

Risk Management

Fundamental Approach

The business activities of the Nomura Group are exposed to various risks such as market risk,^{*1} credit risk,^{*2} operational risk,^{*3} model risk,^{*4} 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.

Risk Management Systems

The fundamental policy of the Nomura Group is to control risks arising in the course of business operations within the limits of its risk appetite (according to criteria based on the Group's business strategy, business targets, and financial position). In accordance with this policy, the Executive Management Board has delegated to the Group Integrated Risk Management Committee^{*5} the responsibility of deliberating and determining important matters pertaining to integrated risk management.

The Chief Risk Officer (CRO) is responsible for maintaining the effectiveness of the risk management framework. Under the CRO, the risk management departments, which are independent from the business lines, work together globally to build Group-wide risk management frameworks and comprehensively manage risk through the use of stress testing and other methods.

In addition, to respond to higher-level financial regulations under Basel III, the Nomura Group has

applied its own internal model for measuring general market risk, specific risk, incremental risk, and comprehensive risk with the aim of more accurately calculating increasingly complex and diverse risks. To measure the amounts corresponding to credit risks in counterparty transactions, the Group applies the expected exposure method.

Moreover, to increase the effectiveness of internal controls, including the risk management systems, the Internal Audit Department, which is independent from business lines, conducts audits and makes assessments and then makes recommendations and proposals.

Please refer to Form 20-F [WEB](http://www.nomuraholdings.com/investor/library/ar/)
<http://www.nomuraholdings.com/investor/library/ar/>

^{*1} Market risk: Risk of losses arising from fluctuations in values of financial assets and debts (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others)

^{*2} Credit risk: Risk of losses arising from the decrease of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor or counterparty

^{*3} Operational risk: Risk of losses arising from inadequate or failed internal processes, people, and systems or from external events

^{*4} Model risk: Risk of losses arising from errors in the model or from illicit or inappropriate use of the model

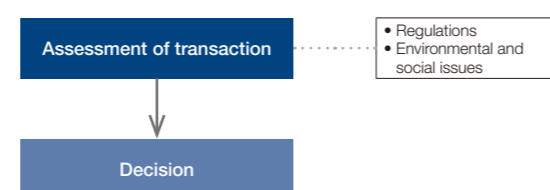
^{*5} The Group Integrated Risk Management Committee is chaired by the Group CEO and comprised of the Group COO, business division CEOs, the Chief Risk Officer, the Chief Financial Officer, the Chief Legal Officer, the Deputy CFO, and other members appointed by the chairman.

Social and Environmental Risk Management

We believe that considering the social and environmental risks that may arise from various transactions is key to managing our reputational risk. As such, in executing our business operations we focus on these risks in the same way we are careful about legal compliance.

For example, for equity underwriting businesses, we review and confirm the issuer's awareness of any associated potential risks to society and the environment and that the issuer has taken appropriate steps to address such risks, including the disclosure of information about those risks.

Assessment process



Impact on the environment and society, as well as financial condition, operating results, and other aspects, are included in the overall guidelines applied by relevant departments during the assessment process as vital items that must be confirmed when taking on underwriting deals.

Crisis Management

The Nomura Group has established the Crisis Management Committee, comprised of crisis management officers of each Group company worldwide, to address any crisis that may occur. Chaired by an Executive Officer nominated by the Group CEO, this committee has established a system for managing crises and ensuring business continuity in the event of an emergency.

Under the crisis management system, the Crisis Management Committee reports to the Board of Directors regarding matters related to crisis management. In addition, this committee's secretariat regularly conducts employee safety verification drills, disaster prevention drills, and business continuity drills, in order to be fully prepared to check the status of all Nomura employees during an emergency. As part of these efforts, the secretariat is also tasked with fostering greater awareness of crisis management as well as maintaining and strengthening our ability to respond to emergencies. This system and these measures are stipulated in the Nomura Group Crisis Management Policy. This policy covers a wide range of risks facing the Company, including natural disasters, fires, serious crimes committed against the Company or its Executive Officers and employees, system interruptions, transmittable diseases, and the leakage of information assets. We have delegated significant authority to crisis management officers to ensure they can promptly make decisions on-site should a crisis occur. The above policy dictates that crisis management officers be able to take the most appropriate actions necessary to ensure people's safety and minimize the spread of damage.

Strengthening Our Response to Disasters

The Nomura Group has revised the risk scenarios it uses based on the lessons learned from the Great

East Japan Earthquake in order to be fully prepared for other natural disasters, such as a major earthquake that may strike directly below the Tokyo area or in the Nankai Trough off the coast of Nagoya. We are also strengthening our organizational disaster preparedness measures on a global basis. In FY2012/13, we focused efforts on the following initiatives.

1. Increased supply stockpiles

- Maintenance of supplies of water, food, and other items at the head office and branch offices
- Provided additional supplies to branch offices located in areas likely to be damaged by a tsunami following the Nankai Trough Earthquake that experts think may occur

2. Strengthened collaboration between Group companies in Japan and overseas

- Bolstered the system to collect and share information with overseas branch offices
- Enhanced information sharing with domestic Group companies

3. Conducted training drills

- Conducted drill based on the scenario of an earthquake striking directly beneath Tokyo
- Performed drills to verify the safety of employees
- Performed drills in accordance with the business continuity plan (BCP)

4. Increased awareness of crisis management among management and staff

- Implemented training for countermeasures for the Nankai Trough Earthquake
- Implemented training for initial measures to be taken in the event of the occurrence of a large-scale earthquake directly beneath the Tokyo metropolitan area.

5. Business continuity plan

- Analyzed degree of impacts on business operations
- Revised BCP in conjunction with changes in core systems

Security Measures for Online Services

In order to accommodate the diverse needs of its clients, the Nomura Group provides a wide range of its services over the Internet. These services use the latest, most advanced encryption technologies to ensure that important client information is always safeguarded. Furthermore, we have strengthened surveillance of our in-house systems and implemented new security systems in order to prevent illegal access from external parties or information leakages caused by cyberattacks, which have become increasingly threatening in recent years.

Risk Management Structure

