Message from the CFO

Takumi Kitamura
Chief Financial Officer (CFO)

I was appointed as CFO in April 2016. Prior to that, I spent around 20 years working in finance-related roles that supported our businesses. Based on this background, I have set myself two key missions to carry out as CFO.

My first mission is to improve profitability and enhance the firm's capital efficiency. For instance, I will track the progress of our recently announced cost reductions to ensure they are properly carried out. I will also allocate resources appropriately and evaluate the return on resources to ensure that our limited management resources are put to the best use.

My second mission is to maintain our appropriate financial position. Nomura's core business is to provide financial products in the volatile capital markets. Amid the trend to apply tighter regulations to global financial institutions, it is critical to have abundant liquidity and a solid financial position. Indeed, at times these can also be a competitive advantage.

FY2015/16 Financial Results

The year ended March 2016 started off relatively smoothly. However, the second half of the year proved to be challenging as client activity weakened on the back of fears over a slowdown in China from August onwards and uncertainty surrounding the direction of monetary policy in major countries. Asset Management reported stronger earnings as it continued to grow its assets under management. However, Retail and Wholesale both booked a decline in pretax income compared to the previous year. As a result, income before income taxes from our three business segments totaled ¥179.7 billion, representing a decline of 35% year on year.

Aside from the three segments, there was downward pressure on earnings from unrealized losses on securities held due to the decline in stock prices and expenses related to the settlement of legal proceedings. Group income before income taxes was ¥165.2 billion, net income was ¥131.6 billion, and earnings per share (diluted) was ¥35.52.

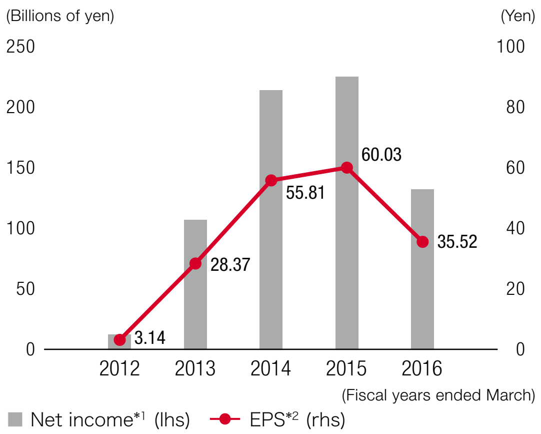
Improving Profitability and Capital Efficiency

Our first priority must be to create a lean structure capable of delivering profits amid challenging market conditions. We are focused on the future, investing in IT systems to increase the efficiency of our work processes, and intensifying our focus on areas where we can compete.

Our Wholesale has started to review its businesses in EMEA and the Americas with the aim of improving international profitability. We are lowering our breakeven point by closing some businesses and streamlining others. We are also focusing our management resources on profitable areas that require a high-level of expertise. We have made significant cost reductions in the past. This time, by closing certain businesses, we are taking an even sharper approach to refining our business portfolio.

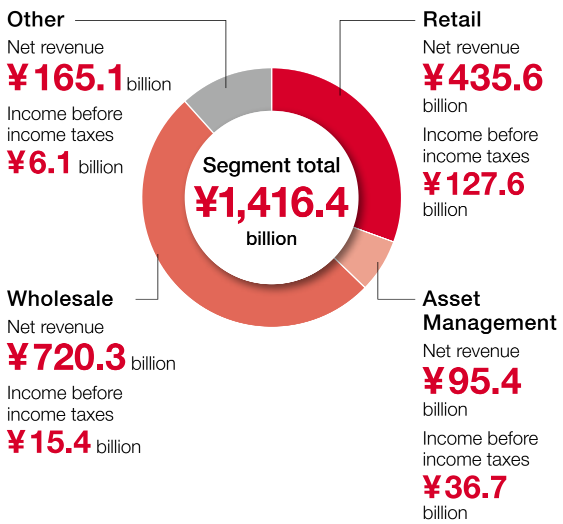
We are working to ensure the optimal allocation of financial resources across businesses and regions in order to meet the needs of our clients and move swiftly to capture business opportunities as they arise. We are regularly monitoring whether the resources allocated to each business are generating sufficient returns. We are making the necessary decisions and reallocating management resources flexibly, taking into account a comprehensive range of factors for each business including the earnings outlook, the relevance to our franchise, and our position within the industry.

Net income*1 and EPS*2

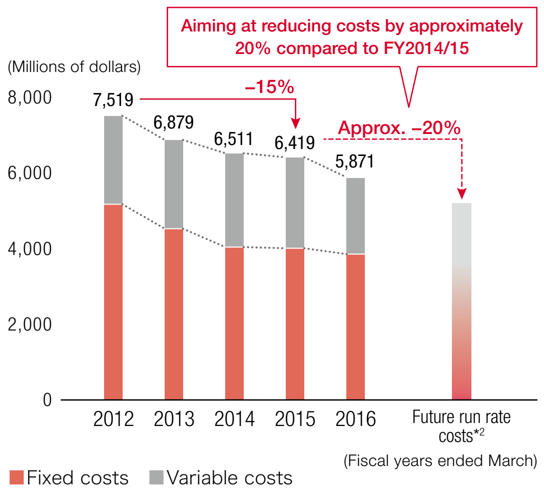


*1 Net income attributable to Nomura Holdings shareholders.
*2 Diluted net income attributable to Nomura Holdings shareholders per share.

Net revenue in FY2015/16



Wholesale costs*1



*1 Converted into USD using average month-end spot rate for each period.
*2 Cost base assuming FY2015/16 business environment continues.

Financial Position

One of our strengths is our robust financial position. Since the global financial crisis in 2008, there has been much discussion about tightening regulations for global financial institutions. Several key regulations are yet to be finalized, so at the moment, we are not sure of the full impact of these regulations on our business. That said, as of the end of March 2016, our Tier 1 capital ratio remained high at 16.1%. Our liquidity portfolio was ¥5.9 trillion, which positions us as being able to continue operating for one year under liquidity stressed market conditions without the need for additional funding.

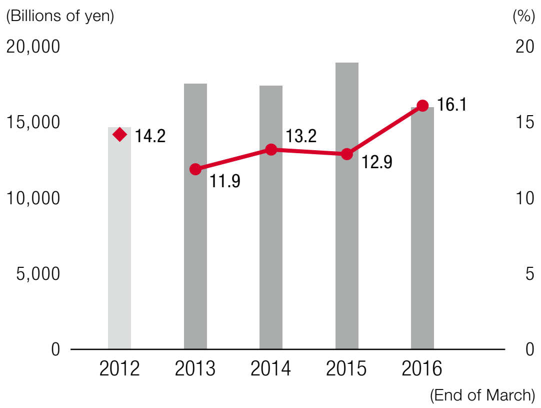
Nomura has a broad range of stakeholders including clients, shareholders, creditors, counterparties, financial and taxation authorities in various countries, and credit rating agencies. I believe it is essential to listen closely to what our stakeholders have to say and implement the best financial strategy and capital policy in such a way that allows us to achieve sustainable growth into the future.

Shareholder Returns

Our main approach to shareholder returns is to consistently improve shareholder value while also providing returns in the form of dividends. A key indicator for dividends is a consolidated dividend payout ratio of 30% based on half-yearly consolidated earnings. In determining dividends, we also take into account a range of factors including the regulatory environment globally and our operating environment. For the year ended March 2016, we paid an annual dividend of ¥13 per share, representing a consolidated dividend payout ratio of 35.6%.

As part of our flexible capital policy, we also conducted a share buyback program to improve capital efficiency. Working towards our 2020 target of EPS of ¥100, we will invest in business areas with strong profitability and high growth potential while delivering appropriate shareholder returns, taking into account our share price and regulatory capital requirements.

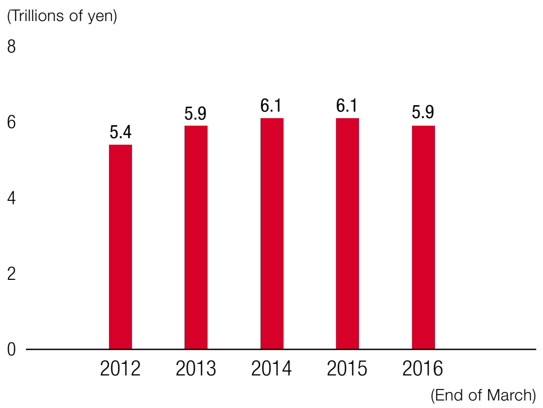
RWA and Tier 1 capital ratio*



RWA (lhs) Tier 1 capital ratio* (rhs)

*Figures for March 2012 were prepared under Basel 2.5 standards, and figures for March 2013 to March 2016 were prepared under Basel 3 standards.

Liquidity portfolio*



*Definition differs from financial disclosures reflecting Liquidity Management's view. The cash and cash deposits portion of liquidity portfolio excludes funds on deposit at exchanges and segregated client funds.

FY2015/16 Financial Results

At the start of FY2015/16, stock markets were relatively calm, with the Nikkei Stock Average hovering around ¥20,000. In August however, concerns about the Chinese economy and the impact of global monetary policies resulted in a dramatic decline in stock prices and meaningful yen appreciation. In addition, the beginning of calendar year 2016 also saw some turbulent price movements as the Nikkei Stock Average declined for six consecutive days and the yen's exchange rate against the U.S. dollar again reached the ¥110 range.

The challenging market environment, particularly in the second half of the year, had a negative impact on Retail investor sentiment. Sales of stocks and investment trusts slowed and as a result, Retail net revenue was ¥435.6 billion, down 9% from last year, and income before income taxes was ¥127.6 billion, down 21% year on year.

Initiatives to Transform Our Business Model and Expand Our Client Base Are Ongoing

Aiming towards "winning client trust" and "business expansion," our Retail Division has been working to transform its business model since August 2012. The Division is targeting to achieve Retail client assets of ¥150 trillion, a sign of trust placed in us by our clients, and a recurring revenue cost coverage ratio*1 of approximately 50% by FY2019/20. We made progress on this initiative in FY2015/16. While Retail brokerage commissions from securities transactions declined, approximately ¥1.2 trillion flowed into investment trusts and discretionary investment products*2, thereby increasing our recurring revenue by 20% from the prior year.

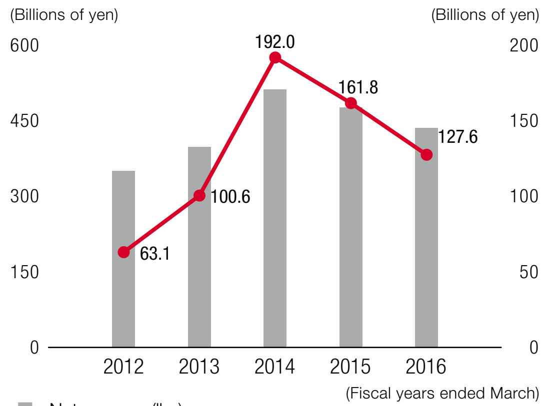
Retail Division continues to develop existing and new client relationships and last year, we were able to offer clients access to several large primary transactions, including the initial public offering of three companies of the Japan Post Group. In addition, the Nippon Individual Savings Account (NISA) program, which started in 2014, continues to expand. As of March 31, 2016, 1.55 million NISA accounts were opened at Nomura, with accumulated investments of nearly ¥1.2 trillion.

As of March 31, 2016, total client accounts (excluding those with empty balances) amounted to 5.389 million, representing an increase of approx. 95,000 accounts from the prior year. Retail client assets remained at a high level of ¥100.6 trillion, although it was down from ¥109.5 trillion at the end of the previous fiscal year.

*1 Recurring revenue represents revenue received from ongoing services linked to assets under custody, such as management fees from investment trusts, etc.

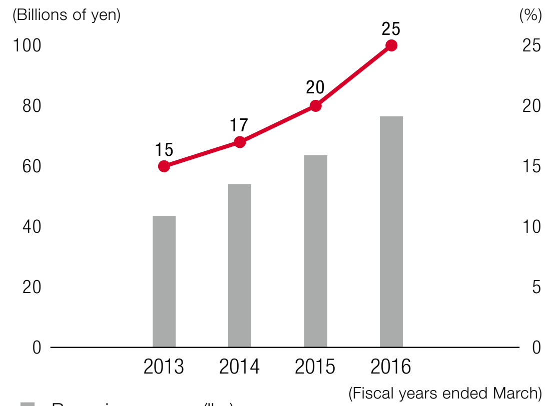
*2 The amount obtained after deducting the redemptions from subscriptions.

Net revenue and income before income taxes



Net revenue (lhs)
Income before income taxes (rhs)

Recurring revenue and recurring revenue cost coverage ratio



Recurring revenue (lhs)
Recurring revenue cost coverage ratio (rhs)