NOMURA HOLDINGS INC
Form 6-K
November 27, 2013
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of November 2013

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F ______

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

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

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Information furnished on this form:

EXHIBITS

Exhibit Number

1. (English Translation) Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Six Months Ended September 30, 2013

2. (English Translation) Confirmation Letter

3. Capitalization and Indebtedness as of September 30, 2013 and Ratio of Earnings to Fixed Charges and Computation Thereof for the Six Months Ended September 30, 2013

The registrant hereby incorporates Exhibits 1, 2 and 3 to this report on Form 6-K by reference (i) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-191250) of the registrant and Nomura America Finance, LLC, filed with the Securities and Exchange Commission (SEC) on September 19, 2013 and (ii) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-186755) of the registrant, filed with the SEC on February 20, 2013.

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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: November 27, 2013	By: /s/ Eiji Miura
	Eiji Miura
	Senior Managing Director

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Exhibit 1

Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Six Months Ended September 30, 2013

Items included in the Quarterly Securities Report

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

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Part I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data

		Six months ended September 30, 2012	**Six months ended September 30, 2013**	**Three months ended September 30, 2012**	**Three months ended September 30, 2013**	**Year ended March 31, 2013**
Total Revenue	(Mil yen)	900,819	933,650	461,226	428,380	2,079,943
Net revenue	(Mil yen)	770,933	787,712	401,679	356,391	1,813,631
Income (loss) before income taxes	(Mil yen)	55,083	186,153	35,417	72,934	237,730
Net income (loss) attributable to Nomura Holdings, Inc. (NHI) shareholders	(Mil yen)	4,700	104,007	2,809	38,113	107,234
Comprehensive income (loss) attributable to NHI shareholders	(Mil yen)	(14,013)	132,823	(707)	35,344	194,988
Total equity	(Mil yen)	2,387,447	2,411,306			2,318,983
Total assets	(Mil yen)	35,394,322	41,868,413			37,942,439
Net income (loss) attributable to NHI shareholders per share basic	(Yen)	1.28	28.07	0.76	10.29	29.04
Net income (loss) attributable to NHI shareholders per share diluted	(Yen)	1.25	27.20	0.74	9.99	28.37
Total NHI shareholders equity as a percentage of total assets	(%)	5.9	5.7			6.0
Cash flows from operating activities	(Mil yen)	127,244	404,791			549,501
Cash flows from investing activities	(Mil yen)	31,220	(98,109)			(160,486)
Cash flows from financing activities	(Mil yen)	(494,787)	169,034			(701,623)
Cash and cash equivalents at end of the period	(Mil yen)	716,712	1,298,043			805,087

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

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

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

2. Business Overview

There was no significant change for the business of the Company and its 762 consolidated subsidiaries for the six months ended September 30, 2013.

There were 16 affiliated companies which were accounted for by the equity method as of September 30, 2013.

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Item 2. Operating and Financial Review

1. Risk Factors

There is no significant change in our Risk Factors for the six months ended September 30, 2013.

2. Significant Contracts

Not applicable.

3. Operating, Financial and Cash Flows Analysis

(1) Operating Results

Nomura reported net revenue of ¥787.7 billion, non-interest expenses of ¥601.6 billion, income before income taxes of ¥186.2 billion, and net income attributable to NHI shareholders of ¥104.0 billion for the six months ended September 30, 2013.

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

	Millions of yen Six months ended September 30	
	2012	**2013**
Commissions	¥ 149,646	¥ 263,247
Brokerage commissions	73,023	146,729
Commissions for distribution of investment trust	60,488	100,874
Other	16,135	15,644
Fees from investment banking	27,514	48,378
Underwriting and distribution	14,844	34,756
M&A / financial advisory fees	11,131	12,931
Other	1,539	691
Asset management and portfolio service fees	67,224	83,083
Asset management fees	58,666	74,046
Other	8,558	9,037
Net gain on trading	173,328	238,590
Gain (loss) on private equity investments	(5,088)	753
Net interest	66,417	67,478
Gain (loss) on investments in equity securities	5,909	12,889
Other	285,983	73,294
Net revenue	¥ 770,933	¥ 787,712

	Millions of yen Six months ended September 30	
	2012	**2013**
Compensation and benefits	¥ 258,269	¥ 298,596
Commissions and floor brokerage	43,882	55,180
Information processing and communications	87,669	94,473
Occupancy and related depreciation	46,250	40,614
Business development expenses	22,502	17,332
Other	257,278	95,364
Non-interest expenses	¥ 715,850	¥ 601,559

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Business Segment Information

Results by business segment are noted below.

Reconciliations of *Net revenue* and *Income(loss) before income taxes* on segment results of operations and the consolidated statements of income are set forth in Item 4. Financial Information, 1. Consolidated Financial Statements, Note 17. *Segment and geographic information*.

Net revenue

	Millions of yen Six months ended September 30 2012	2013
Retail	¥ 163,497	¥ 286,072
Asset Management	31,857	38,800
Wholesale	258,977	377,958
Other (Incl. elimination)	310,570	72,681
Total	¥ 764,901	¥ 775,511

Non-interest expenses

	Millions of yen Six months ended September 30 2012	2013
Retail	¥ 140,347	¥ 165,011
Asset Management	21,927	25,937
Wholesale	267,335	327,435
Other (Incl. elimination)	286,241	83,176
Total	¥ 715,850	¥ 601,559

Income (loss) before income taxes

	Millions of yen Six months ended September 30 2012	2013
Retail	¥ 23,150	¥ 121,061
Asset Management	9,930	12,863
Wholesale	(8,358)	50,523
Other (Incl. elimination)	24,329	(10,495)
Total	¥ 49,051	¥ 173,952

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Retail

Net revenue was ¥286.1 billion, primarily due to increased sales performance of equities and investment trusts as a result of active equity markets. Non-interest expenses were ¥165.0 billion and income before income taxes was ¥121.1 billion. Retail client assets were ¥90.9 trillion as of September 30, 2013, a ¥7.1 trillion increase from March 31, 2013.

Asset Management

Net revenue was ¥38.8 billion. Non-interest expenses were ¥25.9 billion and income before income taxes was ¥12.9 billion. Assets under management were ¥30.0 trillion as of September 30, 2013, a ¥2.1 trillion increase from March 31, 2013, primarily due to inflows into our investment trust business and investment advisory business, and stronger market conditions.

Wholesale

Net revenue was ¥378.0 billion. Non-interest expenses were ¥327.4 billion and income before income taxes was ¥50.5 billion.

The breakdown of net revenue for Wholesale is as follows:

	Millions of yen Six months ended September 30 2012	2013
Fixed Income[1]	¥ 158,315	¥ 191,312
Equities[1]	70,975	133,616
Investment Banking (Net)	30,908	48,899
Investment Banking (Other)	(1,221)	4,131
Investment Banking	29,687	53,030
Net revenue	¥ 258,977	¥ 377,958
Investment Banking (Gross)	¥ 65,510	¥ 92,968

(1) In accordance with the realignment in April 2013, certain prior period amounts of Fixed Income and Equities have been reclassified to conform to the current presentation.

For Fixed Income, primarily due to the significant achievements in Japan and Asia despite volatile markets, net revenue was ¥191.3 billion. For Equities, net revenue was ¥133.6 billion, primarily due to the solid performances in Japan driven by the strong market environment. For Investment Banking, net revenue was ¥53.0 billion, primarily due to an increase in the number of capital market transactions in Japan.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. Other operating results for the six months ended September 30, 2013 include gains from changes in the fair value of the financial liabilities, for which the fair value option was elected, attributable to the change in Nomura s creditworthiness of ¥2.9 billion; the negative impact of its own creditworthiness on derivative liabilities, which resulted in losses of ¥6.1 billion; and losses from changes in counterparty credit spread of ¥2.5 billion. Net revenue was ¥72.7 billion, non-interest expenses were ¥83.2 billion and loss before income taxes was ¥10.5 billion for the six months ended September 30, 2013.

Geographic Information

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 17. *Segment and geographic information* for net revenue and income (loss) before income taxes by geographic allocation.

Cash Flow Information

Please refer to (6) Liquidity and Capital Resources.

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

1) Exposure to Certain Financial Instruments and Counterparties

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

Securitization Products

Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of September 30, 2013.

	Millions of yen September 30, 2013				
	Japan	Europe	Americas	Asia and Oceania	Total(1)
CMBS(2)	¥ 5,525	¥ 15,498	¥ 65,722	¥	¥ 86,745
RMBS(2)(3)	11,226	41,295	338,409	859	391,789
Commercial real estate-backed securities					
Other securitization products(4)	213,213	9,072	158,542	1,554	382,381
Total	¥ 229,964	¥ 65,865	¥ 562,673	¥ 2,413	¥ 860,915

(1) The balances shown exclude certain CMBS of ¥19,171 million for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under Accounting Standards Codification (ASC) 860 *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposure because the beneficial interests in the vehicles have been sold to third parties.

(2) We have ¥10,608 million exposure, as whole loans and commitments, to U.S. CMBS and RMBS-related business as of September 30, 2013.

(3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government guaranteed collateralized mortgage obligations (CMO) of ¥2,081,707 million, because their credit risks are considered minimal.

(4) Includes collateralized loan obligations (CLO), collateralized debt obligations (CDO) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans, student loans and home equity loans.

The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of September 30, 2013. Ratings are based on the lowest ratings given by Standard & Poor s Financial Services LLC, Moody s Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of September 30, 2013.

	Millions of yen September 30, 2013							
	AAA	AA	A	BBB	BB	B	Others	Total
Japan	¥	¥	¥ 724	¥	¥ 840	¥ 2,235	¥ 1,726	¥ 5,525
Europe			2,882	3,867	2,758	2,303	3,688	15,498
Americas	12,249	3,422	5,017	10,593	9,365	10,109	14,967	65,722
Total	¥ 12,249	¥ 3,422	¥ 8,623	¥ 14,460	¥ 12,963	¥ 14,647	¥ 20,381	¥ 86,745

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Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic region of the target company as of September 30, 2013.

	Millions of yen September 30, 2013		
	Funded	**Unfunded**	**Total**
Europe	¥ 33,767	¥ 14,703	¥ 48,470
Americas	6,544	39,256	45,800
Asia and Oceania	340		340
Total	¥ 40,651	¥ 53,959	¥ 94,610

Special Purpose Entities

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

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

2) Fair Value of Financial Instruments

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 2% as of September 30, 2013 as listed below:

	Billions of yen September 30, 2013					
	Level 1	**Level 2**	**Level 3**	**Counterparty and Cash Collateral Netting**	**Total**	**The proportion of Level 3**
Financial assets measured at fair value (Excluding derivative assets)	¥ 9,207	¥ 9,084	¥ 426	¥	¥ 18,717	2%
Derivative assets	1,113	24,888	310	(23,818)	2,493	

Derivative liabilities	1,204	24,645	320	(23,883)	2,286

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

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(3) Trading Activities

Assets and liabilities for trading purposes

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

Risk management of trading activity

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

1) Assumptions on VaR

- Confidence Level: 99%
- Holding period: One day
- Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2013	September 30, 2013
Equity	¥ 1.3	¥ 1.9
Interest rate	5.0	5.0
Foreign exchange	1.9	1.8
Subtotal	8.2	8.7
Diversification benefit	(3.1)	(3.2)
VaR	¥ 5.1	¥ 5.5

	Billions of yen Six months ended September 30, 2013		
	Maximum	Minimum	Average
VaR	¥ 9.3	¥ 4.4	¥ 6.4

(4) Deferred Tax Assets Information

1) Details of deferred tax assets and liabilities

Details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities* respectively in the consolidated balance sheets as of September 30, 2013 are as follows:

Millions of yen

		September 30, 2013
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥	10,289
Investments in subsidiaries and affiliates		173,110
Valuation of financial instruments		109,275
Accrued pension and severance costs		15,331
Other accrued expenses and provisions		108,346
Operating losses		346,871
Other		2,448
Gross deferred tax assets		765,670
Less Valuation allowance		(495,263)
Total deferred tax assets		270,407
Deferred tax liabilities		
Investments in subsidiaries and affiliates		90,551
Valuation of financial instruments		53,393
Undistributed earnings of foreign subsidiaries		697
Valuation of fixed assets		22,028
Other		2,899
Total deferred tax liabilities		169,568
Net deferred tax assets	¥	100,839

2) Calculation method of deferred tax assets

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

(5) Qualitative Disclosures about Market Risk

1) Risk Management

The business activities of the Nomura Group are exposed to various risks such as market risk, credit risk, operational risk and other risks caused by external factors. We have established a risk management framework to provide comprehensive controls, monitoring and reporting of these risks in order to maintain financial soundness and the Company s corporate values.

2) Global Risk Management Structure

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

Market Risk

Market risk refers to the potential loss from fluctuations in the value of an assets and liabilities due to fluctuations in market factors, e.g. interest rates, foreign exchange rates, equity prices, credit spreads, indices, volatilities, correlations or other market factors. This type of risk primarily impacts our trading activities. Effective management of this risk requires the ability to analyze a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

Nomura uses a variety of complementary tools to measure, model and aggregate market risk. Our principle statistical measurement tool to assess and monitor market risk on an ongoing basis is Value at Risk (VaR). Limits on VaR are set in line with the Nomura Group s risk appetite as expressed through economic capital. In addition to VaR, we use stress testing and sensitivity analysis to measure and analyze our market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors. They are specific to each asset class and cannot usually be aggregated across risk factors. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

Credit Risk

The Nomura Group defines credit risk as the risk of losses arising from an obligor or counterparty s default, insolvency or administrative proceeding which results in the obligor s failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment (CVA) associated with deterioration in the credit worthiness of a counterparty.

For controlling credit risk appropriately, the Nomura Group has set out the basic principles in its Credit Risk Management Policy, a policy that balances the various needs of our clients whilst ensuring Nomura is taking appropriate risks and receiving sufficient returns in line with our corporate values. Under these basic principles, we have established a robust and comprehensive credit risk management framework.

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

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

Operational Risk Management

In our Operational Risk Management Policy, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to our reputation if caused by an Operational Risk. As defined by the Regulations for System Risk Management , System Risk is considered to be a component of Operational Risk as defined above.

We have established an Operational Risk Management Framework in order to allow us to identify, assess, manage, monitor and report on Operational Risk. Operational Risk Appetite is defined through a mixture of qualitative appetite statements and quantitative measures utilizing key components of the Operational Risk Management Framework.

The Nomura Group uses The Standardized Approach for calculating regulatory capital for operational risk. This involves using a 3 year average of gross income, allocated to business lines and multiplied by a fixed percentage determined by the Japanese Financial Services Agency (FSA), to establish the amount of required operational risk capital.

(6) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

We define liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from an inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Liquidity risk could be due both to Nomura-specific and market-wide events. Liquidity risk management policy is based on liquidity risk appetite which the Group Integrated Risk Management Committee formulates upon delegation by the Executive Management Board (EMB). Nomura seeks to ensure continuous liquidity across market cycles and periods of market stress. The primary objective is to ensure that all funding requirements and unsecured debt obligations that fall due within one year can be met without additional unsecured funding or forced liquidation of assets.

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

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

1. Centralized Control of Residual Cash

We centrally control residual cash held at Nomura Group entities for effective utilization purposes. As for the usage of funds, we manage the overall level of unsecured funding and set internal limits on the additional amount of unsecured funding available across Nomura Group. The limit for unsecured funding is set by the EMB and monitored closely by Global Treasury.

In order to enable us to transfer funds smoothly among group entities, we limit issuance of securities by regulated broker-dealers or banking entities. We actively seek to concentrate in unsecured funding at either Nomura or unregulated issuing entities. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across Nomura Group.

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

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets. This enables us to fund our operations for at least one year in a stress event, without needing to raise additional unsecured funding or forcing the liquidation of assets. The amount of liquidity required is based on an internal model which incorporates the following requirements:

(i) Our ability to finance assets using secured funding, including repurchase agreements and securities lending transactions. The cash capital requirements are calculated using conservative estimates of the assets secured borrowing power in stressed scenarios.

(ii) Goodwill and identifiable intangible assets, property, equipment and other illiquid assets.

(iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating.

Collateral requirements to support potential increased intraday collateral requirements from our clearers and settlement agents arising as a result of a two-notch downgrade in our credit rating.

In addition, other unencumbered assets held at exchanges for other related requirements are also funded with long-term liquidity.

(iv) Commitments to lend to external counterparties based on the probability of drawdown.

(v) Capital or other forms of financing in our regulated subsidiaries that is in excess of their long-term cash capital requirements.

Our internal model takes into account legal, regulatory and tax restrictions that may impact the ability to freely transfer of liquidity across the entities within the group.

We seek to achieve diversification of our funding by market, instrument type, investors, currency, and maturity in order to reduce our reliance on any one funding source and reduce refinancing risk.

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other interest or equity, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivative positions and/or the underlying assets to maintain funding consistency with our unsecured long term debt.

2.1 Short-Term Unsecured Debt

Our short-term unsecured debt consists primarily of short-term bank borrowings (including long-term bank borrowings maturing within one year), other loans, commercial paper, deposits at banking entities, certificates of deposit and bonds and notes maturing within one year. Deposits at banking entities and certificates of deposit comprise customer deposits and certificates of deposit held by our banking subsidiaries.

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2013 and September 30, 2013.

	Billions of yen	
	March 31, 2013	**September 30, 2013**
Short-term bank borrowings	¥ 621.3	¥ 659.8
Other loans	42.4	64.1
Commercial paper	296.7	273.6
Deposit at banking entities	781.4	751.1
Certificates of deposit	214.5	246.9
Bonds and notes maturing within one year	337.0	528.6
Total short-term unsecured debt[(1)]	¥ 2,293.3	¥ 2,524.1

(1) Short-term unsecured debt includes the current portion of long-term unsecured debt.

2.2 Long-Term Unsecured Debt

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

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

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

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

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The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2013 and September 30, 2013.

	Billions of yen	
	March 31, 2013	September 30, 2013
Long-term deposit at banking entities	¥ 76.2	¥ 108.0
Long-term bank borrowings	2,173.7	2,165.2
Other loans	133.9	131.2
Bonds and notes[1]	4,073.5	3,953.2
Total long-term unsecured debt	¥ 6,457.3	¥ 6,357.6
NHI shareholders equity	¥ 2,294.4	¥ 2,379.2

(1) Excludes long-term bonds and notes issued by consolidated VIEs that meet the definition of Variable Interest Entities (VIEs) under ASC 810, *Consolidation* and secured financing transactions recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860.

2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. A major part of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. Conditions for calling notes linked to indices are individually determined. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called.

2.4 Secured Borrowings

We typically fund our trading activities on a secured