NOMURA HOLDINGS INC
Form 6-K
July 27, 2006
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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 July 2006.

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F ______

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

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

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 __X__

If Yes 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 language translation of Annual Securities Report

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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: July 27, 2006	By: /s/ Tetsu Ozaki
	Tetsu Ozaki Senior Managing Director

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On June 29, 2006, Nomura Holdings, Inc. filed its Annual Securities Report for the year ended March 31, 2006 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Securities and Exchange Law of Japan.

Information furnished on this form includes;

I. Executive summary of the Annual Securities Report, and

II. English language translation of certain items disclosed in the Annual Securities Report.

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EXHIBIT I

Annual Securities Report Pursuant to The Securities and Exchange Law of Japan For The Fiscal Year Ended March 31, 2006

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Note: 1. Translation for the underlined items are attached to this form as below.

2. The U.S. dollar amounts, which are not displayed in the Annual Securities Report, are included on the consolidated financial statements, and those notes on this form solely for the convenience of the reader and have been translated at the rate of ¥117.48 = U.S. $1, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2006. This translation should not be construed to imply that the Yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

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EXHIBIT II

PART I Corporate Information

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

1. Selected Financial Data.

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

Accounting Principles	**Japanese GAAP**	**U.S. GAAP**			
Year ended March 31	**2002**	**2003**	**2004**	**2005**	**2006**
Total revenue (Mil yen)		807,651	1,045,936	1,126,237	1,792,840
Operating revenue (Mil yen)	1,121,743				
Net revenue (Mil yen)		566,274	803,103	799,190	1,145,650
Net operating revenue (Mil yen)	705,346				
Income from continuing operations before income taxes and cumulative effect of accounting change (Mil yen)		47,409	282,676	204,835	445,600
Ordinary income (Mil yen)	192,255				
Net income (Mil yen)	102,756	119,913	172,329	94,732	304,328
Shareholders equity (Mil yen)	1,704,988	1,642,328	1,785,688	1,868,429	2,063,327
Total assets (Mil yen)	18,177,716	21,169,446	29,752,966	34,488,853	35,026,035
Shareholders equity per share (Yen)	867.38	846.40	919.67	962.48	1,083.19
Net income per share (Yen)	52.32	61.26	88.82	48.80	159.02
Net income per share diluted (Yen)	52.22	61.26	88.82	48.77	158.78
Shareholders equity as a percentage of total assets (%)	9.4	7.8	6.0	5.4	5.9
Return on shareholders equity (%)	6.14	7.39	10.05	5.18	15.48
Price/earnings ratio (times)	32.49	20.16	21.34	30.74	16.51
Cash flows from operating activities from continuing operations (Mil yen)	(369,530)	31,706	(78,375)	(278,929)	(566,327)
Cash flows from investing activities from continuing operations (Mil yen)	(146,175)	134,053	45,471	(121,824)	27,439
Cash flows from financing activities from continuing operations (Mil yen)	484,315	(22,205)	198,017	385,061	798,215
Cash and cash equivalents at end of the year (Mil yen)	356,634	491,237	637,372	585,115	991,961
Number of staffs	12,373	12,060	13,987	14,344	14,668
[Average number of temporary staffs, excluded from above]	[3,157]	[3,062]	[3,107]	[3,563]	[3,779]

(Notes)

1 The selected financial data as of March 31, 2003, 2004, 2005 and 2006, and for the year ended March 31, 2003, 2004, 2005 and 2006 were stated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). And the selected financial data as of March 31, 2002 and for the year ended March 31, 2002 were stated in accordance with Japanese GAAP.

2 In accordance with SFAS No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, income from the operations that were reclassified to discontinued operations during the current period are separately reported as income from discontinued operations, and such amounts of the previous year were not significant.

3 Changes in the fair value of derivatives that are economically used to hedge non - trading assets and liabilities, but that do not meet the criteria in SFAS No.133 to qualify as an accounting hedge, are reported in current period earnings as either net gain on trading, interest revenue, or interest expenses, depending on the nature of the transaction. Effective with the year ended March 31, 2005 changes in the fair value of both the embedded derivative and related economic hedges are netted. Such amounts previously reported reclassified to conform to the current year presentation. The amounts previously reported are as follows:

Year ended March 31	**2003**	**2004**
Total revenue (Mil yen)	840,919	1,099,546

4 In accordance with SFAS No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, cash flows from the operations that were reclassified to discontinued operations during the current period are separately reported as cash flows from discontinued operations. Such reclassification have been made in Cash flows from investing activities from continuing operations and Cash and cash equivalents at end of the year . The amounts previously reported are as follows:

Year ended March 31	**2005**
Cash flows from investing activities from continuing operations (Mil yen)	(32,564)
Cash and cash equivalents at end of the year (Mil yen)	724,637

5 Effective with the year ended March 31, 2005, changes in Other secured borrowings which were previously included in Cash flows from financing activities from continuing operations are included in Cash flows from operating activities from continuing operations. Such reclassification have been made in Cash flows from operating activities from continuing operations and Cash flows from financing activities from continuing operations . The amounts previously reported are as follows:

Year ended March 31	**2003**	**2004**
Cash flows from operating activities from continuing operations (Mil yen)	34,113	(1,825,894)
Cash flows from financing activities from continuing operations (Mil yen)	(24,612)	1,945,536

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

7 Above ratios were calculated based on following formula:

$$\text{Shareholders equity as a percentage of total assets as of March 31, 2003, 2004, 2005 and 2006} = \frac{\text{Shareholders equity total}}{\text{Liabilities and shareholders equity total}} \times 100(\%)$$

$$\text{Shareholders equity as a percentage of total assets as of March 31, 2002} = \frac{\text{Shareholders equity total}}{\text{Liabilities, minority interest and shareholders equity total}} \times 100(\%)$$

$$\text{Return on shareholders equity} = \frac{\text{Net income}}{\text{(Previous fiscal year end shareholders equity total + fiscal year end shareholders equity total) / 2}} \times 100(\%)$$

$$\text{Price/earnings ratio} = \frac{\text{Share price}}{}$$

Net income per share

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

9 The number of staffs includes Financial Advisor with fixed-term employment contract and Saving Advisor from the year ended March 31, 2004.

10 In addition to above, the number of staffs in investee companies of private equity investment which were consolidated as subsidiaries on consolidated financial statement as of March 31, 2006 were 4,051 and average number of temporary staffs in those investee companies were 7,339.

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

Year ended March 31,	**2002**	**2003**	**2004**	**2005**	**2006**
Operating revenue (Mil yen)	269,122	102,633	135,341	269,600	220,699
[Commissions]	[110,523]	[ ]	[ ]	[ ]	[ ]
Ordinary income (Mil yen)	68,186	10,742	39,448	179,408	131,282
Net income (loss) (Mil yen)	(37,212)	(12,825)	33,374	148,113	17,878
Common stock (Mil yen)	182,799	182,799	182,799	182,800	182,800
Number of issued shares (1,000 shares)	1,965,919	1,965,919	1,965,919	1,965,920	1,965,920
Shareholders equity (Mil yen)	1,441,634	1,342,035	1,367,005	1,485,538	1,446,649
Total assets (Mil yen)	2,023,909	2,121,113	2,469,719	3,010,792	3,627,776
Shareholders equity per share (Yen)	733.40	691.21	703.76	704.88	758,96
Dividend per share (Yen)	15.00	15.00	15.00	20.00	48.00
[Interim dividend per share] (Yen)	[ ]	[ ]	[7.50]	[10.00]	[12.00]
Net income (loss) per share (Yen)	(18.94)	(6.70)	17.19	76.26	9.34
Net income per share diluted (Yen)			17.19	76.21	9.32
Shareholders equity as a percentage of total assets (%)	71.2	63.3	55.4	49.3	39.9
Return on shareholders equity (%)	(2.51)	(0.92)	2.46	10.38	1.22
Price/earnings ratio (times)			110.20	19.67	281.05
Payout Ratio (%)			87.30	26.23	513.92
Dividend on shareholders equity (%)	2.05	2.17	2.13	2.61	6.32
Number of staffs	5	5	7	7	19
[Average number of temporary staffs, excluded from above]	[1]	[0]	[ ]	[ ]	[ ]

(Notes)

1 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.
2 Above ratios were calculated based on following formula:

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

$$\text{Return on shareholders equity} = \frac{\text{Net income}}{\text{(Previous fiscal year end shareholders equity total + fiscal year end shareholders equity total) / 2}} \times 100(\%)$$

$$\text{Dividend on shareholders equity} = \frac{\text{Total dividend}}{\text{Shareholders equity}} \times 100(\%)$$

$$\text{Price/earnings ratio} = \frac{\text{Share price}}{\text{Net income per share}}$$

3 Number of staffs represents excludes seconded staffs outside Nomura Holdings, Inc. (hereinafter the Company) and its consolidated subsidiaries.
4

On October 1, 2001, The Company completed its reorganization and adopted a holding company structure. The selected financial data for as of March 31, 2001 are data when the Company was engaged in securities and securities-related business; the data for as of March 31, 2002 include six months results of securities and securities-related business.

5 The Company adopted Accounting Standard for Earnings per Share (Accounting Standards Board of Japan (ASBJ), Financial Accounting Standard No. 2, September 25, 2002) and Implementation Guidance for Accounting Standard for Earning per Share (ASBJ, Financial Accounting Standards Implementation Guidance No. 4, September 25, 2002) in the fiscal year ended March 31, 2003.

6 Net income per share diluted for as of March 31, 2002 and 2003 are not stated as net loss per share is recorded.

7 The Company introduced the interim dividend system from the fiscal year ended March 31, 2004.

8 The amounts presented for the fiscal year ended March 31, 2005 or after are rounded. The amounts presented for the fiscal year ended March 31, 2004 or before are truncated.

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3. Business Overview.

Nomura Holdings, Inc. and its consolidated subsidiaries and variable interest entities (VIEs) of 179 and affiliated companies accounted for under the equity method of 14 primarily operate investment and financial services business focusing on securities business as their core business. Nomura provides wide-ranging services to customers for both of financing and investment through the operations in Japan and other major financial capital markets in the world. Such services include securities trading and brokerage, underwriting, distribution, arrangement of placement and distribution, arrangement of private placement, asset management and other broker-dealer business and financing.

Organizational Structure

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

Nomura Holdings, Inc.

Domestic Subsidiaries

Nomura Securities Co., Ltd.

Nomura Asset Management Co., Ltd.

The Nomura Trust and Banking Co., Ltd.

Nomura Babcock & Brown Co., Ltd.

Nomura Capital Investment Co., Ltd.

Nomura Investor Relations Co., Ltd.

Nomura Principal Finance Co., Ltd.

Nomura Funds Research and Technologies Co., Ltd.

Nomura Pension Support & Service Co., Ltd.

Nomura Research & Advisory Co., Ltd.

Nomura Business Services Co., Ltd.

Nomura Facilities, Inc.

Nomura Institute of Capital Markets Research

JOINVEST Securities Co., Ltd.

Overseas Subsidiaries

Nomura Holding America Inc.

Nomura Securities International, Inc.

Nomura Corporate Research and Asset Management Inc.

Nomura Asset Capital Corporation

The Capital Company of America, LLC

Nomura Derivative Products, Inc.

Nomura Global Financial Products, Inc.

Nomura Securities (Bermuda) Ltd.

Nomura Europe Holdings plc

Nomura International plc

Nomura Bank International plc

Banque Nomura France

Nomura Bank (Luxembourg) S.A.

Nomura Bank (Deutschland) GmbH

Nomura Bank (Switzerland) Ltd.

Nomura Italia S.I.M. p.A.

Nomura Asia Holding N.V.

Nomura Investment Banking (Middle East) B.S.C.(Closed)

Nomura International (Hong Kong) Limited

Nomura Singapore Limited

Nomura Malaysia Sdn. Bhd.

Nomura Australia Limited

PT Nomura Indonesia

Nomura Funding Facility Corporation Limited

Nomura Global Funding plc

Nomura Europe Finance N.V.

Nomura Principal Investment plc

Affiliates

Nomura Research Institute, Ltd.

JAFCO Co., Ltd.

Nomura Land and Building Co., Ltd.

Capital Nomura Securities Public Company Limited

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Item 2. Operating and Financial Review

1. Operating Results.

(1) Operating results

You should read the following discussion of our operating and financial review and prospects together with Item 1 Selected Financial Data of this annual report and our consolidated financial statements included elsewhere in this annual report. Operating results for the year ended March 31, 2004 are based on our consolidated financial information submitted on June 29, 2004, and certain reclassifications of reported amounts have been made to conform to the current year presentation. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those under Risk Factors and elsewhere in this annual report.

Business Environment

Japan

The Japanese economy came to a standstill around the middle of 2004, primarily owing to inventory adjustments in the IT/digital sectors. However, capital expenditure regained momentum in 2005, and the IT/digital sectors recovered in the second half of the year as inventory adjustments came to an end. The Japanese economy moved out of its lull, and has been increasing in strength ever since. During this time, the United States, Chinese, and other overseas economies generally remained healthy, and this provided a tailwind for Japan s economy.

Corporate earnings have expanded steadily since the fiscal year ended March 2003, and this trend was maintained in the year ended March 2006, which looks likely to be the fourth straight year of growth in corporate earnings. Overall growth was driven by another year of strength for materials and other sectors sensitive to commodity prices, but there were also strong performances in processing sectors such as automobiles and machinery, as well as in the financials sector.

The stock market traded in a narrow range for more than a year from spring 2004, but then rallied strongly from August 2005. The Tokyo Stock Price Index, or TOPIX, which is a broad index for the Japanese equity market, stood at 1,182.18 at the end of March 2005, little changed from 1,179.23 at the end of March 2004, but by the end of March 2006 the TOPIX had risen 46%, to 1,728.16. Similarly, the Nikkei Stock Average came to 11,668.95 at the end of March 2005, slightly down from 11,715.39 at the end of March 2004, but had climbed 46% by the end of March 2006, to 17,059.66.

Yields on newly issued 10-year Japanese Government bonds declined moderately from around the middle of 2004, when Japan s economy entered a flat period, up to the middle of 2005. From mid-2005 until the start of 2006, yields increased modestly as the economy moved out of its soft patch, but remained for the most part in a range of 1.2-1.6%. However, in March 2006 the Bank of Japan announced the end of its policy of quantitative easing, causing yields to start rising faster and to break out of the range, briefly reaching 2% in April 2006.

Between the autumn and the end of 2004, the U.S. dollar slumped to around ¥102 against the Japanese yen and around US$1.36 against the euro on expectations of a revaluation in the renminbi. However, in 2005, the dollar rebounded on expectations of an expanding interest rate spread between the United States and Japan and the United States and Europe, owing to forecasts that the strong United States economy would prompt further rate hikes, that quantitative easing was likely to remain in place for the time being in Japan, and that interest rates would be on hold in Europe. By autumn 2005, the dollar was trading at around ¥121, and the euro at around US$1.17. In December 2005, the European Central Bank (ECB) lifted interest rates, and expectations started to mount that quantitative easing would soon end in Japan, causing the dollar to fluctuate. In March 2006, the ECB announced a further rate hike, and the Bank of Japan ended its policy of quantitative easing. At the same time, speculation about an end to the current round of interest rate hikes in the United States began to increase, and the dollar fell sharply in April as a result.

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Overseas

The economies of the world s leading industrialized nations lost some momentum in manufacturing sectors from the middle of 2004, as inventories were worked down in IT-related sectors. Overall, however, the economies remained strong up to spring 2006. International commodity prices maintained their upward momentum through spring 2006, after trending upward through 2004 and 2005, albeit with volatility along the way. A cycle of interest rate hikes started in the United States in June 2004, with the latest hike coming in May 2006, and in Europe interest rates began rising from December 2005. The Chinese authorities continue to take measures aimed at cooling an overheating economy.

The U.S. economy experienced healthy real GDP growth of 2.7% in 2003, 4.2% in 2004, and 3.5% in 2005. The U.S. economy in 2004 was bolstered by growth in capital expenditure by companies taking advantage of tax breaks on investment, and also by strong exports. This trend weakened only mildly into 2005, and consumer spending was also robust, underpinned by improving employment conditions and the continuing housing boom. The expansion slowed substantially in the fourth quarter as spending on motor vehicles was restrained following a surge in summer. However, the economy rebounded strongly in the first quarter of 2006.

The Federal Reserve Board started to raise interest rates in June 2004. In the two-year period through May 2006, the Federal Open Market Committee, or FOMC, hiked the Federal funds rate to 5%, from 1%. Despite the rate hikes, the 10-year yield on U.S. Treasuries remained steady up to 2005, at around 4.0-4.6%. However, the uptrend strengthened from March 2006, and since May the yield has been moving above the 5% mark. The Dow Jones Industrial Average, or DJIA, moved within the 9,800-11,000 point range from 2004 to 2005, as the cycle of interest rate hikes got under way. Moving into 2006, the DJIA broke through the 11,000 mark as speculation mounted that the cycle of interest rate hikes was nearing its end. However, the view that rates will continue to climb remains deep-rooted, making the market volatile.

The European economies have expanded at a more measured pace than the U.S. and Japanese economies. The ECB lifted its benchmark interest rate by 0.25 percentage point in December 2005, and by a further 0.25 percentage point in March 2006, bringing the rate to 2.5%. Despite some corrections along the way, European share prices generally trended upward from autumn 2004 to April 2006, before a slightly larger correction in May 2006.

After a very strong performance in 2004, Asian economies other than Japan grew at a slightly slower pace in 2005, but were nonetheless strong. The Chinese government further tightened its monetary policy to guard against the continued threat of an overheating economy. Meanwhile, the Indian economy eclipsed the growth attained in 2004.

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Executive Summary

During the fiscal year under review, the Japanese economy remained at a standstill until the summer of 2005, but the mood of recovery gradually strengthened in the latter half of the year. The scope of the recovery also widened as capital investment and employment began expanding among companies that had regained profitability thanks to restructuring. The stock market broke out of its narrow trading range in August and started climbing dramatically, fueled by expectations that the Japanese economy had finally emerged from deflation. For some time into the New Year, stock prices fluctuated considerably, but then, at the end of March, the Tokyo Stock Price Index (TOPIX) reached its highest level in approximately six years. Japan s corporate revival was duly acknowledged on the market as stock prices rose in a broad range of industries. With the renewed appetite for capital investment, the amount of funds raised by listed companies through the issue of stocks and bonds on domestic and overseas capital markets reached high levels. In this environment, we were able to expand our business by offering our customers a variety of creative financial solutions or investment opportunities through the capital markets and by diversifying our revenue sources. As a result, income from continuing operations before income taxes increased by 118% from ¥ 204.8 billion for the year ended March 31, 2005 to ¥445.6 billion for the year ended March 31, 2006. Net income increased by 221% from ¥94.7 billion for the year ended March 31, 2005 to ¥304.3 billion for the year ended March 31, 2006. Our return on equity (ROE) increased to 15.5% for the year ended March 31, 2006 from 5.2% for the year ended March 31, 2005.

In Domestic Retail, net revenue for the year ended March 31, 2006 was ¥446.5 billion, up 47% from the previous year, and income before income taxes was ¥197.2 billion, up 143% from the previous year, as we responded to customers investment needs by offering stocks, investment trusts, foreign currency bonds, Japanese government bonds for individuals, and a variety of other financial products. We also enhanced our consultation abilities by adding staff education and training programs as well as increasing the capacity of our call centers, and we developed and introduced new products with a client-focused approach. Domestic client assets in Domestic Retail (including regional financial institutions) and Financial Management Division have continued to grow after reaching ¥80.5 trillion, the highest figure ever, as of March 31, 2006.

In Global Markets, net revenue for the year ended March 31, 2006 was ¥371.1 billion, up 53% from the previous year, and income before income taxes was ¥157.7 billion, up 162% from the previous year. Fixed Income revenue grew as a result of firm client order flow, strong derivative trading underpinned by a positive turnaround in the market environment, and contributions from the asset finance business. In Equity, active stock markets led to a recovery in order flow from domestic and foreign institutional investors, while block trades, multiple private offerings and trading gains in equity derivatives pushed up overall net revenue.

In Global Investment Banking, net revenue for the year ended March 31, 2006 was ¥99.7 billion, up 32% from the previous year, and income before income taxes was ¥51.5 billion, up 76% from the previous year. Equity underwriting fees increased as we served as lead manager for large public offerings and M&A/Financial advisory fees increased as we acted as financial advisor for a number of large deals. In international deals, we acted as lead manager for deals for a number of Asia s representative companies.

In Global Merchant Banking, net revenue for the year ended March 31, 2006 was ¥68.2 billion, up 830% from the previous year, and income before income taxes was ¥55.4 billion. This was the result of large contributions from Nomura Principal Finance s sale of its stake in Millennium Retailing, Inc., and the partial sale of Wanbishi Archives and other investee companies. We actively invested in start-ups in Japan, Europe, and the United States, primarily in the growth sectors of biotechnology, technology, and health care, and recovered some of our investments through IPOs.

In Asset Management, net revenue for the year ended March 31, 2006 was ¥65.8 billion, up 34% from the previous year, and income before income taxes was ¥20.6 billion, up 106% from the previous year. In Japan, the investment trust market has undergone a full-fledged recovery, as evidenced by the fact that assets under management in stock investment trusts are approaching a record level. We expanded our product lineup to meet clients increasingly diverse asset management needs. The assets under management of Nomura Asset Management reached ¥21.4 trillion and the total assets under management in Asset Management amounted to ¥25.8 trillion as of March 31, 2006.

Over the past five years, we have increased the size of our balance sheet, while ensuring high liquidity and maintaining sufficient equity capital. The primary drivers of the increase in the balance sheet are the growth of trading activities, mainly highly liquid government bonds, notes and bills. This growth has been mainly funded through secured financing, long-term debt, and equity. Total equity capital increased by ¥458.4billion from ¥1,604.9 billion as of March 31, 2002 to ¥2,063.3 billion as of March 31, 2006. We monitor the size, composition and growth of our balance sheet, diversify funding sources, and review equity capital base, its allocation and business mix to ensure it delivers return on equity commensurate to risk profile, the market circumstances, and our peer group. Liquidity is of critical importance, and we have created a robust set of liquidity policies to withstand market shocks for periods lasting over one year without raising additional unsecured financing or forcing the liquidation of assets.

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Results of Operations

Overview

The following table provides selected consolidated income statement information for the years indicated. Operating results for the year ended March 31, 2004 are based on our consolidated financial information submitted on June 29, 2004, and certain reclassifications of reported amounts have been made to conform to the current year presentation.

	Year Ended March 31			
	2004	2005	2006	
	(in millions)			
Non-interest revenues:				
Commissions	¥ 210,216	¥ 221,963	¥ 356,325	$ 3,033
Fees from investment banking	86,994	92,322	108,819	926
Asset management and portfolio service fees	66,193	78,452	102,667	874
Net gain on trading	229,042	201,686	304,223	2,590
Gain on private equity investments	13,138	7,744	12,328	105
Gain on investments in equity securities	55,888	15,314	67,702	576
Private equity entities product sales[(1)]	17,640	75,061	88,210	751
Other	23,565	32,316	58,753	500
Total Non-interest revenues	¥ 702,676	¥ 724,858	¥ 1,099,027	$ 9,355
Net interest revenue	100,427	74,332	46,623	397
Net revenue	803,103	799,190	1,145,650	9,752
Non-interest expenses	520,427	594,355	700,050	5,959
Income from continuing operations before income taxes	282,676	204,835	445,600	3,793
Income tax expense	110,347	110,103	188,972	1,609
Income from continuing operations	¥ 172,329	¥ 94,732	¥ 256,628	$ 2,184
Discontinued operations				
Income from discontinued operations before income taxes (including gain on disposal of ¥74,852 million in 2006)			99,413	846
Income tax expense			51,713	440
Gain on discontinued operations			47,700	406
Net income	¥ 172,329	¥ 94,732	¥ 304,328	$ 2,590
Return on equity	10.1%	5.2%	15.5%	

(1) See Private Equity Business below.

Net revenue increased by 43% from ¥799.2 billion for the year ended March 31, 2005 to ¥1,145.7 billion for the year ended March 31, 2006. Commissions increased by 61% as Domestic Retail increased offerings of their products and services to take advantage of increased demand. Asset management and portfolio service fees also increased by 31% due primarily to the growth in the net assets of stock investment trusts. Net gain on trading increased by 51% from the previous year, due primarily to the strong performance of the stock market. Gain on private equity investments increased by 59% from the previous financial year, due to realized and unrealized gains. Gain on investments in equity securities increased by 342% from the previous financial year, reflecting a strong Japanese stock market in the year.

Net revenue decreased by 0.5% from ¥803.1 billion for the year ended March 31, 2004 to ¥799.2 billion for the year ended March 31, 2005. Commissions increased by 6% as Domestic Retail increased offerings of their products and services to take advantage of increased demand. Asset management and portfolio service fees also increased by 19% due primarily to the growth in the net assets of stock investment trusts. Private equity entities product sales increased by 326%, due primarily to the effect of consolidation of certain investments in our private equity business. These increases were offset by lower net gains from trading, a decrease in gain on private equity investments and a decrease in the valuation of our investments in equity securities. Net gain from equity trading increased by 2% from the previous year, given the steady performance of the stock market. Net gain from fixed income and other trading decreased by 21% reflecting the decrease in the placements and sales of foreign bonds. Gain on private equity investments decreased by 41% from the previous financial year, due to lower realized and unrealized gains. Gain on investments in equity securities decreased by 73% from the previous financial year, reflecting a flat Japanese stock market in the year, compared with the large gains seen in the previous year.

Net interest revenue was ¥100.4 billion for the year ended March 31, 2004, ¥74.3 billion for the year ended March 31, 2005 and ¥46.6 billion for the year ended March 31, 2006. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest revenue is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view net interest revenue and non-interest revenues in aggregate. Net interest revenue for the year ended March 2006 declined by 37% from the year ended March 31, 2005, primarily due to rising interest rates and an increase in repo/reverse repo activities. An increase in the trading positions, notably common stock long position as transactions became active, resulted in increased funding demands. Increase in stock lending activities also contributed to the increase in funding usage. On a gross basis, both interest revenue and interest expense rose 73% and 98% respectively in 2006. These rises were mostly attributable to the increase in repo/reverse repo transactions. Net interest revenue for the year ended March 2005 declined by 26% from the year ended March 31, 2004, primarily due to rise in short-term funding rates while repo/reverse repo activities increased. Both interest revenue and interest expense rose 17% and 35%, respectively, as interest and dividend earning assets and interest bearing liabilities increased.

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In our consolidated income statement, we include under Revenue gain (loss) on investments in equity securities. We recorded gains on such investments in the amount of ¥55.9 billion for the year ended March 31, 2004, ¥15.3 billion for the years ended March 31, 2005 and ¥67.7 billion for the years ended March 31, 2006. This line item includes unrealized gains and losses on operating investments, and gains and losses realized upon disposition of operating investments. Operating investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships. In our consolidated financial statements, operating investments are recorded at market value, with unrealized gains and losses on these investments recognized currently in income.

Non-interest expenses increased by 18% from ¥594.4 billion for the year ended March 31, 2005 to ¥700.1 billion for the year ended March 31, 2006. The increase in non-interest expenses was mainly due to compensation and benefit costs. Compensation and benefit costs increased by 18% from ¥275.0 billion for the year ended March 31, 2005 to ¥325.4 billion for the year ended March 31, 2006, resulting from increased net revenue.

Non-interest expenses increased by 14% from ¥520.4 billion for the year ended March 31, 2004 to ¥594.4 billion for the year ended March 31, 2005. The increase in non-interest expenses was mainly due to private equity entities cost of goods sold. Private equity entities cost of goods sold increased by 277% from ¥11.9 billion for the year ended March 31, 2004 to ¥44.7 billion for the year ended March 31, 2005.

Income from continuing operations before income taxes was ¥282.7 billion for the year ended March 31, 2004, ¥204.8 billion for the year ended March 31, 2005 and ¥445.6 billion for the year ended March 31, 2006.

We are subject to a number of different taxes in Japan. For the year ended March 31, 2003, we adopted the consolidation tax system permitted under Japanese tax law. In addition to the basic corporate tax rate, a 2% surtax was imposed until the year ended March 31, 2004. Reflecting the surtax, the Japanese statutory tax rate was approximately 44% for the year ended March 31, 2004. The consolidation tax system targets only a national tax. New Japanese tax legislation was introduced in March 2003, reducing the standard enterprise tax rate and creating taxes on capital and certain expenses defined by law. This legislation became effective on April 1, 2004, and resulted in a domestic statutory tax rate of approximately 41%. Our foreign subsidiaries are subject to the income tax rates of the countries in which they operate, which are generally lower than those in Japan. Our effective tax rate in any one-year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for Income from continuing operations for the year ended March 31, 2006 was ¥189.0 billion, representing an effective tax rate of 42.4%. The effective tax rate was above the statutory tax rate of 41%. The difference was mainly due to the following two factors, which had opposite effects. First, the valuation allowance has been increased to reflect several factors, mainly relating to the local taxes in Japan and certain Terra Firma investments in Europe as a result of the review of the future realizable value of the deferred tax assets. This had the effect of increasing the effective tax rate for the year ended March 31, 2006 by approximately 12.3%. Second, tax benefit has been recognized in Japan on the devaluation of investment in a foreign subsidiary company. This had the effect of decreasing the effective tax rate for the year ended March 31, 2006 by approximately 10.5%.

Income tax expense for the year ended March 31, 2005 was ¥110.1 billion, representing an effective tax rate of 53.8%. The effective tax rate was above the statutory tax rate of 41%. The difference was mainly due to the following two factors, which had opposite effects. First, the valuation allowance has been increased to reflect several factors, most importantly the non-recoverability of losses in certain U.S. subsidiaries and a reduction in the deferred tax assets previously recorded in certain European subsidiaries as a result of a review of the future realizable value of certain Terra Firma investments in Europe in association with changes in U.K. tax treatment. This had the effect of increasing the effective tax rate for the year ended March 31, 2005 by approximately 19.9%. Second, tax benefit has been recognized in Japan on the devaluation of investment in a foreign subsidiary company. This had the effect of decreasing the effective tax rate for the year ended March 31, 2005 by approximately 9.4%.

Income tax expense for the year ended March 31, 2004 was ¥110.3 billion, representing an effective tax rate of 39.0%. The effective tax rate was below our statutory tax rate of 44% mainly due to two reasons. First, in reviewing our capital base and our business mix in each of our three overseas regions (Americas, Europe, Asia and Oceania) as part of our strategy to establish ourselves firmly as a globally competitive Japanese financial institution, we determined that we would not repatriate undistributed earnings of our three regional holding companies (Nomura Holding America Inc., Nomura Europe Holdings plc and Nomura Asia Holding N.V.) within the foreseeable future. As a result, we have reversed ¥8.5 billion of previously provided deferred tax liabilities. This decreased the effective tax rate for the year ended March 31, 2004 by approximately 3%. The second reason was the lower tax rate applicable to income (loss) of our foreign subsidiaries. Net income from these subsidiaries decreased the effective tax rate for the year ended March 31, 2004 by, a further 1.6%.

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

Net income was ¥172.3 billion for the year ended March 31, 2004, ¥94.7 billion for the year ended March 31, 2005 and ¥304.3 billion for the year ended March 31, 2006. Our return on equity was 10.1% for the year ended March 31, 2004, 5.2% for the year ended March 31, 2005 and 15.5% for the year ended March 31, 2006.

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Results by Business Segment

We operate five business divisions: Domestic Retail, Global Markets, Global Investment Banking, Global Merchant Banking and Asset Management. Gain (loss) on investment securities, our share of equity in earnings (losses) of affiliates, impairment loss on long-lived assets, corporate items and other financial adjustments are included as Other operating results outside business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for relationship purposes and the effects of consolidation and deconsolidation of certain investments in our private equity business are classified as reconciling items outside our segment information. You should read the following segment information in conjunction with Item 4.B of this annual report and Note 18 to our consolidated financial statements included in this annual report. Reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 18. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Domestic Retail

In Domestic Retail, we receive commissions and fees from investment consultation services which we provide mainly to individual customers in Japan. Additionally, we receive operational fees from asset management companies in connection with the administration services of investment trust certificates that we distribute. We also receive agent commissions from insurance companies for the insurance products we sell as an agent.

Operating Results of Domestic Retail

	Year Ended March 31			
	2004	2005	2006	
	(in millions)			
Non-interest revenues	¥ 304,035	¥ 301,464	¥ 442,981	$ 3,771
Net interest revenue	1,722	2,903	3,554	30
Net revenue	305,757	304,367	446,535	3,801
Non-interest expenses	226,213	223,200	249,330	2,122
Income before income taxes	¥ 79,544	¥ 81,167	¥ 197,205	$ 1,679

Net revenue for the year ended March 31, 2006 was ¥446.5 billion, increasing 47% from ¥304.4 billion for the year ended March 31, 2005, reflecting strong growth in commissions and fees in stock brokerage and asset management fees. The increase in commissions and fees in stock brokerage was caused by the increase in equity trading volumes mainly due to the strong performance of the stock market. Additionally, the increase in asset management fees was caused by increases in the balances for stock investment trusts.

Net revenue for the year ended March 31, 2005 was ¥304.4 billion, decreasing 0.5% from ¥305.8 billion for the year ended March 31, 2004. This was due to the fact that the placements and sales of foreign bonds decreased, while commissions and fees in stock brokerage and asset management fees increased. The increase in commissions and fees in stock brokerage was caused by the increase in equity trading volumes mainly due to the steady performance of the stock market. Additionally, the increase in asset management fees was caused by increases in the balances for stock investment trusts. These increases in commissions and fees in stock brokerage and asset management fees were offset by a decrease in revenue reflecting the decrease in the placements and sales of foreign bonds.

Non-interest expenses for the year ended March 31, 2006 were ¥249.3 billion, increasing 12% from ¥223.2 billion for the year ended March 31, 2005 mainly due to increases in compensation and benefits.

Non-interest expenses for the year ended March 31, 2005 were ¥223.2 billion, decreasing 1% from ¥226.2 billion for the year ended March 31, 2004, due primarily to the fact that higher compensation and benefits expenses were offset by lower non-compensation-related expenses.

Income before income taxes were ¥79.5 billion for the year ended March 31, 2004, ¥81.2 billion for the year ended March 31, 2005 and ¥197.2 billion for the year ended March 31, 2006.

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The graph below shows the revenue composition by instrument in terms of Domestic Retail non-interest revenues for the years ended March 31, 2004, 2005, and 2006.

As described above, revenue composition of investment trusts increased from 17% for the year ended March 31, 2005 to 22% for the year ended March 31, 2006, due primarily to increased distribution of investment trusts. Revenue composition of equities represented 45%, unchanged from the previous year, although revenue from equities increased due to the strong performance of the Japanese equity markets. Revenue composition of bonds, asset management and variable annuity insurance declined from the previous year as of March 31, 2006 because of an overall increase in the revenue size of total Domestic Retail non-interest revenue.

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Domestic client assets

The following graph shows amounts and details regarding domestic client assets at March 31, 2004, 2005, and 2006. Domestic client assets consist of customers assets held in our custody, and assets relating to the variable annuity insurance products in Domestic Retail (including regional financial institutions) and Financial Management Division.

Domestic Client Assets

Domestic client assets increased by ¥19.3 trillion from ¥61.2 trillion at March 31, 2005 to ¥80.5 trillion at March 31, 2006, due primarily to market appreciation of equity securities, reflecting a strong market environment, and, to a lesser extent, net new money. The balance of our clients investment trusts increased 21% from ¥10.0 trillion at March 31, 2005 to ¥12.1 trillion at March 31, 2006, reflecting net cash inflows by clients of ¥1.1 trillion and market appreciation of ¥1.0 trillion.

Domestic client assets increased by ¥6.4 trillion from ¥54.8 trillion at March 31, 2004 to ¥61.2 trillion at March 31, 2005, primarily reflecting an increase of net assets inflows in equity securities related to the incentive created by revisions to the Japanese tax system for taxpayers to place equity positions in the custody of securities companies. The balance of our clients investment trusts slightly decreased 1% from ¥10.1 trillion at March 31, 2004 to ¥10.0 trillion at March 31, 2005, primarily reflecting net cash outflows by clients of ¥0.1 trillion.

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Global Markets

Global Markets utilizes its global network to conduct sales and trading activities in fixed income and equity products. The areas we are currently focusing upon include, among others, enhancement of our trading and structuring capabilities in derivatives and hybrid products, introduction of further innovative products into the primary markets, strengthening our production of market-oriented credit products, including securitization financing, and growth of our asset finance business, particularly in the real estate area.

Furthermore, we strive to meet diversified client needs by utilizing our sophisticated risk management technologies and risk tolerance backed by our capital base which we seek to maintain at a firm level consistent with the risks we assume. Our global client base, which we have developed and expanded through our efforts to consistently provide high-quality research and quantitative analysis, supplies us order flows globally, which, together with our proprietary positions, enable us to provide various solutions to our clients.

Operating Results of Global Markets

	Year Ended March 31			
	2004	2005	2006	
	(in millions)			
Non-interest revenues	¥ 201,706	¥ 170,667	¥ 327,716	$ 2,790
Net interest revenue	82,441	72,420	43,392	369
Net revenue	284,147	243,087	371,108	3,159
Non-interest expenses	163,304	182,901	213,387	1,817
Income before income taxes	¥ 120,843	¥ 60,186	¥ 157,721	$ 1,342

Net revenue increased by 53% from ¥243.1 billion for the year ended March 31, 2005 to ¥371.1 billion for the year ended March 31, 2006, due primarily to increases in net gain on trading and commissions reflecting a strong market environment.

Net revenue decreased by 14% from ¥284.1 billion for the year ended March 31, 2004 to ¥243.1 billion for the year ended March 31, 2005, due primarily to a decrease in net gain on trading reflecting the decline in market volatility and other deteriorating market environmental factors, as well as lower customers order flow.

Non-interest expenses increased by 17% from ¥182.9 billion for the year ended March 31, 2005 to ¥213.4 billion for the year ended March 31, 2006, due primarily to increases in compensation and benefit costs and commissions and floor brokerage in line with higher revenues.

Non-interest expenses increased by 12% from ¥163.3 billion for the year ended March 31, 2004 to ¥182.9 billion for the year ended March 31, 2005, due primarily to increased compensation and benefit costs and increased level of employment, in part due to the build up of our product capabilities. In addition, excluding compensation and benefits expense, for the same reason, non-interest expenses also increased, primarily due to higher professional fees.

Income before income taxes was ¥120.8 billion for the year ended March 31, 2004, ¥60.2 billion for the year ended March 31, 2005 and ¥157.7 billion for the year ended March 31, 2006.

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

	Year Ended March 31		
	2004	**2005**	**2006**
Nomura s Share in Japanese Government bond auctions	16%	18%	11%
Nomura s Share in secondary bond trading	16%	14%	13%

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

Stock Market Index	**March 31**		
	2004	**2005**	**2006**
TOPIX	1,179.23	1,182.18	1,728.16
	49.6%	0.3%	46.2%
Nikkei 225 (Nikkei Stock Average)	11,715.39	11,668.95	17,059.66
	46.9%	(0.4)%	46.2%

The Japanese stock market traded in a narrow range for more than a year from spring 2004, but then rallied strongly from August 2005. The key TOPIX index, for example, changed from 1,182.18 points as of the end of March 2005, to 1,728.16 points as of the end of March 31, 2006. Similarly, the Nikkei Stock Average increased from 11,668.95 points as of the end of March 2005, to 17,059.66 points as of the end of March 2006. The following table shows our market share of Japanese equity trading for the years indicated.

	Year Ended March 31		
Nomura s Share in	**2004**	**2005**	**2006**
Total equity trading market in Japan	8%	7%	7%
Off-floor/off-exchange equity trading market in Japan	16%	17%	21%

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Global Investment Banking

We offer various investment banking services, such as underwriting and advisory activities. We underwrite offerings of bonds, stocks, and other instruments in the major global markets of Asia, Europe, and the U.S. We have been enhancing our M&A and financial advisory capabilities for cross border deals as well as Japanese deals.

Operating Results of Global Investment Banking

	Year Ended March 31			
	2004	2005	2006	
	(in millions)			
Non-interest revenues	¥ 67,004	¥ 73,271	¥ 98,087	$ 835
Net interest revenue	3,865	2,174	1,579	13
Net revenue	70,869	75,445	99,666	848
Non-interest expenses	53,703	46,231	48,127	410
Income before income taxes	¥ 17,166	¥ 29,214	¥ 51,539	$ 438

Net revenue increased by 32% from ¥75.4 billion for the year ended March 31, 2005 to ¥99.7 billion for the year ended March 31, 2006, due primarily to an increase in fees earned from underwriting public stock offerings and M&A and financial advisory.

Net revenue increased by 6% from ¥70.9 billion for the year ended March 31, 2004 to ¥75.4 billion for the year ended March 31, 2005, due primarily to an increase in fees earned from underwriting public stock offerings. Net revenue also benefited from business using our own capital to provide solutions, particularly multiple private offerings.

Non-interest expenses increased by 4% from ¥46.2 billion for the year ended March 31, 2005 to ¥48.1 billion for the year ended March 31, 2006, due primarily to an increase in compensation and benefit costs.

Non-interest expenses decreased by 14% from ¥53.7 billion for the year ended March 31, 2004 to ¥46.2 billion for the year ended March 31, 2005, due primarily to restructuring of business operations.

Income before income taxes was ¥17.2 billion for the year ended March 31, 2004, ¥29.2 billion for the year ended March 31, 2005 and ¥51.5 billion for the year ended March 31, 2006.

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

	Year Ended March 31		
	2004	**2005**	**2006**
Nomura s Share in Japanese IPOs	27%	32%	20%
Nomura s Share in Japanese Public Offerings	33%	25%	27%
Nomura s Share in Japanese Straight Bonds	19%	17%	18%
Nomura s Share in Japanese Samurai Bonds	16%	12%	13%

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Global Merchant Banking

In Japan, Nomura Principal Finance Co., Ltd. has been active in the field of buy-outs and corporate revitalization, targeting investment opportunities that offer scope for capital appreciation and attractive returns to us. The Japanese private equity business has also been developed through investments in funds managed by the Nomura Research & Advisory Co., Ltd. Since March 27, 2002, our principal finance investments in Europe have been managed by Terra Firma, as explained in Private Equity Business below.

Operating Results of Global Merchant Banking

	Year Ended March 31			
	2004	2005	2006	
	(in millions)			
Non-interest revenues	¥ 22,135	¥ 20,910	¥ 80,402	$ 684
Net interest revenue	(11,415)	(13,572)	(12,158)	(103)
Net revenue	10,720	7,338	68,244	581
Non-interest expenses	10,220	10,370	12,809	109
Income before income taxes	¥ 500	¥ (3,032)	¥ 55,435	$ 472

Net revenue increased by 830% from ¥7.3 billion for the year ended March 31, 2005 to ¥68.2 billion for the year ended March 31, 2006, due primarily to large realized gains from Nomura Principal Finance s sale of its stake in Millennium Retailing, Inc., and the partial sale of Wanbishi Archives and other investee companies.

In the year ended March 2006, realized gains from investments in Japan from which we exited were ¥77.6 billion and unrealized losses from investments in Japan were ¥3.8 billion. The fair value of the Terra Firma investments decreased by ¥8.1 billion mainly for the following reasons. Falling market share, lower than expected demand for new products, a reduction in the contract base and increase in pension exposure were the main factors causing the net realizable value of these investments to be reduced. The residential real estate investments continued to perform, in part buoyed by investor demand and strong property sales. In addition, rent reviews resulted in a significant uplift ahead of management expectations during this period. Lower cost of capital due to introduction of new debt financing also contributed to the sector s performance. The solid performance by the property investments was offset by fair value reductions in a number of investments in the Retail, Consumer Finance and Service sector.

Net revenue decreased by 32% from ¥10.7 billion for the year ended March 31, 2004 to ¥7.3 billion for the year ended March 31, 2005, due primarily to funding costs for its assets in Europe, although realized gains from investments in Japan from which we exited and a rise in the fair value of the Terra Firma investment in Europe.

In the year ended March 2005, realized gains from investments in Japan from which we exited were ¥1.9 billion. The rise in the fair value of the Terra Firma investments was ¥4.0 billion mainly for the following reasons. The residential real estate investments continued to perform, in part buoyed by investor demand and strong property sales. In addition, a renegotiation of the original terms significantly increased the number of apartments available for sale each year. The solid performance by the property investments was partially offset by fair value reductions in a number of investments in the retail and service sector. Falling market share, lower than expected demand for new products and a reduction in the contract base and a fall in average revenues per contract, were the main factors causing the net realizable value of these investments to be reduced.

In the year ended March 2004, realized gains from investments in Japan from which we exited were ¥1.9 billion. The rise in the fair value of the Terra Firma investments was ¥11.3 billion mainly for the following reasons. This gain was primarily due to a strong performance of a number of property investments, although this was partially offset by fair value decreases in a number of retail and consumer finance investments. Factors influencing the increase in valuation in the real estate investments included a lack of supply driving property prices higher and the fact that property sales were at a substantial premium to acquisition cost and exceeded original expectations in terms of lead-time to disposal. Against this, changing consumer buying habits and a corresponding fall in sales and margin adversely impacted the performance of one of the retail investments. Furthermore, the net realizable value of a number of investments in consumer sector was reduced given the poor performance in respect of sales and new product roll-out.

Non-interest expenses increased by 24% from ¥10.4 billion for the year ended March 31, 2005 to ¥12.8 billion for the year ended March 31, 2006, due primarily to higher professional fees and increased compensation and benefit costs associated with increased net revenue.

Non-interest expenses increased by 1% from ¥10.2 billion for the year ended March 31, 2004 to ¥10.4 billion for the year ended March 31, 2005, essentially unchanged from the year ended March 31, 2004, as increases in professional fees were offset by decreases in compensation and benefits.

Income before income taxes was ¥0.5 billion for the year ended March 31, 2004, loss before income taxes was ¥3.0 billion for the year ended March 31, 2005 and income before income taxes was ¥55.4 billion for the year ended March 31, 2006.

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Asset Management

Our Asset Management business is conducted principally through Nomura Asset Management Co., Ltd. We earn portfolio management fees through the development and management of investment trusts, which are distributed by Nomura Securities Co., Ltd., other brokers, banks and Japan Post. We also provide investment advisory services for pension funds and other institutional clients. Net revenues basically consist of asset management and portfolio services fees. Also, in the defined contribution pension business, we receive commissions as a plan administrator. In January 2006, Nomura Bank (Luxembourg) S.A., which is engaged in fund administration and custody business, was integrated into Asset Management.

Operating Results of Asset Management

	Year Ended March 31			
	2004	2005	2006	
	(in millions)			
Non-interest revenues	¥ 38,214	¥ 47,056	¥ 63,030	$ 537
Net interest revenue	2,062	1,937	2,813	24
Net revenue	40,276	48,993	65,843	561
Non-interest expenses	39,783	39,005	45,220	385
Income before income taxes	¥ 493	¥ 9,988	¥ 20,623	$ 176

Net revenue increased by 34% from ¥49.0 billion for the year ended March 31, 2005 to ¥65.8 billion for the year ended March 31, 2006, due primarily to increases in asset management and portfolio service fees driven by growth of assets under management.

Net revenue increased by 22% from ¥40.3 billion for the year ended March 31, 2004 to ¥49.0 billion for the year ended March 31, 2005, due primarily to increases in asset management and portfolio service fees reflecting increases in assets under management of Nomura Asset Management and Nomura Corporate Research and Asset Management Inc.

Non-interest expenses increased by 16% from ¥39.0 billion for the year ended March 31, 2005 to ¥45.2 billion for the year ended March 31, 2006, due primarily to increased compensation and benefit costs associated with increased net revenue.

Non-interest expenses decreased by 2% from ¥39.8 billion for the year ended March 31, 2004 to ¥39.0 billion for the year ended March 31, 2005, due primarily to a special withdrawal charge paid to the Japan Securities Dealers Employees Pension Fund by Nomura Asset Management in September 2003.

Income before income taxes was ¥0.5 billion for the year ended March 31, 2004, ¥10.0 billion for the year ended March 31, 2005 and ¥20.6 billion for the year ended March 31, 2006.

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

	March 31		
	2004	2005	2006
		(in billions)	
Nomura Asset Management Co., Ltd.	¥ 15,936	¥ 16,231	¥ 21,381
Nomura Corporate Research and Asset Management Inc.	815	1,152	1,231
Nomura BlackRock Asset Management Co., Ltd.	1,156	981	1,224
Nomura Funds Research and Technologies Co., Ltd.	122	423	1,395
MAINTRUST KAG mbH	193	222	299
Nomura Funds Research and Technologies America, Inc.	107	139	254
Total	¥ 18,329	¥ 19,148	¥ 25,785

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(Note) The amounts as of March 31, 2004 include those of NOMURA MAINTRUST GmbH, which was merged into MAINTRUST KAG mbH effective on April 1, 2004.

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Asset Management Business

Assets under management were ¥25.8 trillion as of March 31, 2006, ¥7.5 trillion increase from March 31, 2004, and ¥6.6 trillion increase from March 31, 2005. The greatest proportion of these assets was managed by Nomura Asset Management with assets under management of ¥21.4 trillion.

The Nikkei Stock Average rose by 46% to 17,059.66 points as of the end of March 2006 from 11,668.95 points a year earlier. The net assets of stock investment trusts increased due primarily to positive market movement and net cash inflows by clients. However, assets of Exchange Traded Funds declined and assets of bond investment trust products were unchanged. Investment advisory assets increased, due primarily to an increase in assets from overseas investors.

Investment trust assets included in the assets under management by Nomura Asset Management were ¥14.0 trillion as of March 31, 2006, up ¥3.2 trillion, or 29%, from the previous year, reflecting net cash inflows by clients of ¥1.5 trillion and market appreciation of ¥1.7 trillion. For the year ended March 31, 2005, the balance of investment trusts managed by Nomura Asset Management was ¥10.8 trillion, down ¥0.4 trillion, or 4%, from the previous year, reflecting net cash outflows by clients of ¥0.5 trillion and market appreciation of ¥0.1 trillion.

The following table shows Nomura Asset Management s share, in terms of net asset value, in the Japanese asset management market as of the dates indicated. Nomura Asset Management s market share in publicly offered investment trusts declined to 21% as of March 31, 2006 because of an overall increase in the market size of publicly offered stock investment trusts.

Nomura Asset Management s share of the fund market in Japan

	As of March 31		
	2004	**2005**	**2006**
Total of publicly offered investment trusts	28%	24%	21%
Stock investment trusts	19%	15%	15%
Bond investment trusts	40%	42%	42%

Defined contribution pension plan business in Japan

We offer various services in connection with the defined contribution pension plan business in Japan. Among other things, we provide consulting and support services for plan implementation (plan design), product selection, provision of information to subscribers, trust services, product supply and investor education. As of the end of March 2006, there were 187 plans with respect to which we, through Nomura Pension Support & Service Co., Ltd., were entrusted with the administration and management of defined contribution pension plans, and the total number of participants in those plans was about 280,000 persons.

Other Operating Results

Other operating results include gain (loss) on investment securities, our share of equity in earnings (losses) of affiliates, impairment loss on long-lived assets, corporate items and other financial adjustments. Please refer to Note 18 to our consolidated financial statements included in this annual report for a reconciliation of segment results to income statement information.

Income before income taxes in other operating results was ¥7.0 billion for the year ended March 31, 2004, ¥10.1 billion for the years ended March 31, 2005 and loss before income taxes in other operating results was ¥30.5 billion for the years ended March 31, 2006.

Summary of Regional Contribution

For a summary of our net revenue and income from continuing operations before income taxes by geographic region, see Note 18 to our consolidated financial statements included in this annual report.

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Cash flows

Please refer to Item 2. Operating and Financial Review, 6. Operating and Financial Analysis, (4) Liquidity and Capital Resources.

(2) Trading Activities

Assets and liabilities for trading purposes

The balances of assets and liabilities for trading purposes, including securities pledged as collateral at March 31, 2005 and 2006 are as follows.

	March 31, 2005 (Mil Yen)	March 31, 2006 (Mil Yen)
Trading assets and Private equity investments	15,600,521	13,697,441
Securities inventory	14,757,597	12,739,805
Equity securities and convertible bonds	2,387,992	3,460,712
Government and government agency bonds	9,080,814	5,963,420
Bank and corporate debt securities	1,494,890	1,677,309
Commercial paper and certificates of deposit	16,000	30,995
Options and warrants	58,639	139,437
Mortgage and mortgage-backed securities	1,056,212	1,264,993
Beneficiary certificates and other	663,050	202,939
Derivative contracts	515,946	592,360
Foreign exchange forwards	43,326	58,417
FRA[1] and other OTC[2] forwards	5,377	1,570
Swap agreements	330,343	352,652
Options other than securities options purchased	136,900	179,721
Private equity investments	326,978	365,276
Trading liabilities	5,332,173	6,527,627
Securities sold but not yet purchased	4,895,054	5,880,919
Equity securities and convertible bonds	639,919	603,743
Government and government agency bonds	3,916,141	4,751,230
Bank and corporate debt securities	267,197	228,121
Options and warrants	70,652	297,758
Mortgage and mortgage-backed securities	1,145	67
Derivative contracts	437,119	646,708
Foreign exchange forwards	30,858	39,311
FRA and other OTC forwards	21,168	21,072
Swap agreements	296,481	446,061
Options other than securities options written	88,612	140,264

(1) FRA is Forward Rate Agreements

(2) OTC is Over The Counter

Risk management of trading activity

Value at Risk (VaR) is the tools we use to measure market risk of our trading related business.

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

	March 31, 2005 (Bil Yen)	March 31, 2006 (Bil Yen)
Equity	3.0	6.0
Interest rate	2.8	3.3
Foreign exchange	0.7	1.4
Sub-total	6.5	10.7
Diversification benefit	(2.4)	(3.7)
Value at Risk (VaR)	4.1	7.0

	Year ended March 31, 2006		
	Maximum (Bil Yen)	Minimum (Bil Yen)	Average (Bil Yen)
Value at Risk (VaR)	8.4	3.8	5.9

2. Current Challenges.

Current Business Environment. The business environment in which we operate is undergoing various important changes. With the Japanese economy on the way to recovery, and as the global economy continues to expand, the flow of money into the stock market is expected to continue, fueled by growing asset management needs. Japan s social structure is being transformed as baby boomers retire en masse; the legal system is being overhauled; deregulation is advancing. Meanwhile, business opportunities for the financial services sector as a whole are growing as personal financial assets grow, the shift from savings to investment accelerates, and companies adopt more aggressive financial strategies. However, the business environment is unpredictable as competition is intensifying.

Amidst this climate of change, we believe, it is vital to expand our business by building on our greatest asset, our customer base, while responding flexibly to changes without straying from our core commitment of seeing eye to eye with our clients.

Management Challenges and Strategies. The greatest management challenges facing our group are maintaining our growth trend and implementing our management vision. To that end, we reformed our operational structure in April 2006. First, the number of the holding company s executive officers was reduced to eleven, their sole concern being defined as the development of our group as a whole. Meanwhile, the responsibilities and powers of the business divisions were enhanced through the appointment of business division CEOs. And to underline our determination to expand the scope of our business, the word Securities was removed from the name of our group in Japanese: it is now simply Nomura Group as in English. Having adopted this new organizational framework, we now stand ready to expand and grow our existing business divisions, create new businesses, and rebuild our business overseas.

Expansion and Growth of Existing Business Divisions. Having appointed business division CEOs and taken other steps to enhance the responsibilities and powers of our individual business divisions, we intend to further develop the business of each. The strategies being pursued to that end in each business division are as follows:

In Domestic Retail, we seek to expand our client base by encouraging a shift of personal financial assets from savings to the securities market. With that in mind, we are pursuing a Core Value Formation strategy, which involves promptly offering products and services focusing on the core values that each client considers most important. We are also continuing our efforts to educate people about investing with the goal of attracting more players into the securities market.

In Global Markets, which comprises Global Fixed Income, Global Equity, and Asset Finance, we seek to expand revenues by furnishing customers with high-value-added solutions. Specifically, we provide liquidity for financial products such as interest rates, foreign exchange, credit, and equity, as well as for real-estate-related products; and we will harness such financial techniques as securitization and derivatives.

In Global Investment Banking, we seek to expand our M&A advisory and corporate finance businesses by providing high-value-added solutions tailored to each client s individual strategy. We also seek to harness our domestic and international networks to establish a strong presence in Asia and further expand our business globally.

In Global Merchant Banking, we seek to maximize returns on investment by tapping our own capital for investing in companies and, while fostering coordination with other business divisions, by seeking to increase the corporate value of companies in which we invest.

In Asset Management, we have put in place an organizational framework that, through centralization and strengthening of research capabilities, we believe is capable of increasing the value of customer assets over the medium to long term. By diversifying the range of products we offer and expanding our investment trust sales channels, we seek to increase the amount of assets under our management and expand our revenue base. In the field of defined contribution pension plans, we seek to expand our client base by offering an integrated package of services embracing everything from support with adopting plans to provision of individual products.

New Businesses. Already over the past few years we have taken tentative steps to create new businesses. We have moved into the real estate field and begun handling real estate loans; launched an on-line securities company and entered the trust and banking agency businesses. We intend to build on this momentum. Meanwhile we expect to see our existing businesses develop in new directions as we overhaul, expand, and grow them by, for example, reforming our commission structure, accelerating the opening of new branches, and expanding sales channels through partnerships in the securities brokerage field.

International Business. Internationally, we do not intend to pursue an identical business strategy in all regions; instead, we seek to develop different strategies tailored to different regions. In Asia, we will conduct business in line with local business practices. In Europe, we seek to strengthen our revenue basis. In the United States, we are increasing our focus on our core businesses.

3. Risk Factors.

Risk Factors.

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

Market fluctuations could harm our businesses

Our businesses are materially affected by conditions in the financial markets and economic conditions in Japan and elsewhere around the world. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, act of terrorism, natural disasters or other similar events. A sustained market downturn can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market downturn, we may incur substantial losses due to market volatility.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in the fixed income and equity and other markets, both for our own account and for the purpose of facilitating our customers trades. Our positions consist of various types of asset, including financial derivatives transactions in the interest rate, credit, equity, currency, commodity, real estate and other markets, credited loans and real estate. Fluctuations of the markets where the foregoing assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets we do not own, or have short positions, an upturn in the prices of the assets could expose us to potentially unlimited losses. The uptrend of Japanese market interest rates and their volatility were caused by a monetary policy change by the Bank of Japan in March 2006. This could result in losses due to the decline in value of the bonds we own, although we have worked to mitigate these position risks with a variety of hedging techniques. We can incur losses if the markets move in a way we have not anticipated, as a result of specific events such as the terrorist attacks on September 11, 2001, or the Russian economic crisis in 1998. Also, we may face losses if the level of volatility of the markets where the foregoing assets are traded differs from our expectation, which may occur particularly in the emerging markets. In addition, we commit capital to take relatively large position for underwriting or warehousing assets to facilitate certain capital market transactions. We may incur significant losses from these positions.

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

Holding a large amount of specific assets can enhance our risks and expose us to large losses in our businesses such as market-making, block trading, underwriting and acquiring newly-issued convertible bonds through third-party allotment. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. For example, we previously held a large inventory for commercial mortgage-backed securities in our U.S. operations, the value of which seriously deteriorated after bond investors took flight from these investments in August 1998.

Extended market decline can reduce liquidity and lead to material losses

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

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase the other risks that we face

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

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

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

We may be unable to access the debt capital markets

We depend on continuous access to the short-term credit markets and the debt capital markets to finance our day-to-day operations. An inability to raise money in the long-term or short-term debt markets, or to engage in repurchase agreements and securities lending, could have a substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

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

Our ability to borrow in the debt markets also could be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the general prospects for the investment banking, securities or financial services industries generally. For example, in 1998 and 1999, as a result of concerns regarding asset quality and the failure of several large Japanese financial institutions, some international lenders charged an additional risk premium to Japanese financial institutions for short-term borrowings in the interbank market and restricted the availability of credit they were willing to extend. This additional risk premium, commonly known as Japan premium , may be imposed again.

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

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

We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on credit watch with negative implications. This could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity. For example, in 1998, after a series of credit rating downgrades, we experienced an increase in borrowing costs and reduced access to short-term funding sources particularly in connection with our operations in Europe and the United States.

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

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

- sudden and significant changes in credit ratings with regard to our trading and investment assets by rating agencies that have significant presence and influence on the market,
- sudden changes in trading, tax, accounting, laws and other related rules which may make our trading strategy obsolete or less competitive, or
- the failure of corporate actions, bankruptcy, and criminal prosecution with respect to the issuers of our trading and investment assets.

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

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

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

- decline of prices of securities issued by third parties, or
- executing securities, futures, currency or derivative trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

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

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

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

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

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

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

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

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The financial services industry is intensely competitive and rapidly consolidating

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

Competition with online securities companies in Japan is intensifying

Since the late 1990s, the financial services sector in Japan has been undergoing deregulation. Banks and other types of financial institutions can compete with us to a greater degree than they could before deregulation in the areas of financing and investment trusts. Moreover, since the full deregulation of stock brokerage commission rates in October 1999, competition in the domestic brokerage market has intensified. A number of securities companies in Japan, especially small and medium-sized firms, including those that specialize in online securities brokerage, are offering securities brokerage services at low commission rates. We may continue to experience pricing pressures in the future.

Competition with securities companies affiliated with Japanese commercial banks is increasing

In recent years, securities companies affiliated with Japanese commercial banks have been increasing their market shares in the underwriting business, thereby reducing our share. Some of these securities companies have been successful in capturing the lead underwriter s position in major corporate bond offerings.

Competition with non-Japanese firms in the Japanese market is increasing

Competition from non-Japanese firms has also increased through their presence in Japan, especially in the areas of securities underwriting and corporate advisory services, particularly M&A advisory services.

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

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and overseas. Particularly in Japan, the number of business alliances of securities companies with commercial banks has been increasing. Consolidations of those financial institutions with a view to becoming a conglomerate are also reported as possible. Through such business alliances and consolidations, these other securities companies and commercial banks have, or would have, the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services. This diversity of services offered is enhancing, or would enhance, their competitive position compared with us. They also have the ability to supplement their investment banking and securities business with commercial banking, insurance and other financial services revenues in an effort to gain market share. We may lose market share as these large, consolidated firms expand their business.

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

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

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

We face, for example, the following types of operational risk. If such risk materializes, we could suffer financial losses, disruption in our business, litigation from relevant parties, regulatory intervention in our business by the authorities, or reputation damage:

- suffering damages due to failure to settle securities transactions,
- suffering damages due to failure by officers or employees to perform proper administrative activities prescribed in regular procedures, such as orders to the securities exchanges,
- suffering damages due to suspension or malfunction of systems, many of which are developed and maintained by our affiliate, Nomura Research Institute, Ltd., or,
- suffering damages as a result of the destruction of our facilities or systems due to large-scale disasters or acts of terrorism.

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

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

Our exposure to legal liability is significant

We face significant legal risks in our businesses. These risks include liability under securities or other laws for materially false or misleading statements made in connection with securities underwriting and offering transactions, potential liability for advice we provide in corporate transactions, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for transactions with us and legal claims concerning our merchant banking business. During a prolonged market downturn, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. In addition, even legal transactions might be subject to social criticism according to the particulars or situations of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

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

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

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

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. For example, in September 2002, the Financial Services Agency of Japan abolished restrictions on sharing common office space between banks and their affiliated securities companies. Also, in accordance with the amendments to the Securities and Exchange Law effective from December 1, 2004, banks and certain other financial institutions became able to act as agents of securities companies in the securities brokerage business and therefore increasing competition. Furthermore, we may face additional regulations on trading or other activities that may lead to a reduction of the market liquidity, trading volume or market participants. Such regulatory action may damage the Japanese markets as our main revenue source.

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

We face the risk that misconduct by an employee, Director or Executive Officer could occur. Misconduct by a party such as an employee, Director or Executive Officer, including transactions in excess of authorized limits, acceptance of risks that exceeds our limits, or concealment of unauthorized or unsuccessful activities may adversely affect our business. Misconduct by an employee, Director or Executive Officer could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions, legal liability and serious reputation or financial damage to us. We may not always be able to deter misconduct by an employee, Director or Executive Officer and the precautions we take to prevent and detect misconduct may not be effective in all cases.

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

We keep and manage personal information obtained from customers in relation to our business. Reportedly, in recent years, there have been many cases of personal information and records in the possession of corporations and institutions being improperly accessed or disclosed. We may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information in accordance with the Law Concerning Protection of Personal Information, rules, regulations and guidelines relating thereto. The provisions of this law applicable to us became effective on April 1, 2005.

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

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

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

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

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

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

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

Our investments in publicly-traded shares of affiliates accounted for under the equity method in our consolidated financial statements may decline significantly over a period of time and result in our incurring an impairment loss

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

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

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

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4. Significant Contracts.

None.

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6. Operating and Financial Analysis.

(1) Operating Results

Please refer to 1. Operating Results . See also 2. Current Challenges and 3. Risk Factors .

(2) Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

Trading assets and trading liabilities, including derivative contracts, are recorded at fair value, and unrealized gains and losses are reflected in *Net gain on trading*. 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 the liquidation of Nomura s positions would reasonably be expected to impact quoted market prices, fair value is determined based on valuation pricing models which incorporate factors reflecting contractual terms, such as underlying asset prices, interest rates, dividend rates and volatility.

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

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

	Billions of yen				Translation into billions of U.S. dollars	
	March 31, 2005		March 31, 2006			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Trading securities, including securities pledged as collateral[1]	¥ 14,699	¥ 4,834	¥ 12,603	¥ 5,614	$ 107	$ 48
Non-trading debt securities, including securities pledged as collateral	277		221		2	
Investments in equity securities	172		219		2	
Investments in equity securities for other than operating purposes which are classified into *Other assets* other	11		27		0	
Private equity investments	327		365		3	
Derivative contracts[1]	574	498	730	913	6	8

(1) Securities options are classified as derivative contracts.

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

	Billions of yen		
	March 31, 2006		
	With price transparency	With little or no price transparency	Total
Trading securities inventory, including securities pledged as collateral	¥ 11,481	¥ 1,122	¥ 12,603
Trading securities sold but not yet purchased	5,583	31	5,614
Non-trading debt securities, including securities pledged as collateral	195	26	221
Investments in equity securities	205	14	219
Investments in equity securities for other than operating purposes which are classified into *Other assets other*	16	11	27
Private equity investments	24	341	365

	Billions of yen		
	March 31, 2005		
	With price	With little or no price	Total

	transparency	transparency	
Trading securities inventory, including securities pledged as collateral	¥ 13,759	¥ 940	¥ 14,699
Trading securities sold but not yet purchased	4,833	1	4,834
Non-trading debt securities, including securities pledged as collateral	243	34	277
Investments in equity securities	146	26	172
Investments in equity securities for other than operating purposes which are classified into *Other assets other*	5	6	11
Private equity investments		327	327

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

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

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

Private equity business

Please refer to Notes 2 and 4 to consolidated financial statements included in Item 5. Financial Information.

Derivative contracts

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

	Billions of yen		Translation into billions of U.S. dollars	
	March 31, 2006			
	Assets	Liabilities	Assets	Liabilities
Listed derivatives	¥ 75	¥ 79	$ 1	$ 1
OTC derivatives	655	834	5	7
	¥ 730	¥ 913	$ 6	$ 8

	Billions of yen	
	March 31, 2005	
	Assets	Liabilities

Listed derivatives	¥ 16	¥ 19
OTC derivatives	558	479
	¥ 574	¥ 498

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The fair values of OTC derivative assets and liabilities at March 31, 2005 and 2006 by remaining contractual maturity are shown below:

	Billions of yen						
	March 31, 2006						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(1)	Total fair value
OTC derivative assets	¥ 128	¥ 210	¥ 183	¥ 81	¥ 306	¥ (253)	¥ 655
OTC derivative liabilities	183	315	182	110	269	(225)	834

	Billions of yen						
	March 31, 2005						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(1)	Total fair value
OTC derivative assets	¥ 155	¥ 119	¥ 147	¥ 121	¥ 296	¥ (280)	¥ 558
OTC derivative liabilities	108	120	134	143	245	(271)	479

Note:

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

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

Accounting Developments

Please refer to Note 2 to consolidated financial statements included in Item 5. Financial Information.

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(3) Quantitative and Qualitative Disclosures about Market Risk

Risk Management

Our business is subject to various risks. These risks are classified broadly into a portfolio risk and non-portfolio risk. The portfolio risk is that our positions are affected mainly by market price changes or the credit situations of our clients. The process of managing these risks is an integral part of management s responsibilities. Financial innovation in global business activities can lead to complex interactions among risks. We recognize the importance of identifying, evaluating, monitoring and managing our risk profile.

Global Risk Management Structures

1) Monitoring and Management by Global Risk Management Unit

We have an independent global risk management unit headquartered in Tokyo in addition to the risk management which takes place at each level of our business. The global risk management unit monitors and manages the various risks that we face in our business activities based on the capital allocation rule or the global risk control policy which our Group Executive Management Committee establish. Furthermore, our global risk management headquartered in Tokyo quantifies risk for each of our business and provides risk information to senior management.

Our Group Executive Management Committee determines our strategic direction and allocates resources and capital to each business division such as Domestic Retail Business, Global Markets, Global Investment Banking, Global Merchant Banking and Asset Management on the grounds of our business plans, budgets and risk-adjusted performance to ensure proper diversification of risks and revenues. Our Group Executive Management Committee also sets each business division s risk limit that applies across business divisions to all of our trading and investment portfolios for our global business. Each business division utilizes allocated resources and capital with managing their risk limit. Simultaneously our global risk manager monitors the extent of risk exposure at each of our trading units relative to the in-house risk limit assigned to that unit and reports it to senior management daily.

We have carried out the capital management and risk management by a new frame work since April 2006. The purpose of the new frame work is to practice the more detailed risk control that accords with the actual situation of business at the same time to enhance maneuverability and flexibility of the capital management by pushing forward quantification of various risks.

Operational Risk Team has been established in Tokyo risk management since May 2006. Global Risk Management Unit can cover non portfolio risk as well as portfolio risk.

2) The Commitment Committee

In addition to the above structure, the Commitment Committee is set up in order to control risks relating to the less liquid asset investments and important investments from a risk management perspective. Our Commitment Committee is made up of the Executive Officers assigned by the Chairman of the Commitment Committee, while such Chairman is appointed by our President and Chief Executive Officer.

3) Global Risk Management System

We have made a significant commitment to the development and continuous enhancement of an appropriate risk management system and procedures. This system enables us to produce various analyses of global-based exposure to counterparties under the unified obligor identification, as well as to calculate risk amounts, including Value-at-Risk amounts discussed below, based upon our position and sensitivity data sets provided from our regional risk management. The system, which senior management, global risk manager and regional risk managers access, integrates global market data, counterparty, position, exposure and other risk information worldwide. This enables us to achieve more efficient risk monitoring and more effective risk control. Especially we can monitor and control concentration of credit exposure on a daily basis against any credit events, which we now experience in the markets worldwide.

We maintain standardized methodologies on risk measurement for all our global operations. With this standardized framework, we can evaluate and compare the risk-adjusted profitability of our existing businesses in a consistent manner. Senior management can use this information to enhance our performance by diversifying revenues and controlling exposures.

4) Model Review

We use valued pricing models when some of the financial instruments cannot be valued based upon quoted market prices.

Such models are used for management of risk positions, such as reporting against limits, as well as for valuation. Global risk management unit, independent of business, reviews the models and assesses model appropriateness and consistency.

The model reviews consider a number of factors about the model s suitability for valuation and risk management of a particular product.

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Types of Risks Managed

The principal categories of risk that we face in our daily business operations are market, market liquidity, credit, event, operational and legal risks.

Market Risk

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. We are exposed to this type of risk primarily in connection with our trading activities. Effective monitoring and management of this risk requires an ability to analyze a complex and constantly changing capital market environment worldwide and to highlight any problematic trends quickly.

VaR. The statistical technique known as Value-at-Risk, or VaR, is one of the tools we use to assess market risk exposure of our trading portfolio. VaR is the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level.

For our VaR, which we report below, we use a one-day time horizon and a 99% confidence level. This means that, statistically, there is one day out of every 100 days on which the actual trading loss exceeds the VaR.

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

We estimate VaR using a 99% confidence level and a one-day time horizon for our trading portfolio. Market risks that are incorporated in the VaR model include equity prices, interest rates, foreign exchange rates, and associated volatilities and correlations. The historical data to calculate volatilities and correlations are weighted to give greater importance to more recent observations. Given our reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden changes in market environments. An inherent limitation of VaR is that past changes in market risk factors, even when weighted toward more recent observations, may not produce accurate predictions of future market risk. Also, VaR using a one-day time horizon may not capture the market risk of positions that cannot be liquidated or hedged within one day.

There are other limitations of VaR. For example, our VaR computation assumes normal distribution for the returns on trading portfolios, while non-linear risk exposures on options would likely produce a non-normal distribution for the returns on those portfolios. Different distributional assumptions could produce a materially different VaR.

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

We used regression analysis for the period of the past 90 days between fluctuation in TOPIX and the market value of our operating equity investments held for relationship purposes. Our simulation indicates that, for each 10% change in TOPIX, the market value of our operating equity investments held for relationship purposes can be expected to change by ¥15.4 billion as of March 31, 2005 and ¥21.8 billion as of March 31, 2006. The difference in simulated numbers between March 31, 2005 and March 31, 2006 is due mainly from market value increase in our operating equity investments held for relationship purposes. On March 31, 2005, TOPIX closed at 1,182.18 points and on March 31, 2006, TOPIX closed at 1,728.16 points. This simulation analyzes data for our entire operating equity investments held for relationship purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

Market Liquidity Risk

Market liquidity risk refers to the additional risk that we face when we have large positions which cannot be disposed of in the course of normal market trading turnover. The longer we are exposed to these large positions, the greater the risk we face from fluctuations in the market price and other volatile market conditions. Funding risk is discussed in Liquidity and Capital Resources under Item 5.B. of this annual report.

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Credit Risk

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. We also use credit derivatives to reduce our exposure or hedge our credit risk with respect to issuers. Our regional credit officers monitor on a daily basis all credit risk and limits, and communicate credit information and concerns to our global risk management headquarters in Tokyo.

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

We enter into International Swaps and Derivatives Association, Inc. master agreements or equivalent agreements called master netting agreements with many of our derivative counterparties. Master netting agreements provide protection to reduce our risks of counterparty default and, in some cases, offset our consolidated balance sheet exposure with the same counterparty which provides a more meaningful presentation of our balance sheet credit exposure.

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

The credit quality of our trading-related derivatives as of March 31, 2006 is summarized in the table below, showing the fair value of the related assets by counterparty credit rating. The actual credit ratings are determined by our internally determined public rating agency equivalents.

Counterparty Credit Ratings for Replacement Cost (Net of Collateral) of Trading Derivatives in Gain Positions

	Years to Maturity									
Credit Rating	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**5 to 7 Years**	**More than 7 Years**	**Cross-Maturity Netting[1]**	**Total Fair Value**	**Collateral Obtained**	**Replacement Cost**	**Replacement Cost**
							(a)	**(b)**	**(a)-(b)**	
					(in billions of Yen and millions of U.S. dollars)					
AAA	¥ 14	¥ 55	¥ 12	¥ 3	¥ 73	¥ (18)	¥ 139	¥ 3	¥ 136	$ 1,158
AA	57	107	68	57	99	(137)	251	29	222	1,890
A	38	35	71	14	50	(78)	130	17	113	962

BBB	3	5	26	3	3	(5)	35	4	31	264
BB	0	1	0		0	(0)	1	1	0	0
Other[(2)]	16	7	6	4	81	(15)	99	7	92	783
Sub-total (OTC)	128	210	183	81	306	(253)	655	61	594	5,057
Listed derivatives	48	22	4	1			75		75	638
Total	¥ 176	¥ 232	¥ 187	¥ 82	¥ 306	¥ (253)	¥ 730	¥ 61	¥ 669	$ 5,695

Notes:

(1) This item represents netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category.

(2) Other includes embedded derivatives bifurcated from the notes issued by certain subsidiaries and does not necessarily indicate that the counterparties credit is below investment grade.

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Event Risk

Event risk refers to the potential loss in value that we may suffer through unpredictable events that cause large unexpected market price moves. Event risk can be caused by changes in political or economic factors. For example, our global risk management unit collects information on current developments in the political and economic situations in the emerging countries in which we conduct business and report them to our senior management on a weekly basis. We also monitor event risk associated with the possible failure of expected mergers and acquisitions and other corporate transactions with respect to which we have made strategic investments in parties involved in these transactions.

Through our Merchant Banking activities, we have significant exposure to private equity assets. Under our risk management framework, we treat them as private equity investments. By their nature, these assets are less liquid than other trading assets, and as a result, valuation is more uncertain. In addition, our exposure is in some cases more concentrated than is the case for other trading assets. They also exhibit a high degree of asset-specific risk. Given these characteristics, the market risk approach which is derived from day-to-day movement of market variables cannot capture the risk of private equity, and therefore we believe it is appropriate to characterize private equity risk as event risk.

We have developed modeling techniques to help us quantify the scale of our private equity risk and to allow us to calibrate these risks to the same confidence level that we apply to other trading activities. These techniques allow us to reflect the high levels of specific risk attached to private equity.

Operational Risk

Operational risk refers to the potential cost associated with criminal or other improper actions taken by our executives and employees, or failure or malfunction of our system management, or the occurrence of external phenomena such as natural disasters. Due to the increased sophistication in security transactions and the outsourcing or systemization of our operations for efficiency purposes, reduction of operational risk has become increasingly essential. We look on our operational risk as Operations Risk and System Risk and manage them as follows;

Operations Risk.

Operations risk is a type of operational risk. It is defined as risk in which we suffer damages due to failure to perform our operations properly, accidents or engagement in improprieties by our executives and employees.

In order to mitigate operations risk, we have internal regulations on setting up operations procedures with proper control, and endeavor to execute accurate and expeditious operations. We also enhance systems to reduce uncertainty of manual works.

System Risk.

System risk is a type of operational risk. It is defined as risk in which we suffer damages due to system defects, such as the shutdown or malfunction of computer systems. System risk also includes the risk that we may suffer damages due to unauthorized uses of computers.

In order to deal with system risk, we have internal regulations on information security management that set out our security policy. We make it the first priority to make these regulations well known and understood by our employees, including the importance of compliance. Also, our users cooperate with system developers such as Nomura Research Institute, Ltd. in developing new systems since the early stage of the development, and we aim to structure these systems that operate in line with our actual business operations. Our users participate in comprehensive tests at the time of releasing important systems. We endeavor to mitigate system risk through appropriate inspections. Furthermore, for important systems, we have a surveillance system which operates 24 hours a day, 365 days a year, and we implement early inspection and recovery from failures.

Legal Risk

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements, and potential loss from the inability to recover payments due from a counterparty owing to the non-enforceability of a contract. Professional expertise in the applicable regulatory environment where we conduct business, and an ability to develop cross-border products and services that meet divergent and often conflicting requirements of various regulatory regimes, are essential for managing this type of risk. We manage our legal risk primarily at the level of our regional operations. We have an Internal Controls Committee which is charged with the task of promoting proper corporate behavior throughout our group and enhancing our internal controls and procedures. The members of this committee are the President and Chief Executive Officer, some of our Executive Officers and non-executive Directors including a member of the Audit Committee. In addition, for our Japanese securities operations, the Compliance Committee in Nomura Securities Co., Ltd. (NSC), which consists of the President and Chief Executive Officer and some of the Executive Officers of NSC as well as two outside lawyers, considers major compliance matters. As part of our efforts to address legal risks for our global business, global legal and compliance conferences are held regularly to discuss issues relating to cross-border business.

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(4) Liquidity and Capital Resources.

Liquidity

Overview

Liquidity is of critical importance to Nomura and other companies in the financial services sector. Our liquidity policy seeks to ensure that we maintain sufficient liquidity to withstand market shocks for periods lasting up to one year without relying on additional unsecured financing or forcing the liquidation of trading assets. We achieve this primarily by maintaining sufficient long-term debt and equity to meet both the cash capital requirements of all our assets and by maintaining portfolios of cash and highly liquid securities that can be converted to cash through sale or pledge in order to meet our immediate liquidity requirements.

Cash Flow

Our cash flows are primarily related to the operating and financing activities undertaken in connection with our trading and market-making businesses. The following is the summary information on our consolidated cash flows for the years ended March 31, 2005 and 2006:

	Year Ended March 31	
	2005	**2006**
	(in billions)	
Net cash provided by (used in) operating activities of continuing operations	¥ (278.9)	¥ (566.3)
Income from continuing operations	94.7	256.6
Decrease (increase) in trading assets and private equity investments	(1,552.8)	2,302.6
Increase (decrease) in trading liabilities	(738.6)	1,084.0
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,402.3	(3,107.2)
Securities borrowed, net of securities loaned	483.8	(761.6)
Other, net	31.7	(340.7)
Net cash provided by (used in) investing activities of continuing operations	(121.8)	27.4
Net cash provided by (used in) financing activities of continuing operations	385.1	798.2
Long-term borrowings, net	349.2	713.2
Short-term borrowings, net	70.2	175.9
Other, net	(34.3)	(90.9)
Effect of exchange rate changes	13.7	16.4
Discontinued operations, net	(50.3)	131.1
Net increase (decrease) in cash and cash equivalents	¥ (52.2)	¥ 406.8

Please refer to our consolidated statements of cash flows included in this annual report for more detailed information. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

In the year ended March 31, 2006, our cash and cash equivalents increased by ¥406.8 billion to ¥992.0 billion. Net cash of ¥798.2 billion was raised by financing activities. Due to a strong demand for Medium Term Notes from broadly diversified investors, net cash inflow from long-term borrowings totaled ¥713.2 billion. Net cash of ¥566.3 billion was used for operating activities. Although there was a ¥3,386.6 billion cash inflow together from a decrease in trading assets and private equity investments and an increase in trading liabilities, it was offset by ¥3,868.8 billion cash outflow caused by net increase in securities purchased under agreements to resell and securities borrowed with cash collateral.

In the year ended March 31, 2005, our cash and cash equivalents decreased by ¥52.2 billion to ¥585.1 billion. We used ¥278.9 billion of net cash for operating activities and ¥121.8 billion for investing activities. Net cash from financing activities, which amounted to ¥385.1 billion, partly offset the cash usage. Long-term borrowings increased ¥349.2 billion and short-term borrowings increased ¥70.2 billion.

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Liquidity Objective

Our liquidity policies aim to ensure adequate liquidity across market cycles and through periods of stress. To achieve this goal, we have established the following liquidity policies to ensure that we are able to withstand market shocks of up to 1 year without needing to raise additional unsecured financing or forcing the liquidation of trading assets, although we may from time to time decide to sell assets in the course of normal business or for strategic purposes. We operate according to established liquidity policies and we have procedures in place to regularly monitor and report compliance with the following policies:

1 Diversify Unsecured Funding Sources. We seek to reduce refinancing risk by maintaining diversified sources of unsecured funding. We diversify funding by product**,** investor and market, and we benefit by distributing a significant portion of our unsecured liabilities through our own sales force to a large diversified client base.

As of March 31, 2005 and 2006, our unsecured funding sources, excluding those of private equity entities, were as follows:

	March 31			
	2005		2006	
	(in billions, except percentages)			
Short-Term Unsecured Debt Total(1) (2)	¥ 1,052.1	19.1%	¥ 1,249.5	19.3%
Short-Term Bank Borrowings	248.2		318.9	
Other Loans	23.4		81.2	
Commercial Paper	233.8		370.6	
Deposit at Banking Entities	310.7		302.5	
Certificates of Deposit	19.5		70.4	
Bonds and Notes maturing within one year	216.5		105.9	
Long-Term Unsecured Debt Total(1)	2,593.7	47.0%	3,175.9	48.9%
Long-Term Bank Borrowings	406.1		552.3	
Other Loans	157.8		68.6	
Bonds and Notes	2,029.8		2,555.0	
Shareholders Equity	1,868.4	33.9%	2,063.3	31.8%

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(1) Unsecured Debt figures exclude unsecured debt of private equity entities.
(2) Short-Term Unsecured Debt includes the current portion of Long-Term Unsecured Debt.

2 Ensure Appropriate Funding Mix. We seek to maintain sufficient long-term debt and equity to meet the cash capital requirements of all our assets. The amount of liquidity required is measured by our ability to finance assets using secured funding, including repurchase agreements and securities lending transactions, and we calculate such needs using conservative estimates of the assets secured borrowing power in stressed scenarios. We also maintain sufficient cash capital to cover additional liquidity requirements that include, but are not restricted to, collateral requirements on derivative contracts arising as a result of a two notch downgrade in Nomura s rating, commitments to lend to external counterparties based on an estimate of the probability of drawdown and regulatory capital in subsidiaries.

Consistent with our aim of maintaining an appropriate funding mix, in the year ended March 31, 2006, we maintained a funding mix similar to that in March 31, 2005, thereby reducing the effect of a potential liquidity event. As of March 31, 2006, excluding those of private equity entities, our long-term unsecured financing totaled ¥3,175.9 billion, well over the short-term unsecured financing in the amount of ¥1,249.5 billion (which includes the current portion of long-term unsecured debt). For the most part, our long-term debt is issued on a variable rate basis or issued on a fixed rate basis and swapped into variable-rate debt, and thus linked to short-term money market indices to avoid interest rate risk arising from a change in the shape or level of the yield curve. All of our structured notes are hedged with financial instruments in order to realize a scheduled cash flow.

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3 Maintain Liquidity Portfolios. We seek to maintain portfolios of cash and highly liquid securities that can be converted to cash through sale or pledge so that we can satisfy our immediate liquidity requirements. As of March 31, 2006, excluding those of private equity entities, we maintained ¥2,278.9 billion of liquidity portfolios that consisted of cash, cash equivalents and government securities, mostly denominated in Japanese yen and U.S. dollar, as shown below:

	March 31	
	2005	2006
	(in billions)	
Liquidity Portfolios[1]	¥ 1,467.8	¥ 2,278.9
Cash, Cash Equivalent and Deposits	842.7	1,488.0
Overnight Call Loans	113.1	53.5
Government Securities	512.0	737.4

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(1) Excluding private equity entities. Consolidated private equity entities had ¥22.4 billion and ¥22.1 billion of cash and cash deposits as of March 31, 2005 and March 31, 2006, respectively. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

We have structured our liquidity portfolios under the assumption that, in some instances, legal and regulatory requirements can restrict the flow of funds between entities in our consolidated group, and that funds or securities might not be freely available from a subsidiary to the parent company. The cost and availability to a company of unsecured funding are generally dependent on credit ratings and could be adversely affected by a debt rating downgrade or deterioration in certain of the company s financial ratios or other measures of financial performance. For example, the cost of issuing commercial paper may rise due to a downgrade of our short-term debt ratings. Whilst our cash capital model uses a one year time horizon to determine the appropriate funding mix, the size and structure of our liquidity portfolios take into consideration potential immediate cash requirements arising from:

- upcoming maturities of unsecured debt;
- potential buy backs of our outstanding debt;
- collateral outflows related to derivatives transactions;
- market halt due to a large-scale disaster; and
- difficulty in issuing new debt due to downgrade of our short-term and/or long-term debt ratings.

In addition to the liquidity portfolios, excluding those of private equity entities, we had other unencumbered assets that mainly consist of unpledged trading inventories that can be used for additional source of secured funding whose estimated net liquidity value as of March 31, 2006 was ¥1,634.0 billion.

As of March 31, 2006, excluding those of private equity entities, the estimated net liquidity value of other unencumbered assets alone represented 131% of our total short-term unsecured debt. The aggregate value of the liquidity portfolios and the estimated net liquidity value of other unencumbered assets was ¥3,912.9 billion, which represented 313% of our total short-term unsecured debt.

	March 31	
	2005	2006
	(in billions)	
Net Liquidity Value of Other Unencumbered Assets	¥ 1,520.2	¥ 1,634.0
Liquidity Portfolios[1]	1,467.8	2,278.9
Total	¥ 2,988.0	¥ 3,912.9

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(1) Excluding private equity entities. Consolidated private equity entities had ¥22.4 billion and ¥22.1 billion of cash and cash deposits as of March 31, 2005 and March 31, 2006, respectively. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

4 Maintain Committed Bank Facilities. We maintain undrawn committed credit facilities with a group of globally recognized banks in order to provide contingent financing sources. Such facilities include both syndicated and bilateral arrangements. The maturity dates of these facilities are distributed evenly in order to prevent excessive maturities of facilities in any given period. We do not believe that any of the covenant requirements in the facilities will impair our ability to draw them.

Excluding those of private equity entities, the undrawn portion of these facilities amounted to ¥603.9 billion as of March 31, 2006. The decrease of ¥109.5 billion from the previous year reflects our decision to replace part of the committed bank facilities by the Liquidity Portfolios.

	March 31,	
	2005	2006
	(in billions)	
Undrawn Committed Facilities[1]	¥ 713.4	¥ 603.9

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(1) Excluding private equity entities.

5 Contingency Funding Plan. We maintain a detailed contingency funding plan that provides assurance of our ability to survive a liquidity stress event over a one year time period. This plan establishes a process to manage communication and provide a course of action. The plan is developed at the legal entity level to capture specific cash flows for the parent company and entities subject to restrictions in respect of cash movements.

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Credit Ratings

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

As of June 28, 2006, the credit ratings of Nomura Holdings, Inc. and Nomura Securities Co., Ltd. provided by such credit rating agencies were as follows:

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

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

(1) Standard & Poor s Rating Services raised its ratings on Nomura Holdings, Inc. and Nomura Securities Co., Ltd. on June 13, 2006.

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

On May 20, 2005, Standard & Poor s Ratings Services announced that it was revising to positive the outlooks on its long-term ratings of Nomura Holdings, Inc., Nomura Securities Co., Ltd. and The Nomura Trust and Banking Co., Ltd. Standard & Poor s stated in its announcement that this revision reflected the companies improved profitability and likely benefits from further disintermediation in the financial markets.

On November 8, 2005, Moody s Investors Service announced that it upgraded to A2/A3/P-1 from A3/Baa1/P-2 the senior unsecured/senior subordinated debt rating and short-term debt ratings of Nomura Securities Co., Ltd., and upgraded to A3 from Baa1 the long-term issuer rating of Nomura Holdings, Inc. The credit ratings of overseas subsidiaries guaranteed by Nomura Securities Co., Ltd. and Nomura Holdings, Inc. (Nomura Europe Finance N.V. and Nomura Global Funding plc) were also upgraded. The rating outlook for all entities is stable. In its announcement, Moody s Investors Service mentioned that Nomura Holdings, Inc. will continue to build on its position as Japan s leading securities firm to achieve relatively stable earnings performance going forward. Although Nomura Holdings, Inc. is likely to continue to see some fluctuations in quarterly earnings, due to the limited depth of the Japanese capital markets, Moody s Investors Service sees a steady growth of retail client assets and the broader range of products in Nomura Securities Co., Ltd. being offered to retail investors as important contributors to future earnings. In addition, despite strong competition from domestic and foreign financial institutions, Moody s Investors Service stated that it expects Nomura Securities Co., Ltd. to maintain its leading position in the investment banking tables and to be well-positioned to benefit from an upturn in market activity.

On June 13, 2006, Standard & Poor s Ratings Services announced to raise its long-term counterparty credit ratings on four Nomura group companies, reflecting more stable group performance, the strengthened resilience of the group against stock market swings, and its more robust risk management. The long-term ratings on Nomura Holdings, Inc. and Nomura Trust & Banking Co., Ltd. were raised to A- from BBB+ , and on Nomura Bank International PLC to BBB+ from BBB . The long and short-term ratings on Nomura Securities Co., Ltd. were raised to A/A-1 from A-/A-2 . The outlook on the long-term rating on Nomura Bank International PLC is positive, and the outlooks on the long-term ratings on the other three Nomura companies are stable.

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Capital Resources

Capital Adequacy

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

Our capital was ¥2,063.3 billion as of March 31, 2006 compared with ¥1,868.4 billion as of March 31, 2005. Our leverage ratio as of March 31, 2006 has decreased to 17.0 times from 18.5 times as of March 31, 2005, largely due to the increase of our shareholders equity.

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

	March 31	
	2005	2006
	(in billions, except ratios)	
Shareholders equity	¥ 1,868.4	¥ 2,063.3
Total assets	34,488.9	35,026.0
Adjusted assets(1)	20,099.8	17,998.2
Leverage ratio(2)	18.5x	17.0x
Adjusted leverage ratio(3)	10.8x	8.7x

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(1) Adjusted assets represent total assets less securities purchased under agreements to resell and securities borrowed transactions.
(2) Leverage ratio equals total assets divided by shareholders equity.
(3) Adjusted leverage ratio equals adjusted assets divided by shareholders equity.

Capital Policy

Capital adequacy is an important strategic objective of our financial management. At the same time, in order to achieve a maximum return on our aggregate capital, efficient allocation of capital becomes another important strategic objective. We have devised a global capital management methodology that seeks to ensure that our capital is adequate to cover the economic risks inherent to our businesses, including market risk, credit risk, event risk, market liquidity risk and operational risk. Under this methodology, we calculate the required capital levels of our businesses strategy. To determine our required aggregate capital level, we take a portfolio approach that is based on conservative diversification assumptions. Adequacy on a legal entity basis is driven by a combination of regional economic needs together with regulatory requirements and rating agency guidelines. We constantly review our capital base, its allocation and our business mix to ensure appropriate return on equity commensurate to our risk profile, the market circumstances, and our peer group.

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(5) Off-Balance Sheet Arrangements.

In connection with our operating activities, we enter into various off-balance sheet arrangements, which may require future payments. We utilize special purpose entities, or SPEs, to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Our involvement with SPEs includes structuring SPEs and acting as administrator of SPEs, as well as underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. We derecognize financial assets transferred in securitizations provided that we have relinquished control over such assets. We 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 our consolidated balance sheets, with the change in fair value included in revenues. In the normal course of business, we act as 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 our securitization activities. We purchase and sell variable interests in VIE, in connection with our market-making and investing activities. For further information about off-balance arrangements with SPEs and VIEs, see Note 5 to the consolidated financial statements included in this annual report. Our other types of off-balance sheet arrangements include guarantee agreements, derivative contracts, commitments to extend credit, commitments to invest in partnerships and lease commitments.

In the normal course of our banking/financing activities, we enter into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date. See Note 17 to our consolidated financial statements for a further discussion of these arrangements.

We enter into derivative contracts in connection with our trading activities to manage our interest rate, market price and currency exposures, and our non-trading activities to manage our interest rate and currency exposures or to modify the interest rate characteristics of certain non-trading assets and liabilities. We generally enter into International Swaps and Derivatives Association, Inc. master agreements or their equivalents (master netting agreements) with each of its counterparties. Master netting agreements provide protection in the event of a counterparty s bankruptcy under certain circumstances, and mitigate the credit risk exposure from these transactions. In some cases, they enable unrealized gains and losses arising from our dealings in over-the-counter derivatives to be presented on a net-by-counterparty basis in accordance with FIN No. 39, Offsetting of Amounts Related to Certain Contracts. Contracts with counterparties which are in a net loss position at fair value are recorded as liabilities. See Note 3 to our consolidated financial statements for a further discussion of these arrangements.

In the normal course of our banking/financing activities, we enter into contractual commitments to extend credit, which generally have a fixed expiration date. In connection with our investment banking activities, we have entered into agreements with customers under which we have committed to underwrite notes that may be issued by the customers. The outstanding commitments under these agreements are included in Commitments to extend credit. See Note 17 to our consolidated financial statements for a further discussion of these arrangements.

We have commitments to invest in interests in various partnerships and other entities, primarily in connection with our merchant banking activities, and also have commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest in partnerships. See Note 17 to our consolidated financial statements for a further discussion of these arrangements.

The following table shows our significant off-balance sheet arrangements at March 31, 2006:

	Total contractual

	amount	
	(in millions)	
Standby letters of credit and other guarantees	¥ 6,993	$ 60
Derivative contracts[(1)]	913,193	7,773
Operating lease commitments	30,671	261
Capital lease commitments	5,512	47
Commitments to extend credit	294,902	2,510
Commitments to invest in partnerships	33,760	287

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(1) This item represents the liability balance of derivative contracts at March 31, 2006. Securities options are classified as derivative contracts.

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

We have commitments to enter into resale and repurchase agreements including amounts in connection with collateralized agreements and financing transactions. These commitments amounted to ¥3,432 billion ($29 billion) for resale agreements and ¥5,659 billion ($48 billion) for repurchase agreements at March 31, 2006, respectively

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(6) Tabular Disclosure of Contractual Obligations.

In connection with our operating activities, we enter into various contractual obligations and contingent commitments, which may require future payments. We issue Japanese yen and non-Japanese yen denominated long-term borrowings with variable and fixed interest rate in accordance with our funding policy. We lease our office space and certain employees residential facilities in Japan primarily under cancelable lease agreements which are customarily renewed upon expiration. We also lease certain equipment and facilities under capital and noncancelable operating lease agreements.

The following table shows our contractual obligations and contingent commitments as well as the future expiration at March 31, 2006:

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Long-term borrowings	¥ 3,598,599	¥ 219,590	¥ 841,698	¥ 588,091	¥ 1,949,220
Operating lease commitments	30,671	6,030	10,417	7,123	7,101
Capital lease commitments	5,512	1,484	2,196	1,168	664
Purchase obligations(1)	11,520	10,100	813	607	
Commitments to extend credit	294,902	48,785	213,354	32,763	
Commitments to invest in partnerships	33,760	78	18,931	1,774	12,977
Total	¥ 3,974,964	¥ 286,067	¥ 1,087,409	¥ 631,526	¥ 1,969,962

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Long-term borrowings	$ 30,632	$ 1,869	$ 7,164	$ 5,007	$ 16,592
Operating lease commitments	261	51	89	60	61
Capital lease commitments	47	12	19	10	6
Purchase obligations(1)	98	86	7	5	
Commitments to extend credit	2,510	415	1,816	279	
Commitments to invest in partnerships	287	1	161	15	110
Total	$ 33,835	$ 2,434	$ 9,256	$ 5,376	$ 16,769

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(1) Purchase obligations for goods or services that include payments for construction-related, consulting & outsourcing, advertising, and computer & telecommunications maintenance agreements. The amounts reflect the minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. The amounts exclude obligations that are already

reflected on balance sheet as liability (payable).

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

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Item 4. Company Information

1. Share Capital Information

(1) Total Number of Shares

A. Number of Authorized Share Capital

Type	Authorized Share Capital (shares)
Common Stock	6,000,000,000
Total	6,000,000,000

(Note) In the case of retirement of shares, however, the number of retired shares shall be subtrancted from the authorized number of shares are recorded in the Articles of Incorporation.

As amendment to the Article of Incorporation was made in the Ordinary General Meeting of Shareholders on June 28, 2006, it was delected.

B. Issued Shares

Type	Number of Issued Shares as of March 31, 2006	Number of Issued Shares as of June 29, 2006	Trading Markets	
Common Stock	1,965,919,860	1,965,919,860	Tokyo Stock Exchange(*3) Osaka Stock Exchange(*3) Nagoya Stock Exchange(*3)	

			Singapore Stock Exchange(*4)	
			New York Stock Exchange(*5)	
Total	1,965,919,860	1,965,919,860		—

(Notes)

1 Voting rights pertained.
2 Shares that may have increased from exercise of stock options between June 1, 2006 and June 29, 2006 are not included in the number of issued shares as of June 29, 2006.
3 Listed on the First Section of each stock exchange.
4 Common stock listed
5 American Depositary Shares listed.

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(2) Stock Options

A. Stock Acquisition Right

Resolved by the 98th General Shareholders Meeting on June 26, 2002

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	1,885 (*1)	1,609
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	1,885,000	1,609,000
The Amount to be Paid upon Exercising the Stock Acquisition Right (*2)	¥1,804 per share	¥1,802 per share
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 ¥1,804 Capital Inclusion Price ¥902	Issue Price of Shares ¥1,802 Capital Inclusion Price ¥901
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (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: 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	Same as left

the Optionee s term of office or other similar reasons; or

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

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	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
	(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 the both conditions of the above 2.(1) and (2) 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

(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), 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.

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

3. Executive officers are treated in the same manner with directors.

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

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	1,950[*1)]	1,745
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	1,950,000	1,745,000
The Amount to be Paid upon Exercising the Stock Acquisition Right [(*2)]	¥1,629 per share	¥1,626 per share
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 ¥1,629 Capital Inclusion Price ¥815	Issue Price of Shares ¥1,626 Capital Inclusion Price ¥813
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

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

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	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
	(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 the both conditions of the above 2.(1) and (2) 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

(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), 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.

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

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

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	1,351[*1)]	1,283
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	1,351,000	1,283,000
The Amount to be Paid upon Exercising the Stock Acquisition Right [(*2)]	¥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 Capital Inclusion Price ¥1	Same as left
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

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

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	End of Fiscal Year **(March 31, 2006)**	**End of Preceding Month to Filing of this Report** **(May 31, 2006)**
	(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 the both conditions of the above 2.(1) and (2) 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

(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), 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.

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

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

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	1,595(*1)	Same as left
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	1,595,000	Same as left
The Amount to be Paid upon Exercising the Stock Acquisition Right (*2)	¥1,615 per share	¥1,613 per share
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 ¥1,615 Capital Inclusion Price ¥808	Issue Price of Shares ¥1,613 Capital Inclusion Price ¥807
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

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

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	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
	(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 the both conditions of the above 2.(1) and (2) 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

(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), 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.

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

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Resolved by the 100th General Shareholders Meeting on June 25, 2004

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	1,379(*1)	Same as left
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	1,379.000	Same as left
The Amount to be Paid upon Exercising the Stock Acquisition Right (*2)	¥1 per share	Same as left
Exercise Period of the Stock Acquisition Right	From April 26, 2007 to April 25, 2012	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 Capital Inclusion Price ¥1	Same as left
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. or a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

compelling business reason, or other similar reasons.

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
	(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 the both conditions of the above 2.(1) and (2) 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

(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), 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.

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

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Resolved by the 100th General Shareholders Meeting on June 25, 2004

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	806(*1)	Same as left
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	806,000	Same as left
The Amount to be Paid upon Exercising the Stock Acquisition Right (*2)	¥1 per share	Same as left
Exercise Period of the Stock Acquisition Right	From June 4, 2007 to June 3, 2012	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 Capital Inclusion Price ¥1	Same as left
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. or a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

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

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	End of Fiscal Year (March 31, 2006)	**End of Preceding Month to Filing of this Report (May 31, 2006)**
	(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 the both conditions of the above 2.(1) and (2) 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

(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), 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.

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

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Resolved by the 101st General Shareholders Meeting on June 28, 2005

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	2,760(*1)	Same as left
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	276,000	Same as left
The Amount to be Paid upon Exercising the Stock Acquisition Right (*2)	¥1 per share	Same as left
Exercise Period of the Stock Acquisition Right	From July 26, 2007 to July 25, 2012	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 Capital Inclusion Price ¥1	Same as left
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. or a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

	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 the both conditions of the above 2.(1) and (2) 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

(Notes)

100 shares will be issued per one stock acquisition right.

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Resolved by the 101st General Shareholders Meeting on June 28, 2005

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right	17,370(*1)	Same as left
Type of Share under the Stock Acquisition Right	Common stock	Same as left
Number of Shares under the Stock Acquisition Rights	1,737,000	Same as left
The Amount to be Paid upon Exercising the Stock Acquisition Right (*2)	¥1,415 per share	¥1,413 per share
Exercise Period of the Stock Acquisition Right	From July 1, 2007 to June 30, 2012	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 ¥1,415 Capital Inclusion Price ¥708	Issue Price of Shares ¥1,413 Capital Inclusion Price ¥707
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right. 2. or a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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	Same as left

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

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
	(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 the both conditions of the above 2.(1) and (2) 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

(Notes)

1. 100 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), 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.

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

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Resolved by the 101st General Shareholders Meeting on June 28, 2005

	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
Number of Stock Acquisition Right		30,081[*1)]
Type of Share under the Stock Acquisition Right		Common stock
Number of Shares under the Stock Acquisition Rights		3,008,100
The Amount to be Paid upon Exercising the Stock Acquisition Right [(*2)]		¥1 per share
Exercise Period of the Stock Acquisition Right		From April 25, 2008 to April 24, 2013
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights		Issue Price of Shares ¥1 Capital Inclusion Price ¥1
Conditions to Exercise of Stock Acquisition Right		1. Not to be partial exercise of one stock acquisition right. 2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions: (1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations: a) Regarding the Optionee as a director or executive officer 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 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.

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	End of Fiscal Year (March 31, 2006)	End of Preceding Month to Filing of this Report (May 31, 2006)
		(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 the both conditions of the above 2.(1) and (2) 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.

(Note) 100 shares will be issued per one stock acquisition right.

B. Bonds with stock acquisition rights

None

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

None

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

Date	Increase/Decrease of Issued Shares	Total Issued Shares	Increase/Decrease of Shareholders Equity (thousand Yen)	Shareholders Equity (thousand Yen)	Increase/Decrease of Additional paid-in capital (thousand Yen)	Additional paid-in capital (thousand Yen)
March 31, 2002 (*2)	2,942,019	1,965,919,860	3,001	182,799,789	6,940,275	112,504,265

(Note)

Subscription warrants were exercised and shares were issued to acquire Nomura Asset Management Co., Ltd.

(4) Shareholders

As of March 31, 2006

	Unit Shareholders (100 shares per 1 unit)								
					Foreign Shareholders				
	Governments and Municipal Governments	Financial Institutions	Securities Companies	Other Corporations	Other than individuals	Individuals	Individuals and Others	Total	Shares Representing Less than One Unit (Shares)
Number of Shareholders	1	380	95	3,408	869	85	221,650	226,488	
Number of Units Held	260	4,829,887	182,943	1,588,237	8,569,926	1,700	4,461,817	19,634,770	2,442,860
Percentage of Units Held (%)	0.00	24.60	0.93	8.09	43.65	0.01	22.72	100.00	

(Notes)

1. Of the 59,825,266 treasury stocks, 598,252 units are included in Individuals and Others, and 66 shares are included in Shares Representing Less than One Unit. The number of treasury stocks, i.e. 59,825,266, is the number recorded on register of shareholders; the actual number of treasury stocks is 59,822,266.
2. 1,178 units held by Japan Securities Depository Center, Inc. are included in Other Corporations.

(5) Major Shareholders

As of March 31, 2006

Name	Address	Shares Held	Percentage of Issued Shares (%)

		(thousand shares)	
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	107,478	5.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-Ku, Tokyo, Japan	86,808	4.42
Depositary Nominees Inc.	c/o Bank of New York 101 Barclays Street New York, New York, U.S.A.	83,975	4.27
State Street Bank and Trust Company	225 Frank Street, Boston, Massachusetts, U.S.A.	82,467	4.19
State Street Bank and Trust Company 505103	225 Frank Street, Boston, Massachusetts, U.S.A.	54,795	2.79
The Chase Manhattan Bank, N.A. London	Woolgate House, EC Callman St., London, United Kingdom	44,345	2.26
Japan Trustee Services Bank, Ltd. (Trust Account 4)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	26,282	1.34
Mitsubishi UFJ Trust and Banking Corporation (Trust Account)	1-4-5, Marunouchi, Chiyoda-Ku, Tokyo, Japan	19,309	0.98
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-Ku, Tokyo, Japan	19,007	0.95
The Sumitomo Trust & Banking Co., Ltd. (Trust Account B)	4-5-33, Kitahama, Chuo-ku, Osaka, Japan	18,684	0.95
Total		543,151	27.63

(Note) The Company has 59,822 thousand shares of treasury stock as of March 31, 2006 which is not included in the Major Shareholders list above.

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(6) Voting Rights

A. Outstanding Shares

As of March 31, 2006

	Number of Shares	Number of Votes	Description
Stock without voting right			
Stock with limited voting right (Treasury stocks, etc.)			
Stock with limited voting right (Others)			
Stock with full voting right (Treasury stocks, etc.)	(Treasury Stocks) Common stock 59,822,200		Our standard stock with no limitation to its rights
	(Crossholding Stocks) Common stock 3,000,000		See above
Stock with full voting right (Others)	Common stock 1,900,654,800	19,005,340	See above
Shares less than 1 unit	Common stock 2,442,860		Shares less than 1 unit (100 shares)
Total Shares Issued	1,965,919,860		
Voting Rights of Total Shareholders		19,005,340	

(Note)

117,800 shares held by Japan Securities Depository Center, Inc. are included in Stock with full voting right (Others). 66 treasury stocks are included in Shares less than 1 unit.

B. Treasury Stocks

As of March 31, 2006

Name	Address	Directly held shares	Indirectly held shares	Total	Percentage of Issued Shares (%)
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan	59,822,200		59,822,200	3.04
(Crossholding Stocks)					
JAFCO Co., Ltd.		2,000,000		2,000,000	0.10

	1-8-2, Marunouchi, Chiyoda-Ku, Tokyo, Japan				
Nomura Research Institute, Ltd.	1-6-5, Marunouchi, Chiyoda-Ku, Tokyo, Japan	1,000,000		1,000,000	0.05
Total		62,822,200		62,822,200	3.20

(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.

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(7) Stock Option System

The Company adopts stock option system utilizing stock acquisition rights.

A. Resolved by the General Shareholders Meeting in 2002

The General Shareholders Meeting held on June 26, 2002 resolved the Company to issue stock acquisition rights to directors, statutory auditors, and employees of the Company and its subsidiaries pursuant to the provisions of Article 280-20 and 280-21 of the Commercial Code of Japan.

Resolution Date	**June 26, 2002**
Offeree	Directors, statutory auditors, and employees of the Company or the Company s subsidiaries (275 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Matters relating to Assignment of the Stock Acquisition Right	Same as above

B. Resolved by the General Shareholders Meeting in 2003

The General Shareholders Meeting held on June 26, 2003 resolved the Company to issue the following two types of stock acquisition rights to directors, executive officers, and employees of the Company and its subsidiaries pursuant to the provisions of Article 280-20 and 280-21 of the Commercial Code of Japan.

Resolution Date	**June 26, 2003**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (261 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above

Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

Resolution Date	**June 26, 2003**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (154 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

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C. Resolved by the General Shareholders Meeting in 2004

The General Shareholders Meeting held on June 25, 2004 resolved the Company to issue the following three types of stock acquisition rights to directors, executive officers, and employees of the Company and its subsidiaries pursuant to the provisions of Article 280-20 and 280-21 of the Commercial Code of Japan.

Resolution Date	**June 25, 2004**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (418 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

Resolution Date	**June 25, 2004**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (99 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

Resolution Date	**June 25, 2004**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (138 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

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D. Resolved by the General Shareholders Meeting in 2005

The General Shareholders Meeting held on June 28, 2005 resolved the Company to issue the following four types of stock acquisition rights to directors, executive officers, and employees of the Company and its subsidiaries pursuant to the provisions of Article 280-20 and 280-21 of the Commercial Code of Japan.

Resolution Date	**June 28, 2005**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (9 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

Resolution Date	**June 28, 2005**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (478 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

Resolution Date	**June 28, 2005**
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (330 in total)
Type of Share under the Stock Acquisition Right	Please see (2) Stock Options .
Number of Shares under the Stock Acquisition Rights	Same as above
The Amount to be Paid upon Exercising the Stock Acquisition Right	Same as above
Exercise Period of the Stock Acquisition Right	Same as above
Conditions to Exercise of Stock Acquisition Right	Same as above
Restriction of Transfer of Stock Acquisition Rights	Same as above

Resolution Date	June 25, 2005
Offeree	Directors, executive officers, and employees of the Company and its subsidiaries (195 in total)
Type of Share under the Stock Acquisition Right	Common stock
Number of Shares under the Stock Acquisition Rights	1,033,900
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	From June 13, 2008 to June 12, 2013
Conditions to Exercise of Stock Acquisition Right	1. Not to be partial exercise of one stock acquisition right.
	2. For a person given Stock Acquisition Right (the Optionee), to satisfy all of the following conditions:
	(1) The Optionee maintains position as a director, executive officer 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, executive officer or employee of the Company or the Company s Subsidiary in case the Optionee loses such a position by either of the following situations:
	a) Regarding the Optionee as a director or executive officer 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
	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 the both conditions of the above 2.(1) and (2) 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.

E. Resolved by the General Shareholders Meeting in 2005

The General Shareholders Meeting held on June 28, 2006 resolved the Company to issue the following two types of stock acquisition rights to directors, executive officers, and employees of the Company and directors, executive officers, statutory auditors, and employees of its subsidiaries pursuant and to the provisions of Article 236, 238 and 239 of the Corporation Low.

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Resolution Date	**June 28, 2006**
Offeree	Directors, executive officers, and employees of the Company and directors, executive officers, statutory auditors and employees of its subsidiaries.
Type of Share under the Stock Acquisition Right	Common stock
Number of Shares under the Stock Acquisition Rights	2,500,000
The Amount to be Paid upon Exercising the Stock Acquisition Right	
	The amount to be paid per share upon exercise of the stock acquisition rights (the Exercise Price) shall be the amount which is equal to the product of (i) the higher price of either the average of the daily closing prices of the Share in regular transactions at the Tokyo Stock Exchange, Inc. during the calendar month immediately prior to the month including the issue date of the stock acquisition rights (excluding dates on which no trade is made) or the closing price of the Shares in regular transactions at the Tokyo Stock Exchange, Inc. on the issue date (if there is no closing price on the issue date, the most recent closing price prior to the issue date shall apply), (ii) multiplied by 1.05.
Exercise Period of the Stock Acquisition Right	The Board of Directors of the Company or an executive officer designated by a resolution of the Board of Directors shall determine the exercise period of stock acquisition rights within the period from the issue date of stock acquisition rights to the seventh anniversary of such issue date.
Conditions to Exercise of Stock Acquisition Right	(i) Stock acquisition rights may not be exercised partly.
	(ii) Other conditions for the exercise of the rights shall be determined by the Board of Directors or an executive officer designated by a resolution of the Board of Directors.
Restriction of Transfer of Stock Acquisition Rights	Approval of the Board of Directors shall be required for transfer of the stock acquisition rights.

(Note) Details will be decided by an executive officer designated by a resolution of the Board of Directors after filing of this report.

Resolution Date	**June 28, 2006**
Offeree	Directors, executive officers, and employees of the Company and directors, executive officers, statutory auditors and employees of its subsidiaries.
Type of Share under the Stock Acquisition Right	Common stock
Number of Shares under the Stock Acquisition Rights	7,500,000
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	The Board of Directors of the Company or an executive officer designated by a resolution of the Board of Directors shall determine the exercise period of stock acquisition rights within the period from the issue date of stock acquisition rights to the seventh anniversary of such issue date.
Conditions to Exercise of Stock Acquisition Right	(i) Stock acquisition rights may not be exercised partly.
	(ii) Other conditions for the exercise of the rights shall be determined by the Board of Directors or an executive officer designated by a resolution of the Board of Directors.

Restriction of Transfer of Stock Acquisition Rights	Approval of the Board of Directors shall be required for transfer of the stock acquisition rights.

(Note) Details will be decided by an executive officer designated by a resolution of the Board of Directors after filing of this report.

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2. Stock Repurchase

(1) Stock Repurchase which is resolved by ordinary General Shareholders Meeting or Board of Directors

A. Stock Repurchase during term authorized previously

a. Type of Share Common stock

(a) Stock Repurchase based on Resolution of ordinary General Shareholders Meeting

None

(b) Stock Repurchase from Subsidiaries

None

(c) Stock Repurchase based on Resolution of Board of Directors

		As of June 28, 2006
	Number of Shares	**Total Amount (Yen)**
Resolution of Board of Directors (May 18, 2005) (A)	25,000,000	37,500,000,000
Stock Repurchased during term authorized previously (B)	11,501,500	15,507,993,900
(A)-(B) (C)	13,498,500	21,992,006,100
(C)/(A) (%)	54.0	58.6

(Notes)

1. Period: July 1, 2005 through September 16, 2005
2. Reason why unexercised rate is above 50%:

Stock repurchase based on business environments of the economic climate and the market trend.

(d) Resell or Cancellation of Stocks Repurchased

None

(e) Treasury Stocks

	As of June 28, 2006
	Number of Shares
Treasury Stocks Held	59,388,836

(Note) Treasury Stocks Held are adjusted treasury stocks that were requested for purchasing less-than-than -a-full-unit-shares and exercised stock acquisition right by its employee.

Treasury stocks held as of March 31, 2005	23,730,994 shares
Stock repurchase which is resolved by Board of Directors	36,501,500 shares
Stock repurchase which is requested for purchasing less-than-a-full-unit shares	94,161 shares
Disposal of stock which is requested for purchasing less-than-a-full-unit shares	8,389 shares
Disposal of stock which is exercised stock acquisition right	496,000 shares
Treasury stocks held as of March 31, 2006	59,822,266 shares
Stock repurchase which is requested for purchasing less-than-a-full-unit shares	9,960 shares
Disposal of stock which is requested for purchasing less-than-a-full-unit shares	1,390 shares
Disposal of stock which is exercised stock acquisition right	442,000 shares
Treasury stocks held as of June 28, 2006	59,388,836 shares

B. Resolution on Stock Repurchase at the current General Shareholders Meeting

None

(2) Stock Repurchase for Capital Reduction, Cancellation from Profits or Cancellation of Redeemable Shares based on Articles of Incorporation

A. Stock Repurchase during term authorized previously

None

B. Resolution on Stock Repurchase at the current General Shareholders Meeting

None

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3. Dividend Policy

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

In regard to cash dividends, Nomura first decides target dividend amounts, minimum level of cash dividend, taking into account the firm s dividend-on-equity ratio (DOE) of about 3%. When Nomura achieves a sufficient level of profit, it will decide the amount of the year-end cash dividend taking into consideration a pay-out ratio of over 30%. Nomura seeks to ensure sustainable growth of its target dividend in the mid- to long-term.

The Company proposes a cash dividend of 36.00 yen per share upon the dividend policy described above. As the Company paid out an interim dividend of 12.00 yen per share in December 2005, the annual dividend per share is 48 yen per share.

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

(Note) The Date of Board of Directors determined to pay out interim dividend: October 27, 2005

4. Stock Price History

(1) Annual Highs and Lows

Fiscal Year	**98th**	**99th**	**100th**	**101st**	**102nd**
Year Ending:	**March 31, 2002**	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**
High (Yen)	2,890	2,190	2,125	1,966	2,630
Low (Yen)	1,190	1,205	1,087	1,278	1,295

(Note) Prices on the first section of Tokyo Stock Exchange

(2) Monthly Highs and Lows

Month	October, 2005	November, 2005	December, 2005	January, 2006	February, 2006	March, 2006
High (Yen)	1,773	2,100	2,320	2,350	2,320	2,630
Low (Yen)	1,622	1,786	1,976	1,960	2,005	2,165

(Note) Prices on the first section of Tokyo Stock Exchange

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6. Status of Corporate Governance

Fundamental concept of corporate governance

The Company recognizes that enhanced corporate governance is one of the most important preconditions for the pursuit of transparent management, speedy group operations, and increased corporate value for Nomura Group over the medium-to-long term. On the basis of this recognition, the Company has been striving to strengthen and improve its corporate governance system.

Among other endeavors, the Company has been proactively reorganizing corporate governance structures to ensure transparent management. When the Company became a holding company of Nomura Group in October 2001, it installed outside Directors to strengthen its oversight functions, established an Internal Controls Committee including outside directors, established a Compensation Committee which outside Directors also attends, and set up an Advisory Board of eminent persons from outside the Company. Since its listing on the New York Stock Exchange (NYSE) in December 2001, the Company has been further improving its information disclosure system and promoting the building of a more transparent management framework. In June 2003, the Company adopted Committee System and separated management oversight functions from business execution functions. In addition, three new Committees (Nomination Committee, Audit Committee, and Compensation Committee), all made up mostly of outside Directors, have been established. Through these efforts, the Company further strengthens management oversight and improves transparency. At the same time, the Executive Officers were broadly delegated the authority to execute business activities in order to streamline group operations on a consolidated basis.

In addition, Nomura Group enacted its Code of Ethics in 2004 which specifies items to be observed by each director, officer and employee of Nomura Group with respect to corporate governance and corporate social responsibility. Thus, the Company strives to fulfill its responsibility to all of its stakeholders, not to mention its shareholders.

Matters related to the corporate governance of the Company

1. Organizational Structure

The Company adopts an organizational structure on the basis of Committee System. In this system, the management oversight and business execution are clearly separated. Decisions can be made more quickly by broadly delegating the authority to execute business activities from the Board of Directors to the Executive Officers, and management transparency can be increased through the activities of the three committees (for Nomination, Audit, and Compensation Committee) made up mostly of outside Directors. We consider these as the reasons for the system being able to realize the most important organizational structure for the present Company.

Further, as a corporation listed on the NYSE, the Company believes that, among the various organizational structures applicable in Japan, an organizational structure based on the committees is the most compatible standard for corporate governance stipulated in the NYSE Listed Company Manual.

<Business Execution Framework>

As an entity adopting Committee System, the Board of Directors has broadly delegated the Executive Officers the authority for determining business execution functions to ensure that the Executive Officers can execute the Company s business quickly and efficiently. Among the matters delegated to the Executive Officers by resolutions of the Board of Directors, the most important subjects of business shall be deliberated and decided at any of three conferences of the Company: the Group Executive Management Committee, the Commitment Committee and the Internal Controls Committee.

In addition to above three conferences, the Board of Executive Officers and the Group Management Council have been established in order to conduct proper business operations of Nomura Group by sharing information and discussing the business execution of the Company and Nomura Group. The roles and members of each conference are outlined below.

(1) Group Executive Management Committee

This Committee is chaired by the Chief Executive Officer (CEO) and consists of three Representative Executive Officers. The Committee deliberates and decides upon business plans and budgets, the allocation of management resources, and other important matters related to the management of Nomura Group. The meeting is held principally on a weekly basis.

(2) Commitment Committee

This Committee is chaired by the Chief Operating Officer (COO) and consists of Executive Officers and business division CEOs of Nomura Group. The Committee deliberates and decides upon the important matters related to less liquid positions and important positions from a risk management perspective of Nomura Group. The meeting is held principally on a weekly basis.

(3) Internal Controls Committee

This Committee is chaired by the CEO and consists of the CEO, persons designated by the CEO, an Audit Committee member designated by the Audit Committee, and a Director designated by the Board of Directors (Audit Mission Director). The Committee deliberates and decides upon the principal matters related to the enhancement of internal controls with respect to the business operation systems of Nomura Group, and matters related to the promotion of proper corporate behavior throughout the Group. The meeting is held principally at least once every three (3) months.

(4) Board of Executive Officers

This Board is made up of all of the Executive Officers of the Company and is responsible for sharing information and discussing the Company s execution of business as the holding company of Nomura Group. The meetings are scheduled four times yearly.

(5) Group Management Council

This Council is made up of executives who occupy key positions in Nomura Group management and is positioned under the Group Executive Management Committee. The Council takes up matters which have been deliberated and decided by the Group Executive Management Committee and shares them for discussion with the Company and other companies of the Group. The meeting is held principally on a weekly basis.

Three of the above Committees are responsible for deciding upon the execution of important business matters delegated by the Board of Directors, namely, the Group Executive Management Committee, Commitment Committee, and Internal Controls Committee, are to report to the Board of Directors on the status of their discussions at least once every three (3) months.

In addition to the above, an Advisory Board made up of the top managers of representative corporations has been set up as a consultative panel to work for the Group Executive Management Committee in order to ensure that the Committee makes the utmost use of outside opinions in planning its management strategies.

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<Three Board Committees>

As an entity adopting Committee System, the Company has complied with its legal requirement to establish three statutory committees made up mostly of outside Directors the Nomination Committee, Audit Committee, and Compensation Committee. The roles, members, etc. of each Committee are outlined in the following:

(1) Nomination Committee

This Committee is a statutory organization responsible for determining the details of proposals on the election and dismissal of Directors for submission to the general meeting of shareholders. Three members of the Committee are elected by the Board of Directors. Junichi Ujiie, Chairman of the Board not serving concurrently as an Executive Officer, currently chairs the Committee. The other two members are Masaharu Shibata and Hideaki Kubori, both outside Directors. The Nomination Committee meeting was held twice during the fiscal year ended March 31, 2006.

(2) Audit Committee

This Committee is a statutory organization having powers to audit the execution of duties of the Directors and Executive Officers, to prepare audit reports, and to determine details of proposals on the election, dismissal, and non-reelection of the independent auditor for submission to the general meeting of shareholders. Three members of the Committee are elected by the Board of Directors. Haruo Tsuji and Koji Tajika, both outside Directors, currently serve as members together with Fumihide Nomura, Director not serving concurrently as Executive Officer. The Committee is chaired by Haruo Tsuji. All members are independent directors as stipulated by the Sarbanes-Oxley Act of 2002, and Koji Tajika satisfies the requirements of a Financial Expert under the Act. The Audit Committee meeting was held twenty-three (23) times during the fiscal year ended March 31, 2006.

(3) Compensation Committee

This Committee is a statutory organization to determine the policy with respect to the particulars of compensation to be paid to the Directors and Executive Officers and the individual compensation for each of them. Three members of the Committee are elected by the Board of Directors. Junichi Ujiie, Chairman of the Board not serving concurrently as an Executive Officer, currently chairs the Committee. The other two members are Masaharu Shibata and Hideaki Kubori, both outside Directors. The Compensation Committee meeting was held three times during the fiscal year ended March 31, 2006.

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2. Status of Improvement of the Internal Control System

Nomura Group is striving to strengthen and improve its internal control system in order to promote proper corporate behavior throughout the Group, from the viewpoints of ensuring management transparency and efficiency, complying with laws and regulations, controlling risks, ensuring the reliability of business and financial reports, and fostering the timely and appropriate disclosure of information. The internal control system to be implemented in the Company was resolved by the Board of Directors under the title of System for ensuring appropriate conduct of operations in Nomura Holdings, Inc.

Further, in order to ensure effective and adequate internal controls, the Internal Audit has been established independently from the business lines. The Internal Audit and the other similar audit sections placed in major affiliated subsidiaries conduct internal audits of the Company and subsidiaries. The Internal Audit follows the instructions of the Internal Controls Committee in the execution of its duties. Results of the internal audits are reported not only to the business execution lines, but also to the Audit Committee and Audit Mission Directors.

3. Status of Improvement of the Risk Management System

Please refer to (3) Quantitative and Qualitative Disclosures about Market Risk of the section 6. Operating and Financial Analysis of Item 2. Operating and Financial Review.

4. Compensation Paid to Directors and Executive Officers

Total compensation paid to Internal Directors	124 million yen
Total compensation paid to outside Directors	98 million yen
Total compensation paid to Executive Officers	2,053 million yen

(Note) The compensation paid to Directors who concurrently serve as Executive Officers is included in the amount for the Executive Officers.

In addition to the amounts above, a retirement bonus of 77 million yen was paid to an Executive Officer who retired during the fiscal year ended March 31, 2006, in accordance with a resolution at the 98th general meeting of shareholders held on June 26, 2002.

5. Fees to Independent Auditor

Audit fees and other fees on which the Company has agreed with Ernst & Young ShinNihon are as follows:

The amounts shown below are the fees to be paid partly by consolidated companies, not solely by the Company.

	(Unit: million yen)
	For the fiscal year ended March 31, 2006
Fees to be paid for audit services prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Law	
Audit Fees*	1,914
Fees to be paid for services other than the above	
Audit-Related Fees	444
Tax Fees	130
All Other Fees	15
Total	2,503

*(Note) Audit Fees include fees related to the independent auditor s certification services required by laws and regulations (comfort letter, examination of specified assets, etc.), in addition to the fees for the audits of the financial statements of the consolidated companies.

Organization, personnel, and procedure for an Internal Audit and an Audit by the Audit Committee, and mutual collaboration between an Internal Audit and an Audit by the Audit Committee

As an entity adopting Committee System, the Board of Directors and the Audit Committee made up mostly of outside Directors perform the central management oversight functions in the Company. To establish the independence of the Committee from the execution of business more transparently, the Chairman of the Audit Committee is elected from among the outside Directors. In order to increase the effectiveness of audit work, two non-executive full-time Directors familiar with the business and organization of

Nomura Group have been appointed as Audit Mission Directors and work in that capacity to assist the Audit Committee in conducting audits. The Audit Mission Directors assist audits by the Audit Committee by supervising operations, attending important meetings, and performing daily inspections in accordance with the instructions of the Audit Committee. The Company has also established an Office of Audit Committee to support the Audit Committee. The Office of Audit Committee provides operational support for the Audit Committee and assists the Audit Mission Directors and the members of the Audit Committee in conducting audits. An Audit Committee member designated by the Audit Committee performs Personal Evaluations of the staff employees working in the Office of Audit Committee, and the consent of an Audit Committee member designated by the Audit Committee is required for recruitments, transfers, and punishments of employees from the Office.

Further, in order to ensure effective and adequate internal controls, the Internal Audit has been established independently from the business lines. The Internal Audit and the other similar audit sections placed in major affiliated subsidiaries conduct internal audits of the Company and subsidiaries. The status of implementation of the internal audit is reported to Internal Controls Committee made up partly of an Audit Committee member and an Audit Mission Director, and the matters discussed at the Internal Controls Committee are reported to the Board of Directors. Results of individual internal audits are also reported periodically (monthly in principle) to the Audit Committee, either directly or through the Audit Mission Directors. In addition, Audit Committee members may recommend changes in an internal audit plan, additional audit procedures, and preparations for improvement plans to Executive Officers, with respect to the annual plan, status of implementation, and results of an internal audit.

The Audit Committee has authority to approve the annual audit plan of the independent auditor, hear reports and explanations on the accounting audit from the independent auditor at least once each quarter, exchange information from time to time with the independent auditor, audit the method and result of the independent auditor s audits in view of the appropriateness thereof, and examine the relevant financial documents and supplementary schedules. Further, with respect to the audit services rendered by the independent auditor and the audit fees to be paid, the Company has stipulated the procedures for deliberation and prior approval by the Audit Committee upon the request of the Chief Financial Officer (CFO), pursuant to the U.S. Sarbanes-Oxley Act of 2002 and the relevant rules of the U.S. Securities and Exchange Commission (SEC).

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Personal relations, capital relations, business relations, or any other interests of Outside Directors in the Company

There are no such relations between them.

Names of the certified public accountants who executed the audit work, name of the audit corporation to which the certified public accountants belong, and composition of the assistants assigned to the audit work

1. Names of the certified public accountants who executed the audit work and name of the audit corporation to which the certified public accountants belong

Names of the certified public accountants who executed the auditing work	Name of the audit corporation to which the certified public accountants belong
Designated and Operating Partner Michiyoshi Sakamoto	Ernst & Young ShinNihon
Designated and Operating Partner Koichi Hanabusa	Ernst & Young ShinNihon
Designated and Operating Partner Hiroki Matsumura	Ernst & Young ShinNihon

Personal profiles are not provided, as none of the above accountants have records of more than seven (7) years of continuous service as auditors of the Company.

2. Composition of the assistants assigned to the audit work

Certified public accountants:	eighteen (18) persons
Assistant certified public accountants:	twenty-five (25) persons
Others:	seven (7) persons

It em 5. Financial Information

1. Preparation Method of Consolidated Financial Statements and Financial Statements

(1) Pursuant to the section 87 of Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976), the consolidated financial statements were prepared in accordance with the 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 were 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 adjustment has been made to comply with above-mentioned principles in (1).

(3) The stand-alone financial statements of the Company have been prepared based on the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No.59, 1963) (the Regulations) and article 2 of the Regulation.

However, the Regulations before revision are applied to the stand-alone financial statements for the years ended March 31, 2005, in accordance with the provision of paragraph 2 of supplementary provision of the Cabinet Office Ordinance on the Partial Revision of Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements (Cabinet Office Ordinance No.5, January 30, 2004).

2. Audit Certificate

Under articles No.193-2 of Securities and Exchange Law, the consolidated financial statements for the years ended March 31, 2005 and 2006 were audited by Ernst & Young ShinNihon. Under articles No.193-2 of Securities and Exchange Law, the financial statements for the years ended March 31, 2005 and 2006 were audited out by Ernst & Young ShinNihon.

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1. Consolidated Financial Statements and Other

(1) Consolidated Financial Statements

NOMURA HOLDINGS, INC.

1. CONSOLIDATED BALANCE SHEETS

		Millions of yen				Translation into millions of U.S. dollars
		March 31				
	Notes	2005	%(1)	2006	%(1)	2006
ASSETS						
Cash and cash deposits:						
Cash and cash equivalents		¥ 585,115		¥ 991,961		$ 8,444
Time deposits		419,606		518,111		4,410
Deposits with stock exchanges and other segregated cash		42,513		45,564		388
		1,047,234	3.1	1,555,636	4.4	13,242
Loans and receivables:	*6					
Loans receivable		514,314		682,824		5,812
Receivables from customers		12,037		26,810		228
Receivables from other than customers		697,534		656,925		5,592
Allowance for doubtful accounts		(2,801)		(2,878)		(24)
		1,221,083	3.5	1,363,681	3.9	11,608
Collateralized agreements:						
Securities purchased under agreements to resell		7,201,791		8,278,834		70,470
Securities borrowed		7,187,254		8,748,973		74,472
		14,389,045	41.7	17,027,807	48.6	144,942
Trading assets and private equity investments (including securities pledged as collateral of ¥7,743,424 million in 2005 and ¥5,610,310 million ($47,755 million) in 2006):	*3					
Securities inventory		14,757,597		12,739,805		108,443
Derivative contracts		515,946		592,360		5,042
Private equity investments	*4	326,978		365,276		3,109

		15,600,521	45.2	13,697,441	39.1	116,594
Other assets:						
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥199,863 million in 2005 and ¥211,521 million ($1,800 million) in 2006)		300,553		330,964		2,817
Lease deposits		44,843		47,582		405
Non-trading debt securities (including securities pledged as collateral of ¥10,208 million in 2005 and ¥NIL ($NIL) in 2006)		277,330		220,593		1,878
Investments in equity securities		172,067		219,486		1,868
Investments in and advances to affiliated companies	*16	226,394		223,912		1,906
Deferred tax assets	*13	111,191		145,024		1,234
Assets of discontinued operations		931,674				
Other	*7	166,918		193,909		1,651
		2,230,970	6.5	1,381,470	4.0	11,759
Total assets		¥ 34,488,853	100.0	¥ 35,026,035	100.0	$ 298,145

(1) As % of total assets

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

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		Millions of yen				Translation into millions of U.S. dollars
		March 31				
		2005	%(2)	2006	%(2)	2006
LIABILITIES AND SHAREHOLDERS EQUITY						
Short-term borrowings	*8	¥ 520,605	1.5	¥ 691,759	2.0	$ 5,888
Payables and deposits:	*6					
Payables to customers		248,089		247,511		2,107
Payables to other than customers		385,660		619,271		5,271
Time and other deposits received		330,216		372,949		3,175
		963,965	2.8	1,239,731	3.5	10,553
Collateralized financing:						
Securities sold under agreements to repurchase		12,603,211		10,773,589		91,706
Securities loaned		5,643,782		6,486,798		55,216
Other secured borrowings		3,419,192		3,002,625		25,558
		21,666,185	62.8	20,263,012	57.9	172,480
Trading liabilities:	*3					
Securities sold but not yet purchased		4,895,054		5,880,919		50,059
Derivative contracts		437,119		646,708		5,505
		5,332,173	15.5	6,527,627	18.6	55,564
Other liabilities:						
Accrued income taxes		31,336		188,770		1,607
Accrued pension and severance costs	*11	77,958		65,041		554
Liabilities of discontinued operations		881,025				
Other	*7	319,625		388,169		3,304
		1,309,944	3.8	641,980	1.8	5,465
Long-term borrowings	*8	2,827,552	8.2	3,598,599	10.3	30,632
Total liabilities		32,620,424	94.6	32,962,708	94.1	280,582
Commitments and contingencies	*17					
Shareholders equity:						
Common stock	*14					
No par value share; Authorized 6,000,000,000 shares						
Issued 1,965,919,860 shares at March 31, 2005 and 2006		182,800	0.5	182,800	0.5	1,556
Additional paid-in capital		155,947	0.4	159,527	0.4	1,358
Retained earnings		1,606,136	4.7	1,819,037	5.2	15,484

Accumulated other comprehensive (loss) income:					
Minimum pension liability adjustment	(24,645)		(14,096)		(120)
Cumulative translation adjustments	(18,083)		(1,129)		(10)
	(42,728)	(0.1)	(15,225)	(0.0)	(130)
	1,902,155	5.5	2,146,139	6.1	18,268
Less Common stock held in treasury, at cost 24,657,971 shares and 61,055,664 shares at March 31, 2005 and 2006, respectively	(33,726)	(0.1)	(82,812)	(0.2)	(705)
Total shareholders equity	1,868,429	5.4	2,063,327	5.9	17,563
Total liabilities and shareholders equity	¥ 34,488,853	100.0	¥ 35,026,035	100.0	$ 298,145

(2) As % of Total liabilities and shareholders equity

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

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NOMURA HOLDINGS, INC.

2. CONSOLIDATED STATEMENTS OF INCOME

	Notes	Millions of yen				Translation into millions of U.S. dollars
		Year ended March 31				
		2005	% (3)	2006	% (3)	2006
Revenue:						
Commissions		¥ 221,963		¥ 356,325		$ 3,033
Fees from investment banking		92,322		108,819		926
Asset management and portfolio service fees		78,452		102,667		874
Net gain on trading	*3	201,686		304,223		2,590
Gain on private equity investments		7,744		12,328		105
Interest and dividends		401,379		693,813		5,906
(Loss) gain on investments in equity securities		15,314		67,702		576
Private equity entities product sales		75,061		88,210		751
Other		32,316		58,753		500
Total revenue		1,126,237	100.0	1,792,840	100.0	15,261
Interest expense		327,047	29.0	647,190	36.1	5,509
Net revenue		799,190	71.0	1,145,650	63.9	9,752
Non-interest expenses:						
Compensation and benefits		274,988		325,431		2,770
Commissions and floor brokerage		23,910		32,931		280
Information processing and communications		81,408		89,600		763
Occupancy and related depreciation		53,534		55,049		469
Business development expenses		28,214		32,790		279
Private equity entities cost of goods sold		44,681		48,802		415
Other		87,620		115,447		983
		594,355	52.8	700,050	39.0	5,959
Income from continuing operations before income taxes		204,835	18.2	445,600	24.9	3,793
Income tax expense	*13	110,103	9.8	188,972	10.6	1,609
Income from continuing operations		94,732	8.4	256,628	14.3	2,184
Discontinued operations						
Income from discontinued operations before income taxes (including gain on disposal of ¥74,852 million ($637 million) in 2006)				99,413	5.6	846

Income tax expense			51,713	2.9	440
Gain on discontinued operations			47,700	2.7	406
Net income	¥ 94,732	8.4	¥ 304,328	17.0	$ 2,590

	Notes	Yen		Translation into U.S. dollars
Per share of common stock:	*10			
Basic				
Income from continuing operations		¥ 48.80	¥ 134.10	$ 1.14
Gain on discontinued operations			24.92	0.21
Net income		¥ 48.80	¥ 159.02	$ 1.35
Diluted				
Income from continuing operations		¥ 48.77	¥ 133.89	$ 1.14
Gain on discontinued operations			24.89	0.21
Net income		¥ 48.77	¥ 158.78	$ 1.35

(3) As % of Total revenue

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

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NOMURA HOLDINGS, INC.

3. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Millions of yen		Translation into millions of U.S. dollars
	Year ended March 31		
	2005	2006	2006
Common Stock			
Balance at beginning of year	¥ 182,800	¥ 182,800	$ 1,556
Balance at end of year	¥ 182,800	¥ 182,800	$ 1,556
Additional paid-in capital			
Balance at beginning of year	¥ 154,063	¥ 155,947	$ 1,327
Gain on sales of treasury stock	14	192	2
Issuance of common stock options	1,870	3,388	29
Balance at end of year	¥ 155,947	¥ 159,527	$ 1,358
Retained earnings			
Balance at beginning of year	¥ 1,550,231	¥ 1,606,136	$ 13,672
Net income	94,732	304,328	2,590
Cash dividends	(38,827)	(91,427)	(778)
Balance at end of year	¥ 1,606,136	¥ 1,819,037	$ 15,484
Accumulated other comprehensive income			
Minimum pension liability adjustment			
Balance at beginning of year	¥ (34,221)	¥ (24,645)	$ (210)
Net change during the year	9,576	10,549	90
Balance at end of year	¥ (24,645)	¥ (14,096)	$ (120)
Cumulative translation adjustments			
Balance at beginning of year	¥ (34,380)	¥ (18,083)	$ (154)
Net change during the year	16,297	16,954	144
Balance at end of year	¥ (18,083)	¥ (1,129)	$ (10)

Common stock held in treasury			
Balance at beginning of year	¥ (32,805)	¥ (33,726)	$ (287)
Repurchases of common stock	(475)	(49,507)	(421)
Sales of common stock	129	11	0
Common stock issued to employees		668	5
Other net change in treasury stock	(575)	(258)	(2)
Balance at end of year	¥ (33,726)	¥ (82,812)	$ (705)
Number of shares issued			
Balance at beginning of year	1,965,919,860	1,965,919,860	
Balance at end of year	1,965,919,860	1,965,919,860	

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

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NOMURA HOLDINGS, INC.

4. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		Translation into millions of U.S. dollars
	Year ended March 31		
	2005	2006	2006
Net income	¥ 94,732	¥ 304,328	$ 2,590
Other comprehensive (loss) income:			
Change in cumulative translation adjustments, net of tax	16,297	16,954	144
Minimum pension liability adjustment:			
Changes in minimum pension liability during the year	15,738	18,412	157
Deferred income taxes	(6,162)	(7,863)	(66)
Total	9,576	10,549	91
Total other comprehensive (loss) income	25,873	27,503	235
Comprehensive income	¥ 120,605	¥ 331,831	$ 2,825

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

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NOMURA HOLDINGS, INC.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Translation into millions of U.S. dollars
	Year ended March 31		
	2005	2006	2006
Cash flows from operating activities from continuing operations:			
Income from continuing operations	¥ 94,732	¥ 256,628	$ 2,184
Adjustments to reconcile income from continuing operations to net cash used in operating activities:			
Depreciation and amortization	38,163	42,812	364
Stock-based compensation	1,870	3,388	29
Gain on investments in equity securities	(15,314)	(67,702)	(576)
Equity in earnings of affiliates, net of dividends received	(7,416)	(26,695)	(227)
Loss on disposal of office buildings, land, equipment and facilities	1,642	8,777	75
Deferred income tax (benefit) expense	5,710	(23,540)	(200)
Changes in operating assets and liabilities:			
Time deposits	(157,971)	(81,193)	(691)
Deposits with stock exchanges and other segregated cash	3,036	(440)	(4)
Trading assets and private equity investments	(1,552,822)	2,302,636	19,600
Trading liabilities	(738,575)	1,084,026	9,227
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,402,270	(3,107,197)	(26,449)
Securities borrowed, net of securities loaned	483,804	(761,584)	(6,483)
Other secured borrowings	831,974	(416,566)	(3,546)
Loans and receivables, net of allowance	(158,640)	(75,773)	(645)
Payables and deposits received	(478,796)	157,956	1,345
Accrued income taxes, net	(69,418)	171,016	1,456
Other, net	36,822	(32,876)	(280)
Net cash used in operating activities from continuing operations	(278,929)	(566,327)	(4,821)
Cash flows from investing activities from continuing operations:			
Payments for purchases of office buildings, land, equipment and facilities	(59,348)	(83,983)	(715)
Proceeds from sales of office buildings, land, equipment and facilities	2,645	1,557	13
Payments for purchases of investments in equity securities	(79)	(2,126)	(18)
Proceeds from sales of investments in equity securities	12,985	10,523	90
Decrease (increase) in non-trading debt securities	(71,604)	56,824	484
Business combinations, net of cash acquired	(25,704)	(4,711)	(40)
Decrease in investments in and advances of affiliated companies, net	19,284	49,268	419
Other, net	(3)	87	1

Net cash provided by (used in) investing activities from continuing operations	(121,824)	27,439	234
Cash flows from financing activities from continuing operations:			
Increase in long-term borrowings	844,659	1,656,317	14,099
Decrease in long-term borrowings	(495,455)	(943,086)	(8,028)
Increase in short-term borrowings, net	70,181	175,910	1,497
Proceeds from sales of common stock	143	871	7
Payments for repurchases of common stock	(475)	(49,507)	(421)
Payments for cash dividends	(33,992)	(42,290)	(360)
Net cash provided by financing activities from continuing operations	385,061	798,215	6,794
Effect of exchange rate changes on cash and cash equivalents	13,697	16,419	140
Discontinued operations:			
Net cash provided by (used in) discontinued operations from			
Operating activities		28,856	246
Investing activities		(19,178)	(163)
Financing activities		(12,067)	(103)
Proceeds from sales of discontinued operations		131,100	1,116
Payments for purchase of discontinued operations	(50,262)		
Cash and cash equivalents classified as discontinued operations		2,389	20
	(50,262)	131,100	1,116
Net increase (decrease) in cash and cash equivalents	(52,257)	406,846	3,463
Cash and cash equivalents at beginning of the year	637,372	585,115	4,981
Cash and cash equivalents at end of the year	¥ 585,115	¥ 991,961	$ 8,444
Supplemental disclosure:			
Cash paid during the year for			
Interest	¥ 382,494	¥ 708,107	$ 6,027
Income tax payments, net	¥ 173,811	¥ 41,496	$ 353
Non cash activities			
Business combination			

Assets acquired, excluding cash and cash equivalents at the date of business combination, and debt assumed were ¥198,355 million and ¥183,156 million for the year ended March 31, 2005, respectively. Assets acquired, excluding cash and cash equivalents at the date of business combination, and debt assumed were ¥1,836 million ($16 million) and ¥1,576 million ($13 million) for the year ended March 31, 2006, respectively.

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

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NOMURA HOLDINGS, INC.

6. 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 the section 87 of Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976), the consolidated financial statement for the year ended March 31, 2006 has 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 adopts and accounting principles generally accepted in Japan (Japanese GAAP), and where the 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 ¥8,364 million and positive impact of ¥59,320 million ($505 million) on income before income taxes for the year ended March 31, 2005 and 2006, 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.

Retirement and severance benefit

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

Amortization of goodwill and equity method goodwill

Under U.S. GAAP, goodwill and equity method goodwill shall not be amortized and shall be tested for impairment regularly. Under Japanese GAAP, goodwill and equity method goodwill shall be amortized over certain periods within 20 years based on the straight-line method. 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. Therefore, under Japanese GAAP, the difference has a positive impact of ¥4,336 million and positive impact of ¥4,199 million ($36 million) on income before income taxes for the year ended March 31, 2005 and 2006, respectively.

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.

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Changes in the fair value of derivative contracts

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

Leveraged leases

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

2. Summary of accounting policies:

Description of business

Nomura Holdings, Inc. (the Company) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government customers on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura.

Nomura structures its business segments based upon the nature of specific products and services, its main customer base and its management structure. Nomura reports operating results in five business segments: Domestic Retail, Global Markets, Global Investments Banking, Global Merchant Banking and Asset Management.

In Domestic Retail business, Nomura provides principally investment consultation services mainly to individual customers in Japan. In Global Markets business, it is composed of three business lines: Global Fixed Income, Global Equity and Asset Finance. Nomura is engaged in principally sales and trading of equity, bond and currency exchange on a global basis to institutions domestically and abroad. In Global Investment Banking business, Nomura provides wide array of investment banking services such as underwriting of bond, equity and other, mediation of M&A and financial advice business in major world financial market. In Global Merchant Banking business, Nomura invests in private equity business for an increase in the corporate value of investee companies. 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 as revised (FIN 46-R), 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.

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

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

All material intercompany transactions and balances have been eliminated on consolidation.

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

Discontinued operations

On January 31, 2006, Nomura sold its stake in Millennium Retailing, Inc. (MR). MR was one of the investments in Nomura s private equity business and accounted for as a consolidated subsidiary. In the year ended March 31, 2006, MR has been classified as discontinued operations in accordance with Statement of Financial Accounting Standards (SFAS) No.144, Accounting for the Impairment or Disposal of Long-Lived Assets and its results of operations and cash flows are separately reported. Also, all amounts in previous years related to the discontinued operations are excluded in the footnotes to the consolidated financial statements.

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