¥1,080.4 billion, income before income taxes was ¥322.8 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥239.6 billion. Return on equity (ROE) was 8.7%. Diluted EPS(1) for the year ended March 31, 2017 was ¥65.65, an increase from ¥35.52 for the year ended March 31, 2016.

We have decided to pay a dividend of ¥11 per share to shareholders of record as of March 31, 2017. As a result, the total annual dividend was ¥20 per share.

(Note) Diluted net income attributable to Nomura Holdings shareholders per share.

In our Retail Division, net revenue for the year ended March 31, 2017 decreased by 14.0% from the previous fiscal year to ¥374.4 billion. Non-interest expenses decreased by 2.7% to ¥299.6 billion. As a result, income before income taxes decreased by 41.4% to ¥74.8 billion. Under the basic philosophy of placing our clients at the heart of everything we do, we have been working to transform our business model in order to expand our business by increasing clients trust and improving clients satisfaction and to become a financial institution a lot of people need. Although we saw slowdown in sales of stocks, investment trusts and insurance due to uncertain market environments, we continued to provide consulting services by responding to clients diversifying needs and delivering ideal solutions. As a result, the discretionary investment assets under management grew and we have made steady progress on revenue stabilization. The amount of clients assets under management also increased from the previous fiscal year and reached a near-record level.

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In our Asset Management Division, net revenue for the year ended March 31, 2017 increased by 4.2% from the previous fiscal year to ¥99.4 billion. Non-interest expenses decreased by 2.8% to ¥57.1 billion. As a result, income before income taxes increased by 15.5% to ¥42.3 billion. In our investment trust business, in spite of cash outflow from money market funds, funds developed in response to regional financial institutions demands and ETFs contributed to the increase in assets under management. In our investment advisory business, cash inflow from domestic public pensions continued. Outside of Japan, cash inflow into high yield related products mainly contributed to increasing assets under management. As a result, assets under management increased from the end of the previous fiscal year. In this fiscal year, dividends from the strategic partner American Century Investments also contributed to income.

In our Wholesale Division, net revenue for the year ended March 31, 2017 increased by 2.6% from the previous fiscal year to ¥739.3 billion. Non-interest expenses decreased by 18.0% to ¥577.8 billion, primarily due to decreases in compensation and benefits in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas. As a result, income before income taxes increased by 948.0% to ¥161.4 billion. Global Markets recognized an increase in net revenue compared with the previous fiscal year, led by turnaround of international performance particularly in Fixed Income, offsetting the slowdown in Equites due to low market activity. Regionally, in Americas and EMEA had a strong performance, while Japan and AEJ were roughly flat. For Investment Banking, we ranked No.1 in the Japan Equity Capital Market league table under a challenging environment with significant decreasing equity issuance volumes in Japan. We served as joint global coordinator and joint bookrunner for a number of financings. Outside of Japan, net revenue grew compared to the previous fiscal year with the Americas achieving its highest revenues since the fiscal year ended March 31, 2010. Additionally, we enhanced cross-regional and cross-divisional collaboration, which resulted in a number of notable M&A transactions and its related financing or Solutions deals including interest and currency hedging across all regions.

Results of Operations

Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen, except percentages		
	Year ended March 31		
	2015	2016	2017
Non-interest revenues:			
Commissions	¥ 453,401	¥ 431,959	¥ 327,129
Fees from investment banking	95,083	118,333	92,580
Asset management and portfolio service fees	203,387	229,006	216,479
Net gain on trading	531,337	354,031	475,587
Gain on private equity investments	5,502	13,761	1,371
Gain (loss) on investments in equity securities	29,410	(20,504)	7,708
Other	175,702	156,460	153,626
Total Non-interest revenues	1,493,822	1,283,046	1,274,480
Net interest revenue	110,354	112,635	128,717

Net revenue	1,604,176	1,395,681	1,403,197
Non-interest expenses	1,257,417	1,230,523	1,080,402
Income before income taxes	346,759	165,158	322,795
Income tax expense	120,780	22,596	80,229
Net income	¥ 225,979	¥ 142,562	¥ 242,566
Less: Net income attributable to noncontrolling interests	1,194	11,012	2,949
Net income attributable to NHI shareholders	¥ 224,785	¥ 131,550	¥ 239,617
Return on equity	8.6%	4.9%	8.7%

Net revenue increased by 1% from ¥1,395,681 million for the year ended March 31, 2016 to ¥1,403,197 million for the year ended March 31, 2017. The increase is primarily due to high performance in Global Markets in the American and European regions. *Commissions* decreased by 24% from ¥431,959 million for the year ended March 31, 2016 to ¥327,129 million for the year ended March 31, 2017 primarily due to a decrease in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* decreased by 22% from ¥118,333 million for the year ended March 31, 2016 to ¥92,580 million for the year ended March 31, 2017 primarily due to decrease in revenue from ECM. *Asset management and portfolio service fees* decreased by 5% from ¥229,006 million for the year ended March 31, 2016 to ¥216,479 million for the year ended March 31, 2017 primarily due to a decrease in assets under management early in the fiscal year. *Net gain on trading* increased by 34% from ¥354,031 million for the year ended March 31, 2016 to ¥475,587 million for the year ended March 31, 2017, primarily driven by high performance in our Fixed Income business. *Net gain on trading* also included total losses of ¥20.8 billion attributable to changes in Nomura s own creditworthiness with respect to derivative liabilities primarily due to a tightening of Nomura s credit spreads during the fiscal year. *Gain on private equity investments* decreased by 90% from ¥13,761 million for the year ended March 31, 2016 to ¥1,371 million for the year ended March 31, 2017 primarily due to lack of gains from the sale of our investment in Mitsui Life Insurance during the previous fiscal year. *Other* decreased by 2% from ¥156,460 million for the year ended March 31, 2016 to ¥153,626 million for the year ended March 31, 2017.

As a result of early adoption of Accounting Standards Update (ASU) 2016-01, *Recognition and measurement of financial assets and financial liabilities* as of April 2016, unrealized changes in the fair value of financial liabilities elected for the fair value option due to Nomura s own creditworthiness are now presented through other comprehensive income rather than earnings. As a result, losses of ¥12,147 million which would otherwise have been recognized through earnings were recognized through other comprehensive income during the year ended March 31, 2017. See Note 1 1. Basis of accounting and summary of accounting policies in our consolidated financial statements included within this annual report for further information about the early adoption of ASU 2016-01.

Net revenue decreased by 13% from ¥1,604,176 million for the year ended March 31, 2015 to ¥1,395,681 million for the year ended March 31, 2016. The decrease is primarily due to slower performance in our Fixed Income business as a result of the challenging trading environment and the impact of settlement of legal proceedings with Banca Monte dei Paschi di Siena SpA (MPS). *Commissions* decreased by 5% from ¥453,401 million for the year ended March 31, 2015 to ¥431,959 million for the year ended March 31, 2016 primarily due to a decrease in commissions received from the distribution of investment trusts in Japan. *Fees from investment banking* increased by 24% from ¥95,083 million for the year ended March 31, 2015 to ¥118,333 million for the year ended March 31, 2016 primarily due to revenue from M&A, ECM and our solution businesses associated with fund raising. *Asset management and portfolio service fees* increased by 13% from ¥203,387 million for the year ended March 31, 2015 to ¥229,006 million for the year ended March 31, 2016 primarily due to an increase in assets under management driven by positive net inflows into ETFs and investment trusts for discretionary investments. *Net gain on trading* decreased by 33% from ¥531,337 million for the year ended March 31, 2015 to ¥354,031 million for the year ended March 31, 2016, primarily driven by slower performance in our Fixed Income business and the impact of settlement of legal proceedings with MPS. *Net gain on trading* also included total gains of ¥28.3 billion attributable to changes in Nomura s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net gain was primarily due to the widening of Nomura s credit spreads during the period. *Gain on private equity investments* increased by 150% from ¥5,502 million for the year ended March 31, 2015 to ¥13,761 million for the year ended March 31, 2016. *Other* decreased by 11% from ¥175,702 million for the year ended March 31, 2015 to ¥156,460 million for the year ended March 31, 2016, primarily due to unrealized losses from our investment in Ashikaga Holdings Co., Ltd. (Ashikaga Holdings) and a decrease in net income from other affiliated companies.

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Net interest revenue was ¥110,354 million for the year ended March 31, 2015, ¥112,635 million for the year ended March 31, 2016 and ¥128,717 million for the year ended March 31, 2017. *Net interest revenue* is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. *Net interest revenue* is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view *net interest revenue* and *non-interest revenues* in aggregate. For the year ended March 31, 2017, interest revenue, including the dividend from American Century Investments, was largely unchanged and interest expense decreased by 5% from the year ended March 31, 2016. As a result, *Net interest revenue* for the year ended March 31, 2017 increased by ¥16,082 million from the year ended March 31, 2016. For the year ended March 31, 2016, interest revenue increased by 1%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense was largely unchanged with the year ended March 31, 2015. As a result, *Net interest revenue* for the year ended March 31, 2016 increased by ¥2,281 million from the year ended March 31, 2015.

Gain (loss) on investments in equity securities was ¥29,410 million for the year ended March 31, 2015, ¥(20,504) million for the year ended March 31, 2016 and ¥7,708 million for the year ended March 31, 2017. This includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses for the year ended March 31, 2017 decreased by 12% from ¥1,230,523 million for the year ended March 31, 2016 to ¥1,080,402 million primarily due to a decrease in compensation and benefits in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas.

Non-interest expenses for the year ended March 31, 2016 decreased by 2% from ¥1,257,417 million for the year ended March 31, 2015 to ¥1,230,523 million primarily due to a decrease in compensation and benefits and commissions and floor brokerage expenses which were partially offset by employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses for the year ended March 31, 2015 increased by 5% from ¥1,195,456 million for the year ended March 31, 2014 to ¥1,257,417 million primarily due to an increase in fees paid by our Asset Management Division as a result of an increase in assets under management, increases in other various expenses as a result of the new Asian subsidiary acquired during the year ended March 31, 2015, and the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on expenses incurred by our overseas businesses.

Income before income taxes was ¥346,759 million for the year ended March 31, 2015, ¥165,158 million for the year ended March 31, 2016 and ¥322,795 million for the year ended March 31, 2017.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Nomura s domestic effective statutory tax rate was approximately 36% for the fiscal year ended March 31, 2015, approximately 33% for the fiscal year ended March 31, 2016 and approximately 31% for the fiscal year ended March 31, 2017. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company s effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for the year ended March 31, 2017 was ¥80,229 million, representing an effective tax rate of 24.9%. The significant factors causing the difference between the effective tax rate of 24.9% and the effective statutory tax rate of 31% were changes in deferred tax valuation allowance which decreased the effective tax rate by

10.8% but partially offset by non-deductible expenses which increased the effective tax rate by 2.9%.

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Income tax expense for the year ended March 31, 2016 was ¥22,596 million, representing an effective tax rate of 13.7%. The significant factors causing the difference between the effective tax rate of 13.7% and the effective statutory tax rate of 33% were changes in deferred tax valuation allowance which increased the effective tax rate by 36.1% but partially offset by Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates which decreased the effective tax rate by 54.8%.

Income tax expense for the year ended March 31, 2015 was ¥120,780 million, representing an effective tax rate of 34.8%. The significant factors causing the difference between the effective tax rate of 34.8% and the effective statutory tax rate of 36% were non-deductible expenses which increased the effective tax rate by 5.9%, changes in deferred tax valuation allowance which increased the effective tax rate by 5.1% but partially offset by non-taxable revenue which decreased the effective tax rate by 4.7%.

Net income attributable to NHI shareholders was ¥224,785 million for the year ended March 31, 2015, ¥131,550 million for the year ended March 31, 2016 and ¥239,617 million for the year ended March 31, 2017, respectively. Our return on equity for the year ended March 31, 2015, 2016 and 2017 was 8.6%, 4.9% and 8.7%, respectively.

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Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling item outside of our segment information. The following segment information should be read in conjunction with Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Retail

In our Retail Division, our sales activities focus on providing consultation services and investment proposals to clients for which we receive commissions and fees. Additionally, we receive fees from asset management companies in connection with administration services we provide in connection with investment trust certificates that we distribute. We also receive agent commissions from insurance companies for the insurance products we sell as an agent.

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2015	**2016**	**2017**
Non-interest revenues	¥ 471,565	¥ 429,948	¥ 369,503
Net interest revenue	4,940	5,686	4,931
Net revenue	476,505	435,634	374,434
Non-interest expenses	314,675	308,003	299,642
Income before income taxes	¥ 161,830	¥ 127,631	¥ 74,792

Net revenue decreased by 14% from ¥435,634 million for the year ended March 31, 2016 to ¥374,434 million for the year ended March 31, 2017, primarily due to a lack of activity by retail investors because of market uncertainty.

Net revenue decreased by 9% from ¥476,505 million for the year ended March 31, 2015 to ¥435,634 million for the year ended March 31, 2016, primarily due to the market turmoil from August 2015 which led to a slowdown in sales of stocks and investment trusts.

Non-interest expenses decreased by 3% from ¥308,003 million for the year ended March 31, 2016 to ¥299,642 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits.

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Non-interest expenses decreased by 2% from ¥314,675 million for the year ended March 31, 2015 to ¥308,003 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits and information technology-related expenses.

Income before income taxes was ¥161,830 million for the year ended March 31, 2015, ¥127,631 million for the year ended March 31, 2016, and ¥74,792 million for the year ended March 31, 2017.

The following table shows the breakdown of Retail non-interest revenues for the year ended March 31, 2016 and 2017.

	Millions of yen	
	Year ended March 31	
	2016	2017
Commissions	¥ 220,266	¥ 171,834
Brokerage commissions	78,870	62,796
Commissions for distribution of investment trusts	93,597	82,265
Other commissions	47,799	26,773
Net gain on trading	86,360	85,269
Fees from investment banking	35,894	27,292
Asset management fees	85,328	81,761
Others	2,100	3,347
Non-interest revenues	¥ 429,948	¥ 369,503

Com*missions* decreased by 22% from ¥220,266 million for the year ended March 31, 2016 to ¥171,834 million for the year ended March 31, 2017, primarily due to a slowdown in sales of stocks and investment trusts. *Net gain on trading* decreased by 1% from ¥86,360 million for the year ended March 31, 2016 to ¥85,269 million for the year ended March 31, 2017. *Fees from investment banking* decreased by 24% from ¥35,894 million for the year ended March 31, 2016 to ¥27,292 million for the year ended March 31, 2017, primarily due to a decrease in large capital market transactions. *Asset management fees* decreased by 4% from ¥85,328 million for the year ended March 31, 2016 to ¥81,761 million for the year ended March 31, 2017, primarily due to there being a lower level of client assets in first half of the fiscal year. *Others* increased by 59% from ¥2,100 million for the year ended March 31, 2016 to ¥3,347 million for the year ended March 31, 2017.

Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2016 and 2017. Retail client assets consist of clients   assets held in our custody and assets relating to variable annuity insurance products.

	Trillions of yen				
	Year ended March 31, 2016				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation /	Balance at end of year

							(depreciation)		
Equities	¥ 67.2	¥	14.5	¥	(14.1)	¥	(7.4)	¥	60.2
Bonds	18.5		67.4		(67.8)		(0.8)		17.3
Stock investment trusts	10.3		4.1		(3.7)		(2.1)		8.6
Bond investment trusts	7.3		0.8		(0.9)		0.1		7.3
Overseas mutual funds	1.8		0.1		(0.4)		(0.1)		1.4
Others	4.4		2.0		(0.7)		0.1		5.8
Total	¥ 109.5	¥	88.9	¥	(87.6)	¥	(10.2)	¥	100.6

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	Trillions of yen				
	Year ended March 31, 2017				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 60.2	¥ 11.7	¥ (11.9)	¥ 6.3	¥ 66.3
Bonds	17.3	25.9	(24.9)	(0.7)	17.6
Stock investment trusts	8.6	3.4	(3.4)	0.2	8.8
Bond investment trusts	7.3	1.4	(1.3)	(0.1)	7.3
Overseas mutual funds	1.4	0.1	(0.2)		1.3
Others	5.8	1.4	(0.6)	(0.2)	6.4
Total	¥ 100.6	¥ 43.9	¥ (42.3)	¥ 5.5	¥ 107.7

Retail client assets increased by ¥7.1 trillion from ¥100.6 trillion as of March 31, 2016 to ¥107.7 trillion as of March 31, 2017. The balances of our clients equity and equity-related products increased by ¥6.1 trillion from ¥60.2 trillion as of March 31, 2016 to ¥66.3 trillion as of March 31, 2017, primarily due to a turnaround within the Japanese equity market. The balances of our clients investment trusts increased by ¥0.1 trillion from ¥17.3 trillion as of March 31, 2016 to ¥17.4 trillion as of March 31, 2017.

Retail client assets decreased by ¥8.9 trillion from ¥109.5 trillion as of March 31, 2015 to ¥100.6 trillion as of March 31, 2016. The balances of our clients equity and equity-related products decreased by ¥7.0 trillion from ¥67.2 trillion as of March 31, 2015 to ¥60.2 trillion as of March 31, 2016, mainly due to the deterioration in Japanese equity markets. The balances of our clients investment trusts decreased by ¥2.1 trillion from ¥19.4 trillion as of March 31, 2015 to ¥17.3 trillion as of March 31, 2016, mainly due to the deterioration in Japanese equity market.

Asset Management

Our Asset Management Division is conducted principally through NAM. We earn portfolio management fees through the development and management of investment trusts, which are distributed by NSC, other brokers, banks, Japan Post Bank Co., Ltd. and Japan Post Network Co., Ltd. We also provide investment advisory services for pension funds and other institutional clients. Net revenues generally consist of asset management and portfolio service fees that are attributable to Asset Management.

Operating Results of Asset Management

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Non-interest revenues	¥ 88,802	¥ 91,014	¥ 90,025
Net interest revenue	3,552	4,395	9,402
Net revenue	92,354	95,409	99,427
Non-interest expenses	60,256	58,743	57,094
Income before income taxes	¥ 32,098	¥ 36,666	¥ 42,333

Net revenue increased by 4% from ¥95,409 million for the year ended March 31, 2016 to ¥99,427 million for the year ended March 31, 2017, primarily due to an increase in assets under management and contribution from income revenues.

Net revenue increased by 3% from ¥92,354 million for the year ended March 31, 2015 to ¥95,409 million for the year ended March 31, 2016, primarily due to inflows into our investment trust business and investment advisory business..

Non-interest expenses decreased by 3% from ¥58,743 million for the year ended March 31, 2016 to ¥57,094 million for the year ended March 31, 2017, primarily due to effective management of costs.

Non-interest expenses decreased by 3% from ¥60,256 million for the year ended March 31, 2015 to ¥58,743 million for the year ended March 31, 2016 due to certain non-recurring expenditures during the year ended March 31, 2015.

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Income before income taxes was ¥32,098 million for the year ended March 31, 2015, ¥36,666 million for the year ended March 31, 2016 and ¥42,333 million for the year ended March 31, 2017.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2016 and 2017.

	Billions of yen Year ended March 31, 2016				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd	¥ 43,261	¥ 37,357	¥ (34,435)	¥ (2,715)	¥ 43,468
Nomura Funds Research and Technologies Co., Ltd.	3,021	854	(991)	192	3,076
Nomura Corporate Research and Asset Management Inc.	1,685	762	(681)	(157)	1,609
Nomura Private Equity Capital Co., Ltd.	178	1	(3)	(176)	
Combined total	48,145	38,974	(36,110)	(2,856)	48,153
Shared across group companies	(8,836)	(2,494)	3,485	(228)	(8,073)
Total	¥ 39,309	¥ 36,480	¥ (32,625)	¥ (3,084)	¥ 40,080

	Billions of yen Year ended March 31, 2017				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 43,468	¥ 28,199	¥ (27,382)	¥ 3,140	¥ 47,425
Nomura Funds Research and Technologies Co., Ltd.	3,076	518	(999)	244	2,839
Nomura Corporate Research and Asset Management Inc.	1,609	973	(528)	303	2,357
Combined total	48,153	29,690	(28,909)	3,687	52,621
Shared across group companies	(8,073)	(2,020)	2,770	(939)	(8,262)
Total	¥ 40,080	¥ 27,670	¥ (26,139)	¥ 2,748	¥ 44,359

Assets under management were ¥44.4 trillion as of March 31, 2017, a ¥5.1 trillion increase from March 31, 2015 (increased due to positive net inflows of ¥5.4 trillion and partially offset by market depreciation of ¥0.3 trillion) and a ¥4.3 trillion increase from March 31, 2016 (increased due to positive net inflows of ¥1.5 trillion and market appreciation of ¥2.7 trillion). In our investment trust business, there was a net inflow into funds representing a wide range of investment assets including ETFs, products for discretionary investments and privately placed funds. In our investment advisory business, there was an increase in mandates from domestic and overseas clients.

The following table presents NAM s share, in terms of net asset value, of the Japanese asset management market as of March 31, 2015, 2016 and 2017.

	March 31		
	2015	**2016**	**2017**
Total of publicly offered investment trusts	24%	25%	26%
Stock investment trusts	20%	21%	23%
Bond investment trusts	43%	46%	44%

The investment trust assets included in assets under management by NAM were ¥29.3 trillion as of March 31, 2017, a ¥3.1 trillion or 12% increase from March 31, 2016. The increase is due to positive net inflows of ¥1.8 trillion and market appreciation of ¥1.3 trillion. The balances of investment trusts, such as, the TOPIX ETF, the Nikkei 225 ETF, were increased.

The investment trust assets included in assets under management by NAM were ¥26.2 trillion as of March 31, 2016, similar to that of previous year ended March 31, 2015. The positive net inflows of ¥2.9 trillion were offset by market depreciation of ¥2.9 trillion. The balances of investment trusts, such as the Japan Enterprise Value Improvement Fund, Nomura Templeton Total Return and Nomura Fund Wrap International Bond Course increased.

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Wholesale

Operating Results of Wholesale

The operating results of our Wholesale Division comprise the combined results of our Global Markets and Investment Banking businesses.

	Millions of yen Year ended March 31		
	2015	2016	2017
Non-interest revenues	¥ 626,228	¥ 571,322	¥ 564,877
Net interest revenue	163,639	148,955	174,379
Net revenue	789,867	720,277	739,256
Non-interest expenses	707,671	704,872	577,809
Income before income taxes	¥ 82,196	¥ 15,405	¥ 161,447

Net revenue increased by 3% from ¥720,277 million for the year ended March 31, 2016 to ¥739,256 million for the year ended March 31, 2017. Equities and Investment Banking reported lower revenues year on year, while Fixed Income revenue increased primarily due to strong performance in Rates and spread products.

Net revenue decreased by 9% from ¥789,867 million for the year ended March 31, 2015 to ¥720,277 million for the year ended March 31, 2016. Our Equities business and Investment Banking recognized higher revenues year on year, while our Fixed Income business had a challenging year in spread products, such as in our Credit and Securitized Products businesses.

Non-interest expenses decreased by 18.0% from ¥704,872 million for the year ended March 31, 2016 to ¥577,809 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits by the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses decreased by 0.4% from ¥707,671 million for the year ended March 31, 2015 to ¥704,872 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits and commissions and floor brokerage costs partially offset by an increase of expenses in employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Income before income taxes was ¥82,196 million for the year ended March 31, 2015, ¥15,405 million for the year ended March 31, 2016 and ¥161,447 million for the year ended March 31, 2017.

Global Markets

We have a proven track record in sales and trading of debt securities, equity securities, and foreign exchange, as well as derivative products based on these financial instruments, mainly to domestic and overseas institutional investors. In response to the increasingly diverse and complex needs of our clients, we continue to enhance our trading and product origination capabilities to offer superior products not only to domestic and overseas institutional investors, but also to our Retail and Asset Management Divisions. This cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-added solutions for our clients. These ties enable us to identify the types of product of interest for investors and develop and deliver products that meet their needs. We continue to develop extensive ties with institutional investors in Japan and international markets, as well as wealthy investors, public-sector agencies, and regional financial institutions in Japan, and government agencies, financial institutions, and corporations around the world.

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The following table shows financial data for Global Markets. These figures are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Global Markets as an individual business line, which we believe can help enhance the understanding of underlying trends in Global Markets. For a reconciliation of the financial data for Global Markets to the operating results of our Wholesale segment, see *Reconciliation for Global Markets and Investment Banking Financial Data* below.

	Millions of yen Year ended March 31		
	2015	**2016**	**2017**
Net revenue	¥ 683,399	¥ 600,300	¥ 643,148
Non-interest expenses	585,850	580,253	477,182
Income before income taxes	¥ 97,549	¥ 20,047	¥ 165,966

Net revenue increased by 7% from ¥600,300 million for the year ended March 31, 2016 to ¥643,148 million for the year ended March 31, 2017. In our Fixed Income businesses, *Net revenue* increased from ¥275,162 million for the year ended March 31, 2016 to ¥411,277 million for the year ended March 31, 2017. Revenues increased primarily in our Rates and spread products businesses such as Credit and Securitized Products due to recovering increased client activity as market uncertainty from political events like the EU referendum in the UK and the U.S. presidential election cleared. In our Equities business, *Net revenue* decreased from ¥325,138 million for the year ended March 31, 2016 to ¥231,871 million for the year ended March 31, 2017. Year on year revenues decreased primarily due to the restructuring of our Equities business in EMEA and there was a nonrecurring gain on the disposal of our investment in Chi-X in the year ended March 31, 2016.

Net revenue decreased by 12% from ¥683,399 million for the year ended March 31, 2015 to ¥600,300 million for the year ended March 31, 2016. In our Fixed Income business, *Net revenue* decreased from ¥396,944 million for the year ended March 31, 2015 to ¥275,162 million for the year ended March 31, 2016. The trading environment was impacted by rapid spread-widening, plunging liquidity and market disruption following the introduction of negative rates policy in Japan in January 2016. Revenues decreased mainly due to the under-performance in spread products and a slowdown in our Rates business, particularly in Japan. In our Equities business, *Net revenue* increased from ¥286,455 million for the year ended March 31, 2015 to ¥325,138 million for the year ended March 31, 2016 due to a strong performance in Japan amid heightened volatility and in the Americas because of gains recognized in connection with the partial disposal of our investment in Chi-X.

In accordance with the realignments of our Global Markets business during the year ended March 31, 2016, comprehensive amounts for the Fixed Income and Equities for the year ended March 31, 2015 have been reclassified.

Non-interest expenses decreased by 18% from ¥580,253 million for the year ended March 31, 2016 to ¥477,182 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits through the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses decreased by 1% from ¥585,850 million for the year ended March 31, 2015 to ¥580,253 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits, partially offset by an increase of expenses in our overseas businesses as a result of depreciation of the Japanese Yen.

Income before income taxes was ¥97,549 million for the year ended March 31, 2015, ¥20,047 million for the year ended March 31, 2016 and ¥165,966 million for the year ended March 31, 2017.

Investment Banking

We provide a broad range of investment banking services, such as underwriting and advisory activities. We underwrite offerings of debt, equity and other financial instruments in major financial markets, such as Asia, Europe and the U.S. We have been enhancing our M&A and financial advisory expertise to secure more high-profile deals both across and within regions. We develop and forge solid relationships with clients on a long-term basis by providing extensive resources in a seamless fashion to facilitate bespoke solutions.

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The following table shows financial data for Investment Banking. These figures are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Investment Banking as an individual business line, which we believe can help enhance the understanding of underlying trends in Investment Banking. For a reconciliation of the financial data for Investment Banking to the operating results of our Wholesale segment, see *Reconciliation for Global Markets and Investment Banking Financial Data* below.

	Millions of yen Year ended March 31		
	2015	**2016**	**2017**
Investment Banking (gross) revenue [1][2]	¥ 195,617	¥ 205,702	¥ 167,806
Allocation to other divisions [3]	(89,149)	(85,725)	(71,698)
Net revenue	106,468	119,977	96,108
Non-interest expenses	121,821	124,619	100,627
Income (loss) before income taxes	¥ (15,353)	¥ (4,642)	¥ (4,519)

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

(2) We have reclassified certain prior period amounts of Investment Banking to conform to the current period presentation.

(3) Where transactions in Investment Banking involve business lines other than Investment Banking, we allocate a portion of Investment Banking (gross) revenue to such other business lines and record it as net revenue of Global Markets or our other business segments, as applicable.

Net revenue decreased by 20% from ¥119,977 million for the year ended March 31, 2016 to ¥96,108 million for the year ended March 31, 2017, primarily due to decreases in large transactions of our ECM business.

Net revenue increased by 13% from ¥106,468 million for the year ended March 31, 2015 to ¥119,977 million for the year ended March 31, 2016, primarily due to large transactions of our M&A and ECM businesses and the realized gain from our investment in Mitsui Life Insurance.

Non-interest expenses decreased by 20% from ¥124,619 million for the year ended March 31, 2016 to ¥100,627 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits through the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses increased by 2% from ¥121,821 million for the year ended March 31, 2015 to ¥124,619 million for the year ended March 31, 2016, primarily due to increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Loss before income taxes was ¥15,353 million for the year ended March 31, 2015, ¥4,642 million for the year ended March 31, 2016 and ¥4,519 million for the year ended March 31, 2017.

Reconciliation for Global Markets and Investment Banking Financial Data

The following table presents a reconciliation of the Global Markets and Investment Banking financial data presented above, which are non-GAAP financial measures, to *net revenue, non-interest expenses* and *income (loss) before income taxes* for our Wholesale segment.

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	Millions of yen Year ended March 31		
	2015	2016	2017
Wholesale net revenue:			
Global Markets net revenue	¥ 683,399	¥ 600,300	¥ 643,148
Investment Banking net revenue:			
Investment Banking (gross) revenue (1)(2)	195,617	205,702	167,806
Allocation to other divisions (3)	(89,149)	(85,725)	(71,698)
Total Investment Banking net revenue	106,468	119,977	96,108
Total Wholesale net revenue	¥ 789,867	720,277	739,256
Wholesale non-interest expenses:			
Global Markets non-interest expenses	¥ 585,850	580,253	477,182
Investment Banking non-interest expenses	121,821	124,619	100,627
Total Wholesale non-interest expenses	¥ 707,671	704,872	577,809
Wholesale income (loss) before income taxes:			
Global Markets income before income taxes	¥ 97,549	20,047	165,966
Investment Banking income (loss) before income taxes	(15,353)	(4,642)	(4,519)
Total Wholesale income before income taxes	¥ 82,196	¥ 15,405	¥ 161,447

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

(2) We have reclassified certain prior period amounts of Investment Banking to conform to the current period presentation.

(3) Where transactions in Investment Banking involve business lines other than Investment Banking, we allocate a portion of Investment Banking (gross) revenue to such other business lines and record it as net revenue of Global Markets or our other business segments, as applicable.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 21 *Segment and geographic information* in our consolidated financial statements included within this annual report.

Income before income taxes in Other operating results was ¥45,950 million for the year ended March 31, 2015, ¥6,147 million for the year ended March 31, 2016 and ¥37,607 million for the year ended March 31, 2017.

Other operating results for the year ended March 31, 2017 include the positive impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥16.6 billion and gains from changes in counterparty credit spreads of ¥8.8 billion.

As a result of early adoption of ASU 2016-01 as of April 2016, unrealized changes in the fair value of financial liabilities elected for the fair value option due to Nomura s own creditworthiness are now presented through other comprehensive income rather than earnings. As a result, losses of ¥12,147 million which would otherwise have been recognized through earnings were recognized through other comprehensive income during the year ended March 31, 2017. See Note 1 1. Basis of accounting and summary of accounting policies in our consolidated financial statements included within this annual report for further information about the early adoption of ASU 2016-01.

Other operating results for the year ended March 31, 2016 include gains from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥23.1 billion, the positive impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥4.4 billion and losses from changes in counterparty credit spreads of ¥12.3 billion.

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Summary of Regional Contribution

For a summary of our net revenue, income (loss) before income taxes and long-lived assets by geographic region, see Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Cash flows

Please refer to Item 2 *6. Operating, Financial and Cash Flow Analyses* , *(5) Liquidity and Capital Resources.*

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Trading Activities

Assets and liabilities for trading purposes

For disclosures relating to the assets and liabilities for trading purposes, please refer to Item 5 *1. Consolidated Financial Statements and Other* , Note 2 *Fair value measurements* as well as Note 3 *Derivative instruments and hedging activities.*

Risk management of trading activity

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

1) Assumption on VaR

Confidence level: 99%

Holding period: One day

Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2016	**March 31, 2017**
Equity	0.9	0.7
Interest rate	3.8	2.7
Foreign exchange	0.8	1.7
Subtotal	5.5	5.0
Diversification benefit	(2.0)	(1.7)
VaR	3.5	3.3

	Billions of yen Year ended March 31, 2017		
	Maximum	**Minimum**	**Average**
VaR	6.7	2.7	4.3

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2. Management Policy, Business Environment and Current Challenges.

Any referrals to the future mentioned below are determined as of March 31, 2017.

The Nomura Group s management vision is to enhance its corporate value by deepening society s trust in the firm and increasing the satisfaction of stakeholders, including shareholders and clients. As Asia s global investment bank, Nomura will provide high value-added solutions to clients globally, and recognizing its wider social responsibility, Nomura will continue to contribute to economic growth and development of society. In order to enhance its corporate value, Nomura responds flexibly to various changes in the business environment, and emphasizes earnings per share (EPS) as a management index to achieve stable profit growth, and will seek to maintain sustained improvement in this index.

In order to achieve our management objectives, we are primarily focusing on ensuring that profits are recorded by all divisions and regions. We are committed to continuing business model transformation in Japan as well as aiming to improve profitability of our international operations under Vision C&C slogan, so that we will be able to build a solid foundation to generate profits even in severe market environments.

We will ensure a flexible and robust response to changes in the global operating environment related to international financial regulations and progress in various innovations; and make efforts to monitor international political situation which is changing rapidly, so that we will be able to maintain robust financial position and to use management resources effectively by improving capital efficiency among others.

The challenges and strategies in each division are as follows:

Retail Division

In Retail Division, we have been working to transform our business model in order to expand our business by increasing clients trust and improving clients satisfaction and to become financial institution a lot of people need. We are aiming to improve clients satisfaction and expand our business by responding to clients diversifying needs. We also focus on providing a broad range of clients with value-added solutions through face-to-face consulting services, seminars, online and call center channels, so that we will win greater trust from account holders as well as new clients.

Asset Management Division

We intend to increase assets under management and expand our client base in (i) our investment trust business, by providing clients with a diverse range of investment opportunities to meet investors various needs, and (ii) our investment advisory business, by providing value-added investment services to our clients on a global basis. As a distinctive investment manager based in Asia with the ability to provide a broad range of products and services, we aim to gain the strong trust of investors worldwide by making continuous efforts to improve investment performance and to meet clients various needs.

Wholesale Division

Global Markets has been focusing on delivering differentiated and competitive products and solutions to our clients by leveraging our global capabilities in trading, research, and global distribution. We aim to provide uninterrupted liquidity to our clients across asset classes and markets, and strive to offer best-in-class market access and execution services.

In Investment Banking, we continue to enhance our structure to further provide cross-border M&A, as well as to support our clients with financing in both domestic and overseas markets amid the globalization of our clients business activities. We also continue to provide solution business services including interest and currency hedging associated with our M&A and financing services.

In our Wholesale Division, in order to provide quality services to meet the needs of our clients, we deploy the firm s resources to areas of competitive advantage. We continue to reinforce the connectivity between Global Markets, Investment Banking, as well as among divisions and regions, to holistically meet capital markets needs of our clients. We will strive to continuously improve our products and services, as well as to make use of our competitive advantage in the Asia-Pacific region, so that we can meet the evolving needs of our clients along with the changes in macroeconomic and the market environment.

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Risk Management and Compliance, etc.

Nomura Group has established its risk appetite which articulates the risks that the firm is willing to assume in pursuit of its corporate vision, strategic objectives and business plan. We will continue to develop a risk management framework which ensures financial soundness, enhances corporate value, and is strategically aligned to the business plan and incorporated in decision making by senior management.

With regard to compliance, we will continue to focus on improving the management structure to comply with local laws and regulations in the countries where we operate. In addition to complying with laws and regulations, we will continuously review and improve our internal compliance system and rules for the purpose of promoting an environment of high ethical standards among all of our executive management and employees. In this way, we will meet the expectations of society and clients toward the Nomura Group and contribute to the further development of financial and capital markets.

Nomura Group established the Nomura Founding Principles and Corporate Ethics Day in 2015, based on our experiences including the business improvement order in connection with public stock offerings in 2012 against our subsidiary, Nomura Securities Co. Ltd. Commemorated annually, this day aims to remind all of our executive officers and employees of the lessons learned from the incident and to renew our determination to prevent similar incidents from recurring in the future and further improve public trust through various measures. We will strive to maintain a sound corporate culture through these initiatives. We will also further enhance and reinforce our internal control framework, which includes measures to prevent insider trading and solicitation of unfair dealing, by ensuring that all of our executive officers and employees continually maintain the highest level of business ethics expected from professionals engaged in the capital markets.

Through the efforts described above, we are strengthening the earnings power of the entire Nomura Group and working to achieve our management targets and to maximize corporate value. We will advance collaboration across regions and among our three Divisions, and devote our efforts to the stability of financial and capital markets and to our further expansion and development as Asia s global investment bank .

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3. Risk Factors.

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

Our business may be materially affected by financial markets, economic conditions and market fluctuations in Japan and elsewhere around the world

Our business and revenues may be affected by any adverse changes in the Japanese and global economic environments and financial markets. In addition, not only purely economic factors but also future wars, acts of terrorism, economic or political sanctions, pandemics, forecasts of geopolitical risks and geopolitical events which have actually occurred, natural disasters or other similar events could have an effect on the financial markets and economies of each country. If any adverse events including those discussed above were to occur, a market or economic downturn may last for a long period of time, which could adversely affect our business and can result in us incurring substantial losses. Even in the absence of a prolonged market or economic downturn, changes in market volatility and other changes in the environment may adversely affect our business, financial condition and results of operations. The following are certain risks related to the financial markets and economic conditions for our specific businesses.

Governmental fiscal and monetary policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations

We engage in our business globally through domestic and international offices. Governmental fiscal, monetary and other policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations. For example, in June 2016, the people of the United Kingdom voted to leave the European Union. Withdrawal from the European Union may affect our business because London office serves as our EMEA headquarters. This event may also result in additional costs when we review structure of business operations and personnel distribution. In addition, in recent years, the Bank of Japan and central banks in many major economies have been pursuing an expansionary monetary policy, including in some cases the introduction of negative interest rates. The prolonged implementation of a negative interest rate policy or the further lowering of negative interest rates in one or more countries as well as further decreases in yields of financial assets in the financial markets may negatively affect our ability to provide asset management products to our clients as well as our trading and investment activities.

Our brokerage and asset management revenues may decline

A market downturn could result in a decline in the revenues generated by our brokerage business because of a decline in the volume and value of securities that we broker for our clients. Also, within our asset management business, in most cases, we charge fees and commissions for managing our clients portfolios that are based on the market value of their portfolios. A market downturn that reduces the market value of our clients portfolios may increase the amount of withdrawals or reduce the amount of new investments in these portfolios, and would reduce the revenue we receive from our asset management business.

Our investment banking revenues may decline

Changes in financial or economic conditions would likely affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients. For example, due in part to the continued slowdown in financing activities resulting primarily from the worsened and prolonged impact of the European sovereign debt crisis in 2011, our Investment Banking net revenue for the years ended March 31, 2012 and March 31, 2013 decreased by 15.9% and 15.0% from the previous years, respectively.

Our electronic trading business revenues may decline

Electronic trading is essential for our business in order to execute trades faster with fewer resources. Utilizing these systems allows us to provide an efficient execution platform and on-line content and tools to our clients via exchanges or other automated trading facilities. Revenue from our electronic trading, which includes trading commissions and bid-offer spreads from these services, are directly correlated with the number and size of the transactions in which we participate and would therefore decrease if there are financial market or economic changes that would cause our clients to trade less frequently or in a smaller amounts. In addition, the use of electronic trading has increased across capital markets products and has put pressure on trading commissions and bid-offer spreads in our industry due to the increased competition of our electronic trading business. Although trade volumes may increase due to the availability of electronic trading, this may not be sufficient to offset margin erosion in our execution business, leading to a potential decline in revenue generated from this business. We continue to invest in developing technologies to provide an efficient trading platform; however, we may fail to maximize returns on these investments due to this increased pressure on lowering margins.

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We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in fixed income, equity and other markets, both for proprietary purposes and for the purpose of facilitating our clients trades. Our positions consist of various types of assets, including securities, derivatives transactions with equity, interest rate, currency, credit and other underlyings, as well as loans, reverse repurchase agreements and real estate. Fluctuations in the markets where these assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets that we do not own, or have short positions, an upturn in prices of the assets could expose us to potentially significant losses. Although we seek to mitigate these position risks with a variety of hedging techniques, these market movements could result in us incurring losses. We may also incur losses if the financial system is overly stressed and the markets move in a way we have not anticipated.

Our businesses have been, and may continue to be, affected by changes in market volatility levels. Certain of our trading businesses such as those engaged in trading and arbitrage opportunities depend on market volatility to generate revenues. Lower volatility may lead to a decrease in business opportunities which may affect the results of operations of these businesses. On the other hand, higher volatility, while it can increase trading volumes and spreads, also increases risk as measured by Value-at-Risk (VaR) and may expose us to higher risks in connection with our market-making and proprietary businesses. Higher volatility can also cause us to reduce the outstanding positions or size of these businesses in order to avoid increasing our VaR.

Furthermore, we commit capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. We also structure and take positions in pilot funds for developing financial investment products and invest seed money to set up and support financial investment products. We may incur significant losses from these positions in the event of significant market fluctuations.

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect our profitability due to decrease in client transactions. Assuming a one-notch and two-notch downgrade of our credit ratings on March 31, 2017, absent other changes, we estimate that the aggregate fair value of assets that will be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥20.2 billion and ¥47.5 billion, respectively.

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

Holding large and concentrated positions of certain securities can expose us to large losses in our businesses such as market-making, block trading, underwriting, asset securitization, acquiring newly-issued convertible debt securities through third-party allotment or providing business solutions to meet clients needs. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. We generally have higher exposure to those issuers engaged in financial services businesses, including commercial banks, broker-dealers, clearing houses, exchanges and investment companies. There may also be cases where we hold relatively large amounts of securities by issuers in particular countries or regions due to the business we conduct with our clients or our counterparties. In addition, we may incur substantial losses due to market fluctuations on asset-backed securities such as residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS).

Extended market declines and decreases in market participants can reduce liquidity and lead to material losses

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in those markets in which we operate. Market liquidity may also be affected by decreases in market participants that could occur, for example, if financial institutions scale back market-related businesses due to increasing regulation or other reasons. As a result, it may be difficult for us to sell, hedge or value such assets which we hold. Also, in the event that a market fails in pricing such assets, it will be difficult to estimate their value. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to Over-The-Counter (OTC) derivatives, we may incur substantial losses. Further, if the liquidity of a market significantly decreases and the market may become unable to price financial instruments held by us, this could lead to unanticipated losses.

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Our hedging strategies may not prevent losses

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

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

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Although some of our methods of managing risk are based upon observed historical behavior of market data, the movement of each data in future financial market may not be the same as was observed in the past. As a result, we may suffer large losses through unexpected future risk exposures. Other risk management methods that we use also rely on our evaluation of information regarding markets, clients or other matters, which is publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated, and we may be unable to properly assess our risks, and thereby suffer large losses. Furthermore, certain factors, such as market volatility, may render our risk evaluation model unsuitable for a new market environment. In such event, we may become unable to evaluate or otherwise manage our risks adequately.

Market risk may increase other risks that we face

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate other risks that we face. For example, the risks inherent in financial instruments developed through financial engineering and innovation may be increased by market risk.

Also, if we incur substantial trading losses caused by our exposure to market risk, our need for liquidity could rise sharply while our access to cash may be impaired as a result of market perception of our credit risk.

Furthermore, in a market downturn, our clients and counterparties could incur substantial losses of their own, thereby weakening their financial condition and, as a result, increasing our credit risk exposure to them.

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

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

We may have to recognize impairment charges, as well as other losses associated with subsequent transactions, with regard to the amount of goodwill, tangible and intangible assets and if recognized, such changes may adversely affect our financial condition and results of operations. For example, during the years ended March 31, 2014 and March 31, 2015 we recognized goodwill impairment charges of ¥2,840 million and ¥3,188 million, respectively.

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

Liquidity, or having ready access to cash, is essential to our business. We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of our creditworthiness or deterioration in market conditions. In addition to maintaining a readily available cash position, we seek to secure ample liquidity through repurchase agreements and securities lending transactions, long-term borrowings and the issuance of long-term debt securities, diversification of our short-term funding sources such as commercial paper, and by holding a portfolio of highly liquid assets. We bear the risk that we may lose liquidity under certain circumstances, including the following:

We may be unable to access unsecured or secured funding

We continuously access unsecured funding from issuance of securities in the short-term credit markets and debt capital markets as well as bank borrowings to finance our day-to-day operations, including refinancing. We also enter into repurchase agreements and securities lending transactions to raise secured funding for our trading businesses. An inability to access unsecured or secured funding or funding at significantly higher cost than normal levels could have a substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

- we incur large trading losses,
- the level of our business activity decreases due to a market downturn,
- regulatory authorities take significant action against us, or
- our credit rating is downgraded.

In addition to the above, our ability to borrow in the debt capital markets could also be adversely impacted by factors that are not specific to us, such as reductions in banks lending capacity, a severe disruption of the financial and credit markets, negative views about the general prospects for the investment banking, brokerage or financial services industries, or negative market perceptions of Japan s financial soundness.

We may be unable to sell assets

If we are unable to raise funds or if our liquidity declines significantly, we will need to liquidate assets or take other actions in order to meet our maturing liabilities. In volatile or uncertain market environments, overall market liquidity may decline. In a time of reduced market liquidity, we may be unable to sell some of our assets, or we may have to sell at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell assets may also be adversely impacted by other market participants seeking to sell similar assets into the market at the same time.

Lowering of our credit ratings could impact our funding

Our funding depends significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on credit watch with negative implications. Future downgrades could increase our funding costs and limit our funding. This, in turn, could adversely affect our result of operations and our financial condition. In addition, other factors which are not specific to us may impact our funding, such as negative market perceptions of Japan s financial soundness.

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

Event risk refers to potential losses we may suffer through unpredictable events that cause large unexpected market price movements such as natural or man-made disasters, epidemics, acts of terrorism, armed conflicts or political instability, as well as adverse events specifically affecting our business activities or counterparties. These events include not only significant events such as the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, the global financial and credit crisis in the autumn of 2008, the Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year, the political crisis in Ukraine which began in late 2013, the terrorist attacks in Paris in November 2015, the terrorist attacks in Brussels in March 2016 and the terrorist attacks in London in June 2017, but also more specifically the following types of events that could cause losses in our trading and investment assets:

- sudden and significant reductions in credit ratings with regard to financial instruments held by our trading and investment businesses by major rating agencies,

- sudden changes in trading, tax, accounting, regulatory requirements, laws and other related rules which may make our trading strategy obsolete, less competitive or no longer viable, or

- an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and administrative penalty with respect to the issuers of our trading and investment assets.

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We may be exposed to losses when third parties that are indebted to us do not perform their obligations

Our counterparties are from time to time indebted to us as a result of transactions or contracts, including loans, commitments to lend, other contingent liabilities and derivative transactions. We may incur material losses when our counterparties default or fail to perform on their obligations to us due to their filing for bankruptcy, a deterioration in their creditworthiness, lack of liquidity, operational failure, an economic or political event, repudiation of the transaction or for other reasons.

Credit risk may also arise from:

- holding securities issued by third parties, or
- the execution of securities, futures, currency or derivative transactions that fail to settle at the required time due to nondelivery by the counterparty, such as monoline insurers (financial guarantors) which are counterparties to credit default swaps or systems failure by clearing agents, exchanges, clearing houses or other financial infrastructure.

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

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

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

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

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

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

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

The financial services industry faces intense competition

Our businesses are intensely competitive, and are expected to remain so. We compete on the basis of a number of factors, including transaction execution capability, our products and services, innovation, reputation and price. We have experienced intense price competition, particularly in brokerage, investment banking and other businesses.

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

Since the late 1990s, the financial services sector in Japan has undergone deregulation. In accordance with the amendments to the Securities and Exchange Law of Japan (which has been renamed as the Financial Instruments and Exchange Act of Japan (FIEA) since September 30, 2007), effective from December 1, 2004, banks and certain other financial institutions became able to enter into the securities brokerage business. In addition, in accordance with the amendments to the FIEA effective from June 1, 2009, firewalls between commercial banks and securities firms were deregulated. Therefore, as our competitors will be able to cooperate more closely with their affiliated commercial banks, banks and other types of financial services firms can compete with us to a greater degree than they could before deregulation in the areas of financing and investment trusts. Among others, securities subsidiaries of commercial banks and non-Japanese firms have been affecting our market shares in the sales and trading, investment banking and retail businesses.

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Increased consolidation, business alliance and cooperation in the financial services groups industry mean increased competition for us

There has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks and other broad-based large financial services groups have established or acquired broker-dealers or have consolidated with other financial institutions. Recently, these large financial services groups have been further developing business linkage within their respective groups in order to provide comprehensive financial services to clients. These financial services groups continue to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group, which may enhance their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking and other financial services revenues in an effort to gain market share. In addition, the financial services industry has seen collaboration beyond the borders of businesses and industries, such as alliances between commercial banks and securities companies outside of framework of existing corporate groups and recent alliances with non-financial companies including emerging companies. Our competitiveness may be adversely affected if our competitors are able to expand their businesses and improve their profitability through such business alliances.

Our global business strategies may not result in the anticipated outcome due to competition with other financial services firms in international markets and the failure to realize the full benefit of management resource reallocation

We continue to believe there are significant opportunities in the international markets, but there is also significant competition associated with such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Under such competitive environment, as a means to bolster our international operations, we acquired certain Lehman Brothers operations in Europe, the Middle East and Asia in 2008 and we have invested significant management resources to maintain and develop our operations in these regions and the U.S. After the acquisition, however, market structures have changed drastically due to the scaling back of market-related businesses by European financial institutions and the monetary easing policies by central banks of each country, resulting in decline in whole market liquidity. In light of this challenging business environment, we have endeavored to reallocate our management resources to optimize our global operations and thereby improve our profitability. For example, we made strategic changes to our Wholesale businesses in EMEA and the Americas in 2016 in order to reallocate resources towards our areas of expertise and most profitable business lines. However, failure to realize the full benefits of these efforts may adversely affect our global businesses, financial condition and results of operations.

Our business is subject to various operational risks

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

Operational risk is inherent in all our products, activities, processes and systems which therefore can potentially have a direct financial impact on us or an indirect financial impact through a disruption to our business, regulatory sanctions, loss of clients, reputational damage or damage to the health and safety of our management and employees. While we have established a robust framework to manage and mitigate the impact of operational risks within us, prevention of the following key specific types of key operational risks occurring remains challenging:

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Event Category	Definition
Internal Fraud	Intentional breach of laws, rules, regulations or internal policies and procedures.
Mis-selling	Offering of products and services which are not commensurate with the client s knowledge, experience, asset status and investment purpose as well as his/her ability to make judgment regarding risk management, or failure to provide sufficient information about the risks associated with the products and services offered.
Regulatory non- Compliance	Violation of financial and other applicable laws, rules or regulations and internal rules governing the firm s business activities and personnel.
Information Management Failure	Activity which may lead to leakage or damage of the firm s data including client and sensitive information, or failure to maintain a sufficient control environment to prevent such events.
Cyber Attack	Unauthorized intrusion, theft, modification and destruction of data, failure or malfunction of information systems and execution of illegal computer programs, committed via the Internet through malicious use of information communication networks and information systems.
System Outages	Significant system defects, including system outages or malfunction.
Business Continuity Management Failure	Failure to maintain effective business continuity due to insufficient measures and preparations against major natural or man-made disaster.

Misconduct or fraud by an employee, director or officer, or any third party, could occur, and our reputation in the market and our relationships with clients could be harmed

We face the risk that our employees, directors or officers, or any third party, could engage in misconduct that may adversely affect our business. Misconduct by an employee, director or officer includes conduct such as entering into transactions in excess of authorized limits, acceptance of risks that exceed our limits, or concealment of unauthorized or unsuccessful activities. The misconduct could also involve the improper use or disclosure of our or our clients non-public information, such as insider trading and the recommendation of trades based on such information, as well as other crimes, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us.

In August 2012, Nomura Securities Co., Ltd. (NSC), a subsidiary of the Company, received a business improvement order from the FSA with respect to flaws recognized in connection with the management of entity-related information for public stock offerings. In response to the order, NSC implemented and completed a series of improvement measures as of December 2012.

Although we have precautions in place to detect and prevent such misconduct in the future, the measures we have implemented or may implement may not be effective in all cases, and we may not always be able to detect or deter misconduct by an employee, director or officer. If any administrative or judicial sanction is issued against us as a result of such misconduct, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

Third parties may also engage in fraudulent activities, including devising a fraudulent scheme to induce our investment, loans, guarantee or any other form of financial commitment, both direct and indirect. Because of the broad range of businesses that we engage in and the large number of third parties with whom we deal in our day-to-day business operations, such fraud or any other misconduct may be difficult to prevent or detect.

We may not be able to recover the financial losses caused by such activities and our reputation may also be damaged by such activities.

A failure to identify and appropriately address conflicts of interest could adversely affect our business

We are a global financial institution that provides a wide range of products and services to a diverse group of clients, including individuals, corporations, other financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Conflicts of interests can arise when our services to a particular client conflict or compete, or are perceived to conflict or compete, with our own interests. In addition, where non-public information is not appropriately restricted or shared within the firm, conflicts of interest can also arise where a transaction within the Nomura Group and/or a transaction with another client conflict or compete, or is perceived to conflict or compete, with a transaction with a particular client. While we have extensive internal procedures and controls designed to identify and address conflicts of interest, a failure, or a perceived failure, to identify, disclose and appropriately address such conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, conflicts of interest could give rise to regulatory actions or litigation.

Our business is subject to substantial legal, regulatory and reputational risks

Substantial legal liability or a significant regulatory action against us could have a material financial effect on us or cause reputational harm to us, which in turn could adversely affect our business prospects, financial condition and results of operations. Also, material changes in regulations applicable to us or to the markets in which we operate could adversely affect our business.

Our exposure to legal liability is significant

We face significant legal risks in our businesses. These risks include liability under securities or other laws in connection with securities underwriting and offering transactions, liability arising from the purchase or sale of any securities or other financial products, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for our transactions, disputes with our business alliance partners and legal claims concerning our other businesses.

During a prolonged market downturn or upon the occurrence of an event that adversely affects the market, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. In addition, even legal transactions might be subject to adverse public reaction according to the particular details of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. See Note 20 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report for further information regarding the significant investigations, lawsuits and other legal proceedings that we are currently facing.

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

The financial services industry is subject to extensive regulation. We are subject to increasing regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. In addition, while regulatory complexities increase, possibilities of extra-territorial application of a regulation in one jurisdiction to business activities outside of such jurisdiction may also increase. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities and/or affect our profitability, through net capital, client protection and market conduct requirements. In addition, on top of traditional finance-related legislation, the scope of laws and regulations applying to, and/or impacting on, our operations may become wider depending on the situation of the wider international political and economic environment or policy approaches taken by governmental authorities in respect of regulatory application or law enforcement. In particular, the number of investigations and proceedings against the financial services industry by governmental and self-regulatory organizations has increased substantially and the consequences of such investigations and proceedings have become more severe in recent years, and we are subject to face the risk of such investigations and proceedings. Although we have policies in place to prevent violations of such laws and regulations, we may not always be able to prevent violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create, which may negatively affect our business opportunities and ability to secure human resources. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions. In addition, certain market participants may refrain from investing in or entering into transactions with us if we engage in business activities in regions subject to international sanctions, even if our activities do not constitute violations of sanctions laws and regulations.

Tightening of regulations applicable to the financial system and financial industry could adversely affect our business, financial condition and results of operations

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. The impact of such developments could make it economically unreasonable for us to continue to conduct all or certain of our businesses, or could cause us to incur significant costs to adjust to such changes.

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In particular, various reforms to financial regulatory frameworks, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in the U.S. and various proposals to strengthen financial regulation in the European Union and the United Kingdom (U.K.), have been put in place. The exact details of the implementation of these proposals and its impact on us will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards.

New regulations or revisions to existing regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Such new regulations or revisions to existing regulations include the so-called Basel III package formulated by the Basel Committee on Banking Supervision (Basel Committee), some rules of which are still to be finalized and/or implemented. These changes in regulations may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the Financial Stability Board (FSB) and the Basel Committee annually update the list of global systemically important banks (G-SIBs) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G-20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks (D-SIBs), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. In December 2015, the FSA identified us as a D-SIB and imposed a surcharge of 0.5% on our required capital ratio after March 2016 over a 3-year transitional period. This may result in additional costs and impact on us as described above.

Deferred tax assets may be impacted due to a change in business condition or in laws and regulations, resulting in an adverse effect on our operating results and financial condition

We recognize deferred tax assets in our consolidated balance sheets as a possible benefit of tax relief in the future. If we experience or forecast future operating losses, if tax laws or enacted tax rates in the relevant tax jurisdictions in which we operate change, or if there is a change in accounting standards in the future, we may reduce the deferred tax assets recognized in our consolidated balance sheets. As a result, it could adversely affect our financial condition and results of operations. See Note 15 *Income taxes* in our consolidated financial statements included in this annual report for further information regarding the deferred tax assets that we currently recognize.

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

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

Although we exercise care to protect the confidentiality of personal information and take steps to safeguard such information in compliance with applicable laws, rules and regulations, were any material unauthorized disclosure of personal information to occur, our business could be adversely affected. For example, we could be subject to complaints and lawsuits for damages from clients if they are adversely affected due to the unauthorized disclosure of their personal information (including leakage of such information by an external service provider). In addition, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives. Any damage to our reputation caused by such unauthorized disclosure could lead to a decline in new clients and/or a loss of existing clients, as well as to increased costs and expenses incurred for public relations campaigns designed to prevent or mitigate damage to our corporate or brand image or reputation.

System failure and the information leakage could adversely affect our business

Our businesses rely on secure processing, storage, transmission and reception of personal, confidential and proprietary information on our systems. We may become the target of attempted unauthorized access, computer viruses or malware, and other cyber-attacks designed to access and obtain information on our systems or to disrupt and cause other damage to our services. Although these threats may originate from human error or technological failure, they may also originate from the malice or fraud of internal parties, such as employees, or third parties, including foreign non-state actors and extremist parties. Additionally, we could also be adversely impacted if any of the third-party vendors, exchanges, clearing houses or other financial institutions to whom we are interconnected are subject to cyber-attacks or other informational security breaches. Such events could cause interruptions to our systems, reputational damage, client dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our financial condition and operations.

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While we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future.

Natural disaster, terrorism, military dispute and infectious disease could adversely affect our business

We have developed a contingency plan for addressing unexpected situations. However, disaster, terrorism, military dispute or infectious disease afflicting our management and employees could exceed the assumptions of our plan, and could adversely affect our business.

The Company is a holding company and depends on payments from subsidiaries

The Company heavily depends on dividends, distributions and other payments from subsidiaries to make payments on the Company s obligations. Regulatory and other legal restrictions, such as those under the Companies Act, may limit the Company s ability to transfer funds freely, either to or from the Company s subsidiaries. In particular, many of the Company s subsidiaries, including the Company s broker-dealer subsidiaries, are subject to laws and regulations, including regulatory capital requirements, that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. For example, NSC, Nomura Securities International, Inc., Nomura International plc and Nomura International (Hong Kong) Limited, our main broker-dealer subsidiaries, are subject to regulatory capital requirements that could limit the transfer of funds to the Company. These laws and regulations may hinder the Company s ability to access funds needed to make payments on the Company s obligations.

We may not be able to realize gains we expect, and may even suffer losses, on our investments in equity securities and non-trading debt securities

We hold substantial investments in equity securities and non-trading debt securities. Under U.S. GAAP, depending on market conditions, we may recognize significant unrealized gains or losses on our investments in equity securities and debt securities, which could have an adverse impact on our financial condition and results of operations. Depending on the market conditions, we may also not be able to dispose of these equity securities and debt securities when we would like to do so, as quickly as we may wish or at the desired price.

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

We have affiliates and investees accounted for under the equity method in our consolidated financial statements and whose shares are publicly traded. Under U.S. GAAP, if there is a decline in the fair value, i.e., the market price, of the shares we hold in such affiliates over a period of time, and we determine that the decline is other-than-temporary, then we recognize an impairment loss for the applicable fiscal period which may have an adverse effect on our financial condition and results of operations.

We may face an outflow of clients assets due to losses of cash reserve funds or debt securities we offer

We offer many types of products to meet various needs of our clients with different risk profiles.

Cash reserve funds, such as money market funds and money reserve funds are categorized as low risk financial products. As a result of a sudden rise in interest rates, such cash reserve funds may fall below par value due to losses resulting from price decreases of debt securities in the portfolio, defaults of debt securities in the portfolio or charges of negative interest. If we determine that a stable return cannot be achieved from the investment performance of cash reserve funds, we may accelerate the redemption of, or impose a deposit limit on, such cash reserve funds. For example, Nomura Asset Management Co., Ltd., the Company s subsidiary, ended its operation of money market funds in late August 2016 and executed an accelerated redemption of such funds in September 2016.

In addition, debt securities that we offer may default or experience delays in the payment of interest and/or principal.

Such losses, early redemption or deposit limit for the products we offer may result in the loss of client confidence and lead to an outflow of client assets from our custody or preclude us from increasing such client assets.

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4. Significant Contracts.

On January 16th, 2017, the Executive Management Board of the Company, based on the decision of delegation by the Board of Directors on September 30th, 2015, has decided to transfer a part of NHI s share management business to Nomura Asia Pacific Holdings Co., Ltd (NAPH), a wholly owned subsidiary of NHI, by the method of a Company Split (Company Split). The Company Split is planned to take effect on April 1, 2017.

Please refer to Item 5. Financial Information 2. Unconsolidated Financial Statements (Significant Subsequent Event) for more details.

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6. Operating, Financial and Cash Flow Analyses.

(1) Operating and financial analyses

Please refer to Item 2 *1. Operating Results.* See also *2. Management Policy, Business Environment and Current Challenges* and *3. Risk Factors.*

(2) Critical accounting policies and estimates

Use of estimates

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

Fair value for financial instruments

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

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

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

Level 1:

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

Level 2:

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

Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

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

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

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

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

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

	Billions of yen March 31, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total
Financial assets measured at fair value (Excluding derivative assets)	¥7,261	¥ 9,616	¥ 462	¥	¥17,339
Derivative assets	18	23,163	178	(22,322)	1,037
Total	¥7,279	¥32,779	¥ 640	¥ (22,322)	¥18,376

See Note 2 *Fair value measurements* in our consolidated financial statements included in this annual report.

Derivative contracts

We use a variety of derivative financial instruments including futures, forwards, swaps and options, for trading and non-trading purposes. All derivatives are carried at fair value, with changes in fair value recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

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

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

	Billions of yen March 31, 2016	
	Assets	Liabilities
Listed derivatives	¥ 89	¥ 123
OTC derivatives	1,283	927
	¥1,372	¥ 1,050

Billions of yen

	March 31, 2017	
	Assets	Liabilities
Listed derivatives	¥ 63	¥ 156
OTC derivatives	974	765
	¥ 1,037	¥ 921

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The following table presents the fair value of OTC derivative assets and liabilities as of March 31, 2017 by remaining contractual maturity.

	Billions of yen March 31, 2017						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(*)	Total fair value
OTC derivative assets	¥ 2,094	¥ 1,696	¥ 1,359	¥ 1,054	¥ 5,099	¥ (10,328)	¥ 974
OTC derivative liabilities	1,847	1,535	1,129	636	3,301	(7,683)	765

(*) Represents the impact of netting derivative assets with derivative liabilities for the same counterparty across maturity band categories. Derivative assets and derivative liabilities with the same counterparty in the same maturity category are netted within the maturity category. This column also includes cash collateral netting with the same counterparty.

The fair value of derivative contracts includes adjustments for credit risk, both with regards to counterparty credit risk on positions held and our own creditworthiness on positions issued. We realize gains or losses relating to changes in credit risk on our derivative contracts together with the movements of trading positions, which include derivatives, that are expected to mitigate the above mentioned impact of changes in credit risk.

Goodwill

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment at a reporting unit level during the fourth quarter of each fiscal year, or more frequently during interim periods if events or circumstances indicate there may be impairment. Nomura s reporting units are at one level below its business segments.

Nomura tests goodwill of each separate reporting unit by initially qualitatively assessing whether events and circumstances indicate that it is more likely than not (i.e. greater than 50%) that a reporting unit s fair value is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the reporting unit is deemed not to be impaired and no further analysis is required. If it is more likely than not that the fair value of the reporting unit is below its carrying value, a quantitative two-step impairment test is then performed.

In the first step, the current estimated fair value of the reporting unit is compared with its carrying value, including goodwill. If the fair value is less than the carrying value, then a second step is performed. In the second step, the implied current fair value of the reporting unit s goodwill is determined by comparing the fair value of the reporting unit to the fair value of the net assets of the reporting unit, as if the reporting unit were being acquired in a business combination. An impairment loss is recognized if the carrying value of goodwill exceeds its implied current fair value.

For the year ended March 31, 2017, Nomura did not recognize any impairment loss on goodwill.

Assets and Liabilities Associated with Investment and Financial Services Business

Exposure to Certain Financial Instruments and Counterparties

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

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Leveraged Finance

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

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

	Millions of yen March 31, 2017		
	Funded	**Unfunded**	**Total**
Europe	¥52,590	¥ 48,233	¥100,823
Americas	36,453	201,503	237,956
Asia and Oceania		39,132	39,132
Total	¥89,043	¥ 288,868	¥377,911

Special Purpose Entities (SPEs)

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

For further discussion on Nomura s involvement with variable interest entities, see Note 6 *Securitizations and Variable Interest Entities* in our consolidated financial statements included in this annual report.

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Accounting Developments

See Note 1 *Summary of accounting policies: New accounting pronouncements adopted during the current year* in our consolidated financial statements included in this annual report.

(3) Deferred Tax Assets

Details of deferred tax assets and liabilities

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

		Millions of yen March 31, 2017
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥	17,988
Investments in subsidiaries and affiliates		100,100
Valuation of financial instruments		65,158
Accrued pension and severance costs		21,854
Other accrued expenses and provisions		84,268
Operating losses		406,440
Other		8,408
Gross deferred tax assets		704,216
Less Valuation allowance		(519,492)
Total deferred tax assets		184,724
Deferred tax liabilities		
Investments in subsidiaries and affiliates		125,752
Valuation of financial instruments		46,684
Undistributed earnings of foreign subsidiaries		947
Valuation of fixed assets		18,042
Other		5,840
Total deferred tax liabilities		197,265
Net deferred tax assets (liabilities)	¥	(12,541)

Calculation method of deferred tax assets

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

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(4) Quantitative and Qualitative Disclosures about Market Risk

Risk Management

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

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

Risk Appetite

Nomura has determined the maximum level and types of risk that it is willing to assume in pursuit of its strategic objectives and business plan and has articulated this in its Risk Appetite Statement. This document is jointly submitted by the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO) to the Executive Management Board (EMB) for approval.

The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy and balance sheet measures, liquidity risk, market and credit risk, operational risk, compliance risk and model risk, and consists of quantitative metrics and qualitative statements. It is subject to regular monitoring and breach escalation as appropriate by the owner of the relevant risk appetite statement.

Nomura s Risk Appetite Statement is required to be reviewed annually by the EMB but it is reviewed on an ad hoc basis if necessary, and must specifically be reviewed following any significant changes in Nomura s strategy. Risk appetite underpins all additional aspects of Nomura s risk management framework.

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Risk Management Governance and Oversight

Committee Governance

Nomura has established a committee structure to facilitate effective business operations and management of Nomura s risks. The formal governance structure for risk management within Nomura is as follows:

Board of Directors (BoD)

The BoD determines the policy for the execution of the business of Nomura and other matters prescribed in laws and regulations, supervises the execution of Directors and Executive Officers duties and has the authority to adopt, alter or abolish the regulations of the EMB.

Executive Management Board (EMB)

The EMB deliberates on and determines management strategy, the allocation of management resources and important management matters of Nomura, and seeks to increase shareholder value by promoting effective use of management resources and unified decision-making with regard to the execution of business. The EMB delegates responsibility for deliberation of matters concerning risk management to the Group Integrated Risk Management Committee (GIRMC). Key responsibilities of the EMB include the following:

- Resource Allocation At the beginning of each financial year, the EMB determines the allocation of management resources and financial resources such as economic capital and unsecured funding to business units and establishes usage limits for these resources;

- Business Plan At the beginning of each financial year, the EMB approves the business plan and budget of Nomura. Introduction of significant new businesses, changes to business plans, the budget and the allocation of management resources during the year are also approved by the EMB; and

- Reporting The EMB reports the status of its deliberations to the BoD.

Group Integrated Risk Management Committee (GIRMC)

Upon delegation from the EMB, the GIRMC deliberates on or determines important matters concerning integrated risk management of Nomura to assure the sound and effective management of its businesses. The GIRMC establishes Nomura s risk appetite and a framework of integrated risk management consistent with Nomura s risk appetite. The GIRMC supervises Nomura s risk management by establishing and operating its risk management framework. The GIRMC reports the status of key risk management issues and any other matters deemed necessary by the committee chairman to the BoD and the EMB.

In addition, the GIRMC, upon delegation from the EMB, has established the Risk Management Policy, describing Nomura s overall risk management framework including the fundamental risk management principles followed by

Nomura.

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Global Risk Management Committee (GRMC   )

Upon delegation from the GIRMC, the GRMC deliberates on or determines, based on strategic risk allocation and risk appetite determined by the GIRMC, important matters concerning market, credit or reputational risk management of Nomura in order to assure the sound and effective management of Nomura s businesses. The GRMC reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

Asset Liability Committee (ALCO   )

Upon delegation from the GIRMC, the ALCO deliberates on, based on Nomura s risk appetite determined by the GIRMC, balance sheet management, financial resource allocation, liquidity management and related matters. The ALCO reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

Global Risk Analytics Committee (GRAC   ) and Model Risk Analytics Committee (MRAC   )

Upon delegation from the GRMC, the GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The committees primary responsibility is to govern and provide oversight of model management, including the approval of new models and significant model changes. Both committees report all significant matters and material decisions taken to the GRMC, on a regular basis.

GRMC Transaction Committee

Upon delegation from the GRMC, the GRMC Transaction Committee deliberates on or approves individual transactions in line with Nomura s risk appetite in order to assure the sound and effective management of Nomura s businesses.

Collateral Steering Committee (CSC   )

Upon delegation from the GRMC, the CSC deliberates on or determines Nomura s collateral risk management, including concentrations, liquidity, collateral re-use, limits and stress tests, provides direction on Nomura s collateral strategy and ensures compliance with regulatory collateral requirements.

Chief Risk Officer (CRO   )

The CRO is responsible for setting the overall strategy and direction of the Risk Management Division. The CRO is responsible for supervising the Risk Management Division and maintaining the effectiveness of the risk management framework independently from the business units within Nomura. The CRO regularly reports on the status of Nomura s risk management to the GIRMC, and reports to and seeks the approval of the GIRMC on measures required for risk management.

Chief Financial Officer (CFO   )

The CFO is responsible for overall financial strategy of Nomura, and has operational authority and responsibility over Nomura s liquidity management based on decisions made by the EMB.

Risk Management Division

The Risk Management Division comprises various departments or units in charge of risk management established independently from Nomura s business units. The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura Group entities, reporting to Executive Officers/Senior Managing Directors and the GIRMC and others, as well as reporting to regulatory bodies and handling regulatory applications concerning risk management methods and other items as necessary. Important risk management issues are closely communicated between members of the Risk Management departments and the CRO. The CRO and/or co-CRO regularly attend the EMB and GIRMC meetings to report specific risk issues.

Risk Policy Framework

Policies and procedures are essential tools of governance used by the Risk Management Division. They define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura. The Risk Management Division has established a risk policy framework to promote appropriate standards and consistency for risk policies and procedures and to articulate the principles and procedures conducive to effective risk management. All risk management policies and procedures are developed in line with this policy framework and a defined process is followed for any exceptions.

Monitoring, Reporting and Data Integrity

Development, consolidation, monitoring and reporting of risk management information (risk MI) are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division and the Finance Division are responsible for producing regular risk MI, which reflects the position of Nomura relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflect the use of the various risk tools used to identify and assess those risks. The Risk Management Division is responsible for implementing appropriate controls over data integrity for risk MI.

Management of Financial Resources

Nomura has established a framework for management of financial resources in order to adequately manage utilization of these resources. The EMB allocates financial resources to business units at the beginning of each financial year. These allocations are used to set revenue forecasts for each business units. Key components are set out below:

Risk-weighted assets

A key component used in the calculation of our consolidated capital adequacy ratios is risk-weighted assets. The EMB determines the risk appetite for our consolidated Tier 1 capital ratio on an annual basis and sets the limits for the usage of risk-weighted assets by each division and by additional lower levels of the division consistent with the risk appetite. In addition the EMB determines the risk appetite for the level of exposures under the leverage ratio framework which is a non-risk based measure to supplement risk-weighted assets. See Item 2 *Consolidated Regulatory Capital Requirements* in this annual report for further information.

Economic Capital

Nomura s internal measure of the capital required to support its business is the Nomura Capital Allocation Target (NCAT). NCAT is measured as the amount of capital required to absorb maximum potential losses over a one-year time horizon, computed by the risk model at the 99.95th percentile, or the equivalent Expected Shortfall. NCAT consists of Portfolio NCAT and Non-Portfolio NCAT. Portfolio NCAT consists of market risk, credit risk, event risk, principal finance risk, private equity risk and investment securities risk. Non-Portfolio NCAT consists of business risk and operational risk. NCAT is aggregated by taking into account the correlation among its various components. Nomura s NCAT limit is initially set by the EMB, and the EMB subsequently allocates it to each business division and additional lower levels of the organization.

Available Funds

The CFO decides the maximum amount of available funds, provided without posting of any collateral, for allocation within Nomura and the EMB approves the allocation of the funds to each business division. Global Treasury monitors the usage by businesses and reports to the EMB.

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Classification and Definition of Risk

Nomura classifies and defines risks as follows and has established departments or units to manage each risk type.

Risk Category	Definition
Market risk	Risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit risk	Risk of loss arising from an obligor s default, insolvency or administrative proceeding which results in the obligor s failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment (CVA) associated with deterioration in the creditworthiness of a counterparty.
Operational risk	Risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura s reputation if caused by an operational risk.
Model risk	Risk of loss arising from model errors or incorrect or inappropriate model application with regard to valuation models and risk models.
Funding and Liquidity risk	Risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of Nomura s creditworthiness or deterioration in market conditions.
Business risk	Risk of failure of revenues to cover costs due to deterioration of the earnings environment or deterioration of the efficiency or effectiveness of business operations. Business risk is managed by the senior management at Nomura.

Market Risk Management

Market risk is the risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

Market Risk Management Process

Effective management of market risk requires the ability to analyze a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

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

Value at Risk

VaR is a measure of the potential loss due to adverse movements of market factors, such as equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology Assumptions

Nomura uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented, where historical market moves over a two-year window are applied to current exposure in order to construct a profit and loss distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility. Nomura uses the same VaR model for both internal risk management purposes and for regulatory reporting. For internal risk management purposes, VaR is calculated across Nomura at a 99% confidence level and using a 1-day time horizon. For regulatory reporting purposes, Nomura uses the same confidence level but a 10-day time horizon, calculated using actual 10-day historical market moves. To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations are equally weighted.

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Nomura s VaR model uses exact time series for each individual risk factor. However, if good quality data is not available, a proxy logic maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of Nomura s VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura s VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura s Risk Management Division. One-day trading losses did not exceed the 99% VaR estimate at the Nomura Group level for the twelve months ended March 31, 2017.

Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events. Given these limitations, Nomura uses VaR only as one component of a diverse market risk management process.

Stress Testing

Nomura conducts market risk stress testing since VaR and sensitivity analysis have limited ability to capture all portfolio risks or tail risks. Stress testing for market risk is conducted daily and weekly, using various scenarios based upon features of trading strategies. Nomura conducts stress testing not only at each desk level, but also at the Nomura Group level with a set of common global scenarios in order to capture the impact of market fluctuations on the entire Nomura group.

Non-Trading Risk

A major market risk in Nomura s non-trading portfolio relates to equity investments held for operating purposes and on a long-term basis. Equity investments held for operating purposes are minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations held in order to promote existing and potential business relationships. This non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in this portfolio is to analyze market sensitivity based on changes in the TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the fair value of Nomura s equity investments held for operating purposes, which allows to determine a correlation factor. Based on this analysis for each 10% change in the TOPIX, the fair value of Nomura s operating equity investments held for operating purposes can be expected to change by ¥18,527 million at the end of March 2016 and ¥16,275 million at the end of March 2017. The TOPIX closed at 1,347.20 points at the end of March 2016 and at 1,512.60 points at the end of March 2017. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura s expectations because of price fluctuations of individual equities.

Credit Risk Management

Credit risk is the risk of loss arising from an obligor s default, insolvency or administrative proceeding which results in the obligor s failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a CVA associated with deterioration in the creditworthiness of a counterparty.

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

Credit Risk Management Framework

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

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

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Credit Risk Management Process

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

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura s current and potential future credit exposures;
- Setting credit terms in legal documentation; and
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

The scope of credit risk management includes counterparty trading and various debt or equity instruments including loans, private equity investments, fund investments, investment securities and any other as deemed necessary from a credit risk management perspective. The evaluation of counterparties creditworthiness involves a thorough due diligence and analysis of the business environments in which they operate, their competitive positions, management and financial strength and flexibility. Credit analysts also take into account the corporate structure and any explicit or implicit credit support. CRM evaluates credit risk not only by counterparty, but also by counterparty group.

Following the credit analysis, CRM estimates the probability of default of a given counterparty or obligor through an alphanumeric ratings scale similar to that used by rating agencies and a corresponding numeric scale. Credit analysts are responsible for assigning and maintaining the internal ratings, ensuring that each rating is reviewed and approved at least annually.

Nomura s internal rating system employs a range of ratings models to ensure global consistency and accuracy. These models are developed and maintained by the Risk Methodology Group. Internal ratings represent a critical component of Nomura s approach to managing counterparty credit risk. They are used as key factors in:

- Establishing the amount of counterparty credit risk that Nomura is willing to take to an individual counterparty or counterparty group (setting of credit limits);
- Determining the level of delegated authority for setting credit limits (including tenor);

The frequency of credit reviews (renewal of credit limits);

Reporting counterparty credit risk to senior management within Nomura; and

Reporting counterparty credit risk to stakeholders outside of Nomura.

The Credit Risk Control Unit is a function within the Model Validation Group (MVG) which is independent of CRM. It ensures that Nomura s internal rating system is properly reviewed and validated, reporting any breaks or issues to senior management for timely resolution. The unit is responsible for ensuring that the system remains accurate and predictive of risk and provides periodic reporting on the system to senior management.

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

Credit Limits and Risk Measures

Internal ratings form an integral part in the assignment of credit limits to counterparties. Nomura s credit limit framework is designed to ensure that Nomura takes appropriate credit risk in a manner that is consistent with its overall risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

Nomura s main type of counterparty credit risk exposures arise from derivatives transactions or securities financing transactions. Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of Nomura s counterparties. Any change in circumstance that alters Nomura s risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate.

Nomura s global credit risk management systems record all credit limits and capture credit exposures to Nomura s counterparties allowing CRM to measure, monitor and manage utilization of credit limits, ensure appropriate reporting and escalation of any limit breaches.

For derivatives and securities financing transactions, Nomura measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management has also been used for the Internal Model Method based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

Loans and lending commitments are measured and monitored on both a funded and unfunded basis.

Wrong Way Risk

Wrong Way Risk (WWR) occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. Nomura has established global policies that govern the management of any WWR exposures. Stress testing is used to support the assessment of any WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital, as appropriate.

Stress Testing

Stress Testing is an integral part of Nomura s management of credit risk. Regular stress tests are used to support the assessment of credit risks by counterparties, sectors and regions. The stress tests include potential concentrations that are highlighted as a result of applying shocks to risk factors, probabilities of default or rating migrations.

Risk Mitigation

Nomura utilizes financial instruments, agreements and practices to assist in the management of credit risk. Nomura enters into legal agreements, such as the International Swap and Derivatives Association, Inc. (ISDA) agreements or equivalent (referred to as Master Netting Agreements), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow Nomura to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

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Credit Risk to Counterparties in Derivatives Transaction

The credit exposures arising from Nomura s trading-related derivatives as of March 31, 2017 are summarized in the table below, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura s CRM.

	Billions of yen								
	Years to Maturity								
Credit Rating	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 to 7 years**	**More than 7 years**	**Cross-Maturity Netting(1)**	**Total Fair Value (a)**	**Collateral obtained (b)**	**Replacement cost(3) (a)-(b)**
AAA	¥ 77	¥ 14	¥ 3	¥ 11	¥ 58	¥ (146)	¥ 17	¥ 1	¥ 16
AA	574	552	486	343	2,145	(3,771)	329	85	244
A	1,041	806	441	300	947	(3,279)	256	78	178
BBB	262	198	206	116	547	(972)	357	89	268
BB and lower	59	52	38	31	111	(204)	87	203	0
Other(2)	81	74	185	253	1,291	(1,956)	(72)	115	0
Sub-total	2,094	1,696	1,359	1,054	5,099	(10,328)	974	571	706
Listed	99	50	9	0		(95)	63	88	0
Total	¥ 2,193	¥ 1,746	¥ 1,368	¥ 1,054	¥ 5,099	¥ (10,423)	¥ 1,037	¥ 659	¥ 706

(1) Represents netting of derivative liabilities against derivatives assets entered into with the same counterparty across different maturity bands. Derivative assets and derivative liabilities with the same counterparty in the same maturity band are net within the relevant maturity band. Cash collateral netting against net derivative assets in accordance with ASC 210-20 *Balance Sheet Offsetting* and ASC 815 *Derivatives and Hedging* is also included.

(2) Other comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.

(3) Zero balances represent instances where total collateral received is in excess of the total fair value; therefore, Nomura s credit exposure is zero.

Country Risk

At Nomura, country risk is defined as the risk of loss arising from country-specific events (such as political, economic, legal and other events) that affect counterparties and/or issuers within that country, causing those counterparties and/or issuers to be unable to meet financial obligations. Nomura s country risk framework acts as a complement to other risk management areas and encompasses a number of tools including, but no limited to, country limits, which restrict credit exposure concentration to any given country. Other tools to manage country risk include country ratings as well as country risk policies and procedures that describe responsibilities and delegation for decision-making.

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Nomura s credit portfolio remains well-diversified by country and concentrated towards highly-rated countries. Over 95% of the exposure was from investment-grade rated countries. The breakdown of top 10 country exposures is as follows:

Top 10 Country Exposures[(1)]	Billions of Yen (As of Mar. 31, 2017)
United States	1,352
Japan	1,329
United Kingdom	906
France	242
Netherlands	153
Singapore	149
Germany	116
Italy	111
India	95
Luxembourg	63

(1) The table represents the Top 10 country exposures as of March 31, 2017 based on country of origin, combining counterparty and inventory exposures, offset by Credit Valuations Adjustment (CVA) hedges:

- Counterparty exposures include cash and cash equivalents held at banks, margin balances placed at central clearing counterparties, the positive fair value, after collateral received, of derivative transactions and securities financing transactions, the fair value of funded loans and the notional amount of unfunded loans.

- Inventory exposures include the positive fair value of debt and equity securities, equity and credit derivatives, using the net of long versus short positions.

Operational Risk Management

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

<u>The Three Lines of Defence</u>

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

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

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

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

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Operational Risk Management Framework

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

This framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

Products and Services

- Risk and Control Self-Assessment (RCSA): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability tail events .
- Event Reporting: Process to obtain information on and learn from actual events impacting Nomura and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators (KRI): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

- Analysis and reporting: A key aspect of ORM s role is to analyze, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

Regulatory Capital Calculation for Operational Risk

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

Nomura uses consolidated net revenue as gross income, however for certain consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each business segment as defined in Nomura s management accounting data to each business line defined in the Standardised Approach as follows:

Business Line	**Description**	**Beta Factor**
Retail Banking	Retail deposit and loan-related services	12%
Commercial Banking	Deposit and loan-related services except for Retail Banking business	15%
Payment and Settlement	Payment and settlement services for clients transactions	18%
Retail Brokerage	Securities-related services mainly for individuals	12%
Trading and Sales	Market-related business	18%
Corporate Finance	M&A, underwriting, secondary and private offerings, and other funding services for clients	18%
Agency Services	Agency services for clients such as custody	15%
Asset Management	Fund management services for clients	12%

Nomura calculates the required amount of operational risk capital for each business line by multiplying the allocated annual gross income amount by the appropriate Beta Factor defined above. The operational risk capital for any gross income amount not allocated to a specific business line is determined by multiplying such unallocated gross income amount by a fixed percentage of 18%.

The total operational risk capital for Nomura is calculated by aggregating the total amount of operational risk capital required for each business line and unallocated amount and by determining a three-year average. Where the aggregated amount for a given year is negative, then the total operational risk capital amount for that year will be calculated as zero.

In any given year, negative amounts in any business line are offset against positive amounts in other business lines. However, negative unallocated amounts are not offset against positive amounts in other business lines and are calculated as zero.

Operational risk capital is calculated at the end of September and March each year.

Model Risk Management

Model Risk is the risk of loss arising from Model errors or incorrect or inappropriate Model application with regard to Valuation Models and Risk Models.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

To address these risks, Nomura has established its model risk appetite, which includes a qualitative statement and a quantitative measure. The qualitative statement for model risk specifies that it is expected that models are used correctly and appropriately. The quantitative risk appetite measure is based on Nomura s assessment of the potential loss arising from model risk.

Model Management Framework

The models within the model management framework are defined as either:

- valuation models, used for calculating prices and risk sensitivities of Nomura s positions; or,
- risk models, used for quantifying the risk of a portfolio by calculating the potential losses incurred from a specific type of risk, and used for regulatory or economic capital calculations, margin requirements for non-centrally cleared derivatives, limit monitoring, or management reporting.

Before models are put into official use, the MVG is responsible for validating their integrity and comprehensiveness independently from those who design and build them. As part of this validation process, the MVG analyzes a number of factors to assess a model s suitability, to quantify model risk which is then mitigated by applying model reserves and capital adjustments. Valuation models are developed and maintained by the business units and risk models by the Risk Methodology Group (RMG) within the Risk Management Division. Certain models may also be developed by third party providers. The RMG has primary responsibility for the ongoing refinement and improvement of risk models and methodologies within Nomura.

All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. Upon delegation from the GRMC, the MRAC s and GRAC s primary responsibility is to govern and provide oversight of model management for valuation and risk models, respectively.

Changes to Valuation and Risk Models

Nomura has documented policies and procedures in place, approved by the GIRMC and/or GRSC, which define the process and validation requirements for implementing changes to valuation and risk models. In addition, a Model Performance Monitoring process has been established to identify and assess specific events, that can indicate that a model is not performing as it should or is potentially unsuitable and to determine what actions (for example, additional validation work) might be necessary. For changes with an impact above certain materiality thresholds, model approval is required. MVG defines these materiality thresholds in a formal procedure and operates a control process to identify where the procedure is not followed. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

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Risk Measures and Controls

Limit Frameworks

The establishment of robust limit monitoring and management is central to appropriate monitoring and management of risk. The limit management frameworks incorporate clear escalation policies to ensure approval of limits at appropriate levels of seniority. The Risk Management Division is responsible for day-to-day operation of these limit frameworks including approval, monitoring, and reporting as required. Business units are responsible for complying with the agreed limits. Limits apply across a range of quantitative measures of risk and across market and credit risks.

New Business Risk Management

The new business approval process represents the starting point for new business in Nomura and exists to support management decision-making and ensure that risks associated with new products and transactions are identified and managed appropriately. The new business approval process consists of two components:

1) Transaction committees are in place to provide formal governance over the review and decision-making process for individual transactions.

2) The new product approval process allows business unit sponsors to submit applications for new products and obtain approval from relevant departments prior to execution of the new products. The process is designed to capture and assess risks across all risk classes as a result of the new product or business.

Stress Testing

Stress testing performed at the Nomura Group provides comprehensive coverage of risks across different hierarchical levels, and covers different time horizons, severities, plausibilities and stress testing methodologies. The results of stress tests are used in capital planning processes, capital adequacy assessments, liquidity adequacy assessments, recovery and resolution planning, assessments of whether risk appetite is appropriate, and in routine risk management.

Stress tests are run on a regular basis or on an ad hoc basis as needed, for example, in response to material changes in the external environment and/or in the Nomura Group risk profile. The results of stress tests with supporting detailed analysis are reported to senior management and other stakeholders as appropriate for the stress test being performed.

Stress testing is categorised either as sensitivity analysis or scenario analysis and may be performed on a Nomura Group-wide basis or at more granular levels.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors (for example, equity prices, equity volatilities) in order primarily to capture those risks which may not be readily identified by other risk models;

- Scenario analysis is used to quantify the impact of a specified event across multiple asset classes and risk classes. This is a primary approach used in performing stress testing at the different hierarchical levels of the

Nomura Group, and in reverse stress testing;

Group-wide stress to assess the capital adequacy of the Nomura Group under severe but plausible market scenarios is conducted on a quarterly basis at a minimum to calculate the Stressed Tier 1 Ratio; and

Reverse stress testing, a process of considering the vulnerabilities of the firm and hence how it may react to situations where it becomes difficult to continue its business and reviewing the results of that analysis, is conducted on an annual basis at a minimum.

Stress testing is an integral part of the Nomura Group s overall governance and is used as a tool for forward-looking risk management, decision-making and enhancing communication amongst the Risk Management Division, Front Office, and senior management.

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(5) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group s creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board (EMB). Nomura s liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and 30-day periods, respectively, without raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

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

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

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

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

In order to enable us to transfer funds smoothly between group entities, we limit the issuance of securities by regulated broker-dealers or banking entities within the Nomura Group and seek to raise unsecured funding primarily through the Company or through unregulated subsidiaries. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across the Nomura Group.

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2017, our liquidity portfolio was ¥4,970.3 billion which sufficiently met liquidity requirements under the stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2016 and 2017 and averages maintained for the years ended March 31, 2016 and 2017. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2016	**March 31, 2016**	**Average for year ended March 31, 2017**	**March 31, 2017**
Cash, cash equivalents and time deposits[1]	¥ 1,873.0	¥ 2,050.5	¥ 2,289.4	¥ 2,317.1
Government debt securities	3,821.8	3,617.9	3,094.3	2,507.0
Others[2]	230.0	278.7	235.7	146.2
Total liquidity portfolio	¥ 5,924.8	¥ 5,947.1	¥ 5,619.4	¥ 4,970.3

(1) Cash, cash equivalents, and time deposits include nostro balances and deposits with both central banks and market counterparties that are readily available to support the liquidity position of Nomura.

(2) Others include other liquid financial assets such as money market funds and U.S. agency securities.

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The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2016 and 2017 and averages maintained for the years ended March 31, 2016 and 2017. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2016	March 31, 2016	Average for year ended March 31, 2017	March 31, 2017
Japanese Yen	¥ 1,859.5	¥ 2,464.5	¥ 1,946.0	¥ 1,527.9
U.S. Dollar	2,839.8	2,698.3	2,877.5	2,632.6
Euro	772.7	369.7	358.7	382.0
British Pound	319.9	248.2	308.4	285.1
Others[(1)]	132.9	166.4	128.8	142.7
Total liquidity portfolio	¥ 5,924.8	¥ 5,947.1	¥ 5,619.4	¥ 4,970.3

(1) Includes other currencies such as the Australian dollar, the Canadian dollar and the Swiss franc.

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura Group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. (NHI) and Nomura Securities Co. Ltd. (NSC), our other major broker-dealer subsidiaries, our bank subsidiaries, and other group entities. In determining the amounts and entities which hold this liquidity portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 18 *Regulatory requirements* in our consolidated financial statements included within this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2016 and 2017.

	Billions of yen	
	March 31, 2016	March 31, 2017
NHI and NSC[(1)]	¥ 1,522.5	¥ 1,250.8
Major broker-dealer subsidiaries	2,958.5	2,474.5
Bank subsidiaries[(2)]	1,037.1	776.2
Other affiliates	429.0	468.8
Total liquidity portfolio	¥ 5,947.1	¥ 4,970.3

(1) NSC, a broker-dealer located in Japan, holds an account with the Bank of Japan (BOJ) and has direct access to the BOJ Lombard facility through which same day funding is available for our securities pool. Any liquidity surplus at NHI is lent to NSC via short-term intercompany loans, which can be unwound immediately when needed.

(2) Includes Nomura Bank International plc (NBI), Nomura Singapore Limited and Nomura Bank Luxembourg S.A.

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

In addition to our liquidity portfolio, we had ¥2,048.5 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2017 was ¥7,018.8 billion, which represented 372.7% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2016	**March 31, 2017**
Net liquidity value of other unencumbered assets	¥ 2,002.7	¥ 2,048.5
Liquidity portfolio	5,947.1	4,970.3
Total	¥ 7,949.8	¥ 7,018.8

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

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

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We diversify funding by issuing various types of debt instruments these include both structured loans and structured notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt decreased to 38.1% of total long-term debt outstanding as of March 31, 2017 from 39.2% as of March 31, 2016.

3.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2016 and 2017.

	Billions of yen	
	March 31, 2016	**March 31, 2017**
Short-term bank borrowings	¥ 184.9	¥ 206.4
Other loans	127.1	177.9
Commercial paper	177.9	2.6
Deposits at banking entities	2,021.2	909.0
Certificates of deposit	32.0	16.1
Debt securities maturing within one year	760.7	571.0
Total short-term unsecured debt	¥ 3,303.8	¥ 1,883.0

3.2 Long-Term Unsecured Debt

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

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

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

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

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The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2016 and 2017.

	Billions of yen	
	March 31, 2016	March 31, 2017
Long-term deposits at banking entities	¥ 169.8	¥ 207.8
Long-term bank borrowings	2,732.5	2,474.0
Other loans	143.9	116.8
Debt securities(1)	3,547.4	3,120.3
Total long-term unsecured debt	¥ 6,593.6	¥ 5,918.9

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

3.3 Maturity Profile

We also seek to maintain an average maturity for our plain vanilla debt securities and borrowings greater than or equal to three years. The average maturity for our plain vanilla debt securities and borrowings with maturities longer than one year was 3.6 years as of March 31, 2017. A significant amount of our structured loans and structured notes are linked to interest rates, currencies, equities, commodities, or related indices. These maturities are evaluated based on internal models and monitored by Global Treasury. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. The model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings by the model.

On this basis, the average maturity of our structured loans and structured notes with maturities longer than one year was 7.3 years as of March 31, 2017. The average maturity of our entire long-term debt with maturities longer than one year including plain vanilla debt securities and borrowings, was 5.1 years as of March 31, 2017.

3.4 Secured Funding

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

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4. Management of Credit Lines to Nomura Group Entities

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

5. Implementation of Liquidity Stress Tests

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

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

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

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

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

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

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

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

- No liquidation of assets;

- No ability to issue additional unsecured funding;

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

Potential buybacks of our outstanding debt;

Loss of secured funding lines particularly for less liquid assets;

Fluctuation of funding needs under normal business circumstances;

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

Widening of haircuts on outstanding repo funding;

Additional collateralization requirements of clearing banks and depositories;

Drawdown on loan commitments;

Loss of liquidity from market losses;

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

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

6. Contingency Funding Plan

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

Liquidity Regulatory Framework

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

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

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

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

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Averages of Nomura s month-end LCRs for the three months ended March 31, 2017 was 180.0%, and Nomura was compliant with requirements of the above notices. As for the NSFR, it is not yet implemented in Japan.

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Cash Flows

Nomura s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the year ended March 2016 and 2017, we recorded net cash inflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2016 and 2017.

	Billions of yen Year Ended March 31	
	2016	**2017**
Net cash provided by (used in) operating activities	¥ 1,238.4	¥ 1,305.0
Net income	142.6	242.6
Trading assets and private equity investments	248.5	1,197.1
Trading liabilities	(2,280.0)	708.2
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,605.7	635.6
Securities borrowed, net of securities loaned	1,762.2	(1,706.5)
Other, net	(240.6)	228.2
Net cash provided by (used in) investing activities	(23.7)	(118.1)
Net cash provided by (used in) financing activities	986.4	(2,130.6)
Long-term borrowings, net	95.9	(876.7)
Increase in deposits received at banks, net	1,010.1	(1,068.2)
Other, net	(119.6)	(185.7)
Effect of exchange rate changes on cash and cash equivalents	(40.2)	4.2
Net increase (decrease) in cash and cash equivalents	2,160.9	(939.4)
Cash and cash equivalents at beginning of the year	1,315.4	3,476.3
Cash and cash equivalents at end of the year	¥ 3,476.3	¥ 2,536.8

See the consolidated statements of cash flows in our consolidated financial statements included within this annual report for more detailed information.

For the year ended March 31, 2017, our cash and cash equivalents decreased by ¥939.4 billion to ¥2,536.8 billion. Net cash of ¥2,130.6 billion was used in financing activities due to net cash outflows of ¥1,068.2 billion from *Deposits received at banks*. As part of trading activities, while there were net cash inflows of ¥1,905.3 billion from cash inflows due to a decrease in *Trading assets and Private equity investments* and an increase in *Trading liabilities*, they were offset by ¥1,071.0 billion of net cash outflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell, Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥1,305.0 billion was provided by operating activities.

For the year ended March 31, 2016, our cash and cash equivalents increased by ¥2,160.9 billion to ¥3,476.3 billion. Net cash of ¥986.4 billion was provided by financing activities due to net cash inflows of ¥1,010.1 billion from *Deposits received at banks*. As part of trading activities, while there were net cash outflows of ¥2,031.5 billion from cash inflows due to a decrease in *Trading assets and Private equity investments* in combination with cash outflows due to a decrease in *Trading liabilities*, they were offset by ¥3,367.8 billion of net cash inflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell, Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥1,238.4 billion was provided by operating activities.

Balance Sheet and Financial Leverage

Total assets as of March 31, 2017, were ¥42,852.1 billion, an increase of ¥1,761.9 billion compared with ¥41,090.2 billion as of March 31, 2016, reflecting primarily due to an increase in *Securities purchased under agreements to resell*. Total liabilities as of March 31, 2017, were ¥40,008.3 billion, an increase of ¥1,661.1 billion compared with ¥38,347.2 billion as of March 31, 2016, reflecting primarily an increase in *Securities sold under agreements to repurchase*. NHI shareholders equity as of March 31, 2017 was ¥2,789.9 billion, an increase of ¥89.7 billion compared with ¥2,700.2 billion as of March 31, 2016, primarily due to an increase in *Retained earnings*.

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

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

The following table presents NHI shareholders equity, total assets, adjusted assets and leverage ratios as of March 31, 2016 and 2017.

	Billions of yen, except ratios	
	March 31	
	2016	2017
NHI shareholders equity	¥ 2,700.2	¥ 2,789.9
Total assets	41,090.2	42,852.1
Adjusted assets(1)	26,012.5	24,122.3
Leverage ratio(2)	15.2x	15.4x
Adjusted leverage ratio(3)	9.6x	8.6x

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

	Billions of yen	
	March 31	
	2016	2017
Total assets	¥41,090.2	¥42,852.1
Less:		
Securities purchased under agreements to resell	9,205.2	11,456.6
Securities borrowed	5,872.5	7,273.2
Adjusted assets	¥26,012.5	¥24,122.3

(2) Equals total assets divided by NHI shareholders equity.

(3) Equals adjusted assets divided by NHI shareholders equity.

Total assets increased by 4.3% reflecting primarily an increase in *Securities purchased under agreements to resell*. Total NHI shareholders equity increased by 3.3% reflecting primarily an increase in *Retained earnings*. As a result, our leverage ratio increased from 15.2 times as of March 31, 2016 to 15.4 times as of March 31, 2017.

Adjusted assets decreased primarily due to a decrease in *Cash and cash equivalents*. As a result, our adjusted leverage ratio was 9.6 times as of March 31, 2016 and 8.6 times as of March 31, 2017.

Consolidated Regulatory Capital Requirements

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

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31, 2017, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 18.2%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 19.2% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 20.0% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. (required level including applicable minimum consolidated capital buffers as of March 31, 2017 is 6.00% for the common equity Tier 1 capital ratio, 7.50% for the Tier 1 capital ratio and 9.50% for the consolidated capital adequacy ratio).

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The following table presents the Company s consolidated capital adequacy ratios as of March 31, 2016 and March 31, 2017.

	Billions of yen, except ratios March 31	
	2016	2017
Common equity Tier 1 capital	¥ 2,469.4	¥ 2,549.2
Tier 1 capital	2,577.5	2,689.8
Total capital	2,900.6	2,799.4
Risk-Weighted Assets		
Credit risk-weighted assets	7,872.0	7,762.6
Market risk equivalent assets	5,307.4	3,504.6
Operational risk equivalent assets	2,791.2	2,710.6
Total risk-weighted assets	¥ 15,970.5	¥ 13,977.9
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	15.4%	18.2%
Tier 1 capital ratio	16.1%	19.2%
Consolidated capital adequacy ratio	18.1%	20.0%

Since the end of March, 2011, we have been calculating credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and the Standardized Approach, respectively, with the approval of the FSA. Furthermore, Market risk equivalent assets are calculated by using the Internal Models Approach for market risk.

We provide consolidated capital adequacy ratios not only to demonstrate that we are in compliance with the requirements set out in the Capital Adequacy Notice on Final Designated Parent Company but also for benchmarking purposes so that users of this annual report can compare our capital position against those of other financial groups to which Basel III is applied. Management receives and reviews these capital ratios on a regular basis.

Consolidated Leverage Ratio Requirements

In March 2015, the FSA set out requirements for the calculation and disclosure of a consolidated leverage ratio, through amendments to revising Specification of items which a final designated parent company should disclose on documents to show the status of its sound management (2010 FSA Regulatory Notice No. 132; Notice on Pillar 3 Disclosure) and the publication of Consolidated Leverage Ratio prescribed by Commissioner of Financial Services Agency in accordance with Article 3, paragraph 1 of Pillar 3 Notice (2015 FSA Regulatory Notice No. 11; Notice on Consolidated Leverage Ratio). We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with the Notice on Pillar 3 Disclosure and Notice on Consolidated Leverage Ratio. Management receives and reviews this consolidated leverage ratio on a regular basis. As of March 31 2017, our consolidated leverage ratio was 4.63%.

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Regulatory changes which affect us

The Basel Committee has issued a series of announcements regarding a Basel III program designed to strengthen the regulatory capital framework in light of weaknesses revealed by the financial crises. The following is a summary of the proposals which are most relevant to us.

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, International framework for liquidity risk measurement, standards and monitoring and A global regulatory framework for more resilient banks and banking systems . They include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (CVA) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; introducing a series of measures to address concerns over the procyclicality of the current framework; and introducing a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. These standards were implemented from 2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (CCPs) on July 25, 2012, which came into effect in 2013 as part of Basel III. Moreover, in addition to Basel III leverage ratio framework under which we started the calculation and disclosure of consolidated leverage ratio as above, a series of final standards on the regulatory frameworks such as capital requirements for banks equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to CCPs, supervisory framework for measuring and controlling large exposures, Basel III: The Net Stable Funding Ratio and revisions to the securitization framework, and revised framework for market risk capital requirements have been published by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board (FSB) and the Basel Committee announced the list of global systemically important banks (G-SIBs) and the additional requirements to the G-SIBs including the recovery and resolution plan. The group of G-SIBs have been updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIBs. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions (D-SIBs) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In December 2015, the FSA identified us as a D-SIB and required additional capital charge of 0.5% after March 2016, with 3-year transitional arrangement.

It is likely that the FSA s regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee, FSB or International Organization of Securities Commissions.

Credit Ratings

The cost and availability of unsecured funding are generally dependent on credit ratings. Our short-term and long-term debts of the Company and NSC are rated by Standard & Poor s, Moody s Investors Service, Fitch Ratings, Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.

As of May 31, 2017, the credit ratings of the Company and NSC were as follows.

Nomura Holdings, Inc.	Short-term Debt	Long-term Debt
Standard & Poor s	A-2	A-

Moody s Investors Service		Baa1
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

Nomura Securities Co., Ltd.	**Short-term Debt**	**Long-term Debt**
Standard & Poor s	A-1	A
Moody s Investors Service	P-2	A3
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

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(6) Off-Balance Sheet Arrangements

Off-balance sheet entities

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

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

- an obligation under a guarantee contract;
- a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves to provide credit, liquidity or market risk support to such entity;
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or
- any obligation, including a contingent obligation, arising out of a variable interest in an off-balance sheet entity that is held by, and material to, us, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, us.

Off-balance sheet entities may take the form of a corporation, partnership, fund, trust or other legal vehicle which is designed to fulfill a limited, specific purpose by its sponsor. We both create or sponsor these entities and also enter into arrangements with entities created or sponsored by others.

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In connection with our securitization and equity derivative activities, we also act as a transferor of financial assets to these entities, as well as, underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities. We retain, purchase and sell variable interests in SPEs in connection with our market-making, investing and structuring activities. Our other types of off-balance sheet arrangements include guarantee agreements and derivative contracts. Significant involvement is assessed based on all of our arrangements with these entities, even if the probability of loss, as assessed at the balance sheet date, is remote.

For further information about transactions with VIEs, see Note 6 *Securitizations and Variable Interest Entities* in our consolidated financial statements included in this annual report.

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(7) Tabular Disclosure of Contractual Obligations

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

Standby letters of credit and other guarantees:

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

Long-term borrowings and contractual interest payments:

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

Operating lease commitments:

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

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

Capital lease commitments:

We lease certain equipment and facilities in Japan and overseas under capital lease agreements.

Purchase obligations:

We have purchase obligations for goods and services which include payments for construction, advertising, and computer and telecommunications maintenance agreements.

Commitments to extend credit:

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

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

Commitments to invest in partnerships:

We have commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to those partnerships.

Note 8 *Leases* in our consolidated financial statements contains further detail on our operating leases and capital leases. Note 10 *Borrowings* in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 20 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

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

The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2017.

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 8,604	¥ 15	¥ 3	¥ 688	¥ 7,898
Long-term borrowings[1]	7,155,196	478,658	2,337,682	1,536,160	2,802,696
Contractual interest payments[2]	743,046	108,237	181,505	112,363	340,941
Operating lease commitments	127,818	17,075	26,954	17,935	65,854
Capital lease commitments[3]	46,579	3,666	7,085	7,279	28,549
Purchase obligations[4]	27,313	19,663	4,221	1,600	1,829
Commitments to extend credit	1,010,257	388,275	123,303	157,510	341,169
Commitments to invest	15,194	465		383	14,346
Total	¥ 9,134,007	¥ 1,016,054	¥ 2,680,753	¥ 1,833,918	¥ 3,603,282

(1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
(2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2017.
(3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.
(4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

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

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥1,830 billion for reverse repurchase agreements and ¥968 billion for repurchase agreements as of

March 31, 2017.

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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
Class 1 Preferred Stock	200,000,000
Class 2 Preferred Stock	200,000,000
Class 3 Preferred Stock	200,000,000
Class 4 Preferred Stock	200,000,000
Total	6,000,000,000

(Note)

The Authorized Share Capital is stated by class and the total is the number of authorized share capital designated in the Articles of Incorporation.

B. Issued Shares

Type	Number of Issued Shares as of March 31, 2017	Number of Issued Shares as of June 26, 2017	Trading Markets	Description
Common Stock	3,822,562,601	3,822,562,601	Tokyo Stock Exchange(2) Nagoya Stock Exchange(2) Singapore Stock Exchange New York Stock Exchange	1 unit is 100 shares
Total	3,822,562,601	3,822,562,601		

(1) Shares that may have increased from exercise of stock options between June 1, 2017 and June 26, 2017 are not included in the number of issued shares as of June 26, 2017.

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

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(2) Stock Options

A. Stock Acquisition Right

Name of Stock Acquisition Rights (SARs)	Number of SARs	Number of Common Stock under SARs (March 31, 2017)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2017)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.34	1,221	122,100		From May 19, 2012 to May 18, 2017	1
SARs No.35	3,513	351,300		From May 19, 2012 to May 18, 2017	1
SARs No.37	5,160	516,000	301,400	From April 30, 2012 to April 29, 2017	1
SARs No.38	4,827	482,700	479,300	From April 30, 2013 to April 29, 2018	1
SARs No.39	12,099	1,209,900	1,158,700	From November 16, 2012 to November 15, 2017	474
SARs No.40	5,008	500,800	422,800	From May 25, 2012 to May 24, 2018	1
SARs No.41	8,628	862,800	784,700	From May 25, 2013 to May 24, 2018	1
SARs No.42	11,644	1,164,400	1,087,100	From May 25, 2014 to May 24, 2018	1
SARs No.43	12,344	1,234,400	1,209,400	From November 16, 2013 to November 15, 2018	299
SARs No.44	6,226	622,600	577,800	From April 20, 2013 to April 19, 2018	1
SARs No.45	10,912	1,091,200	1,060,700	From April 20, 2014 to April 19, 2019	1
SARs No.46	12,843	1,284,300	1,245,700	From April 20, 2015	1

				to April 19, 2020	
SARs No.47	10,130	1,013,000	974,600	From April 20, 2016 to April 19, 2021	1
SARs No.48	46,277	4,627,700	2,465,600	From April 20, 2017 to April 19, 2022	1
SARs No.49	1,936	193,600	153,500	From October 20, 2015 to April 19, 2021	1
SARs No.50	16,450	1,645,000	590,300	From October 20, 2016 to April 19, 2022	1
SARs No.51	15,394	1,539,400	1,513,400	From November 13, 2014 to November 12, 2019	298
SARs No.52	7,678	767,800	752,200	From April 20, 2014 to April 19, 2019	1
SARs No.53	9,677	967,700	915,200	From April 20, 2015 to April 19, 2020	1
SARs No.54	14,461	1,446,100	1,377,300	From April 20, 2016 to April 19, 2021	1
SARs No.55	26,812	2,681,200	Same as left	From November 19, 2015 to November 18, 2020	824

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Name of Stock Acquisition Rights (SARs)	Number of SARs	Number of Common Stock under SARs (March 31, 2017)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2017)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.56	11,403	1,140,300	1,085,400	From April 20, 2015 to April 19, 2020	1
SARs No.57	19,878	1,987,800	1,723,700	From April 20, 2016 to April 19, 2021	1
SARs No.58	79,886	7,988,600	5,467,800	From April 20, 2017 to April 19, 2022	1
SARs No.59	5,106	510,600	Same as left	From March 31, 2015 to March 30, 2020	1
SARs No.60	10,088	1,008,800	983,600	From March 31, 2016 to March 30, 2021	1
SARs No.61	91,127	9,112,700	4,159,700	From March 31, 2017 to March 30, 2022	1
SARs No.62	26,757	2,675,700	Same as left	From November 18, 2016 to November 17, 2021	741
SARs No.63	17,889	1,788,900	1,576,700	From April 20, 2016 to April 19, 2021	1
SARs No.64	65,614	6,561,400	4,988,200	From April 20, 2017 to April 19, 2022	1
SARs No.65	65,269	6,526,900	6,519,400	From April 20, 2018 to April 19, 2023	1
SARs No.66	3,710	371,000	167,300	From November 8, 2015 to November 7, 2020	1
SARs No.68	25,710	2,571,000	2,570,200	From November 18, 2017 to November 17, 2022	805
SARs No.69	61,675	6,167,500	4,805,900	From April 20, 2017 to April 19, 2022	1
SARs No.70	61,424	6,142,400	6,138,100	From April 20, 2018	1

				to April 19, 2023	
SARs No.71	61,200	6,120,000	6,115,700	From April 20, 2019 to April 19, 2024	1
SARs No.72	8,272	827,200	760,600	From October 30, 2016 to October 29, 2021	1
SARs No.73	4,184	418,400	262,600	From April 30, 2017 to April 29, 2022	1
SARs No.74	25,594	2,559,400	2,558,600	From November 11, 2018 to November 10, 2023	593

B. Bond with the stock acquisition right

None

C. Convertible Bonds and Bonds with subscription warrant which are deemed as Bonds with stock acquisition rights according to Article 19, paragraph 2 of Law Amending and Furnishing Commercial Code, etc

None

(3) Conversion of bond with the stock acquisition right with provision of adjustment of conversion price

None

(4) Rights plan

None

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(5) Changes in Issued Shares, Common Stock, etc.

Date	Increase/(Decrease) of Issued Shares	Total Issued Shares	Increase/(Decrease) of Common Stock (thousand yen)	Common Stock (thousand yen)	Increase/(Decrease) of Additional paid-in capital (thousand yen)	Additional paid-in capital (thousand yen)
July 1, 2011[(1)]	103,429,360	3,822,562,601		594,492,852	35,478,900	559,676,228

(1) Increase due to the Share Exchange Agreement between the Company and Nomura Land and Building Co., Ltd. (NLB) on which 118 common shares of the Company were allotted for each share of NLB.

(6) Shareholders

	As of March 31, 2017								
	Unit Shareholders (100 shares per 1 unit)								
					Foreign Shareholders				
	Governments and Municipal Governments	Financial Institutions	Securities Companies	Other Corporations	Other than individuals	Individuals	Individuals and Others	Total	Shares Representing Less than One Unit (Shares)
Number of Shareholders	1	190	94	3,204	812	202	353,380	357,883	
Number of Units Held	10	8,460,092	1,443,634	1,414,687	14,172,648	5,831	12,712,461	38,209,363	1,626,301
Percentage of Units Held (%)	0.00	22.14	3.78	3.70	37.09	0.02	33.27	100.00	

(1) Out of 293,373,425 treasury stocks, 2,933,734 units are included in *Individuals and Others* while 25 shares are in *Shares Representing Less than One Unit (Shares).*

(2) *Other Corporations* includes 20 units held by Japan Securities Depository Center, Inc.

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(7) Major Shareholders

Name	Address	As of March 31, 2017 Shares Held (thousand shares)	Percentage of Issued Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	204,409	5.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-Ku, Tokyo, Japan	152,015	3.97
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	74,128	1.93
State Street Bank and Trust Company	One Lincoln Street, Boston Massachusetts 02111 U.S.A	61,747	1.61
State Street Bank West Client Treaty 505234	1776 Heritage Drive, North Quincy, Massachusetts 02171, U.S.A.	55,202	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	54,864	1.43
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	54,364	1.42
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	54,153	1.41
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	46,852	1.22
The Bank of New York Mellon SA/NV 10	Rue Montoyerstraat 46, 1000 Brussels, Belgium	44,288	1.15
Total		802,022	20.98

(1) The Company has 293,373 thousand shares of treasury stock as of March 31, 2017 which is not included in the Major Shareholders list above.

(2) For *Shares Held* in the above, amounts less than thousand shares are discarded.

(3) Harris Associates L.P. submitted reports of substantial shareholding on October 31, 2016 on November 2, 2016 on the number of shares owned as stated below. However, confirmation on the status of these shareholdings as of March 31, 2017 cannot be made and therefore, is not included in the above list of *Major Shareholders*.

Name	Address	As of October 31, 2016 Shares Held (thousand shares)	Percentage of Issued Shares (%)
Harris Associates L.P.	111 South Wacker Drive, Suite 4600, Chicago, Illinois U.S.A.	139,670	3.65

(8) Voting Rights

A. Outstanding Shares

		As of March 31, 2017		
		Number of Shares	**Number of Votes**	**Description**
Stock without voting right				
Stock with limited voting right (Treasury stocks, etc.)				
Stock with limited voting right (Others)				
Stock with full voting right (Treasury stocks, etc.)	(Treasury stocks) Common stock	293,373,400		
	(Crossholding stocks) Common stock	1,105,000		
Stock with full voting right (Others)	Common stock	3,526,457,900	35,264,579	
Shares less than 1 unit	Common stock	1,626,301		Shares less than 1 unit (100 shares)
Total Shares Issued		3,822,562,601		
Voting Rights of Total Shareholders			35,264,579	

(1) *Stock with full voting right (Others)* includes 2,000 shares held by Japan Securities Depository Center, Inc. *Shares less than 1 unit* includes 25 treasury stocks.

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B. Treasury Stocks

		As of March 31, 2017			
Name	**Address**	**Directly held shares**	**Indirectly held shares**	**Total**	**Percentage of Issued Shares (%)**
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan	293,373,400		293,373,400	7.67
(Crossholding Stocks)					
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishishinjuku, Shinjuku-Ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Takagi Securities Co., Ltd.	1-3-1-400, Umeda, Kita-Ku, Osaka-Shi, Osaka, Japan	100,000		100,000	0.00
Nomura Japan Corporation	2-1-3, Nihonbashihoridomecho, Chuo-Ku, Tokyo, Japan	5,000		5,000	0.00
Total		294,478,400		294,478,400	7.70

(9) Stock Option System

The Company adopts stock option system utilizing stock acquisition rights.

2. Stock Repurchase

ype of Stock Repurchase of the common stock in accordance with provisions of Articles 155-3 and 155-7 of the Companies Act.

(1) Stock Repurchase resolved by Shareholders Meeting

None

(2) Stock Repurchase resolved by Board of Directors

	Number of Shares	**Total Amount (Yen)**
Resolution at the Board of Directors (April 27, 2016) (Purchase period from May 18, 2016 to July 22, 2016)	35,000,000	20,000,000,000
Stock repurchased prior to April 1, 2016		
Stock repurchased from April 1, 2016 to March 31, 2017	35,000,000	16,324,582,570

Total shares and amounts resolved	3,675,417,430
Percentage not repurchased at year end (%)	18.4
Repurchases made in the period	
Percentage not repurchased at the date of submission of this annual report (%)	18.4

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (July 28, 2016) (Purchase period from August 15, 2016 to January 27, 2017)	100,000,000	45,000,000,000
Stock repurchased prior to April 1, 2016		
Stock repurchased from April 1, 2016 to March 31, 2017	85,987,200	44,999,965,170
Total shares and amounts resolved	14,012,800	34,830
Percentage not repurchased at year end (%)	14.0	0.0
Repurchases made in the period		
Percentage not repurchased at the date of submission of this annual report (%)	14.0	0.0

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (April 27, 2017) (Purchase period from May 17, 2017 to March 30, 2018)	100,000,000	80,000,000,000
Stock repurchased prior to April 1, 2016		
Stock repurchased from April 1, 2016 to March 31, 2017		
Total shares and amounts resolved	100,000,000	80,000,000,000
Percentage not repurchased at year end (%)	100.0	100.0
Repurchases made in the period		
Percentage not repurchased at the date of submission of this annual report (%)	100.0	100.0

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(3) Stock Repurchase not based on above (1) or (2)

	Number of Shares	Total Amount (Yen)
Stock repurchased during the year ended March 31, 2017[1]	23,324	13,642,352
Stock repurchased during the period[2]	2,540	1,721,566

(1) Acceptance of requests for purchasing less-than-a-full-unit-shares.
(2) Repurchases from June 1, 2017 to the reporting date of this annual report are not included.

(4) Disposal and retention of repurchased stock

	Year ended March 31, 2017		Stock repurchased during the period[2]	
	Number of shares	Total amount of disposal (yen)	Number of shares	Total amount of disposal (yen)
Disposal through offering				
Cancellation				
Transfer through merger, share exchange and corporate division				
Others[1]	40,677,868	25,797,255,059	15,942,256	55,274,333
Treasury stocks	293,373,425		277,433,709	

(1) Others are for purchasing less-than-a-full-unit-shares and disposal for exercise of stock acquisition rights.
(2) Repurchases or disposals from June 1, 2017 to the reporting date of this annual report are not included.

3. Dividend Policy

The Company seeks to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, Nomura maintains sufficient capital to support its business. It reviews its capital sufficiency as appropriate, taking into consideration economic risks inherent in its businesses, regulatory requirements, and maintenance of a sufficient debt rating for a global financial institution.

The Company believes that raising shareholder value over the long term and paying dividends are essential to rewarding shareholders. It will strive to pay stable dividends using a consolidated payout ratio of 30 percent as a key indicator.

However, dividend payments for period will be determined taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment as well as the company s consolidated financial performance.

The payment frequency is semi-annual in principle (record dates: September 30 and March 31).

As for retained earnings, the Company intends to invest in business areas where high profitability and growth may reasonably be expected, including development and expansion of infrastructure such as IT system and retail, to maximize shareholder value, while giving due regard to potential regulatory changes as mentioned above.

Acquisition of treasury stocks is considered as one of the choices in the financial policy in order to take flexible action to the changes in the business environment. Approved treasury stock acquisition will be disclosed without delay and executed according to the Company s policy.

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(Dividends for the year ended March 31, 2017)

In line with its dividend policy for the year ended March 31, 2017, the Company paid a dividend of ¥9 per share to shareholders of record as of September 30, 2016. Based on the same dividend policy, we paid a dividend of ¥11 yen per share to shareholders of record as of March 31, 2017. As a result, the annual dividend totaled ¥20 per share.

The details of dividends from retained earnings in the year ended March 31, 2017 are as follows.