

NOMURA HOLDINGS INC  
Form 6-K  
December 28, 2004  
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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

Supplement for the month of December 2004.

## 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)

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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

Form 40-F

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

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

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

Yes

No

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

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Information furnished on this form:

**EXHIBIT**

**Exhibit Number**

1. [(English Translation) Interim Report Pursuant to The Securities and Exchange Law of Japan for The Six Months Ended September 30, 2004]

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**SIGNATURES**

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

**NOMURA HOLDINGS, INC.**

Date: December 28, 2004

By: /s/ Hiroshi Tanaka

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Hiroshi Tanaka  
Senior Managing Director

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Interim Report Pursuant to The Securities and Exchange Law of Japan for The Six Months Ended September 30, 2004

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

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## 1. Selected Financial Data

## (1) Selected consolidated financial data

|  |           | Six months ended<br>September 30, | Six months ended<br>September 30, | Six months ended<br>September 30, | Year ended<br>March 31, | Year ended<br>March 31, |
|--|-----------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------------|
|  |           | 2002                              | 2003                              | 2004                              | 2003                    | 2004                    |
| Revenue  | (Mil yen) | 430,253                           | 573,378                           | 540,170                           | 840,919                 | 1,099,546               |
| Net revenue  | (Mil yen) | 283,415                           | 414,774                           | 370,769                           | 566,274                 | 803,103                 |
| Income before income taxes and<br>cumulative effect of accounting change | (Mil yen) | 40,637                            | 159,251                           | 88,673                            | 47,409                  | 282,676                 |
| Net income   | (Mil yen) | 131,070                           | 86,686                            | 44,048                            | 119,913                 | 172,329                 |
| Shareholders' equity   | (Mil yen) | 1,732,621                         | 1,705,548                         | 1,829,788                         | 1,642,328               | 1,785,688               |
| Total assets   | (Mil yen) | 18,963,616                        | 27,238,887                        | 32,566,870                        | 21,169,446              | 29,752,966              |
| Shareholders' equity per share   | (Yen)     | 881.56                            | 878.34                            | 942.50                            | 846.40                  | 919.67                  |
| Net income per share   | (Yen)     | 66.68                             | 44.71                             | 22.69                             | 61.26                   | 88.82                   |
| Net income per share - diluted   | (Yen)     | 66.68                             | 44.71                             | 22.68                             | 61.26                   | 88.82                   |
| Shareholders' equity as a percentage of<br>total assets                  | (%)       | 9.1                               | 6.3                               | 5.6                               | 7.8                     | 6.0                     |
| Cash flows from operating activities                                     | (Mil yen) | (219,620)                         | 107,023                           | (367,309)                         | 31,706                  | (78,375)                |
| Cash flows from investing activities                                     | (Mil yen) | 16,521                            | 95,276                            | (58,369)                          | 134,053                 | 45,471                  |
| Cash flows from financing activities                                     | (Mil yen) | 16,115                            | (24,895)                          | 223,970                           | (22,205)                | 198,017                 |
| Cash and cash equivalents at end of<br>period                            | (Mil yen) | 159,694                           | 654,158                           | 449,598                           | 491,237                 | 637,372                 |
| Number of staffs   |           | 12,536                            | 12,296                            | 14,423                            | 12,060                  | 13,987                  |
|  |           | [3,044]                           | [3,057]                           | [3,378]                           | [3,062]                 | [3,107]                 |
| [Average number of temporary staffs,<br>excluded from above]             |           |                                   |                                   |                                   |                         |                         |

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(Notes)

- 1 The selected consolidated financial data are stated in accordance with the accounting principles generally accepted in the United States of America ( U.S. GAAP ).
- 2 Effective with the second quarter ended September 30, 2004, changes in Other secured borrowings which was previously included in Cash flows from financing activities are included in Cash flows from operating activities. Such amounts previously reported have been reclassified to conform to the current year presentation. The presented amounts before reclassification are as follows;

|                                      |           | <b>Six months<br/>ended<br/>September 30,</b> | <b>Six months<br/>ended<br/>September 30,</b> | <b>Year ended<br/>March 31,</b> | <b>Year ended<br/>March 31,</b> |
|--------------------------------------|-----------|---|---|---------------------------------|---------------------------------|
|                                      |           | <b>2002</b>                                   | <b>2003</b>                                   | <b>2003</b>                     | <b>2004</b>                     |
| Cash flows from operating activities | (Mil yen) | (396,355)                                     | (30,697)                                      | 34,113                          | (1,825,894)                     |
| Cash flows from financing activities | (Mil yen) | 192,850                                       | 112,825                                       | (24,612)                        | 1,945,536                       |

- 3 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.
- 4 Financial Advisor and Security Advisor with fixed-term employment contract were included in the number of staffs as of March 31, 2004 and September 30, 2004.
- 5 In addition to the numbers presented above, the number of staffs in investee companies of private equity investments that were consolidated as subsidiaries on the consolidated financial statements as of September 30, 2004 was 3,852 and the average number of temporary staffs in those investee companies was 861.



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## (2) Selected non-consolidated financial data

|   |           | Six months ended<br>September 30,<br>2002 | Six months ended<br>September 30,<br>2003 | Six months ended<br>September 30,<br>2004 | Year<br>ended<br>March 31,<br>2003 | Year<br>ended<br>March 31,<br>2004 |
|---|-----------|---|---|---|------------------------------------|------------------------------------|
| Operating revenue   | (Mil yen) | 50,064                                    | 66,694                                    | 214,995                                   | 102,633                            | 135,341                            |
| Ordinary income   | (Mil yen) | 7,240                                     | 21,751                                    | 171,105                                   | 10,742                             | 39,448                             |
| Net income (loss)   | (Mil yen) | 10,264                                    | 19,207                                    | 171,055                                   | (12,825)                           | 33,374                             |
| Common stock  | (Mil yen) | 182,799                                   | 182,799                                   | 182,800                                   | 182,799                            | 182,799                            |
| Number of issued shares<br>(1000 shares)                  |           | 1,965,919                                 | 1,965,919                                 | 1,965,920                                 | 1,965,919                          | 1,965,919                          |
| Shareholders' equity                                      | (Mil yen) | 1,409,498                                 | 1,355,565                                 | 1,519,731                                 | 1,342,035                          | 1,367,005                          |
| Total assets  | (Mil yen) | 2,047,106                                 | 2,321,921                                 | 2,969,025                                 | 2,121,113                          | 2,469,719                          |
| Interim dividend per share                                |           |   |   |   |                                    |                                    |
| [dividend per share]                                      | (Yen)     |   | 7.50                                      | 10.00                                     | 15.00                              | 15.00                              |
| Shareholders' equity as a percentage of total assets      | (%)       | 68.9                                      | 58.4                                      | 51.2                                      | 63.3                               | 55.4                               |
| Number of staffs  |           |   |   |   |                                    |                                    |
| [Average number of temporary staffs, excluded from above] |           | 5<br>[ 0 ]                                | 8<br>[ ]                                  | 7<br>[ ]                                  | 5<br>[ 0 ]                         | 7<br>[ ]                           |

- (Notes) 1 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.
- 2 The information presented above is based on the non-consolidated information of Nomura Holdings, Inc ( the Company ). For information on shareholders' equity per share, net income per share and net income per share-diluted, see the consolidated financial data of the Company.
- 3 The Company introduced the interim dividend system from the six month period ended September 30, 2003.
- 4 The amounts presented for September 30, 2004 are rounded whereas the amounts for previous terms are truncated.

## 2. Business Overview

There was no significant change for the business of Nomura Holdings, Inc. and its affiliated companies (consolidated subsidiaries and variable interest entities 139, equity method affiliates 15) for the six months ended September 30, 2004.

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**Item 2. Operating and Financial Review**

**1. Operating Results**

**(1) Summary**

Nomura Holdings, Inc. and its consolidated subsidiaries ( Nomura ) reported net revenue of ¥ 370.8 billion for the six months ended September 30, 2004, an decrease of 11% from the same period in the prior year. Non-interest expenses were ¥ 282.1 billion for the six months ended September 30, 2004, an increase of 10% from the same period in the prior year. As a result, income before income taxes was ¥ 88.7 billion for the six months ended September 30, 2004, an decrease of 44% from the same period in the prior year. On the other hand, net income for the six months ended September 30, 2004 was ¥ 44.0 billion, a decrease of 49% from the same period in the prior year.

Cash and cash equivalents at September 30, 2004 decreased by ¥187.8 billion compared with March 31, 2004 (increase of ¥162.9 billion for the same period in the prior year). Net cash used in operating activities was ¥367.3 billion (net cash provided by operating activities for the same period in the prior year was ¥107.0 billion), mainly due to an increase in net trading-related balances. Trading-related balances are comprised of Trading assets and private equity investment, Collateralized agreements, Trading liabilities, Collateralized financing, Receivables/payables before settlement date (which are included in Receivables/Payables) and others. Net cash used in investing activities was ¥58.4 billion (net cash provided by investing activities for the same period in the prior year was ¥ 95.3 billion) mainly due to an investment in affiliated company. Net cash provided by financing activities was ¥224.0 billion (net cash used in financing activities for the same period in the prior year was ¥24.9 billion) mainly due to an increase in borrowings.

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

|  | <b>Six months ended<br/>September 30, 2003</b> | <b>Six months ended<br/>September 30, 2004</b> |
|--|--|--|
|  | <b>(Mil Yen)</b>                               | <b>(Mil Yen)</b>                               |
| Commissions                                      | 89,719   | 115,118  |
| Brokerage commissions                            | 64,258   | 84,169   |
| Commissions for distribution of investment trust | 15,341   | 19,457   |
| Other  | 10,120   | 11,492   |
| Fees from investment banking                     | 34,358   | 47,773   |
| Underwriting and distribution                    | 27,865   | 37,004   |
| M&A / financial advisory fees                    | 6,424  | 10,752   |
| Other  | 69   | 17   |
| Asset management and portfolio service fees      | 30,757   | 38,030   |
| Asset management fees                            | 25,759   | 32,569   |
| Other  | 4,998  | 5,461  |
| Net gain on trading                              | 147,529  | 76,640   |
| Merchant banking                                 | 1,155  | 3,247  |
| Equity trading                                   | 52,866   | 28,324   |
| Fixed income and other trading                   | 93,508   | 45,069   |
| Gain (loss) on private equity investments        | 6,598  | (1,599)  |
| Net interest                                     | 59,276   | 49,639   |
| Gain (loss) on investments in equity securities  | 31,769   | (1,353)  |
| Other  | 14,768   | 46,521   |
| <b>Net revenue</b>                               | <b>414,774</b>                                 | <b>370,769</b>                                 |

|   | <b>Six months ended<br/>September 30, 2003</b> | <b>Six months ended<br/>September 30, 2004</b> |
|---|--|--|
|   | <b>(Mil Yen)</b>                               | <b>(Mil Yen)</b>                               |
| Compensation and benefits                 | 133,589  | 130,149  |
| Commissions and floor brokerage           | 9,529  | 12,911   |
| Information processing and communications | 38,410   | 39,417   |
| Occupancy and related depreciation        | 26,825   | 26,260   |
| Business development expenses             | 10,411   | 13,196   |
| Other                                     | 36,759   | 60,163   |
| <b>Non-interest expenses</b>              | <b>255,523</b>                                 | <b>282,096</b>                                 |

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## Business Segment Information

Results by business segment are as follows. Reconciliations of Net revenue and Income before income taxes on segment results of operations and the consolidated income statements are set forth in Consolidated Financial Statements, Note 12. Segment information.

## Net revenue

|                          | Six months ended September 30, 2003<br>(Mil Yen) | Six months ended September 30, 2004<br>(Mil Yen) |
|--------------------------|--|--|
| Domestic Retail          | 150,562  | 151,731  |
| Global Wholesale         | 209,108  | 152,915  |
| Asset Management         | 16,302   | 20,667   |
| Other (Inc. elimination) | 1,514  | 14,965   |
| <b>Total</b>             | <b>377,486</b>                                   | <b>340,278</b>                                   |

## Income (loss) before income taxes

|                          | Six months ended September 30, 2003<br>(Mil Yen) | Six months ended September 30, 2004<br>(Mil Yen) |
|--------------------------|--|--|
| Domestic Retail          | 39,445   | 43,517   |
| Global Wholesale         | 95,352   | 42,653   |
| Asset Management         | (2,407)  | 2,963  |
| Other (Inc. elimination) | (5,861)  | 23   |
| <b>Total</b>             | <b>126,529</b>                                   | <b>89,156</b>                                    |

## Domestic Retail

Domestic Retail has further strengthened its capabilities to provide investment consultation service in order to respond to customers' investment needs by offering stocks, investment trusts, foreign currency bonds, Japanese government bonds for individuals, and a variety of other financial products. Net revenue increased by 1% from ¥ 150,562 million for the six months ended September 30, 2003 to ¥ 151,731 million for the six months ended September 30, 2004. Non-interest expenses decreased by 3% from ¥ 111,117 million for the six months ended September 30, 2003 to ¥ 108,214 million for the six months ended September 30, 2004. As a result, Income before income taxes increased by 10% from ¥ 39,445 million for the six months ended September 30, 2003 to ¥ 43,517 million for the six months ended September 30, 2004.

Global Wholesale

Global Wholesale has tried to manage its business portfolio based on global customers' order-flow. Net revenue decreased by 27% from ¥ 209,108 million for the six months ended September 30, 2003 to ¥ 152,915 million for the six months ended September 30, 2004, mainly due to the decrease of order-flow related to Fixed Income. Non-interest expenses decreased by 3% from ¥ 113,756 million for the six months ended September 30, 2003 to ¥ 110,262 million for the six months ended September 30, 2004. As a result, Income before income taxes decreased by 55% from ¥ 95,352 million for the six months ended September 30, 2003 to ¥ 42,653 million for the six months ended September 30, 2004. In April 2004, Global Wholesale segment was reorganized in order to enhance specialty services and strengthen our global structure. It now consists of three business lines: Global Markets, which is composed of Fixed Income and Equity, Investment Banking, and Merchant Banking.

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### Global Markets

Net revenue decreased by 31% from ¥ 169,710 million for the six months ended September 30, 2003 to ¥ 116,685 million for the six months ended September 30, 2004, mainly due to a decrease of order-flow relating to Fixed Income. Non-interest expenses decreased by 0.4% from ¥ 83,039 million for the six months ended September 30, 2003 to ¥ 82,688 million for the six months ended September 30, 2004. As a result, Income before income taxes decreased by 61% from ¥ 86,671 million for the six months ended September 30, 2003 to ¥ 33,997 million for the six months ended September 30, 2004.

### Investment Banking

Net revenue for Investment Banking increased by 7% from ¥ 33,476 million for the six months ended September 30, 2003 to ¥ 35,819 million for the six months ended September 30, 2004, partly due to a revitalization in equity capital markets. Non-interest expenses for Investment Banking decreased by 13% from ¥ 25,544 million for the six months ended September 30, 2003 to ¥ 22,140 million for the six months ended September 30, 2004. As a result, Income before income taxes for Investment Banking increased by 72% from ¥ 7,932 million for the six months ended September 30, 2003 to ¥ 13,679 million for the six months ended September 30, 2004.

### Merchant Banking

Net revenue for Merchant Banking decreased by 93% from ¥ 5,922 million for the six months ended September 30, 2003 to ¥ 411 million for the six months ended September 30, 2004, because funding cost have been charged for its assets in Europe, although there were exit transactions for this period. Non-interest expenses for Merchant Banking increased by 5% from ¥ 5,173 million for the six months ended September 30, 2003 to ¥ 5,434 million for the six months ended September 30, 2004. As a result, Income before income taxes for Merchant Banking was ¥ 749 million for the six months ended September 30, 2003 and Loss before income taxes for Merchant Banking was ¥ 5,023 million for the six months ended September 30, 2004.

### Asset Management

Net revenue increased by 27% from ¥ 16,302 million for the six months ended September 30, 2003 to ¥ 20,667 million for the six months ended September 30, 2004, due primarily to an increase in asset management and portfolio service fees reflecting the rise in the net assets of stock investment trust. Non-interest expenses decreased by 5% from ¥ 18,709 million for the six months ended September 30, 2003 to ¥ 17,704 million for the six months ended September 30, 2004. As a result, Loss before income taxes for Asset Management was ¥ 2,407 million for the six months ended September 30, 2003 and Income before income taxes for Asset Management was ¥ 2,963 million for the six months ended September 30, 2004.



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Other Operating Results

Other operating results include gain (loss) on investment securities, equity in earnings (losses) of affiliates and other financial adjustments. Loss before income taxes for Other was ¥ 5,861 million for the six months ended September 30, 2003 and Income before income taxes for Other was ¥ 23 million for the six months ended September 30, 2004.

Geographic Information

Please refer to Note 12 about net revenue and Income before income taxes by geographic.



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## (2) Trading Activities

## Assets and liabilities for trading purposes

The balances of assets and liabilities for trading purposes at September 30, 2003 and 2004 are as follows.

|   | September 30, 2003 | September 30, 2004 |
|---|--------------------|--------------------|
|   | (Mil Yen)          | (Mil Yen)          |
| Trading assets and Private equity investments               | 11,790,722         | 15,455,593         |
| Securities inventory  | 10,987,122         | 14,690,911         |
| Equity securities and convertible bonds                     | 1,927,227          | 2,572,387          |
| Government and government agency bonds                      | 5,526,349          | 8,849,148          |
| Bank and corporate debt securities                          | 1,384,773          | 1,514,583          |
| Commercial paper and certificates of deposit                | 27,999             | 70,999             |
| Options and warrants  | 55,986             | 63,980             |
| Mortgage and mortgage-backed securities                     | 757,388            | 950,151            |
| Beneficiary certificates and other                          | 1,307,400          | 669,663            |
| Derivative contracts  | 526,306            | 463,301            |
| Foreign exchange forwards                                   | 55,513             | 32,539             |
| Forward rate agreements and other over the counter forwards | 573                | 1,692              |
| Swap agreements   | 292,900            | 306,923            |
| Options other than securities options purchased             | 177,320            | 122,147            |
| Private equity investments                                  | 277,294            | 301,381            |
| Trading liabilities   | 6,957,302          | 6,641,499          |
| Securities sold but not yet purchased                       | 6,427,291          | 6,201,379          |
| Equity securities and convertible bonds                     | 1,947,988          | 685,519            |
| Government and government agency bonds                      | 4,222,651          | 5,102,916          |
| Bank and corporate debt securities                          | 218,178            | 324,147            |
| Options and warrants  | 32,942             | 79,288             |
| Mortgage and mortgage-backed securities                     | 5,532              | 6,026              |
| Beneficial certificates and other                           |                    | 3,483              |
| Derivative contracts  | 530,011            | 440,120            |
| Foreign exchange forwards                                   | 69,426             | 20,780             |
| Forward rate agreements and other over the counter forwards | 600                | 398                |
| Swap agreements   | 348,229            | 336,997            |
| Options other than securities options written               | 111,756            | 81,945             |

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Risk management of trading activity

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

1) Assumption on VaR

2.33 standard deviations 99% confidence level

Holding period: One day

Consider correlation of price movement among the products

2) Records of VaR

|                         | September 30, 2003 | September 30, 2004 |
|-------------------------|--------------------|--------------------|
|                         | (Bil Yen)          | (Bil Yen)          |
| Equity                  | 2.3                | 5.6                |
| Interest rate           | 2.3                | 2.6                |
| Foreign exchange        | 0.3                | 0.3                |
| Sub-total               | 4.9                | 8.5                |
| Diversification benefit | (1.3)              | (2.4)              |
| Value at Risk (VaR)     | 3.6                | 6.1                |

|                     | Six months ended September 30, 2004 |                   |                   |
|---------------------|-------------------------------------|-------------------|-------------------|
|                     | Maximum (Bil Yen)                   | Minimum (Bil Yen) | Average (Bil Yen) |
| Value at Risk (VaR) | 10.7                                | 3.5               | 5.3               |

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2. Current Challenges

Japan's economy and securities markets are recovering steadily, due to the fact that the real economic growth rate has increased in five consecutive quarters ended June 30, 2004. Trading volumes remain at a high level in the First Section of the Tokyo Stock Exchange. There seems to be progress in the reconstruction of the economy through resolution of the nonperforming loan problem. In this environment, the Company will actively build a solid business foundation by enhancing the capacities of new product development and origination, demonstrating the importance of risk diversification to market participants, and making effective use of its global business lines.

With regards to Domestic Retail, the Company will strengthen expanding its capabilities with a focus on meeting customer needs and expanding its customer base. The Company seeks to expand its distribution channels with the recent changes in regulations. In addition, the Company will continue its efforts to broaden individual investors' participation in the securities markets by supporting capital market lectures at colleges and universities and investor education programs in local communities.

Regarding Global Wholesale, as the financial results of Japanese companies gradually recover, the number of companies seeking the Company's services is on the rise. In order to respond to these companies, the Company will flexibly provide high value-added solutions such as M&A business solutions for corporate reorganization and equity financing for investment in plant and equipment. The Group will also enhance capacities of product distribution and trading activities through promoting a globalization strategy and try to establish new business area.

With regards to Asset Management, the Company continues to enhance performance by offering value-added management services that address customer needs. The Company's goal is increase assets under management by developing innovative products and providing prompt service that is valued by customers. In addition, the Company continues to enhance marketing functions for various types of sales channels. The Company is also focused on developing its defined contribution pension plan business.

The Nomura Group is committed to coping with the changes in society and the market, strengthening its base in an expanding securities business, and to increasing the Group's corporate value.

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3. Significant Contracts

At May 18, 2004, Nomura Realty Capital Management Co., Ltd. ( NRCM ), a wholly-owned subsidiary of the Company, acquired 7,720,000 shares of Nomura Research Institute, Ltd s common stock, which are affiliate company stocks of the company from Nomura Land Building Co., Ltd ( NLB ), which is an affiliate company of the company.

The purpose of the business combination is the pursuit of greater efficiency with respect to maintenance and administration of real estate properties used within the Nomura (facility management business) as well as to strengthen branch office strategy through, for instance, diversifying the form of Nomura Securities offices. NLB and NRCM have done that NRCM is to succeed by the way of demerger NLB s facility management business, which includes the ownership, lease, maintenance and administration of real estate properties as places of business and offices, etc as of August 1, 2004. NRCM issued 495,000 ordinary shares upon the demerger and allocate all such shares to NLB. Although a majority of all outstanding shareholder voting rights were held by NLB due to this transaction, the Company acquired said shares immediately after the demerger and maintained its parent company status with NRCM as its wholly-owned subsidiary. In addition to the above, it was determined that NRCM will change its company name to Nomura Facilities, Inc.

**Table of Contents****Item 4. Company Information**

## I. Share Capital Information

## (1) Total Number of Shares

## a. Number of Authorized Share Capital

| <u>Type</u>  | <u>Authorized Share Capital (shares)</u> |
|--------------|--|
| Common Stock | 6,000,000,000                            |
| Total        | 6,000,000,000                            |

## b. Issued Shares

| <u>Type</u>  | <u>Number of Issued Shares as<br/>of September 30, 2004</u> | <u>Number of Issued Shares as<br/>of December 17, 2004</u> | <u>Trading Markets</u>                      |
|--------------|---|--|---|
| Common Stock | 1,965,919,860   | 1,965,919,860  | Tokyo Stock Exchange <sup>(*)3</sup>        |
|              |   |  | Osaka Stock Exchange <sup>(*)3</sup>        |
|              |   |  | Nagoya Stock Exchange <sup>(*)3</sup>       |
|              |   |  | Amsterdam Stock Market N.V. <sup>(*)4</sup> |
|              |   |  | Singapore Stock Exchange <sup>(*)5</sup>    |
|              |   |  | New York Stock Exchange <sup>(*)6</sup>     |
| <b>Total</b> | <b>1,965,919,860</b>  | <b>1,965,919,860</b>                                       |   |

Notes 1 Voting rights pertained.

2 Shares that may have increased from exercise of warrants and stock options between December 1, 2004 and December 17, 2004 are not included in the number of outstanding shares as of December 17, 2004.

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- 3 Listed on the First Section of each stock exchange.
- 4 Common stock and Continental Depositary Receipts listed.
- 5 Common stock listed.
- 6 American Depositary Shares listed.

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(2) Stock Options

a. Stock Acquisition Right

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

|  | End of Interim Accounting Period<br>(September 30, 2004)  | End of Preceding Month to Filing of<br>this Report<br>(November 30, 2004) |
|--|---|---|
| Number of Stock Acquisition Rights   | 2,182 <sup>(*)</sup>  | 2,170 <sup>(*)</sup>  |
| Type of Share under the Stock Acquisition Right  | Common stock  | Common stock  |
| Number of Shares under the Stock Acquisition Rights  | 2,182,000   | 2,170,000   |
| The Amount to be Paid upon Exercising the Stock Acquisition Right  | ¥1,806 per share  | Same as left  |
| Exercise Period of the Stock Acquisition Right   | From July 1, 2004 to June 30, 2009  | Same as left  |
| Issue Price of Shares and Capital Inclusion Price if Shares Are Issued upon Exercise of the Stock Acquisition Rights | Issue Price of Shares ¥1,806<br>Capital Inclusion Price ¥903  | Same as left  |
| Conditions to Exercise of Stock Acquisition Right  | <p>1. Not to be partial exercise of one stock acquisition right.</p> <p>2. For a person given Stock Acquisition Right (the Optionee ), to satisfy all of the following conditions:</p> <p>(1) The Optionee maintains position as a director, statutory auditor or employee of the Company or a company, a majority of whose outstanding shares or interests (only limited to those with voting rights) are held directly or indirectly by the Company (hereinafter collectively referred to as the Company's Subsidiary ), during the time between the grant of the stock acquisition rights and the exercise. The Optionee is deemed to maintain such a position as a director, statutory auditor or employee of the Company or the Company's Subsidiary in case the Optionee loses such a position by either of the following situations:</p> <p>a) Regarding the Optionee as a director or statutory auditor of the Company or the Company's Subsidiary: retirement from office on account of the expiration of the Optionee's term of office or other similar reasons; or</p> |   |
|  |   | Same as left  |

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b) Regarding the Optionee as an employee of the Company or the Company's Subsidiary: retirement due to the attainment of the retirement age, transfer by order of the Company or the Company's Subsidiary, retirement mainly

due to sickness or injuries arising out of duty, discharge for a compelling business reason, or other similar reasons.

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

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

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

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

Restriction of Transfer of Stock Acquisition Rights

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

Same as left



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(Notes) 1. 1,000 shares will be issued per one stock acquisition right.

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

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

In the event that the Company issues new shares or sells its treasury shares at a price less than market price (excluding for the exercise of the stock acquisition rights, conversion of outstanding convertible bonds and the exercise of the stock subscription rights), the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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

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

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

|  | End of Interim Accounting Period<br>(September 30, 2004)   | End of Preceding Month to Filing of<br>this Report<br>(November 30, 2004) |
|--|--|---|
| Number of Stock Acquisition Rights   | 2,212 <sup>(*)</sup>   | 2,194 <sup>(*)</sup>  |
| Type of Share under the Stock Acquisition Right  | Common stock   | Common stock  |
| Number of Shares under the Stock Acquisition Rights  | 2,212,000  | 2,194,000   |
| The Amount to be Paid upon Exercising the Stock Acquisition Right  | ¥1,630 per share   | Same as left  |
| Exercise Period of the Stock Acquisition Right   | From July 1, 2005 to June 30, 2010   | Same as left  |
| Issue Price of Shares and Capital Inclusion Price if Shares Are Issued upon Exercise of the Stock Acquisition Rights | Issue Price of Shares ¥1,630<br>Capital Inclusion Price ¥815   | Same as left  |
| Conditions to Exercise of Stock Acquisition Right  | <p>1. Not to be partial exercise of one stock acquisition right.</p> <p>2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions:</p> <p>(1) The Optionee maintains position as a director, senior managing director or employee of the Company or a company, a majority of whose outstanding shares or interests (only limited to those with voting rights) are held directly or indirectly by the Company (hereinafter collectively referred to as the Company's Subsidiary), during the time between the grant of the stock acquisition rights and the exercise. The Optionee is deemed to maintain such a position as a director, senior managing director or employee of the Company or the Company's Subsidiary in case the Optionee loses such a position by either of the following situations:</p> <p>a) Regarding the Optionee as a director or senior managing director of the Company or the Company's Subsidiary: retirement from office on account of the expiration of the Optionee's term of office or other similar reasons; or</p> |   |

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

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

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

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

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

Restriction of Transfer of Stock

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

Same as left

Acquisition Rights

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(Notes) 1. 1,000 shares will be issued per one stock acquisition right.

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

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

In the event that the Company issues new shares or sells its treasury shares at a price less than market price (excluding for the exercise of the stock acquisition rights, conversion of outstanding convertible bonds and the exercise of the stock subscription rights), the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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

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

|  | End of Interim Accounting Period<br>(September 30, 2004)   | End of Preceding Month to Filing of this Report<br>(November 30, 2004) |
|--|--|--|
| Number of Stock Acquisition Rights   | 1,354 <sup>(*)</sup>   | 1,354 <sup>(*)</sup>   |
| Type of Share under the Stock  | Common stock   | Common stock   |
| Acquisition Right  |  |  |
| Number of Shares under the Stock   | 1,354,000  | 1,354,000  |
| Acquisition Rights   |  |  |
| The Amount to be Paid upon Exercising the Stock Acquisition Right  | ¥1 per share   | Same as left   |
| Exercise Period of the Stock Acquisition Right   | From June 5, 2006 to June 4, 2011  | Same as left   |
| Issue Price of Shares and Capital Inclusion Price if Shares Are Issued upon Exercise of the Stock Acquisition Rights | Issue Price of Shares ¥1<br>Capital Inclusion Price ¥1   | Same as left   |
| Conditions to Exercise of Stock Acquisition Right  | <p>1. Not to be partial exercise of one stock acquisition right.</p> <p>2. For a person given Stock Acquisition Right (the Optionee ), to satisfy all of the following conditions:</p> <p>(1) The Optionee maintains position as a director, senior managing director or employee of the Company or a company, a majority of whose outstanding shares or interests (only limited to those with voting rights) are held directly or indirectly by the Company (hereinafter collectively referred to as the Company's Subsidiary ), during the time between the grant of the stock acquisition rights and the exercise. The Optionee is deemed to maintain such a position as a director, senior managing director or employee of the Company or the Company's Subsidiary in case the Optionee loses such a position by either of the following situations:</p> <p>a) Regarding the Optionee as a director or senior managing director of the Company or the Company's Subsidiary: retirement from office on account of the expiration of the Optionee's term of office or other similar reasons; or</p> |  |

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

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

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

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

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

Restriction of Transfer of Stock Acquisition Rights

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

Same as left

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(Notes) 1. 1,000 shares will be issued per one stock acquisition right.

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

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

In the event that the Company issues new shares or sells its treasury shares at a price less than market price (excluding for the exercise of the stock acquisition rights, conversion of outstanding convertible bonds and the exercise of the stock subscription rights), the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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

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Resolved by the 99th General Shareholders Meeting on June 25, 2004

|  | End of Interim Accounting Period   | End of Preceding Month to Filing of<br>this Report |
|--|--|--|
|  | (September 30, 2004)   | (November 30, 2004)                                |
| Number of Stock Acquisition Rights   | 1,631 <sup>(*)</sup>   | 1,621 <sup>(*)</sup>                               |
| Type of Share under the Stock Acquisition Right  | Common stock   | Common stock                                       |
| Number of Shares under the Stock Acquisition Rights  | 1,631,000  | 1,621,000  |
| The Amount to be Paid upon Exercising the Stock Acquisition Right  | ¥1,616 per share   | Same as left                                       |
| Exercise Period of the Stock Acquisition Right   | From July 1, 2006 to June 30, 2011   | Same as left                                       |
| Issue Price of Shares and Capital Inclusion Price if Shares Are Issued upon Exercise of the Stock Acquisition Rights | Issue Price of Shares ¥1,616<br>Capital Inclusion Price ¥808   | Same as left                                       |
| Conditions to Exercise of Stock Acquisition Right  | <p>1. Not to be partial exercise of one stock acquisition right.</p> <p>2. For a person given Stock Acquisition Right (the Optionee ), to satisfy all of the following conditions:</p> <p>(1) The Optionee maintains position as a director, senior managing director or employee of the Company or a company, a majority of whose outstanding shares or interests (only limited to those with voting rights) are held directly or indirectly by the Company (hereinafter collectively referred to as the Company's Subsidiary ), during the time between the grant of the stock acquisition rights and the exercise. The Optionee is deemed to maintain such a position as a director, senior managing director or employee of the Company or the Company's Subsidiary in case the Optionee loses such a position by either of the following situations:</p> <p>a) Regarding the Optionee as a director or senior managing director of the Company or the Company's Subsidiary: retirement from office on account of the expiration of the Optionee's term of office or other similar reasons; or</p> |  |



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

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

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

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

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

Restriction of Transfer of Stock Acquisition Rights

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

Same as left

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(Notes) 1. 1,000 shares will be issued per one stock acquisition right.

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

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

In the event that the Company issues new shares or sells its treasury shares at a price less than market price (excluding for the exercise of the stock acquisition rights, conversion of outstanding convertible bonds and the exercise of the stock subscription rights), the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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

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

None.

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

| <u>Date</u> | <u>Increase/Decrease of Issued Shares</u> | <u>Total Issued Shares</u> | <u>Increase/Decrease of Shareholders Equity</u> | <u>Shareholders Equity</u> | <u>Increase/Decrease of Additional paid-in capital</u> | <u>Additional paid-in capital</u> |
|-------------|---|----------------------------|---|----------------------------|--|-----------------------------------|
|             |   |                            |   |                            | paid-in capital  | (thousand Yen)                    |

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|                                    | <u>(thousand Yen)</u> | <u>(thousand Yen)</u> | <u>(thousand Yen)</u> | <u>                    </u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| April 1, 2004 - September 30, 2004 | 1,965,919,860         | 182,799,789           |                       | 112,504,265                 |

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## (4) Major Shareholders

As of September 30, 2004

| <u>Name</u>  | <u>Address</u>  | <u>Shares Held</u><br>(thousand shares) | <u>Percentage of Issued</u><br><u>Shares (%)</u> |
|--|---|---|--|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2-11-3 Hamamatsu-cho, Minato-Ku, Tokyo, Japan                                     | 116,360                                 | 5.92   |
| Japan Trustee Services Bank, Ltd. (Trust Account)    | 1-8-11, Harumi, Chuo-Ku, Tokyo, Japan   | 115,727                                 | 5.89   |
| The Chase Manhattan Bank, N.A. London                | Woolgate House, EC Callman St., London, United Kingdom                            | 58,768                                  | 2.99   |
| Depository Nominees Inc.                             | c/o Bank of New York<br><br>101 Barclays Street<br><br>New York, New York, U.S.A. | 51,537                                  | 2.62   |
| State Street Bank and Trust Company 505103           | 225 Frank Street, Boston, Massachusetts, U.S.A.                                   | 44,875                                  | 2.28   |
| State Street Bank and Trust Company                  | 225 Frank Street, Boston, Massachusetts, U.S.A.                                   | 35,151                                  | 1.79   |
| Nippon Life Insurance Company                        | 1-6-6 Marunouchi, Chiyoda-Ku, Tokyo, Japan  | 26,241                                  | 1.33   |
| The Chase Manhattan Bank, N.A. 385036                | 360 North Creacent Drive, Beverly Hills, California, U.S.A                        | 19,822                                  | 1.01   |
| The Chase Manhattan Bank, N.A. London                | Woolgate House, EC Callman St., London, United Kingdom                            | 17,937                                  | 0.91   |
| SL Omnibus Account                                   |   |   |  |
| Toyota Motor Corporation                             | 1 Toyota-cho, Toyota City, Aichi Prefecture, Japan                                | 16,380                                  | 0.83   |
| <b>Total</b>   |   | <b>502,797</b>                          | <b>25.58</b>                                     |

\* The Company holds 23,572 thousand shares as of September 30, 2004, which is not included in the list above.

## (5) Voting Rights

## a. Outstanding Shares

As of September 30, 2004

| <u>Number of Shares</u> | <u>Number of Votes</u> | <u>Description</u>              |
|-------------------------|------------------------|---------------------------------|
|                         |                        | Stock without voting right      |
|                         |                        | Stock with limited voting right |

(treasury stocks, etc.)

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|                                       |                         |           |  |
|---------------------------------------|-------------------------|-----------|--|
| Stock with limited voting right       |                         |           |  |
| (others)                              |                         |           |  |
|                                       | (Treasury stocks)       |           | Our standard stock with no limitation  |
|                                       | Common stock 23,571,000 |           | to its rights                          |
| Stock with full voting right          |                         |           |  |
| (treasury stocks, etc.)               |                         |           |  |
|                                       | (Crossholding stocks)   |           | Same as above                          |
|                                       | Common stock 3,000,000  |           |  |
| Stock with full voting right (Others) |                         |           |  |
|                                       | Common stock            |           | Same as above                          |
|                                       | 1,929,481,000           | 1,929,328 |  |
| Shares less than 1 unit               |                         |           |  |
|                                       | Common stock 9,867,860  |           | Shares less than 1 unit (1,000 shares) |
| Total Shares Issued                   |                         |           |  |
|                                       | 1,965,919,860           |           |  |
| Voting Rights of Total Shareholders   |                         |           |  |
|                                       |                         | 1,929,328 |  |

- (Notes) 1. 153,000 shares held by Japan Securities Depository Center, Inc. are included in Stock with full voting right (Others). 660 treasury stocks are included in Shares less than 1 unit.
2. The Board of Directors of the Company has resolved on October 28, 2004 to change the number of shares of 1 unit to 100 shares from 1,000 shares

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## b. Treasury Stocks

As of September 30, 2003

| <u>Name</u>                    | <u>Address</u>                             | <u>Directly held shares</u> | <u>Indirectly held shares</u> | <u>Total</u>      | <u>Percentage of Issued Shares (%)</u> |
|--------------------------------|--|-----------------------------|-------------------------------|-------------------|--|
| <b>(Treasury Stocks)</b>       |  |                             |                               |                   |  |
| Nomura Holdings, Inc.          | 1-9-1 Nihonbashi, Chuo-Ku, Tokyo, Japan    | 23,571,000                  |                               | 23,571,000        | 1.20                                   |
| <b>(Crossholding Stocks)</b>   |  |                             |                               |                   |  |
| JAFCO Co., Ltd.                | 1-8-2 Marunouchi, Chiyoda-Ku, Tokyo, Japan | 2,000,000                   |                               | 2,000,000         | 0.10                                   |
| Nomura Research Institute Ltd. | 2-2-1 Otemachi, Chiyoda-Ku, Tokyo, Japan   | 1,000,000                   |                               | 1,000,000         | 0.05                                   |
| <b>Total</b>                   |  | <b>26,571,000</b>           |                               | <b>26,571,000</b> | <b>1.35</b>                            |

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

## 2. Share Price History

## Monthly Highs and Lows

| <u>Month</u> | <u>April, 2004</u> | <u>May, 2004</u> | <u>June, 2004</u> | <u>July, 2004</u> | <u>August, 2004</u> | <u>September, 2004</u> |
|--------------|--------------------|------------------|-------------------|-------------------|---------------------|------------------------|
| High (Yen)   | 1,966              | 1,818            | 1,690             | 1,632             | 1,560               | 1,546                  |
| Low (Yen)    | 1,790              | 1,570            | 1,585             | 1,480             | 1,431               | 1,400                  |

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

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**Item 5. Financial Information**

**1 Preparation Method of Consolidated Financial Statements and Non-consolidated Financial Statements**

- (1) Pursuant to Section 81 of Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-annual Consolidated Financial Statements (Ministry of Finance Ordinance No. 24, 1999), the consolidated financial statements have been prepared in accordance with accounting principles which are required in order to issue American Depositary Shares ( ADS ), i.e., the accounting principles generally accepted in the United States of America ( U.S. GAAP ).
- (2) The consolidated financial statements have been prepared by making necessary adjustments to the financial statements of each consolidated company which were prepared in accordance with the accounting principles generally accepted in each country. Such adjustments have been made to comply with the principles in (1).
- (3) The non-consolidated financial statements were prepared under the accounting principles generally accepted in Japan in accordance with Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-annual Financial Statements (Ministry of Finance Ordinance No. 38, 1977) (the Regulations ).

The non-consolidated financial statements for the previous period (from April 1, 2003 to September 30, 2003) were prepared based on the Regulations before amendment and the non-consolidated financial statements for the current period (from April 1, 2004 to September 30, 2004) were prepared based on the Regulations after amendment.

However the Regulations before amendment are applied to the non-consolidated financial statements for the current period according to the provision of the 3<sup>rd</sup> clause of supplementary provision of Amendment of Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements (Cabinet Office Regulation No. 5, January 30, 2004).

The Company has changed its presentation of amounts to round the numbers from the current period. Therefore the amounts of items presented for the current period are rounded whereas the amounts for the previous period and previous year (from April 1, 2003 to March 31, 2004) are truncated.

**2 Semi-annual Audit Certificate**

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Under articles No.193-2 of the Securities and Exchange Law, Ernst & Young ShinNihon (formerly, Shin Nihon & Co.) performed semi-annual audits of the consolidated and non-consolidated financial statements for the previous period (from April 1, 2003 to September 30, 2003) and for the current period (from April 1, 2004 to September 30, 2004).



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## 1 Consolidated Financial Statements and Other

## (1) Consolidated Financial Statements

## 1) Consolidated Balance Sheets

|  | September 30, 2003 |                     | September 30, 2004  |                     | March 31, 2004      |                   |      |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|-------------------|------|
|  | Notes              | Millions of yen (%) | Millions of yen (%) | Millions of yen (%) | Millions of yen (%) |                   |      |
| <b>ASSETS</b>  |                    |                     |                     |                     |                     |                   |      |
| Cash and cash deposits:  |                    |                     |                     |                     |                     |                   |      |
| Cash and cash equivalents  |                    | 654,158             | 449,598             |                     | 637,372             |                   |      |
| Time deposits  |                    | 313,608             | 276,262             |                     | 248,737             |                   |      |
| Deposits with stock exchanges and other segregated cash  |                    | 63,605              | 38,421              |                     | 44,528              |                   |      |
|  |                    | <u>1,031,371</u>    | 3.8                 | <u>764,281</u>      | 2.3                 | <u>930,637</u>    | 3.1  |
| Loans and receivables:   |                    |                     |                     |                     |                     |                   |      |
| Loans receivable   |                    | 423,216             | 552,186             |                     | 543,894             |                   |      |
| Receivables from customers   |                    | 42,192              | 19,262              |                     | 10,744              |                   |      |
| Receivables from other than customers  |                    | 915,154             | 473,050             |                     | 464,776             |                   |      |
| Allowance for doubtful accounts  |                    | (6,789)             | (3,831)             |                     | (5,778)             |                   |      |
|  |                    | <u>1,373,773</u>    | 5.0                 | <u>1,040,667</u>    | 3.2                 | <u>1,013,636</u>  | 3.4  |
| Collateralized agreements:   |                    |                     |                     |                     |                     |                   |      |
| Securities purchased under agreements to resell  |                    | 4,221,030           | 7,411,732           |                     | 5,701,646           |                   |      |
| Securities borrowed  |                    | 7,778,130           | 6,678,398           |                     | 7,180,106           |                   |      |
|  |                    | <u>11,999,160</u>   | 44.1                | <u>14,090,130</u>   | 43.3                | <u>12,881,752</u> | 43.3 |
| Trading assets and private equity investments  |                    |                     |                     |                     |                     |                   |      |
| (including securities pledged as collateral of ¥5,020,151 million at September 30, 2003, ¥6,876,678 million at September 30, 2004 and ¥5,229,300 million at March 31, 2004, respectively): |                    |                     |                     |                     |                     |                   |      |
| Securities inventory   | *4                 | 10,987,122          | 14,690,911          |                     | 13,066,963          |                   |      |
| Derivative contracts   | *5                 | 526,306             | 463,301             |                     | 479,659             |                   |      |
| Private equity investments   |                    | 277,294             | 301,381             |                     | 291,774             |                   |      |
|  |                    | <u>11,790,722</u>   | 43.3                | <u>15,455,593</u>   | 47.5                | <u>13,838,396</u> | 46.5 |
| Other assets:  |                    |                     |                     |                     |                     |                   |      |
| Office buildings, land, equipment and facilities   |                    | 180,891             | 278,809             |                     | 200,700             |                   |      |

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(net of accumulated depreciation and amortization of ¥173,713 million at September 30, 2003, ¥187,506 million at September 30, 2004 and ¥182,449 million at March 31, 2004, respectively)

|   |                   |       |                   |       |                   |       |
|---|-------------------|-------|-------------------|-------|-------------------|-------|
| Lease deposits  | 71,964            |       | 42,801            |       | 64,764            |       |
| Non-trading debt securities   |                   |       |                   |       |                   |       |
| (including securities pledged as collateral of ¥nil at September 30, 2003, ¥2,217 million at September 30, 2004 and ¥3,340 million at March 31, 2004) | 201,716           |       | 218,895           |       | 206,236           |       |
| Investments in equity securities  | 150,465           |       | 161,077           |       | 169,459           |       |
| Investments in and advances to affiliated companies   | 203,507           |       | 249,752           |       | 207,668           |       |
| Deferred tax assets   | 99,283            |       | 109,786           |       | 105,901           |       |
| Other   | 136,035           |       | 155,079           |       | 133,817           |       |
|   | <u>1,043,861</u>  | 3.8   | <u>1,216,199</u>  | 3.7   | <u>1,088,545</u>  | 3.7   |
| Total assets  | <u>27,238,887</u> | 100.0 | <u>32,566,870</u> | 100.0 | <u>29,752,966</u> | 100.0 |

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

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|  | Notes | September 30, 2003 |      | September 30, 2004 |      | March 31, 2004    |      |
|--|-------|--------------------|------|--------------------|------|-------------------|------|
|  |       | Millions of yen    | (%)  | Millions of yen    | (%)  | Millions of yen   | (%)  |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |       |                    |      |                    |      |                   |      |
| Short-term borrowings  | *7    | 355,857            | 1.3  | 430,024            | 1.3  | 437,124           | 1.5  |
| Payables and deposits:   |       |                    |      |                    |      |                   |      |
| Payables to customers  |       | 207,540            |      | 214,206            |      | 266,646           |      |
| Payables to other than customers   |       | 415,765            |      | 755,383            |      | 861,747           |      |
| Time and other deposits received   |       | 301,516            |      | 261,731            |      | 255,703           |      |
|  |       | <u>924,821</u>     | 3.4  | <u>1,231,320</u>   | 3.8  | <u>1,384,096</u>  | 4.6  |
| Collateralized financing:  |       |                    |      |                    |      |                   |      |
| Securities sold under agreements to repurchase   |       | 8,161,227          |      | 11,553,427         |      | 9,622,727         |      |
| Securities loaned  |       | 5,534,591          |      | 5,234,081          |      | 5,157,814         |      |
| Other secured borrowings   |       | 977,418            |      | 2,567,341          |      | 2,587,217         |      |
|  |       | <u>14,673,236</u>  | 53.9 | <u>19,354,849</u>  | 59.4 | <u>17,367,758</u> | 58.4 |
| Trading liabilities:   |       |                    |      |                    |      |                   |      |
| Securities sold but not yet purchased  | *4    | 6,427,291          |      | 6,201,379          |      | 5,559,598         |      |
| Derivative contracts   | *5    | 530,011            |      | 440,120            |      | 417,368           |      |
|  |       | <u>6,957,302</u>   | 25.5 | <u>6,641,499</u>   | 20.4 | <u>5,976,966</u>  | 20.1 |
| Other liabilities:   |       |                    |      |                    |      |                   |      |
| Accrued income taxes   |       | 58,269             |      | 23,679             |      | 93,538            |      |
| Accrued pension and severance costs  |       | 87,157             |      | 86,845             |      | 86,439            |      |
| Other  |       | 239,811            |      | 252,632            |      | 235,888           |      |
|  |       | <u>385,237</u>     | 1.4  | <u>363,156</u>     | 1.1  | <u>415,865</u>    | 1.4  |
| Long-term borrowings   | *7    | 2,236,886          | 8.2  | 2,716,234          | 8.4  | 2,385,469         | 8.0  |
| Total liabilities  |       | <u>25,533,339</u>  | 93.7 | <u>30,737,082</u>  | 94.4 | <u>27,967,278</u> | 94.0 |
| Commitments and contingencies  | *11   |                    |      |                    |      |                   |      |
| Shareholders' equity:  |       |                    |      |                    |      |                   |      |
| Common stock   |       |                    |      |                    |      |                   |      |
| Par value no per share   |       |                    |      |                    |      |                   |      |
| Authorized - 6,000,000,000 shares at September 30, 2003, September 30, 2004 and March 31, 2004 |       |                    |      |                    |      |                   |      |
| Issued - 1,965,919,860 shares at September 30, 2003, September 30, 2004 and March 31, 2004     |       | 182,800            | 0.7  | 182,800            | 0.6  | 182,800           | 0.6  |
| Additional paid-in capital   |       | 153,491            | 0.6  | 154,938            | 0.5  | 154,063           | 0.5  |
| Retained earnings  |       | 1,479,150          | 5.4  | 1,574,865          | 4.8  | 1,550,231         | 5.2  |

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|  |            |       |            |       |            |       |
|--|------------|-------|------------|-------|------------|-------|
| Accumulated other comprehensive (loss) income  |            |       |            |       |            |       |
| Minimum pension liability adjustment   | (39,735)   |       | (32,869)   |       | (34,221)   |       |
| Cumulative translation adjustments   | (37,588)   |       | (16,451)   |       | (34,380)   |       |
|  | (77,323)   | (0.3) | (49,320)   | (0.2) | (68,601)   | (0.2) |
|  | 1,738,118  | 6.4   | 1,863,283  | 5.7   | 1,818,493  | 6.1   |
| Less-Common stock held in treasury, at cost - 24,137,689 shares at September 30, 2003, 24,498,637 shares at September 30, 2004 and 24,263,831 shares at March 31, 2004 | (32,570)   | (0.1) | (33,495)   | (0.1) | (32,805)   | (0.1) |
| Total shareholders equity  | 1,705,548  | 6.3   | 1,829,788  | 5.6   | 1,785,688  | 6.0   |
| Total liabilities and shareholders equity  | 27,238,887 | 100.0 | 32,566,870 | 100.0 | 29,752,966 | 100.0 |

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

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## 2) Consolidated Income Statements

|   | Six months ended<br>September 30, 2003 |                | Six months ended<br>September 30, 2004 |  | Year ended<br>March 31, 2004                   |                                      |
|---|--|----------------|--|--|--|--------------------------------------|
|   | Millions of<br>Yen                     | (%)            | Millions of<br>Yen                     | (%)  | Millions of<br>Yen                             | (%)                                  |
|   | Notes                                  |                |  |  |  |                                      |
| <b>Revenue:</b>                                 |  |                |  |  |  |                                      |
| Commissions                                     |  | 89,719         |  | 115,118  |  | 210,216                              |
| Fees from investment banking                    |  | 34,358         |  | 47,773   |  | 86,994                               |
| Asset management and portfolio service fees     |  | 30,757         |  | 38,030   |  | 66,193                               |
| Net gain on trading                             |  | 147,529        |  | 76,640   |  | 229,042                              |
| Gain (loss) on private equity investments       |  | 6,598          |  | (1,599)  |  | 13,138                               |
| Interest and dividends                          |  | 217,880        |  | 219,040  |  | 396,870                              |
| Gain (loss) on investments in equity securities |  | 31,769         |  | (1,353)  |  | 55,888                               |
| Other   | *12                                    | 14,768         |  | 46,521   |  | 41,205                               |
| <b>Total revenue</b>                            |  | <b>573,378</b> | <b>100.0</b>                           | <b>540,170</b>                                 | <b>100.0</b>                                   | <b>1,099,546</b>                     |
| Interest expense                                |  | 158,604        | 27.7                                   | 169,401  | 31.4   | 296,443                              |
| <b>Net revenue</b>                              |  | <b>414,774</b> | <b>72.3</b>                            | <b>370,769</b>                                 | <b>68.6</b>                                    | <b>803,103</b>                       |
| <b>Non-interest expenses:</b>                   |  |                |  |  |  |                                      |
| Compensation and benefits                       |  | 133,589        |  | 130,149  |  | 259,336                              |
| Commissions and floor brokerage                 |  | 9,529          |  | 12,911   |  | 19,169                               |
| Information processing and communications       |  | 38,410         |  | 39,417   |  | 80,031                               |
| Occupancy and related depreciation              |  | 26,825         |  | 26,260   |  | 54,221                               |
| Business development expenses                   |  | 10,411         |  | 13,196   |  | 23,100                               |
| Other   | *12                                    | 36,759         |  | 60,163   |  | 84,570                               |
|   |  | <b>255,523</b> | <b>44.5</b>                            | <b>282,096</b>                                 | <b>52.2</b>                                    | <b>520,427</b>                       |
| <b>Income before income taxes</b>               |  | <b>159,251</b> | <b>27.8</b>                            | <b>88,673</b>                                  | <b>16.4</b>                                    | <b>282,676</b>                       |
| <b>Income tax expense(benefit):</b>             |  |                |  |  |  |                                      |
| Current   |  | 65,511         |  | 48,292   |  | 108,434                              |
| Deferred  |  | 7,054          |  | (3,667)  |  | 1,913                                |
|   |  | <b>72,565</b>  | <b>12.7</b>                            | <b>44,625</b>                                  | <b>8.3</b>                                     | <b>110,347</b>                       |
| <b>Net income</b>                               |  | <b>86,686</b>  | <b>15.1</b>                            | <b>44,048</b>                                  | <b>8.1</b>                                     | <b>172,329</b>                       |
|   |  |                |  | <b>Six months ended<br/>September 30, 2003</b> | <b>Six months ended<br/>September 30, 2004</b> | <b>Year ended<br/>March 31, 2004</b> |
|   | <b>Notes</b>                           | <b>Yen</b>     |  | <b>Yen</b>                                     |  | <b>Yen</b>                           |
| Per share of common stock:                      | *9                                     |                |  |  |  |                                      |
| Basic-  |  |                |  |  |  |                                      |

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|            |       |       |       |
|------------|-------|-------|-------|
| Net income | 44.71 | 22.69 | 88.82 |
| Diluted-   |       |       |       |
| Net income | 44.71 | 22.68 | 88.82 |

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

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## 3) Consolidated Statements of Shareholders Equity

|   | Six months ended<br>September 30, 2003 | Six months ended<br>September 30, 2004 | Year ended<br>March 31,<br>2004 |
|---|--|--|---------------------------------|
|   | Millions of Yen                        | Millions of Yen                        | Millions of Yen                 |
| <b>Common Stock</b>                         |  |  |                                 |
| Balance at beginning of year                | 182,800                                | 182,800                                | 182,800                         |
| Balance at end of the period                | 182,800                                | 182,800                                | 182,800                         |
| <b>Additional paid-in capital</b>           |  |  |                                 |
| Balance at beginning of year                | 151,328                                | 154,063                                | 151,328                         |
| Gain on sales of treasury stock             | 1,800                                  | 10                                     | 1,807                           |
| Issuance of common stock options            | 363                                    | 865                                    | 928                             |
| Balance at end of the period                | 153,491                                | 154,938                                | 154,063                         |
| <b>Retained earnings</b>                    |  |  |                                 |
| Balance at beginning of year                | 1,407,028                              | 1,550,231                              | 1,407,028                       |
| Net income                                  | 86,686                                 | 44,048                                 | 172,329                         |
| Cash dividends                              | (14,564)                               | (19,414)                               | (29,126)                        |
| Balance at end of the period                | 1,479,150                              | 1,574,865                              | 1,550,231                       |
| <b>Accumulated comprehensive income:</b>    |  |  |                                 |
| <b>Minimum pension liability adjustment</b> |  |  |                                 |
| Balance at beginning of year                | (41,558)                               | (34,221)                               | (41,558)                        |
| Net change during the period                | 1,823                                  | 1,352                                  | 7,337                           |
| Balance at end of the period                | (39,735)                               | (32,869)                               | (34,221)                        |
| <b>Cumulative translation adjustments</b>   |  |  |                                 |
| Balance at beginning of year                | (22,329)                               | (34,380)                               | (22,329)                        |
| Net change during the period                | (15,259)                               | 17,929                                 | (12,051)                        |
| Balance at end of the period                | (37,588)                               | (16,451)                               | (34,380)                        |
| <b>Common stock held in treasury</b>        |  |  |                                 |
| Balance at beginning of year                | (34,941)                               | (32,805)                               | (34,941)                        |
| Repurchase of common stock                  | (3,824)                                | (170)                                  | (4,084)                         |
| Sale of common stock                        | 6,195                                  | 55                                     | 6,220                           |
| Other net change in treasury stock          |  | (575)                                  |                                 |
| Balance at end of the period                | (32,570)                               | (33,495)                               | (32,805)                        |
| <b>Number of shares issued</b>              |  |  |                                 |
| Balance at beginning of year                | 1,965,919,860                          | 1,965,919,860                          | 1,965,919,860                   |

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|                              |               |               |               |
|------------------------------|---------------|---------------|---------------|
| Balance at end of the period | 1,965,919,860 | 1,965,919,860 | 1,965,919,860 |
|------------------------------|---------------|---------------|---------------|

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



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## 4) Consolidated Statements of Comprehensive Income

|   | Six months ended   | Six months ended   | Year ended      |
|---|--------------------|--------------------|-----------------|
|   | September 30, 2003 | September 30, 2004 | March 31, 2004  |
|   | Millions of Yen    | Millions of Yen    | Millions of Yen |
| Net income  | 86,686             | 44,048             | 172,329         |
| Other comprehensive (loss) income:                        |                    |                    |                 |
| Change in cumulative translation adjustments, net of tax: | (15,259)           | 17,929             | (12,051)        |
| Minimum pension liability adjustment:                     |                    |                    |                 |
| Changes in minimum pension liability during the period    | 3,017              | 2,337              | 12,445          |
| Deferred income taxes                                     | (1,194)            | (985)              | (5,108)         |
| <b>Total</b>  | <b>1,823</b>       | <b>1,352</b>       | <b>7,337</b>    |
| Total other comprehensive (loss) income                   | (13,436)           | 19,281             | (4,714)         |
| <b>Comprehensive income</b>                               | <b>73,250</b>      | <b>63,329</b>      | <b>167,615</b>  |

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

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## 5) Consolidated Statements of Cash Flows

|  | Six months ended<br>September 30, 2003 | Six months ended<br>September 30, 2004 | Year ended<br>March 31, 2004 |
|--|--|--|------------------------------|
| Notes  | Millions of yen                        | Millions of yen                        | Millions of yen              |
| <b>Cash flows from operating activities:</b>   |  |  |                              |
| Net income   | 86,686                                 | 44,048                                 | 172,329                      |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities:            |  |  |                              |
| Depreciation and amortization  | 16,752                                 | 18,273                                 | 33,706                       |
| (Gain) loss on investments in equity securities  | (31,769)                               | 1,353                                  | (55,888)                     |
| Deferred income tax expense (benefit)  | 7,054                                  | (3,667)                                | 1,913                        |
| Changes in operating assets and liabilities:   |  |  |                              |
| Time deposits  | 102,670                                | (16,613)                               | 174,331                      |
| Deposits with stock exchanges and other segregated cash  | (25,858)                               | 8,250                                  | (7,485)                      |
| Trading assets and private equity investments  | (2,774,195)                            | (1,349,960)                            | (4,808,112)                  |
| Trading liabilities  | 3,200,188                              | 552,076                                | 2,152,243                    |
| Securities purchased under agreements to resell, net of securities sold under agreements to repurchase | 1,286,407                              | 102,164                                | 1,297,514                    |
| Securities borrowed, net of securities loaned  | (1,827,488)                            | 585,938                                | (1,576,454)                  |
| Other secured borrowings   | 137,720                                | (19,876)                               | 1,747,519                    |
| Loans and receivables, net of allowance  | (281,936)                              | 22,994                                 | 135,821                      |
| Payables and deposit received  | 127,899                                | (213,293)                              | 592,779                      |
| Accrued income taxes, net  | 53,650                                 | (74,732)                               | 80,273                       |
| Other, net   | 29,243                                 | (24,264)                               | (18,864)                     |
|  | <u>107,023</u>                         | <u>(367,309)</u>                       | <u>(78,375)</u>              |
| <b>Cash flows from investing activities:</b>   |  |  |                              |
| Payments for purchases of office buildings, land, equipment and facilities                             | (15,610)                               | (17,546)                               | (39,303)                     |
| Proceeds from sales of office buildings, land, equipment and facilities                                | 921                                    | 616                                    | 1,341                        |
| Payments for purchases of investments in equity securities   | (19)                                   | (78)                                   | (61)                         |
| Proceeds from sales of investments in equity securities  | 19,407                                 | 6,992                                  | 24,309                       |
| Decrease (increase) in non-trading debt securities, net  | 68,633                                 | (12,029)                               | 61,705                       |
| Decrease (increase) in other investments and other assets, net   | *3,11 21,944                           | (36,324)                               | (2,520)                      |
|  | <u>95,276</u>                          | <u>(58,369)</u>                        | <u>45,471</u>                |
| <b>Cash flows from financing activities:</b>   |  |  |                              |
| Increase in long-term borrowings   | 354,375                                | 379,876                                | 712,675                      |
| Decrease in long-term borrowings   | (350,624)                              | (124,435)                              | (551,897)                    |
| (Decrease) increase in short-term borrowings, net  | (3,700)                                | (16,798)                               | 76,982                       |
| Proceeds from sales of common stock  | 7,995                                  | 65                                     | 8,027                        |
| Payments for repurchases of common stock   | (3,824)                                | (170)                                  | (4,084)                      |
| Payments for cash dividends  | (29,117)                               | (14,568)                               | (43,686)                     |
|  | <u>(24,895)</u>                        | <u>223,970</u>                         | <u>198,017</u>               |

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|  |          |           |          |
|--|----------|-----------|----------|
| Effect of exchange rate changes on cash and cash equivalents | (14,483) | 13,934    | (18,978) |
| Net increase (decrease) in cash and cash equivalents         | 162,921  | (187,774) | 146,135  |
| Cash and cash equivalents at beginning of year               | 491,237  | 637,372   | 491,237  |
| Cash and cash equivalents at end of the period               | 654,158  | 449,598   | 637,372  |
| Supplemental information:                                    | *3       |           |          |
| Cash paid during the period for-                             |          |           |          |
| Interest   | 101,585  | 160,407   | 281,756  |
| Income tax payments, net                                     | 11,861   | 123,024   | 28,160   |

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

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[Notes to the Consolidated Financial Statements]

### **1. Basis of accounting:**

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

Pursuant to Section 81 of Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-annual Consolidated Financial Statements (Ministry of Finance Ordinance No. 24, 1999), the consolidated financial statements for the six months ended September 30, 2004 have been prepared in accordance with the accounting principles which are required in order to issue ADS, i.e., the accounting principles generally accepted in the United States of America (U.S. GAAP). The following paragraphs describe the major differences between U.S. GAAP which Nomura (the Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura) adopts and accounting principles generally accepted in Japan (Japanese GAAP), and where significant differences exist, the amount of effect to income before income taxes pursuant to Japanese GAAP.

#### **Unrealized gains and losses on investments in equity securities**

Under U.S. GAAP for broker-dealers, unrealized gains and losses on investments in equity securities are recognized in the income statement. Under Japanese GAAP, unrealized gains and losses on investments in equity securities, net of applicable income taxes, are reported in a separate component of shareholders' equity. Therefore, under Japanese GAAP, the difference has a positive impact of ¥33,039 million, a negative impact of ¥5,557 million and a positive impact of ¥54,729 million on income before income taxes for the six months ended September 30, 2003 and 2004, and for the year ended March 31, 2004, respectively.

#### **Unrealized gains and losses on non-trading debt securities**

Under U.S. GAAP for broker-dealers, unrealized gains and losses on non-trading debt securities are recognized in the income statement. Under Japanese GAAP, unrealized gains and losses on non-trading debt securities, net of applicable income taxes, are reported in a separate component of shareholders' equity. Therefore, under Japanese GAAP, the difference has a positive impact of ¥1,774 million, ¥198 million and ¥1,856 million on income before income taxes for the six months ended September 30, 2003 and 2004, and for the year ended March 31, 2004, respectively.

#### **Retirement and severance benefit**

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Under U.S. GAAP, a gain or loss resulting from experience different from that assumed or from a change in an actuarial assumption is amortized over the remaining service period of employees when such balance at the beginning of the year exceeds the Corridor which is defined as 10% of the larger of projected benefit obligation or the fair value of plan assets, while such a gain or loss is amortized for a certain period regardless of the Corridor under Japanese GAAP. Under U.S. GAAP, additional minimum pension liabilities are provided when the accumulated benefit obligation exceeds the fair value of plan assets, while such treatment is not provided under Japanese GAAP.

### **Amortization of goodwill and equity method goodwill**

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

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### **Appropriations of retained earnings**

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

### **Changes in the fair value of derivative contracts**

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

### **Leveraged leases**

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

## **2. Summary of accounting policies:**

### **Description of business**

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

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

In Domestic Retail business, Nomura provides principally investment consultation services mainly to individual customers in Japan. In Global Wholesale business, Nomura provides principally fixed income and equity trading services and investment banking services mainly to institutions on a global basis. Also, Nomura conducts merchant banking business. In Asset Management business, Nomura provides principally development and management of investment trusts, and investment advisory services.

**Basis of presentation**

The consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest. Because the usual condition for a controlling financial interest in an entity is ownership of a majority of the voting interest, the Company consolidates its wholly-owned and majority-owned subsidiaries. In accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 46, Consolidation of Variable Interest Entities ( FIN 46 ) and the revised Interpretation, the Company also consolidates any variable interest entities for which Nomura is the primary beneficiary. Investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of voting interest) are accounted for using the equity method of accounting and are reported in *Investments in and advances to affiliated companies*. Investments in which Nomura has neither control nor significant influence are carried at fair value.

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The accounting and financial reporting policies of the Company conform to U.S. GAAP as applicable to broker-dealers.

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

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

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation (see also Reclassifications of previously reported amounts, described below).

### **Reclassifications of previously reported amounts**

Consolidated statements of cash flows: Effective with the second quarter ended September 30, 2004, changes in *Other secured borrowings* which were previously included in *Cash flows from financing activities* are included in *Cash flows from operating activities*. Such amounts previously reported have been reclassified to conform to the current year presentation.

### **Use of estimates**

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

### **Fair value of financial instruments**



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

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

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

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### **Private equity investments**

Private equity investments primarily are carried at fair value. Corresponding changes in the fair value of these investments are included in *Gain (loss) on private equity investments*. The determination of fair value is significant to Nomura's financial condition and results of operations and requires management to make judgments based on complex factors. As the underlying investments generally are in non-publicly listed companies, there are no externally quoted market prices available. In estimating fair value, Nomura estimates the price that would be obtained between a willing buyer and a willing seller dealing at arm's length. Valuations are typically based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital. The cost of capital is estimated, where possible, by reference to quoted comparables with a similar risk profile. Cash flows are derived from bottom up, detailed projections prepared by management of each respective investment.

### **Transfers of financial assets**

Nomura accounts for the transfer of financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (SFAS 140). This statement requires that Nomura account for the transfer of financial assets, as a sale when Nomura relinquishes control over the asset. SFAS 140 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received and (c) the transferor has not maintained effective control over the transferred assets.

In connection with its securitization activities, Nomura utilizes special purpose entities, or SPEs to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Nomura's involvement with SPEs includes structuring SPEs and acting as an administrator of SPEs and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets. Nomura may obtain an interest in the financial assets, including residual interests in the SPEs subject to prevailing market conditions. Any such interests are accounted for at fair value and included in *Securities inventory* within Nomura's consolidated balance sheets, with the change in fair value included in revenues.

### **Foreign currency translation**

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

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

### **Fee revenue**

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

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### **Trading assets and trading liabilities**

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

### **Collateralized agreements and collateralized financing**

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

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

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

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

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

*Other secured borrowings*, which consist primarily of secured borrowings from financial institutions in the inter-bank money market, are recorded at contractual amounts.

Secured loans to financial institutions in the inter-bank money market are included in the consolidated balance sheets in *Loans receivable*.

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

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### **Derivatives**

#### **Trading**

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

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

#### **Non-trading**

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

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

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

### **Receivables and payables**

*Receivables from and payables to customers/other than customers* include amounts due to securities transactions. Net receivables/payables arising from unsettled trades were included in *Receivables from other than customers* amounting to ¥463,059 million at September 30, 2003, and *Payables to other than customers* in the amount of ¥506,318 million at March 31, 2004 and ¥384,187 million at September 30, 2004.

### **Allowance for loan losses**

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

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

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

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**Office buildings, land, equipment and facilities**

*Office buildings, land, equipment and facilities*, which consist mainly of computer installations and software, are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged currently to income.

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

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

Depreciation and amortization is included in *Information processing and communications* in the amount of ¥14,298 million, ¥15,053 million and ¥28,595 million, and is included in *Occupancy and related depreciation* in the amount of ¥2,454 million, ¥3,220 million and ¥5,111 million for the six months ended September 30, 2003 and 2004, and for the year ended March 31, 2004, respectively.

**Long-lived assets**

In August 2001, the FASB released SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 provides guidance on the financial accounting and reporting for the impairment or disposal of long-lived assets.

As required by SFAS No. 144, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flow is less than the carrying amount of the assets, a loss would be recognized to the extent the carrying value exceeded its fair value.

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

**Investments in equity securities and non-trading debt securities**



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

Investments in equity securities for Nomura's operating purposes recorded as *Investments in equity securities* in the consolidated balance sheets are comprised of listed equity securities and unlisted equity securities in the amounts of ¥119,270 million and ¥31,195 million at September 30, 2003, ¥132,550 million and ¥28,527 million at September 30, 2004, and ¥139,049 million and ¥30,410 million at March 31, 2004, respectively. Investments in equity securities for other than operating purposes are included in the consolidated balance sheets in *Other assets - Other*.

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

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### **Income taxes**

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

### **Stock-based compensation**

Effective April 1, 2002, Nomura adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* and applied the modified prospective method under the provisions of SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*. SFAS No. 123 requires that compensation cost for all stock awards be calculated and recognized over the service period, generally equal to the vesting period. The compensation cost is determined using option pricing models intended to estimate the fair value of the awards at the grant date.

### **Earnings per share**

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

### **Cash and cash equivalents**

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

### **Goodwill, intangible assets and negative goodwill**

In June 2001, the FASB issued SFAS No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 no longer permits the amortization of goodwill and intangible assets with indefinite lives. Instead these assets must be reviewed annually, or more frequently in certain circumstance, for impairment. Intangible assets that have determinable lives will continue to be amortized over their useful lives and reviewed for impairment.

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Goodwill is recognized as the excess of acquisition cost over the fair value of net assets acquired. Goodwill, upon adoption of SFAS No. 142, is not amortized. Nomura periodically assesses the recoverability of goodwill by comparing the fair value of the businesses to which goodwill relates to the carrying amount of the businesses including goodwill. If such assessment indicates that the fair value is less than the related carrying amount, a goodwill impairment determination is made.

### **New accounting pronouncements**

In June 2004, the Emerging Issue Task Force ( EITF ) reached a consensus on EITF Issue 02-14 ( EITF 02-14 ), Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means. The consensus reached indicates that in situations where an investor has the ability to exercise significant influence over the investee, an investor should apply the equity method of accounting only when it has either common stock or in-substance common stock of a corporation. The consensus would be effective for reporting periods beginning after September 15, 2004. Nomura is currently assessing the potential impact of EITF 02-14 on the consolidated financial statements.

In July 2004, EITF reached a consensus on EITF Issue No. 04-8 ( EITF 04-8 ), The Effect of Contingently Convertible Debt on Diluted Earnings per Share. The consensus reached indicates that contingently convertible debt instruments ( Co-Cos ) should be included in diluted earnings per share computations regardless of whether the market price trigger or other contingent features have been met. This will require restatement of prior period earnings per share amounts. Nomura currently does not have Co-Cos outstanding.

**Table of Contents****3. Business combinations:**

At May 18, 2004, Nomura Realty Capital Management Co., Ltd. ( NRCM ), a wholly-owned subsidiary of the Company, acquired 7,720,000 shares of Nomura Research Institute., Ltd.'s common stock, which are affiliate company stocks of the Company from Nomura Land Building Co., Ltd ( NLB ), which is an affiliate company of the Company.

The purpose of the business combination is the pursuit of greater efficiency with respect to maintenance and administration of real estate properties used within the Nomura (facility management business) as well as to strengthen branch office strategy through, for instance, diversifying the form of Nomura Securities' offices. NLB and NRCM have done that NRCM is to succeed by the way of demerger NLB's facility management business, which includes the ownership, lease, maintenance and administration of real estate properties as places of business and offices, etc as of August 1, 2004. NRCM issued 495,000 ordinary shares upon the demerger and allocate all such shares to NLB. Although a majority of all outstanding shareholder voting rights were held by NLB due to this transaction, the Company acquired said shares immediately after the demerger and maintained its parent company status with NRCM as its wholly-owned subsidiary. In addition to the above, it was determined that NRCM will change its company name to Nomura Facilities, Inc.

Nomura has a growing private equity business, which it operates through a wholly owned subsidiary, Nomura Principal Finance., Ltd. ( NPF ). During the period ended September 30, 2004, NPF acquired 1 business.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed from NLB and an acquired entity by NPF at the date of acquisition:

|   | <b>Millions of yen</b> |
|---|------------------------|
| Office buildings, land, equipment and facilities      | ¥ 78,968               |
| Investment in and advances to affiliated company      | 81,214                 |
| Other assets  | 35,273                 |
| Short-and long-term borrowings                        | (114,726)              |
| Other liabilities (including received deposit)        | (55,705)               |
| <b>Cash used in acquisition, net of cash acquired</b> | <b>¥ 25,024</b>        |

**4. Securities inventory and securities sold but not yet purchased:**

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

|  | <b>Millions of yen</b> |                 |
|--|------------------------|-----------------|
|  | <b>September 30</b>    | <b>March 31</b> |
|  |                        |                 |

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|  | 2003                 |                   | 2004                 |                   | 2004                 |                   |
|--|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
|  | Securities sold but  |                   | Securities sold but  |                   | Securities sold but  |                   |
|  | Securities inventory | not yet purchased | Securities inventory | not yet purchased | Securities inventory | not yet Purchased |
| Equity securities and convertible bonds      | ¥ 1,927,227          | ¥ 1,947,988       | ¥ 2,572,387          | ¥ 685,519         | ¥ 2,091,565          | ¥ 1,301,983       |
| Government and government agency bonds       | 5,526,349            | 4,222,651         | 8,849,148            | 5,102,916         | 7,702,731            | 3,957,335         |
| Bank and corporate debt securities           | 1,384,773            | 218,178           | 1,514,583            | 324,147           | 1,153,693            | 223,983           |
| Commercial paper and certificates of deposit | 27,999               |                   | 70,999               |                   | 24,998               |                   |
| Options and warrants                         | 55,986               | 32,942            | 63,980               | 79,288            | 41,900               | 62,871            |
| Mortgage and mortgage-backed securities      | 757,388              | 5,532             | 950,151              | 6,026             | 773,083              | 13,414            |
| Beneficiary certificates and other           | 1,307,400            |                   | 669,663              | 3,483             | 1,278,993            | 12                |
|  | ¥ 10,987,122         | ¥ 6,427,291       | ¥ 14,690,911         | ¥ 6,201,379       | ¥ 13,066,963         | ¥ 5,559,598       |

**Table of Contents****5. Derivatives utilized for trading purposes:**

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

|  | Millions of yen |           |           |
|--|-----------------|-----------|-----------|
|  | September 30    |           | March 31  |
|  | 2003            | 2004      |           |
| <b>Trading Assets:</b>                                   |                 |           |           |
| Foreign exchange forwards                                | ¥ 55,513        | ¥ 32,539  | ¥ 34,807  |
| FRA <sup>(1)</sup> and other OTC <sup>(2)</sup> forwards | 573             | 1,692     | 1,073     |
| Swap agreements  | 292,900         | 306,923   | 293,883   |
| Options other than securities options purchased          | 177,320         | 122,147   | 149,896   |
| Sub-total  | 526,306         | 463,301   | 479,659   |
| Securities options purchased <sup>(3)</sup>              | 55,954          | 63,518    | 40,593    |
| Total  | ¥ 582,260       | ¥ 526,819 | ¥ 520,252 |

|   | Millions of yen |           |           |
|---|-----------------|-----------|-----------|
|   | September 30    |           | March 31  |
|   | 2003            | 2004      |           |
| <b>Trading Liabilities:</b>                   |                 |           |           |
| Foreign exchange forwards                     | ¥ 69,426        | ¥ 20,780  | ¥ 29,629  |
| FRA and other OTC forwards                    | 600             | 398       | 1,324     |
| Swap agreements                               | 348,229         | 336,997   | 297,856   |
| Options other than securities options written | 111,756         | 81,945    | 88,559    |
| Sub-total                                     | 530,011         | 440,120   | 417,368   |
| Securities options written <sup>(3)</sup>     | 30,902          | 73,846    | 61,481    |
| Total   | ¥ 560,913       | ¥ 513,966 | ¥ 478,849 |

(1) FRA is Forward Rate Agreements.

(2) OTC is Over The Counter.

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

**6. Variable Interest Entities(VIEs):**

In January 2003, the FASB issued FIN 46. FIN 46 provides guidance on what constitutes a variable interest entity ( VIE ) and the circumstances under which it is to be consolidated. VIEs are entities which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or in which equity investors do not have the characteristics of a controlling financial interest. VIEs are required to be consolidated by the primary beneficiaries of a VIE, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. In accordance with the original provisions, Nomura adopted FIN 46 immediately for all VIEs created after January 31, 2003. For VIEs created before February 1, 2003, Nomura was initially required to adopt FIN 46 in the period beginning after June 15, 2003, i.e., July 1, 2003 in Nomura's case.

In October 2003, the FASB deferred the effective date for applying the provisions of FIN 46 to VIEs created before February 1, 2003, until the end of the period ending after December 15, 2003, i.e., December 31, 2003 in Nomura's case. The FASB also deferred the effective date for applying FIN 46 to non-registered investment companies until the AICPA finalizes its proposed Statement of Position ( SOP ) on the clarification of the scope of the AICPA Audit and Accounting Guide Audits of Investment Companies ( Audit Guide ) and accounting by parent companies and equity method investors for investments in investment companies. In December 2003, the FASB issued a revision to FIN 46 (FIN 46-R), which incorporated the October 2003 deferral provisions and clarified and revised the accounting guidance for VIEs. Nomura applied FIN 46-R to all VIEs other than non-registered investment companies created before February 1, 2003, in which it held a variable interest as of December 31, 2003. The implementation of FIN 46-R did not have a material impact on Nomura's consolidated financial statements for the year ended March 31, 2004.

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In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, administrator of VIEs, and underwriter, distributor and seller of asset-repackaged financial instruments issued by VIEs in connection with its securitization activities. Nomura purchases and sells variable interests in VIEs in connection with its market-making and investing activities. At September 30, 2004, Nomura mainly consolidated VIEs of which Nomura currently is the primary beneficiary, that was created to market structured bonds to investors by repackaging corporate convertible bonds.

The following table shows the consolidated VIEs assets and the financing amount of which investors have no recourse to Nomura:

|  | <b>Billions of yen</b>           |     |
|--|----------------------------------|-----|
|  | <b>September<br/>30<br/>2004</b> |     |
| VIEs assets                                  | ¥                                | 105 |
| Financing amounts with no recourse to Nomura | ¥                                | 105 |

Assets of consolidated VIEs are included in *Trading assets and private equity investments* on its consolidated balance sheets.

Nomura also sells beneficial interests regarding leveraged or operating leases for aircraft using VIEs. In such transactions, Nomura may have significant variable interests. In addition, Nomura may have equity interest in VIEs which acquire primarily high yield leveraged loans and other debt obligations rated below investment grade, by issuing debt and equity.

The following table sets forth the aggregate total assets of VIEs for which Nomura holds the significant variable interests and maximum exposure to loss associated with these significant variable interests. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure:

|                          | <b>Billions of yen</b>       |                          |
|--------------------------|------------------------------|--------------------------|
|                          | <b>September 30<br/>2004</b> | <b>March 31<br/>2004</b> |
| VIEs assets              | ¥ 136                        | ¥ 120                    |
| Maximum exposure to loss | 15                           | 19                       |

Nomura does not apply FIN 46-R to entities that are non-registered investment companies that account for their investments in accordance with the Audit Guide. The FASB has deferred application of FIN 46 to non-registered investment companies until the Investment Company SOP is finalized. The most significant of these entities are the Terra Firma investments. Nomura's interest in these investments totals ¥294 billion, which is already recorded on the consolidated balance sheet at September 30, 2004. This amount represents Nomura's maximum exposure to loss at that date. When the SOP is issued, Nomura will determine whether it remains appropriate to continue to carry the Terra Firma investments at fair value. Depending on the terms of the final SOP and the results of Nomura's review, it is possible that either all or some of the Terra Firma investments could require re-consolidation, thus FIN 46-R could have a material impact on Nomura's consolidated financial statements in the future. However, adopting FIN 46-R will not materially change Nomura's economic exposure with respect to these investments.





**Table of Contents****7. Borrowings:**

Borrowings of Nomura at September 30, 2003 and 2004 and March 31, 2004 are shown below:

|  | Millions of yen  |                  |                  |
|--|------------------|------------------|------------------|
|  | September 30     |                  | March 31         |
|  | 2003             | 2004             | 2004             |
| <b>Short-term borrowings:</b>                                |                  |                  |                  |
| Commercial paper   | ¥ 252,994        | ¥ 284,500        | ¥ 283,000        |
| Bank loans   | 75,362           | 87,304           | 114,545          |
| Others   | 27,501           | 58,220           | 39,579           |
| <b>Total</b>   | <b>355,857</b>   | <b>430,024</b>   | <b>437,124</b>   |
| <b>Long-term borrowings:</b>                                 |                  |                  |                  |
| Long-term loan from banks and other financial institutions   | 478,167          | 588,172          | 520,468          |
| Funding balances of bonds and notes issued <sup>(1)(2)</sup> | 1,591,657        | 1,959,113        | 1,743,846        |
| Trading balances of secured borrowings                       | 167,062          | 168,949          | 121,155          |
| <b>Total</b>   | <b>2,236,886</b> | <b>2,716,234</b> | <b>2,385,469</b> |

(1) Warrants included in Funding balances of bonds and notes issued are ¥ 2,631 million, ¥ nil million, and ¥ 2,631 million as of September 30, 2003 and 2004, and March 31, 2004, respectively.

*Trading balances of secured borrowings*

These balances of secured borrowings represent secured loans from special purpose entities. These borrowings were not borrowed for the purpose of Nomura's funding but for trading purposes for Nomura to gain profits from distribution of the bonds and notes by the special purpose entities to investors. Such bonds and notes are secured by or referenced to certain assets pledged from Nomura to the special purpose entities, and the interest rates and/or redemption values or maturity have been linked to the performance of these referenced assets. The outstanding balances of these assets are included in the consolidated balance sheets as *Securities inventory*, and approximate the outstanding balances of related secured borrowings.

**8. Assets pledged:**

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Nomura enters into secured financing transactions mainly to meet customers' needs, finance trading inventory positions and obtain securities for settlement. These transactions include resale and repurchase agreements, securities borrowed and loaned transactions and other secured borrowings.

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

|  | Billions of yen |          |          |
|--|-----------------|----------|----------|
|  | September 30    |          | March 31 |
|  | 2003            | 2004     | 2004     |
| The fair value of securities received as collateral where Nomura is permitted to sell or repledge the securities                                       | ¥ 17,362        | ¥ 17,192 | ¥ 16,274 |
| The portion of the above that has been sold (included in <i>Securities sold but not yet purchased</i> on the consolidated balance sheets) or repledged | 15,126          | 13,597   | 12,882   |

Nomura pledges firm-owned securities to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party, including Gensaki Repo transactions, are stated in parentheses on *Trading assets and private equity investments* or *Non-trading debt securities* on the consolidated balance sheets.

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

|   | Millions of yen    |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | September 30       |                    | March 31           |
|   | 2003               | 2004               | 2004               |
| <b>Trading assets:</b>                    |                    |                    |                    |
| Equity securities and convertible bonds   | ¥ 299,918          | ¥ 107,168          | ¥ 278,000          |
| Government and government agency bonds    | 456,211            | 627,294            | 430,614            |
| Bank and corporate debt securities        | 639,603            | 605,953            | 698,647            |
| Warrants                                  | 32                 | 353                | 1,087              |
| Mortgage and mortgage-backed securities   | 638,779            | 552,899            | 629,736            |
|   | <u>¥ 2,034,543</u> | <u>¥ 1,893,667</u> | <u>¥ 2,038,084</u> |
| <b>Loans receivables and Investments:</b> |                    |                    |                    |
| Loans receivable                          | ¥ 58,737           | ¥                  | ¥                  |
| Non-trading debt securities               | 44,484             | 47,002             | 48,099             |
|   | <u>¥ 103,221</u>   | <u>¥ 47,002</u>    | <u>¥ 48,099</u>    |

In the normal course of business, certain of Nomura's assets are pledged to collateralize borrowing transactions, securities financing transactions, derivative transactions and for other purposes. The carrying value of assets pledged, except for those disclosed in the Note 7 and above table, are as follows:

|   | Millions of yen    |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | September 30       |                    | March 31           |
|   | 2003               | 2004               | 2004               |
| Trading securities                                  | ¥ 1,015,211        | ¥ 2,569,393        | ¥ 2,440,316        |
| Loans receivable                                    |                    | 51,255             | 73,752             |
| Non-trading debt securities                         |                    | 62,135             | 37,013             |
| Investments in and advances to affiliated companies |                    | 11,294             | 6,648              |
|   | <u>¥ 1,015,211</u> | <u>¥ 2,694,077</u> | <u>¥ 2,557,729</u> |

Assets in the above table were mainly pledged to financial institutions for loans payable and other secured borrowings.

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In addition, Nomura repledged ¥54,858 million, ¥26,804 million and ¥193,652 million of securities borrowed at September 30, 2003 and 2004, and March 31, 2004, respectively, as collateral for bank loans and other loans.

A securities company in Japan is required to segregate cash deposited by customers on securities transactions under the Japanese Securities and Exchange Law. Nomura segregated bonds and equities of ¥279,251 million, ¥295,555 million, and ¥289,331 million at September 30, 2003 and 2004, and March 31, 2004, respectively. These are included in *Trading assets and private equity investments* *Securities inventory* on the consolidated balance sheets or borrowed under securities lending and borrowing agreements.

**Table of Contents****9. Earnings per share:**

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

|  | Millions of yen                        |               |                        |
|--|--|---------------|------------------------|
|  | except per share data presented in yen |               |                        |
|  | Six months ended September 30          |               | Year ended<br>March 31 |
|  | 2003                                   | 2004          | 2004                   |
| Income applicable to common stock  | 86,686                                 | 44,048        | 172,329                |
| <b>Basic-</b>  |  |               |                        |
| Weighted average number of shares outstanding                                  | 1,938,752,238                          | 1,941,476,091 | 1,940,116,416          |
| Net income   | 44.71                                  | 22.69         | 88.82                  |
| <b>Diluted -</b>   |  |               |                        |
| Weighted average number of shares outstanding used in diluted EPS computations | 1,938,752,238                          | 1,942,355,989 | 1,940,238,630          |
| Net income   | 44.71                                  | 22.68         | 88.82                  |

There were warrants and options to purchase 5,445,234, options to purchase 6,025,000, and warrants and options to purchase 3,148,394 shares of common stock at September 30, 2003 and 2004, and March 31, 2004, respectively, which were not included in the computation of diluted EPS because their exercise prices were greater than the average market prices of the common shares for each period.

**Table of Contents****10. Employee benefit plans:**

Nomura provides various severance indemnities and pension plans which cover certain employees world-wide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society.

**Severance indemnities and pension plans**

The net pension and severance cost of the defined benefit plans for employees of the Company and subsidiaries other than private equity investees in Japan ( the Japanese entities ) for the six months ended September 30, 2003 and 2004 and for the year ended March 31, 2004 are shown below:

The Japanese plans

|   | Millions of yen |              |               |
|---|-----------------|--------------|---------------|
|   | September 30    |              | March 31      |
|   | 2003            | 2004         | 2004          |
| Service cost                                    | 4,217           | 4,096        | 8,064         |
| Interest cost                                   | 1,972           | 1,875        | 3,944         |
| Expected return on plan assets                  | (1,271)         | (1,497)      | (2,542)       |
| Amortization, other                             | 2,657           | 2,300        | 5,314         |
| <b>Net periodic pension and severance costs</b> | <b>7,575</b>    | <b>6,774</b> | <b>14,780</b> |

Nomura expected to contribute approximately ¥ 5,358 million to the Japanese plans during the year ending March 31 2005, as of March 31, 2004. There was no significant change of this expectation as of September 30, 2004.

**11. Credit and investment commitments and guarantees:****Credit and investment commitments**

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

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

Contractual amounts of these commitments at September 30, 2003, September 30, 2004 and March 31, 2004 were as follows:

|  | Millions of yen |           |           |
|--|-----------------|-----------|-----------|
|  | September 30    |           | March 31  |
|  | 2003            | 2004      | 2004      |
| Commitments to extend credit and to invest in partnerships | ¥ 156,965       | ¥ 153,158 | ¥ 160,089 |

### Private equity investments

In Japan, Nomura operates a private equity business through a wholly owned subsidiary, Nomura Principal Finance Co., Ltd. ( NPF ). As of September 30, 2004, NPF has agreements to acquire new shares to be issued in Millenium Retailing, Inc. ( MR ), a significant private equity investee. NPF acquired ¥20 billion of new shares issued by MR in July 2004, and will acquire an additional ¥30 billion around the end of January 2005, giving NPF a majority stake.



**Table of Contents****Lease***Leases as lessee*

Nomura leases its office space and certain employees' residential facilities in Japan under cancelable lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities under noncancelable lease agreements.

Presented below is a schedule of minimum future rentals under operating leases with remaining terms exceeding one year as of September 30, 2004:

|                                     | Millions of<br>yen    |
|-------------------------------------|-----------------------|
|                                     | September 30,<br>2004 |
| Year ending September 30,           |                       |
| 2005                                | 5,288                 |
| 2006                                | 5,346                 |
| 2007                                | 4,727                 |
| 2008                                | 4,186                 |
| 2009                                | 4,053                 |
| 2010 and thereafter                 | 11,730                |
| <b>Total minimum lease payments</b> | <b>35,330</b>         |
| Sub lease income                    | 2,345                 |
| <b>Net minimum lease payments</b>   | <b>32,985</b>         |

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

**Guarantees**

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

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

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

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

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

The following table sets forth maximum potential payout/notional about Nomura's derivative contracts that could meet the definition of a guarantee and certain other guarantees at September 30, 2003, September 30, 2004 and March 31, 2004:

|   | Millions of yen |              |              |
|---|-----------------|--------------|--------------|
|   | September 30    |              | March 31     |
|   | 2003            | 2004         | 2004         |
| Derivative contracts <sup>(1)</sup>                           | ¥ 12,389,628    | ¥ 12,409,433 | ¥ 10,962,532 |
| Standby letters of credit and other guarantees <sup>(2)</sup> | 24,139          | 7,280        | 29,424       |

- (1) Carrying value of the derivative contracts were ¥362,140 million, ¥363,616 million and ¥320,887 million as of September 30, 2003 and 2004, and March 31, 2004, respectively.
- (2) Carrying value of the standby letters of credit and other guarantees were ¥108 million, ¥82 million and ¥75 million as of September 30, 2003 and 2004, and March 31, 2004, respectively.

**12. Segment information:****Operating segments**

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

The accounting policies for segment information materially follow U.S. GAAP, except as described below:

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

The NPF investments in the private equity investee companies are treated as private equity positions for management reporting purposes, as management views these entities not as operating subsidiaries but as investments held for ultimate sale and the realization of capital gains. Any changes in management's estimate of fair value of these investments are included in the non-interest revenue line under Global Wholesale. For the six months ended September 30, 2003 and 2004, and for the year ended March 31, 2004, these investments were not shown at fair value, but were consolidated at historical cost under U.S. GAAP. The impact of consolidating/deconsolidating the private equity investee companies, including the elimination impact, under U.S. GAAP is excluded

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from the segment information and described in the reconciliation table.

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

Business segments' results for the six months ended September 30, 2003 and 2004, and for the year ended March 31, 2004 are shown in the following table. *Net interest revenue* is disclosed because management utilizes interest revenue after deducting interest expense for its operating decision. Business segments' information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

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|  | Millions of yen    |                     |                     |                             |           |
|--|--------------------|---------------------|---------------------|-----------------------------|-----------|
|  | Domestic<br>Retail | Global<br>Wholesale | Asset<br>Management | Other<br>(Inc. elimination) | Total     |
| <b>Six months ended September 30, 2003</b> |                    |                     |                     |                             |           |
| Non-interest revenue                       | ¥ 149,787          | ¥ 163,829           | ¥ 15,231            | ¥ (10,637)                  | ¥ 318,210 |
| Net interest revenue                       | 775                | 45,279              | 1,071               | 12,151                      | 59,276    |
| Net revenue                                | 150,562            | 209,108             | 16,302              | 1,514                       | 377,486   |
| Non-interest expenses                      | 111,117            | 113,756             | 18,709              | 7,375                       | 250,957   |
| Income (loss) before income taxes          | ¥ 39,445           | ¥ 95,352            | ¥ (2,407)           | ¥ (5,861)                   | ¥ 126,529 |
| <b>Six months ended September 30, 2004</b> |                    |                     |                     |                             |           |
| Non-interest revenue                       | ¥ 150,401          | ¥ 108,610           | ¥ 19,888            | ¥ 11,739                    | ¥ 290,638 |
| Net interest revenue                       | 1,330              | 44,305              | 779                 | 3,226                       | 49,640    |
| Net revenue                                | 151,731            | 152,915             | 20,667              | 14,965                      | 340,278   |
| Non-interest expenses                      | 108,214            | 110,262             | 17,704              | 14,942                      | 251,122   |
| Income before income taxes                 | ¥ 43,517           | ¥ 42,653            | ¥ 2,963             | ¥ 23                        | ¥ 89,156  |
| <b>Year ended March 31, 2004</b>           |                    |                     |                     |                             |           |
| Non-interest revenue                       | ¥ 304,035          | ¥ 290,845           | ¥ 34,300            | ¥ (83)                      | ¥ 629,097 |
| Net interest revenue                       | 1,722              | 74,891              | 1,657               | 22,156                      | 100,426   |
| Net revenue                                | 305,757            | 365,736             | 35,957              | 22,073                      | 729,523   |
| Non-interest expenses                      | 226,213            | 227,227             | 37,004              | 13,574                      | 504,018   |
| Income (loss) before income taxes          | ¥ 79,544           | ¥ 138,509           | ¥ (1,047)           | ¥ 8,499                     | ¥ 225,505 |

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

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

|  | Millions of yen                  |           |                        |
|--|----------------------------------|-----------|------------------------|
|  | Six months ended<br>September 30 |           | Year ended<br>March 31 |
|  | 2003                             | 2004      | 2004                   |
| (Loss) on undesignated hedging instruments included in Net gain on trading | ¥ (11,680)                       | ¥ (7,669) | ¥ (12,544)             |

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|                                      |                   |                   |                   |
|--------------------------------------|-------------------|-------------------|-------------------|
| (Loss)/gain on investment securities | (556)             | 5,589             | 1,590             |
| Equity in earnings of affiliates     | 2,394             | 2,933             | 8,514             |
| Corporate items                      | (8,461)           | (1,860)           | (10,666)          |
| Others                               | 12,442            | 1,030             | 21,605            |
|                                      | <u>          </u> | <u>          </u> | <u>          </u> |
| Total                                | ¥ (5,861)         | ¥ 23              | ¥ 8,499           |
|                                      | <u>          </u> | <u>          </u> | <u>          </u> |

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The table below presents reconciliation of the combined business segments results included in the preceding table to Nomura's reported net revenue, non interest expenses and income before income taxes in the consolidated income statements.

|   | Millions of yen                  |                  |                        |
|---|----------------------------------|------------------|------------------------|
|   | Six months ended<br>September 30 |                  | Year ended<br>March 31 |
|   | 2003                             | 2004             | 2004                   |
| Net revenue   | ¥ 377,486                        | ¥ 340,278        | ¥ 729,523              |
| Unrealized gain/(loss) on investments in equity securities held for relationship purpose        | 33,039                           | (5,557)          | 54,729                 |
| Effect of consolidation/deconsolidation of the private equity investee companies <sup>(1)</sup> | 4,249                            | 36,048           | 18,851                 |
| <b>Consolidated net revenue</b>   | <b>¥ 414,774</b>                 | <b>¥ 370,769</b> | <b>¥ 803,103</b>       |
| Non interest expenses   | ¥ 250,957                        | ¥ 251,122        | ¥ 504,018              |
| Unrealized gain/(loss) on investments in equity securities held for relationship purpose        |                                  |                  |                        |
| Effect of consolidation/deconsolidation of the private equity investee companies <sup>(2)</sup> | 4,566                            | 30,974           | 16,409                 |
| <b>Consolidated non interest expenses</b>   | <b>¥ 255,523</b>                 | <b>¥ 282,096</b> | <b>¥ 520,427</b>       |
| Income before income taxes  | ¥ 126,529                        | ¥ 89,156         | ¥ 225,505              |
| Unrealized gain/(loss) on investments in equity securities held for relationship purpose        | 33,039                           | (5,557)          | 54,729                 |
| Effect of consolidation/deconsolidation of the private equity investee companies                | (317)                            | 5,074            | 2,442                  |
| <b>Consolidated income before income taxes</b>  | <b>¥ 159,251</b>                 | <b>¥ 88,673</b>  | <b>¥ 282,676</b>       |

(1) These are included in *Revenue-Other* in the consolidated income statements.

(2) These are included in *Non interest expenses-Other* in the consolidated income statements.

**Table of Contents****Geographic information**

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

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

|                     | Millions of yen  |           |                        |
|---------------------|------------------|-----------|------------------------|
|                     | Six months ended |           | Year ended<br>March 31 |
|                     | September 30     |           |                        |
|                     | 2003             | 2004      | 2004                   |
| <b>Net revenue:</b> |                  |           |                        |
| Americas            | ¥ 26,757         | ¥ 21,835  | ¥ 56,514               |
| Europe              | 31,475           | 13,600    | 57,751                 |
| Asia and Oceania    | 5,798            | 9,917     | 14,814                 |
| Sub-total           | 64,030           | 45,352    | 129,079                |
| Japan               | 350,744          | 325,417   | 674,024                |
| Consolidated        | ¥ 414,774        | ¥ 370,769 | ¥ 803,103              |

|   | Millions of yen  |           |                        |
|---|------------------|-----------|------------------------|
|   | Six months ended |           | Year ended<br>March 31 |
|   | September 30     |           |                        |
|   | 2003             | 2004      | 2004                   |
| <b>Income (loss) before income taxes:</b> |                  |           |                        |
| Americas                                  | ¥ (2,060)        | ¥ (5,049) | ¥ 1,015                |
| Europe                                    | (6,138)          | (26,988)  | (13,162)               |
| Asia and Oceania                          | (3,929)          | (2,780)   | (5,809)                |
| Sub-total                                 | (12,127)         | (34,817)  | (17,956)               |
| Japan                                     | 171,378          | 123,490   | 300,632                |
| Consolidated                              | ¥ 159,251        | ¥ 88,673  | ¥ 282,676              |



|                           | Millions of yen  |                  |                  |
|---------------------------|------------------|------------------|------------------|
|                           | September 30     |                  | March 31         |
|                           | 2003             | 2004             | 2004             |
| <b>Long-lived assets:</b> |                  |                  |                  |
| Americas                  | ¥ 7,788          | ¥ 6,733          | ¥ 5,493          |
| Europe                    | 38,411           | 44,263           | 41,042           |
| Asia and Oceania          | 1,921            | 3,874            | 2,197            |
| <b>Sub-total</b>          | <b>48,120</b>    | <b>54,870</b>    | <b>48,732</b>    |
| Japan                     | 139,553          | 231,219          | 156,951          |
| <b>Consolidated</b>       | <b>¥ 187,673</b> | <b>¥ 286,089</b> | <b>¥ 205,683</b> |

There is no revenue derived from transactions with a single major external customer for the six months ended September 30, 2003 and 2004 and for the year ended March 31, 2004.

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**13. Subsequent events:**

None.

**(2) Other**

We are involved in a number of actions and proceedings in Japan and overseas. The Czech Republic and Czech's National Property Fund are claiming damages against our European subsidiaries in the international arbitration proceedings (commenced in December 2002), and on August 31, 2004, the arbitration tribunal issued an interim award permitting the Czech Republic to remain as a claimant in the proceedings. The outline of these proceedings is described below.

In 1998, one of our European subsidiaries, Nomura Principal Investment plc (NPI), acquired approximately 46% of the issued share capital of Investicni a postovni banka, a.s. (IPB), a Czech bank. On June 16, 2000, the Czech National Bank (CNB) placed IPB into forced administration. On June 19, 2000, the administrator appointed by the CNB transferred IPB's entire business to Ceskoslovenska obchodni banka (CSOB), another Czech bank.

NPI and others are claiming damages in connection with the acquisition of IPB share, the imposition of forced administration and the immediate sale by the administrator of IPB's entire business to CSOB, including claim against the Czech Republic under International Investment Protection Treaty.

NPI and Nomura International plc (NIP) are involved in a number of legal claims arising out of the circumstances mentioned above. The legal disputes include international arbitration proceedings commenced by the Czech Republic and Czech's National Property Fund pursuant to which damages of \$3-8 billion are claimed.

CSOB is also pursuing a legal action before the Czech courts seeking damages of \$629 million against NPI, NIP and others arising out of IPB's sale of a Czech brewery. We believe that all such claims brought against us are without merit and our subsidiaries' arguments will be upheld.

Based upon the information currently available to us and our domestic and overseas legal counsel, we believe that the ultimate resolution of such actions and proceedings will not, in the aggregate, have a material adverse effect on our financial condition or results of our operations including the action described above.

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## 2. Non-consolidated Financial Statements and Other

## (1) Non-consolidated Financial Statements

## 1) Non-consolidated Balance Sheets

|  | September 30, 2003 |                   | September 30, 2004 |                   | March 31, 2004 |                   |              |
|--|--------------------|-------------------|--------------------|-------------------|----------------|-------------------|--------------|
|  | Amount             |                   | Amount             |                   | Amount         |                   |              |
|  | Notes              | (Millions of yen) | (%)                | (Millions of yen) | (%)            | (Millions of yen) | (%)          |
| <b>(ASSETS)</b>                                      |                    |                   |                    |                   |                |                   |              |
| Current Assets                                       |                    |                   |                    |                   |                |                   |              |
| Cash and cash deposits                               |                    | 4,815             |                    | 5,992             |                | 1,973             |              |
| Short-term loans receivable                          |                    | 772,846           |                    | 1,058,260         |                | 708,516           |              |
| Deferred tax assets                                  |                    | 8,924             |                    | 2,991             |                | 1,957             |              |
| Other current assets                                 |                    | 56,320            |                    | 43,051            |                | 80,428            |              |
| Allowance for doubtful accounts                      |                    | (3)               |                    | (2)               |                | (1)               |              |
| <b>Total Current Assets</b>                          |                    | <b>842,903</b>    | <b>36.3</b>        | <b>1,110,293</b>  | <b>37.4</b>    | <b>792,874</b>    | <b>32.1</b>  |
| Fixed Assets   |                    |                   |                    |                   |                |                   |              |
| Tangible fixed assets                                | *1                 | 40,739            |                    | 39,120            |                | 40,512            |              |
| Intangible assets                                    |                    | 66,545            |                    | 64,559            |                | 68,861            |              |
| Investments and others                               |                    | 1,371,732         |                    | 1,755,053         |                | 1,567,470         |              |
| Investment securities                                |                    | 144,724           |                    | 164,282           |                | 170,928           |              |
| Investments in subsidiaries and affiliates (at cost) |                    | 1,107,838         |                    | 1,166,514         |                | 1,106,513         |              |
| Long-term loans receivable                           |                    |                   |                    | 306,683           |                | 173,147           |              |
| Long-term guarantee deposits                         |                    | 54,145            |                    | 51,505            |                | 51,718            |              |
| Deferred tax assets                                  |                    | 45,372            |                    | 40,889            |                | 41,313            |              |
| Other investments                                    |                    | 19,687            |                    | 25,213            |                | 23,882            |              |
| Allowance for doubtful accounts                      |                    | (34)              |                    | (34)              |                | (34)              |              |
| <b>Total Fixed Assets</b>                            |                    | <b>1,479,018</b>  | <b>63.7</b>        | <b>1,858,732</b>  | <b>62.6</b>    | <b>1,676,844</b>  | <b>67.9</b>  |
| <b>TOTAL ASSETS</b>                                  |                    | <b>2,321,921</b>  | <b>100.0</b>       | <b>2,969,025</b>  | <b>100.0</b>   | <b>2,469,719</b>  | <b>100.0</b> |
| <b>(LIABILITIES)</b>                                 |                    |                   |                    |                   |                |                   |              |
| Current Liabilities                                  |                    |                   |                    |                   |                |                   |              |
| Short-term borrowings                                |                    | 202,000           |                    | 691,000           |                | 276,000           |              |
| Bond with maturity of less than one year             |                    | 2,631             |                    | 60,000            |                | 2,631             |              |
| Collaterals received                                 |                    | 189,792           |                    | 63,553            |                | 107,838           |              |
| Accrued income taxes                                 |                    | 32,090            |                    | 200               |                | 63,304            |              |
| Other current liabilities                            |                    | 19,313            |                    | 12,152            |                | 20,061            |              |

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|  |                  |              |                  |              |                  |              |
|--|------------------|--------------|------------------|--------------|------------------|--------------|
| Total Current Liabilities                        | 445,827          | 19.2         | 826,904          | 27.8         | 469,835          | 19.0         |
| Long-term liabilities                            |                  |              |                  |              |                  |              |
| Bonds payable                                    | 120,000          |              | 180,000          |              | 190,000          |              |
| Long-term borrowings                             | 399,500          |              | 439,500          |              | 439,500          |              |
| Other long-term liabilities                      | 1,028            |              | 2,890            |              | 3,378            |              |
| Total Long-term liabilities                      | 520,528          | 22.4         | 622,390          | 21.0         | 632,878          | 25.6         |
| <b>TOTAL LIABILITIES</b>                         | <b>966,356</b>   | <b>41.6</b>  | <b>1,449,294</b> | <b>48.8</b>  | <b>1,102,713</b> | <b>44.6</b>  |
| <b>(SHAREHOLDERS EQUITY)</b>                     |                  |              |                  |              |                  |              |
| Common stock                                     | 182,799          | 7.9          | 182,800          | 6.2          | 182,799          | 7.4          |
| Capital reserves                                 |                  |              |                  |              |                  |              |
| Additional paid-in capital                       | 112,504          |              | 112,504          |              | 112,504          |              |
| Other capital reserves                           | 1,799            |              | 1,817            |              | 1,807            |              |
| Total capital reserves                           | 114,303          | 4.9          | 114,322          | 3.9          | 114,311          | 4.6          |
| Earned surplus                                   |                  |              |                  |              |                  |              |
| Earned surplus reserve                           | 81,858           |              | 81,858           |              | 81,858           |              |
| Voluntary reserve                                | 950,038          |              | 950,033          |              | 950,038          |              |
| Unappropriated retained earnings                 | 23,814           |              | 179,904          |              | 23,412           |              |
| Total earned surplus                             | 1,055,710        | 45.5         | 1,211,795        | 40.8         | 1,055,308        | 42.7         |
| Net unrealized gain on investment securities     | 33,788           | 1.4          | 42,203           | 1.4          | 45,859           | 1.9          |
| Treasury stock                                   | (31,037)         | (1.3)        | (31,389)         | (1.1)        | (31,273)         | (1.2)        |
| <b>TOTAL SHAREHOLDERS EQUITY</b>                 | <b>1,355,565</b> | <b>58.4</b>  | <b>1,519,731</b> | <b>51.2</b>  | <b>1,367,005</b> | <b>55.4</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b> | <b>2,321,921</b> | <b>100.0</b> | <b>2,969,025</b> | <b>100.0</b> | <b>2,469,719</b> | <b>100.0</b> |

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## 2) Non-consolidated Income Statements

|  | Notes | Six Months ended<br>September 30, 2003 |              | Six Months ended<br>September 30, 2004 |              | Year ended<br>March 31, 2004 |              |
|--|-------|--|--------------|--|--------------|------------------------------|--------------|
|  |       | Amount                                 |              | Amount                                 |              | Amount                       |              |
|  |       | (Millions of yen)                      | (%)          | (Millions of yen)                      | (%)          | (Millions of yen)            | (%)          |
| Operating revenue                                |       |  |              |  |              |                              |              |
| Property and equipment fee revenue               | *1    | 29,456                                 |              | 26,934                                 |              | 63,006                       |              |
| Rent revenue                                     | *2    | 14,793                                 |              | 14,657                                 |              | 29,971                       |              |
| Royalty on trademark                             | *3    | 2,926                                  |              | 7,737                                  |              | 6,998                        |              |
| Dividend from affiliated companies               |       | 16,420                                 |              | 162,153                                |              | 29,533                       |              |
| Others   | *4    | 3,097                                  |              | 3,513                                  |              | 5,831                        |              |
| Interest income                                  |       | 0                                      |              |  |              |                              |              |
| <b>Total operating revenue</b>                   |       | <b>66,694</b>                          | <b>100.0</b> | <b>214,995</b>                         | <b>100.0</b> | <b>135,341</b>               | <b>100.0</b> |
| Operating expenses                               |       |  |              |  |              |                              |              |
| Compensation and benefits                        |       | 332                                    |              | 586                                    |              | 1,650                        |              |
| Rental and maintenance                           |       | 15,956                                 |              | 15,173                                 |              | 34,302                       |              |
| Data processing and office supplies              |       | 10,352                                 |              | 9,731                                  |              | 20,567                       |              |
| Depreciation and amortization                    | *5    | 12,999                                 |              | 13,904                                 |              | 26,480                       |              |
| Others   |       | 4,274                                  |              | 3,087                                  |              | 8,417                        |              |
| Interest expenses                                |       | 2,174                                  |              | 2,562                                  |              | 4,476                        |              |
| <b>Total operating expenses</b>                  |       | <b>46,089</b>                          | <b>69.1</b>  | <b>45,043</b>                          | <b>21.0</b>  | <b>95,895</b>                | <b>70.9</b>  |
| <b>Operating income</b>                          |       | <b>20,605</b>                          | <b>30.9</b>  | <b>169,952</b>                         | <b>79.0</b>  | <b>39,446</b>                | <b>29.1</b>  |
| Non-operating income                             |       | 1,285                                  | 1.9          | 1,863                                  | 0.9          | 2,644                        | 2.0          |
| Non-operating expenses                           |       | 139                                    | 0.2          | 710                                    | 0.3          | 2,642                        | 2.0          |
| <b>Ordinary income</b>                           |       | <b>21,751</b>                          | <b>32.6</b>  | <b>171,105</b>                         | <b>79.6</b>  | <b>39,448</b>                | <b>29.1</b>  |
| Special profits                                  |       |  |              |  |              |                              |              |
| Gain on sales of investment securities           |       | 2,357                                  |              | 5,497                                  |              | 5,095                        |              |
| Reversal of allowance for doubtful accounts      |       | 675                                    |              | 0                                      |              | 678                          |              |
| Gain on redemption of warrants                   |       |  |              | 195                                    |              |                              |              |
| <b>Total special profits</b>                     |       | <b>3,033</b>                           | <b>4.6</b>   | <b>5,693</b>                           | <b>2.6</b>   | <b>5,773</b>                 | <b>4.3</b>   |
| Special losses                                   |       |  |              |  |              |                              |              |
| Loss on sales of investment securities           |       | 1,666                                  |              | 1                                      |              | 1,926                        |              |
| Loss on devaluation of investment securities     |       | 1,521                                  |              | 1,553                                  |              | 1,721                        |              |
| Loss on devaluation of investments in affiliates |       |  |              |  |              | 1,419                        |              |
| <b>Total special losses</b>                      |       | <b>3,187</b>                           | <b>4.8</b>   | <b>1,554</b>                           | <b>0.7</b>   | <b>5,067</b>                 | <b>3.7</b>   |
| <b>Profit before income taxes</b>                |       | <b>21,597</b>                          | <b>32.4</b>  | <b>175,244</b>                         | <b>81.5</b>  | <b>40,155</b>                | <b>29.7</b>  |
| <b>Income taxes - current</b>                    |       | <b>(848)</b>                           | <b>(1.3)</b> | <b>2,257</b>                           | <b>1.0</b>   | <b>1,859</b>                 | <b>1.4</b>   |

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|                                   |        |      |         |      |        |      |
|-----------------------------------|--------|------|---------|------|--------|------|
| Income taxes - deferred           | 3,238  | 4.9  | 1,932   | 0.9  | 4,920  | 3.6  |
| Net profit                        | 19,207 | 28.8 | 171,055 | 79.6 | 33,374 | 24.7 |
| Retained earnings brought forward | 4,606  |      | 8,849   |      | 4,606  |      |
| Interim dividend                  |        |      |         |      | 14,569 |      |
| Unappropriated retained earnings  | 23,814 |      | 179,904 |      | 23,412 |      |

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[Significant Accounting Policies]

| Six Months ended<br>September 30, 2003  | Six Months ended<br>September 30, 2004                         | Year ended<br>March 31, 2004                                   |
|---|--|--|
| 1. Basis and Methods of Valuation for<br>Financial Instruments  | 1. Basis and Methods of Valuation for<br>Financial Instruments | 1. Basis and Methods of Valuation for<br>Financial Instruments |
| (1) Other securities  | (1) Other securities   | (1) Other securities   |
| a. Securities with market value   | (Same as left)   | (Same as left)   |
| Recorded at market value.   |  |  |
| The difference between the cost using the moving average method or amortized cost and market value less deferred taxes is recorded as Net unrealized gain on investment securities in Shareholders Equity on the balance sheet. |  |  |
| b. Securities with no market value  |  |  |
| Recorded at cost using the moving average method or amortized cost.   |  |  |
| (2) Stocks of subsidiaries and affiliates   | (2) Stocks of subsidiaries and affiliates                      | (2) Stocks of subsidiaries and affiliates                      |
| Recorded at cost using the moving average method.   | (Same as left)   | (Same as left)   |
| 2. Depreciation and Amortization  | 2. Depreciation and Amortization                               | 2. Depreciation and Amortization                               |
| (1) Depreciation of tangible fixed assets   | (1) Depreciation of tangible fixed assets                      | (1) Depreciation of tangible fixed assets                      |
| Tangible fixed assets are depreciated primarily on the declining balance method, except for   | (Same as left)   | (Same as left)   |

buildings acquired after March 31, 1998, which are depreciated on the straight-line method.

The estimated useful lives are generally as follows:

Buildings 15 - 50 years

Furniture & fixtures 3 - 6 years

(2) Amortization of intangible assets Intangible assets are amortized over their estimated useful lives primarily on the straight-line method.

(2) Amortization of intangible assets

(2) Amortization of intangible assets

(Same as left)

(Same as left)

The useful lives of software are based on those determined internally.

3. Provisions

3. Provisions

3. Provisions

(1) Allowance for doubtful accounts

(1) Allowance for doubtful accounts

(1) Allowance for doubtful accounts

To provide for bad loans, the Company made provisions for doubtful accounts based on an estimate of the uncollectable amount calculated using historical loss ratios or a reasonable estimate based on financial condition of individual borrowers.

(Same as left)

(Same as left)

(2) Reserve for bonus payment

(2) Reserve for bonus payment

(2) Reserve for bonus payment

To prepare for payments of bonuses to employees, the estimated amount is recorded in accordance with the prescribed calculation method.

(Same as left)

(Same as left)

4. Translation of Balance Sheet

4. Translation of Balance Sheet Accounts Denominated in Foreign Currencies

4. Translation of Balance Sheet Accounts Denominated in Foreign Currencies

Accounts Denominated in Foreign

Currencies

(Same as left)

(Same as left)

Financial assets and liabilities denominated in foreign currencies are translated into Japanese yen using exchange rates as of the balance sheet date. Gains and losses resulting from translation are reflected in the income statement.

5. Leasing Transactions

5. Leasing Transactions

5. Leasing Transactions



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Financing leases other than those for which the ownership of the leased property are deemed as transfers to the lessee are accounted for primarily as ordinary rental transactions.

(Same as left)

(Same as left)

### 6. Hedging Activities

### 6. Hedging Activities

### 6. Hedging Activities

#### (1) Hedge accounting

#### (1) Hedge accounting

#### (1) Hedge accounting

Mark-to-market profits and losses on hedging instruments are deferred as assets or liabilities until the profits or losses on the underlying hedged securities are realized.

Mark-to-market profits and losses on hedging instruments are deferred as assets or liabilities until the profits or losses on the underlying hedged securities are realized. Certain eligible foreign currency denominated monetary items are translated at forward exchange rates and the difference is amortized over the remaining period.

Mark-to-market profits and losses on hedging instruments are deferred as assets or liabilities until the profits or losses on the underlying hedged securities are realized.

#### (2) Hedging instruments and hedged items

#### (2) Hedging instruments and hedged items

#### (2) Hedging instruments and hedged items

The Company utilizes derivative contracts such as interest rate swaps to hedge the interest rate risk on bonds that the Company issued.

The Company utilizes derivative contracts such as interest rate swaps to hedge the interest rate risk on bonds and other instruments that the Company issued. The Company utilizes currency forward contracts to hedge foreign currency risk on loans.

The Company utilizes derivative contracts such as interest rate swaps to hedge the interest rate risk on bonds that the Company issued.

#### (3) Hedging policy

#### (3) Hedging policy

#### (3) Hedging policy

As a general rule, the interest rate risk on bonds is fully hedged until maturity.

As a general rule, the interest rate risk on bonds is fully hedged until maturity and the foreign currency risk on loans is fully hedged until maturity.

As a general rule, the interest rate risk on bonds is fully hedged until maturity.

#### (4) Valuating the validity of hedging instruments

#### (4) Valuating the validity of hedging instruments

#### (4) Valuating the validity of hedging instruments

The Company regularly verifies the result of risk offsetting by each hedging instrument and hedged item.

(Same as left)

(Same as left)

### 7. Other Important Items as Basis of Financial Information

### 7. Other Important Items as Basis of Financial Information

### 7. Other Important Items as Basis of Financial Information

#### (1) Accounting for Consumption Taxes

#### (1) Accounting for Consumption Taxes

#### (1) Accounting for Consumption Taxes

Consumption taxes are accounted for based on the tax exclusion method.

(Same as left)

(Same as left)

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| (2) Application of Consolidated Tax<br>Return System   | (2) Application of Consolidated Tax<br>Return System | (2) Application of Consolidated Tax<br>Return System |
|--|--|--|
| The Company applies consolidated<br>tax return system. | (Same as left)                                       | (Same as left)                                       |

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[Additional Information]

| <b>Six Months ended</b>   | <b>Six Months ended</b>   | <b>Year ended</b>     |
|---------------------------|---------------------------|-----------------------|
| <b>September 30, 2003</b> | <b>September 30, 2004</b> | <b>March 31, 2004</b> |
| <hr/>                     | <hr/>                     | <hr/>                 |
| (Operating Revenue)       |                           |                       |

Dividend from affiliated companies which has been included in Others (8 mil. Yen for the six months ended September 30, 2002) is stated as an item of operating revenue as its amount exceeded 10% of the total operating revenue.

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[Notes to the Non-consolidated Financial Statements]

(Balance Sheet)

| September 30, 2003   | September 30, 2004   | March 31, 2004   |
|--|--|--|
| *1. Accumulated depreciation on tangible fixed assets: 65,368 mil. Yen   | *1. Accumulated depreciation on tangible fixed assets: 66,413 mil. Yen   | *1. Accumulated depreciation on tangible fixed assets: 64,439 mil. Yen   |
| 2. Securities deposited  | 2. Securities deposited  | 2. Securities deposited  |
| The Company loaned investment securities with a market value of 201,066 mil. Yen based on contracts whereby the borrower has the rights to resell or repledge them.                                    | The Company loaned investment securities with a market value of 68,854 mil. Yen based on contracts whereby the borrower has the rights to resell or repledge them.                         | The Company loaned investment securities with a market value of 111,099 mil. Yen based on contracts whereby the borrower has the rights to resell or repledge them.                      |
| 3. Financial guarantee (Note 1)  | 3. Financial guarantee (Note 1)  | 3. Financial guarantee (Note 1)  |
| Principal and coupons of 358,200 mil. Yen bonds issued by the Nomura Securities, Co., Ltd.   | Principal and coupons of 358,200 mil. Yen bonds issued by the Nomura Securities, Co., Ltd.   | Principal and coupons of 358,200 mil. Yen bonds issued by the Nomura Securities, Co., Ltd.   |
| 358,200 mil. Yen   | 358,200 mil. Yen   | 358,200 mil. Yen   |
| Commercial Paper with face value of 30,000 thousand USD, 15,000 thousand EURO issued by Nomura International plc and swap transactions worth 184,582 thousand USD executed by Nomura International plc | Commercial Paper with face value of 150,000 thousand USD issued by Nomura International plc and swap transactions worth 220,852 thousand USD executed by Nomura International plc          | Commercial Paper with face value of 150,000 thousand USD issued by Nomura International plc and swap transactions worth 255,466 thousand USD executed by Nomura International plc        |
| 25,810 mil. Yen (Note 2)   | 41,183 mil. Yen (Note 2)   | 42,853 mil. Yen (Note 2)   |
| Principal and coupons of medium-term notes issued by Nomura Global Funding plc with face value of 838,000 thousand USD, 370,000 thousand EURO, and 136,950 mil. Yen                                    | Principal and coupons of medium-term notes issued by Nomura Global Funding plc with face value of 838,000 thousand USD, 370,000 thousand EURO, and 120,950 mil. Yen                        | Principal and coupons of medium-term notes issued by Nomura Global Funding plc with face value of 838,000 thousand USD, 370,000 thousand EURO, and 120,950 mil. Yen                      |
| 277,977 mil. Yen (Note 2)  | 264,715 mil. Yen (Note 2)  | 257,203 mil. Yen (Note 2)  |
| Principal and coupons of medium-term notes issued by Nomura Europe Finance N.V. with face value of 183,000 thousand USD, 187,000 thousand EURO, 49,000 thousand AUD, and 785,888 mil. Yen              | Principal and coupons of medium-term notes issued by Nomura Europe Finance N.V. with face value of 611,000 thousand USD, 34,500 thousand EURO, 52,000 thousand AUD, and 1,012,871 mil. Yen | Principal and coupons of medium-term notes issued by Nomura Europe Finance N.V. with face value of 412,000 thousand USD, 33,500 thousand EURO, 50,500 thousand AUD, and 862,363 mil. Yen |
| 834,095 mil. Yen (Note 2)  | 1,089,590 mil. Yen (Note 2)  | 914,251 mil. Yen (Note 2)  |
| Swap transactions worth 322,049 thousand USD executed by Nomura Global Financial Products Inc.   | Swap transactions worth 344,411 thousand USD executed by Nomura Global Financial Products Inc.   | Swap transactions worth 251,465 thousand USD executed by Nomura Global Financial Products Inc.   |
| 35,828 mil. Yen (Note 2)   | 38,247 mil. Yen (Note 2)   | 26,577 mil. Yen (Note 2)   |

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Swap transactions worth 12,998 thousand USD  
executed by Nomura Securities (Bermuda) Ltd.

1,446 mil. Yen (Note 2)

Bond transactions worth 50 thousand USD  
executed by Nomura Securities International Inc.

5 mil. Yen

(Notes)1 In accordance with Report No. 61 of  
the Audit Committee of the Japanese Institute of  
Certified Public Accountants, contracts which  
are financial guarantees in substance are  
included above.

2. Includes co-guarantee with the Nomura  
Securities Co., Ltd.

Bond transactions worth 3 thousand USD  
executed by Nomura Securities International  
Inc.

0 mil. Yen

(Notes)1 In accordance with Report No. 61 of  
the Audit Committee of the Japanese Institute  
of Certified Public Accountants, contracts  
which are financial guarantees in substance  
are included above.

2. Includes co-guarantee with the Nomura  
Securities Co., Ltd.

(Notes)1 In accordance with Report No. 61  
of the Audit Committee of the Japanese  
Institute of Certified Public Accountants,  
contracts which are financial guarantees in  
substance are included above.

2. Includes co-guarantee with the Nomura  
Securities Co., Ltd.

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(Income Statement)

| Six Months ended   |   | Six Months ended   |  | Year ended     |  |
|--------------------|---|--------------------|--|----------------|--|
| September 30, 2003 |   | September 30, 2004 |  | March 31, 2004 |  |
| *1                 | Property and equipment fee revenue consists of revenue mainly from Nomura Securities Co., Ltd., a subsidiary of the Company, on leasing furniture, fixtures and software. | *1                 | (Same as left)                             | *1             | (Same as left)                             |
| *2                 | Rent revenue consists of revenue mainly from Nomura Securities Co., Ltd., a subsidiary of the Company, on renting office accommodation.                                   | *2                 | (Same as left)                             | *2             | (Same as left)                             |
| *3                 | Royalty on trademark consists of revenue from Nomura Securities Co., Ltd., a subsidiary of the Company, on the use of the Company's trademark.                            | *3                 | (Same as left)                             | *3             | (Same as left)                             |
| *4                 | Others includes fees from securities lending and interest received on loans mainly from Nomura Securities Co., Ltd., a subsidiary of the Company.                         | *4                 | (Same as left)                             | *4             | (Same as left)                             |
| *5                 | Breakdown of Depreciation and amortization  | *5                 | Breakdown of Depreciation and amortization | *5             | Breakdown of Depreciation and amortization |
|                    | <b>(mil. Yen)</b>   |                    | <b>(mil. Yen)</b>                          |                | <b>(mil. Yen)</b>                          |
|                    | Tangible fixed assets   |                    | Tangible fixed assets                      |                | Tangible fixed assets                      |
|                    | 2,735   |                    | 2,395                                      |                | 5,680                                      |
|                    | Intangible assets   |                    | Intangible assets                          |                | Intangible assets                          |
|                    | 10,166  |                    | 11,426                                     |                | 20,613                                     |
|                    | Investments and others  |                    |  |                |  |
|                    | 97  |                    |  |                |  |
|                    | Total   |                    | Total                                      |                | Total                                      |
|                    | 12,999  |                    | 13,904                                     |                | 26,480                                     |

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(Leasing Transactions)

| Six Months ended<br>September 30, 2003  | Six Months ended<br>September 30, 2004  | Year ended<br>March 31, 2004   |
|---|---|--|
| 1. Financing leases other than those for which the ownership of the leased property are deemed as transfers to the lessee are as follows:   | 1. Financing leases other than those for which the ownership of the leased property are deemed as transfers to the lessee are as follows:   | 1. Financing leases other than those for which the ownership of the leased property are deemed as transfers to the lessee are as follows:  |
| (1) Acquisition cost of the leased property, accumulated depreciation equivalent and the balance at the end of the period (See Note below.)   | (1) Acquisition cost of the leased property, accumulated depreciation equivalent and the balance at the end of the period (See Note below.) | (1) Acquisition cost of the leased property, accumulated depreciation equivalent and the balance at the end of the period (See Note below.)  |
| <b>Furniture and fixtures</b>   | <b>Furniture and fixtures</b>   | <b>Furniture and fixtures</b>  |
| <b>(mil. Yen)</b>   | <b>(mil. Yen)</b>   | <b>(mil. Yen)</b>  |
| Acquisition cost  | Acquisition cost  | Acquisition cost   |
| 5,710   | 4,539   | 4,805  |
| Accumulated depreciation equivalent   | Accumulated depreciation equivalent   | Accumulated depreciation equivalent  |
| 4,238   | 3,283   | 3,057  |
| Balance at the end of the period  | Balance at the end of the period  | Year-end balance   |
| 1,471   | 1,256   | 1,747  |
| (2) Closing balance of the obligation under financing lease (See Note below.)   | (2) Closing balance of the obligation under financing lease (See Note below.)   | (2) Closing balance of the obligation under financing lease (See Note below.)  |
| <b>(mil. Yen)</b>   | <b>(mil. Yen)</b>   | <b>(mil. Yen)</b>  |
| One year or less  | One year or less  | One year or less   |
| 825   | 644   | 896  |
| More than one year  | More than one year  | More than one year   |
| 646   | 612   | 851  |
| Total   | Total   | Total  |
| 1,471   | 1,256   | 1,747  |
| (3) Lease payments and depreciation expenses equivalent   | (3) Lease payments and depreciation expenses equivalent   | (3) Lease payments and depreciation expenses equivalent  |
| Lease payments  | Lease payments  | Lease payments   |
| 814 (mil. Yen)  | 481 (mil. Yen)  | 1,455 (mil. Yen)   |
| Depreciation expenses equivalent  | Depreciation expenses equivalent  | Depreciation expenses equivalent   |
| 814 (mil. Yen)  | 481 (mil. Yen)  | 1,455 (mil. Yen)   |
| (4) The method of calculating the depreciation expenses equivalent  | (4) The method of calculating the depreciation expenses equivalent  | (4) The method of calculating the depreciation expenses equivalent   |
| The amount equivalent to the depreciation expenses equivalent is calculated by straight-line method, the useful life being the lease period and no (zero) salvage value.  | (Same as left)  | The amount equivalent to the depreciation expenses equivalent is calculated by straight-line method, the useful life being the lease period and no (zero) salvage value.   |
| (Notes) The acquisition cost and the closing balance are calculated by the interest inclusion method in accordance with the regulations of Article 5-3 of the Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Final Financial Statements which refers to regulations of Item 2, Article 8-6 of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements because their percentage against the year-end balance of tangible fixed assets were low. |   | (Notes) The acquisition cost and the closing balance are calculated by the interest inclusion method in accordance with the regulations of Item 2, Article 8-6 of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements because their percentage against the year-end balance of tangible fixed assets were low. |





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(Securities Held)

(1) Bonds Held to Maturity

None.

(2) Stocks of subsidiaries and affiliates with market value

|              | <b>September 30, 2003</b> |                     |                   |
|--------------|---------------------------|---------------------|-------------------|
|              | <b>Book Value</b>         | <b>Market Value</b> | <b>Difference</b> |
|              | <b>(mil. Yen)</b>         | <b>(mil. Yen)</b>   | <b>(mil. Yen)</b> |
| Subsidiaries |                           |                     |                   |
| Affiliates   | 45,785                    | 113,022             | 67,237            |

|              | <b>September 30, 2004</b> |                     |                   |
|--------------|---------------------------|---------------------|-------------------|
|              | <b>Book Value</b>         | <b>Market Value</b> | <b>Difference</b> |
|              | <b>(mil. Yen)</b>         | <b>(mil. Yen)</b>   | <b>(mil. Yen)</b> |
| Subsidiaries |                           |                     |                   |
| Affiliates   | 45,785                    | 81,504              | 35,718            |

|              | <b>March 31, 2004</b> |                     |                   |
|--------------|-----------------------|---------------------|-------------------|
|              | <b>Book Value</b>     | <b>Market Value</b> | <b>Difference</b> |
|              | <b>(mil. Yen)</b>     | <b>(mil. Yen)</b>   | <b>(mil. Yen)</b> |
| Subsidiaries |                       |                     |                   |
| Affiliates   | 45,785                | 130,954             | 85,169            |

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## (3) Investment Securities with market value

|             | <b>September 30, 2003</b> |                   |                   |
|-------------|---------------------------|-------------------|-------------------|
|             | <b>Cost</b>               | <b>Book Value</b> | <b>Difference</b> |
|             | <b>(mil. Yen)</b>         | <b>(mil. Yen)</b> | <b>(mil. Yen)</b> |
| Fixed Asset | 60,696                    | 116,987           | 56,291            |
| Equities    | 58,365                    | 114,414           | 56,048            |
| Bonds       |                           |                   |                   |
| Others      | 2,330                     | 2,573             | 242               |

|             | <b>September 30, 2004</b> |                   |                   |
|-------------|---------------------------|-------------------|-------------------|
|             | <b>Cost</b>               | <b>Book Value</b> | <b>Difference</b> |
|             | <b>(mil. Yen)</b>         | <b>(mil. Yen)</b> | <b>(mil. Yen)</b> |
| Fixed Asset | 67,289                    | 138,807           | 71,518            |
| Equities    | 55,833                    | 127,089           | 71,256            |
| Bonds       |                           |                   |                   |
| Others      | 11,456                    | 11,718            | 262               |

|             | <b>March 31, 2004</b> |                   |                   |
|-------------|-----------------------|-------------------|-------------------|
|             | <b>Cost</b>           | <b>Book Value</b> | <b>Difference</b> |
|             | <b>(mil. Yen)</b>     | <b>(mil. Yen)</b> | <b>(mil. Yen)</b> |
| Fixed Asset | 65,911                | 143,685           | 77,774            |
| Equities    | 56,580                | 133,992           | 77,412            |
| Bonds       |                       |                   |                   |
| Others      | 9,330                 | 9,692             | 361               |

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(4) Investment Securities without market value (except those referred in (1) above)

|                                    | <b>September 30,<br/>2003</b> |
|------------------------------------|-------------------------------|
|                                    | <b>Book Value</b>             |
|                                    | <b>(mil. Yen)</b>             |
| Bonds Held to Maturity             |                               |
| Investment Securities              | 27,736                        |
| Recorded as Fixed Asset            | 27,736                        |
| Equities (Unlisted equities, etc.) | 25,723                        |
| Bonds (Unlisted bonds, etc.)       | 0                             |
| Others                             | 2,013                         |

|                                    | <b>September 30,<br/>2004</b> |
|------------------------------------|-------------------------------|
|                                    | <b>Book Value</b>             |
|                                    | <b>(mil. Yen)</b>             |
| Bonds Held to Maturity             |                               |
| Investment Securities              | 25,476                        |
| Recorded as Fixed Asset            | 25,476                        |
| Equities (Unlisted equities, etc.) | 23,476                        |
| Bonds (Unlisted bonds, etc.)       | 0                             |
| Others                             | 1,999                         |

|                         | <b>March 31,<br/>2004</b> |
|-------------------------|---------------------------|
|                         | <b>Book Value</b>         |
|                         | <b>(mil. Yen)</b>         |
| Bonds Held to Maturity  |                           |
| Investment Securities   | 27,243                    |
| Recorded as Fixed Asset | 27,243                    |

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|                                    |        |
|------------------------------------|--------|
| Equities (Unlisted equities, etc.) | 25,229 |
| Bonds (Unlisted bonds, etc.)       | 0      |
| Others                             | 2,014  |

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(Derivative Transactions)

Statement on derivative transactions is omitted as hedge accounting is applied.

(Information on Per Share Data)

Information on per share data is omitted as the Company prepared consolidated financial information.

(Significant Subsequent Events)

| <b>Six Months ended</b>          | <b>Six Months ended</b>          | <b>Year ended</b>            |
|----------------------------------|----------------------------------|------------------------------|
| <b><u>September 30, 2003</u></b> | <b><u>September 30, 2004</u></b> | <b><u>March 31, 2004</u></b> |
| None.                            | None.                            | None.                        |

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(2) Others

The Company's board of directors resolved on October 28, 2004 to pay the interim dividend to the Company's recorded shareholders as at September 30, 2004.

|    |   |                   |
|----|---|-------------------|
| a. | Total interim dividend                        | 19,423 (mil. Yen) |
| b. | Interim Dividend per share                    | 10.00 (Yen)       |
| c. | Effect date of claim rights / Date of payment | December 1, 2004  |

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Semiannual Audit Report of Independent Auditors

December 16, 2004

The Board of Directors

Nomura Holdings, Inc.

Ernst & Young ShinNihon

Sadahiko Yoshimura  
Certified Public Accountant  
Designated and Operating Partner

Michiyoshi Sakamoto  
Certified Public Accountant  
Designated and Operating Partner

Koichi Hanabusa  
Certified Public Accountant  
Designated and Operating Partner

We have performed a semiannual audit of the consolidated semiannual financial statements of Nomura Holdings, Inc. (the Company) included in the financial condition section for the semiannual period (from April 1, 2003 to September 30, 2003) within the fiscal period from April 1, 2003 to March 31, 2004 which include the consolidated semiannual balance sheet and the consolidated semiannual statements of income, shareholders' equity, comprehensive income, and cash flows pursuant to the semiannual audit requirements of the rules specified in Article 193-2 of the Securities and Exchange Law. These consolidated semiannual financial statements are the responsibility of the Company's management and our responsibility is to independently express an opinion on these consolidated semiannual financial statements.

We conducted our semiannual audit in accordance with semiannual auditing standards applied in Japan. Those standards require that we obtain reasonable assurance about whether the consolidated semiannual financial statements taken as a whole are free of material misstatement with regard to the presentation of relevant information which may result in misinterpretation by investors. A semiannual audit consists, primarily of analytical review procedures with additional audit procedures as considered necessary. We believe that our semiannual audit provides a reasonable basis for our opinion.

In our opinion, the consolidated semiannual financial statements referred to above present relevant information about the consolidated financial position of Nomura Holdings, Inc. and subsidiaries as of September 30, 2003, and the consolidated results of their operations and their cash flows for the semiannual period then ended (from April 1, 2003 to September 30, 2003) in conformity with accounting principles generally accepted in the United States of America (see Note 1 to the consolidated semiannual financial statements).

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

Note: As described in Note 2 to the consolidated semiannual financial statements, certain reclassifications have been made to the consolidated semiannual statement of cash flows in connection with the change in presentation of Other secured borrowings.

Above is an electronic version of the original report of auditors and the Company maintains the original report.





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Semiannual Audit Report of Independent Auditors

December 16, 2004

The Board of Directors

Nomura Holdings, Inc.

Ernst & Young ShinNihon

Sadahiko Yoshimura  
Certified Public Accountant  
Designated and Operating Partner

Michiyoshi Sakamoto  
Certified Public Accountant  
Designated and Operating Partner

Koichi Hanabusa  
Certified Public Accountant  
Designated and Operating Partner

We have performed a semiannual audit of the consolidated semiannual financial statements of Nomura Holdings, Inc. (the Company) included in the financial condition section for the semiannual period (from April 1, 2004 to September 30, 2004) within the fiscal period from April 1, 2004 to March 31, 2005 which include the consolidated semiannual balance sheet and the consolidated semiannual statements of income, shareholders' equity, comprehensive income, and cash flows pursuant to the semiannual audit requirements of the rules specified in Article 193-2 of the Securities and Exchange Law. These consolidated semiannual financial statements are the responsibility of the Company's management and our responsibility is to independently express an opinion on these consolidated semiannual financial statements.

We conducted our semiannual audit in accordance with semiannual auditing standards applied in Japan. Those standards require that we obtain reasonable assurance about whether the consolidated semiannual financial statements taken as a whole are free of material misstatement with regard to the presentation of relevant information which may result in misinterpretation by investors. A semiannual audit consists, primarily of analytical review procedures with additional audit procedures as considered necessary. We believe that our semiannual audit provides a reasonable basis for our opinion.

In our opinion, the consolidated semiannual financial statements referred to above present relevant information about the consolidated financial position of Nomura Holdings, Inc. and subsidiaries as of September 30, 2004, and the consolidated results of their operations and their cash flows for the semiannual period then ended (from April 1, 2004 to September 30, 2004) in conformity with accounting principles generally accepted in the United States of America (see Note 1 to the consolidated semiannual financial statements).

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

Above is an electronic version of the original report of auditors and the Company maintains the original report.

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Semiannual Audit Report of Independent Auditors

December 1, 2003

The Board of Directors  
Nomura Holdings, Inc.

Shin Nihon & Co.

Sadahiko Yoshimura  
Certified Public Accountant  
Representative and Engagement Partner

Michiyoshi Sakamoto  
Certified Public Accountant  
Representative and Engagement Partner

We have performed a semiannual audit of the semiannual financial statements of Nomura Holdings, Inc. (the Company) included in the financial condition section for the semiannual period (from April 1, 2003 to September 30, 2003) within the 100 fiscal period from April 1, 2003 to March 31, 2004 which include the semiannual balance sheet and the semiannual statement of income pursuant to the semiannual audit requirements of the rules specified in Article 193-2 of the Securities and Exchange Law. These semiannual financial statements are the responsibility of the Company's management and our responsibility is to independently express an opinion on these semiannual financial statements.

We conducted our semiannual audit in accordance with semiannual auditing standards applied in Japan. Those standards require that we obtain reasonable assurance about whether the semiannual financial statements taken as a whole are free of material misstatement with regard to the presentation of relevant information which may result in misinterpretation by investors. A semiannual audit consists, primarily of analytical review procedures with additional audit procedures as considered necessary. We believe that our semiannual audit provides a reasonable basis for our opinion.

In our opinion, the semiannual financial statements referred to above present relevant information about the financial position of Nomura Holdings, Inc. as of September 30, 2003, and the results of their operations for the semiannual period then ended (from April 1, 2003 to September 30, 2003) in conformity with accounting principles generally accepted in Japan.

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

Above is an electronic version of the original report of auditors and the Company maintains the original report.

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Semiannual Audit Report of Independent Auditors

December 16, 2004

The Board of Directors

Nomura Holdings, Inc.

Ernst & Young ShinNihon

Sadahiko Yoshimura  
Certified Public Accountant  
Designated and Operating Partner

Michiyoshi Sakamoto  
Certified Public Accountant  
Designated and Operating Partner

Koichi Hanabusa  
Certified Public Accountant  
Designated and Operating Partner

We have performed a semiannual audit of the non-consolidated semiannual financial statements of Nomura Holdings, Inc. (the Company) included in the financial condition section for the semiannual period (from April 1, 2004 to September 30, 2004) within the fiscal period from April 1, 2004 to March 31, 2005 which include the non-consolidated semiannual balance sheet and the non-consolidated semiannual statement of income pursuant to the semiannual audit requirements of the rules specified in Article 193-2 of the Securities and Exchange Law. These non-consolidated semiannual financial statements are the responsibility of the Company's management and our responsibility is to independently express an opinion on these non-consolidated semiannual financial statements.

We conducted our semiannual audit in accordance with semiannual auditing standards applied in Japan. Those standards require that we obtain reasonable assurance about whether the non-consolidated semiannual financial statements taken as a whole are free of material misstatement with regard to the presentation of relevant information which may result in misinterpretation by investors. A semiannual audit consists, primarily of analytical review procedures with additional audit procedures as considered necessary. We believe that our semiannual audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated semiannual financial statements referred to above present relevant information about the financial position of Nomura Holdings, Inc. as of September 30, 2004, and the results of their operations for the semiannual period then ended (from April 1, 2004 to September 30, 2004) in conformity with accounting principles generally accepted in Japan.

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

Above is an electronic version of the original report of auditors and the Company maintains the original report.