



To ensure sustainable growth and to earn the trust of society, we will maintain good corporate governance

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In May 2018, at a presentation held at our head office in Otemachi, Chiyoda-ku, Tokyo for analysts and institutional investors, Mr. Noriaki Shimazaki, Outside Director and Chairman of the Audit Committee, made his first appearance explaining the effectiveness of our corporate governance and current status of the Audit Committee's activities. This was followed by a question and answer session.

Summary of the presentation

1

Improving the corporate governance system of Nomura Group and the effectiveness of the Board of Directors

Independence of the Board of Directors from the business execution side and the Board's objectivity as a supervisory organization are ensured

- A majority of the members of the Board of Directors and the three committees (Nomination, Audit and Compensation Committees) are Outside Directors
- The Board of Directors is structured to emphasize diversity and encourage multilateral discussion based on the members' experience and knowledge in their respective fields

The effectiveness of the Board of Directors is improved through the implementation of annual self-evaluations and the PDCA cycle

- Issues and remedies are identified (case examples)
  - Information is provided multilaterally (the Board of Director receives reports on dialogues with stakeholders on a continuous basis and attends meetings of the business execution side to discuss medium-to long-term management strategies, etc.)
  - Discussion among the Outside Directors is encouraged (Meetings of Outside Directors are held on regular intervals)

2

Initiatives of the Audit Committee

Audit policy of Nomura Holdings Audit Committee

- Establish good corporate governance to ensure the sustainable growth of the Nomura Group and to earn society's trust
- Actively participate in the development and operation of the internal controls system, and monitor and verify its effectiveness
- Enhance effectiveness and efficiency of audits through collaboration with accounting auditors and Internal Audit
- Monitor the effectiveness of group strategy by implementing PDCA for group strategy at all levels

Audit Committee

- Audit interviews are conducted with Group CEO, Group COO, heads of business divisions, regional heads, directors, executive officers, and other members of senior management
- Financial reports by executive in charge of finance, reports by Internal Controls executive and Internal Audit executive responsible for risk management, compliance, etc.

Major audit activities of the full-time Audit Committee member and Audit Mission Director

- Audit interviews: Reporting from discussion with Senior Managing Directors, Management Directors
- Overseas on-site audits: Interviews with the management of major sites and key staff members
- Domestic on-site audits: Managing Directors of head and branch offices, staff members in Japan

Cooperation with auditors

- Monthly meetings with Internal Audit and Accounting Auditor
- Cooperate with Audit Committee members in each region, Audit Committees of subsidiaries, and statutory auditor

Reporting to the Board of Directors

- Audit reports, reporting of the status of the execution of duties, comments on audit findings

Questions and answers

Q

Sell-side analyst

"What is your evaluation of Nomura Group's arrangements and the provisions concerning lawsuits and cases of legal disputes with authorities?"

&

A

The Audit Committee receives regular reports on the status of the lawsuits from the executive officer in charge of legal affairs. The Committee also receives reports from the CFO on the amount of estimated maximum loss for each lawsuit and each case of legal dispute at the time of each quarterly financial results and confirms that an appropriate allowance is reflected in the financial statements. The Committee fully confirms the appropriateness of the accounting of the provision for allowance concerning lawsuits, etc. and descriptions in the notes to financial statements.

Overseas institutional investor

"There is a trend in the U.S. toward imposing board term limits. As an Independent Director, what do you think about the idea of term limits for board members?"

In Japan, the term of office for directors and a mandatory retirement age system for executive officers are generally established by companies, often varying by the individual company. The term of office for Outside Directors is also determined at Nomura. The renewal of these terms or retirement from office for board members is proposed at a general meeting of shareholders every year. I believe that these standards and measures are appropriate.

Sell-side analyst

"Monitoring the effectiveness of strategies is indicated as the objective of the Audit Committee. If, for example, there is a situation in which key performance indicators (KPIs) set by management cannot be achieved, would the Audit Committee present some proposals to the Directors?"

We have various KPIs and goals to achieve by 2020. The Audit Committee tracks progress at least every quarter and monitors not only the figures indicated in the financial results but the degree to which our goals have been achieved, including the enhancement of the earnings structure. In addition, we take care not to show individual numbers out of context. Looking back at Nomura's scandals in the past, the people working on site focused too heavily on numbers above all else, which led to improper transactions in some cases. It is important to achieve numerical goals but that should

not be the only goal. The primary objective of our management vision for 2020 (Vision C&C) is to create a robust operating platform capable of delivering consistent growth for the Nomura Group. To achieve our vision, we are working to address two overarching issues: transforming our business model in Japan and improving the profitability of our international operations. When our vision is achieved, we will attain an EPS of ¥100. At the recent meeting of the Board of Directors, I strongly reiterated this message to the execution side as the chairman of the Audit Committee.