CFO's key focus areas

Support Nomura Group's sustained growth from the financial aspects

Maintain an appropriate financial base that enables compliance with regulations

Provide appropriate shareholder returns

Provide the financial and capital support needed to execute management strategies and enhance corporate value

Takumi Kitamura
Chief Financial Officer

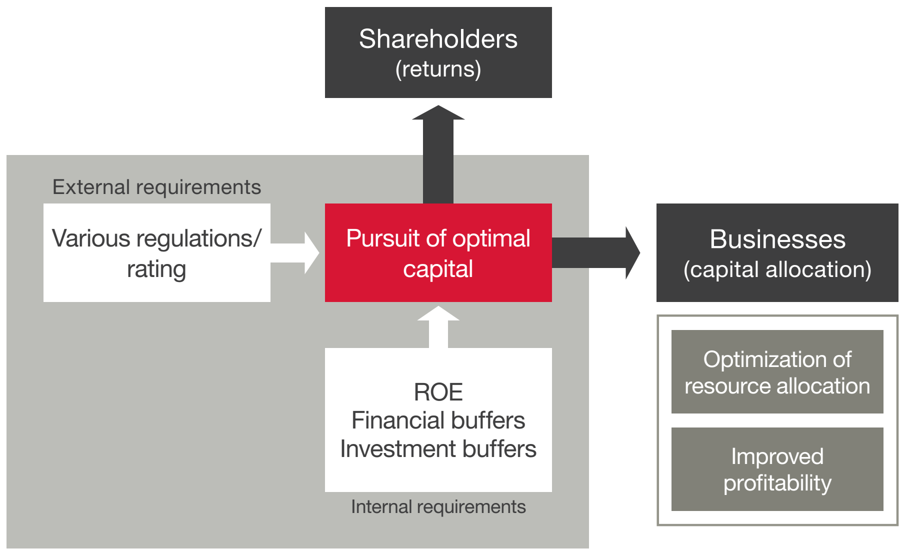
Nomura Group's financial/capital strategies (philosophy)

With the aim of building a sustainable business foundation to support growth in any environment, Nomura Group has been working to promote initiatives for achieving the KPI targets for the fiscal year ending March 2020 and to make preparations with an eye to 2020 and thereafter. I believe that my role as the CFO is to support the execution of these management strategies from a financial and capital perspective.

As a financial institution that operates globally, we are subject to regulations in various aspects including capital and liquidity. In addition, our financial base is required to be above certain standards to maintain an appropriate credit rating. In the meantime, we seek to secure an adequate level of capital by taking into account internal requirements such as what financial buffer we are to keep as an ongoing entity, what investment buffer we need for growth, and most important of all, how efficient we must be in using the capital entrusted to us.

My mission is to maximize returns while efficiently using limited resources, and at the same time to enhance our corporate value through providing appropriate shareholder returns and maintaining dialogues with stakeholders including shareholders and investors.

Decomposition of factors affecting financial/capital strategies



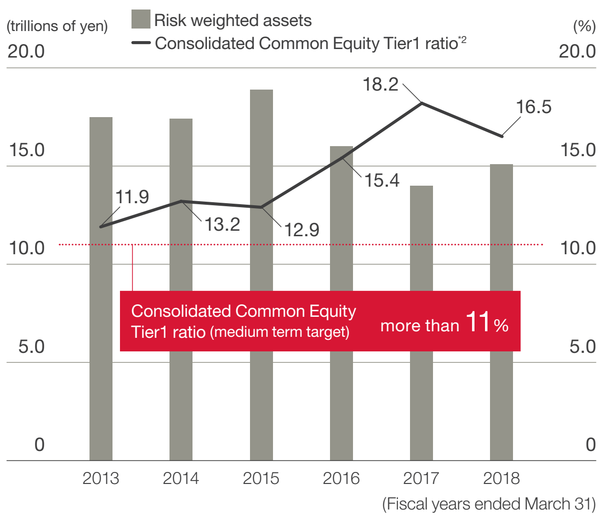
Response to various regulations

Among the various global financial regulations that Nomura Group is expected to comply with, the capital requirements imposed by the Basel Committee have a direct impact on how we operate our businesses. As we anticipate a minimum consolidated Common Equity Tier1 (hereinafter, "CET1") ratio requirement to be approximately 7.5% from 2019 and thereafter, we aim to maintain a CET1 ratio of 11% or higher, including financial and investment buffers, over the medium term.

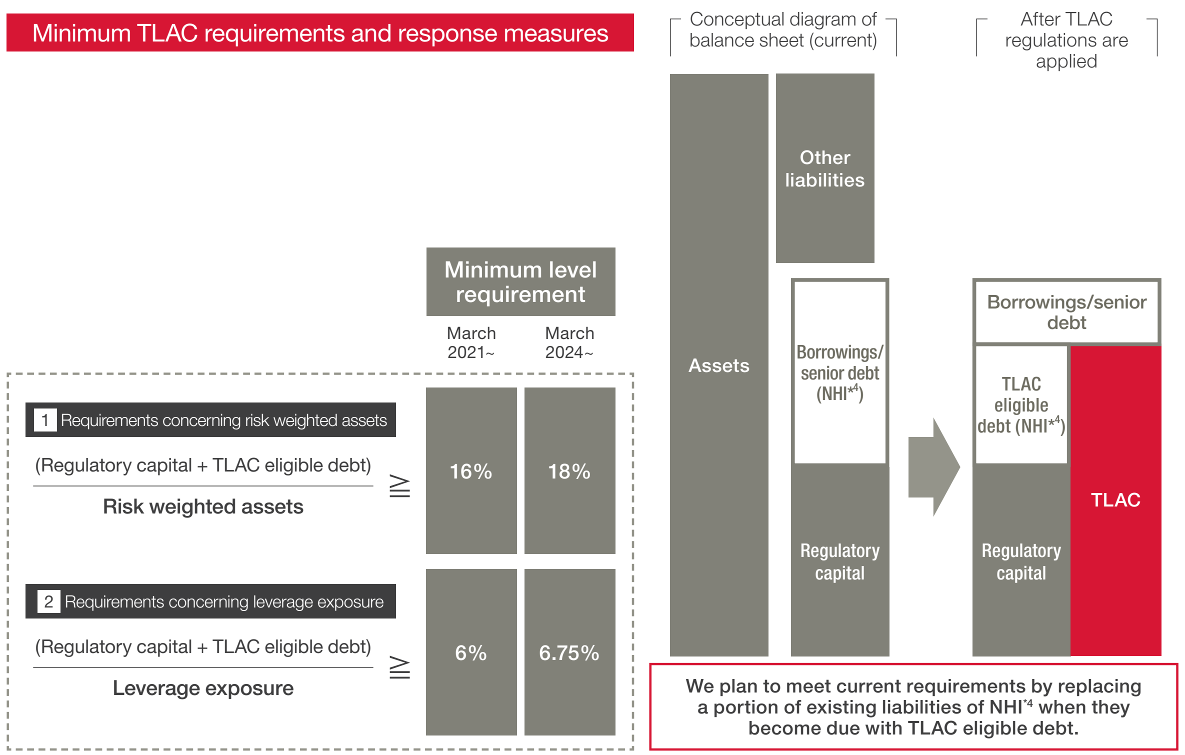
In 2022, a major revision will be made to the calculation of risk weighted assets, the denominator in the calculation of CET1 ratio. In particular, with the introduction of Fundamental Review of the Trading Book (FRTB) implementation process, the Basel standards for market risk, which is an aspect of risk weighted assets, will be raised significantly. However, as the details of the revised regulation have not been finalized, we are currently not able to precisely estimate the impact, and therefore we keep a certain buffer relating to our CET1 ratio. Considering that businesses are reducing the use of resources in light of the recent market conditions, the level of our CET1 ratio as of March 31, 2018 (16.5% on a fully loaded basis) is at a level where we have flexibility compared to our medium term target.

In April 2018, the Financial Services Agency of Japan announced that in addition to G-SIBs*[1] in Japan, namely the three mega banks, TLAC*[2] requirements will start to apply to Nomura from March 31, 2021. We are required to increase TLAC eligible debt*[3]. However, we have sufficient time before March 2021 and the regulations will take effect in a phased manner. Accordingly, we expect to be able to satisfy the current requirements by replacing a portion of existing liabilities when they become due with TLAC-eligible instruments.

Consolidated Capital Adequacy Ratio*[1]



*1 Based on Basel
*2 CET1 capital ratio is defined as Tier1 capital minus Additional Tier1 capital divided by risk-weighted assets.



*1 Global systemically important banks designated by the Financial Services Agency of Japan based on the list published by the Financial Stability Board
*2 Abbreviation for Total Loss-Absorbing Capacity. It is a Total Loss-Absorbing Capacity aimed to promote financial stability
*3 Liabilities, etc. that satisfy requirements for loss absorbing capacity as defined by the Financial Services Agency of Japan
*4 Nomura Holdings, Inc.

Optimization of resource allocation and improved profitability

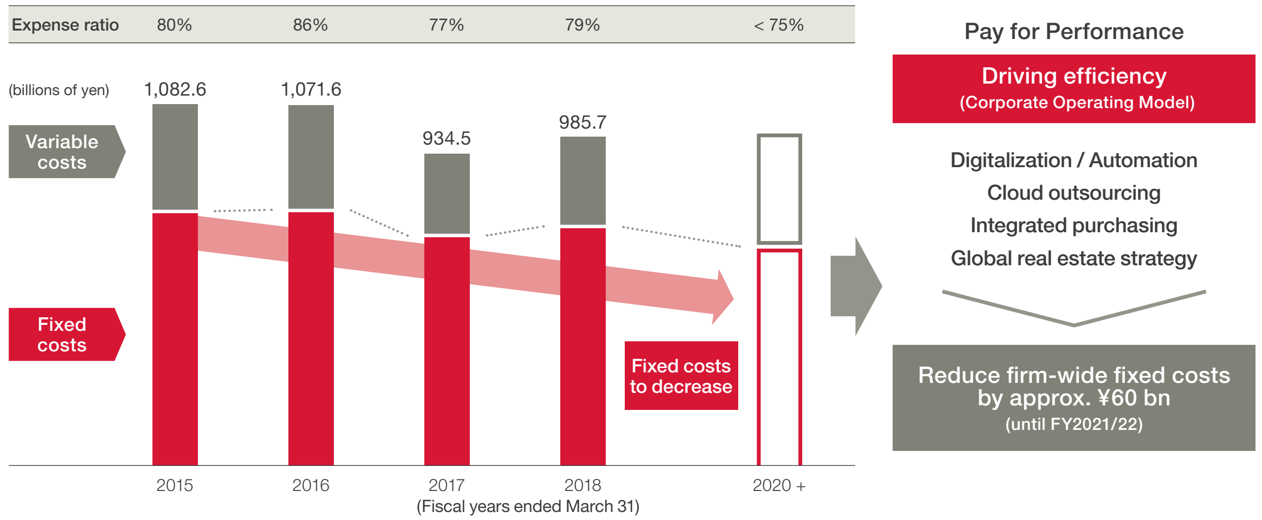
We allocate risk weighted assets, economic capital, unsecured funds, leverage exposure and other resources to businesses, regularly monitor profitability relative to the amount of resources, and periodically review the resource allocation while engaging in dialogues with businesses. In addition, we make strategic decisions on our business portfolio as a whole by considering not only profitability, but other factors such as allocation of resources to gain diversification benefits during times of stress.

When we invest in our future growth, we assess the effectiveness of these investments by analyzing whether the investment can complement our existing business and whether synergies are expected. We allocate capital to investments that are expected to consistently exceed capital cost.

To enhance profitability, cost control is also an important factor. In 2016, we undertook a strategic review of the Wholesale business in EMEA and the Americas, and fundamentally revamped the portfolio, including a partial exit from low-profit businesses. As a result of these sustained initiatives, the expense ratio (for the three segments) has been below 80% since the fiscal year ended March 31, 2017.

At the overall group level, we are continuing to reduce costs, particularly fixed costs. By improving business process efficiency through the use of technologies, centrally controlling purchases, and reviewing real estate strategies on a global basis, we aim to reduce firm-wide fixed costs by approximately ¥60 billion over the next four years. We also plan to control variable costs to maintain expense ratio below 75% over a medium term compared to the current level of slightly lower than 80% (for the three segments) by continuing to emphasize the concept of "Pay for Performance."

Non-interest expenses for the three segments



Striking a balance between the pursuit of capital efficiency and shareholder returns

We strive to secure an ROE of 10% or more by conducting disciplined financial management while satisfying external and internal requirements, including responding to regulations, resource allocation to businesses, pursuing of capital efficiency, and maintaining financial and investment buffers.

At the same time, we are strengthening shareholder returns. Since the fiscal year ended March 2014, in addition to dividend payments, we have aggressively engaged in share buyback programs. In April 2018, we set a new total return ratio target, which includes shareholder returns from share buybacks, at 50% or higher to further clarify our corporate stance on shareholder returns. We strive to maximize our corporate value by striking a balance between shareholder returns and investment in growth to be made with internally generated growth capital.

Clarification of capital policy	
Nov. 2017	Establishment of a policy for the holding and retirement of treasury stock **Upper limit of treasury stock holdings** Target at around 5% of outstanding shares **Retirement policy** In principle, retire treasury stock held above upper limit
Apr. 2018	Establishment of total return ratio **Total return ratio that includes shareholder returns from share buyback** more than 50%