In 2014, we announced a plan to build a business platform capable of delivering sustainable growth in any environment. However, progress has been challenging. Looking back over the past fiscal year, we’ve reviewed our performance and identified and addressed the issues that impacted our results.

Results of FY2018/19 and Challenges

Last year, I discussed three key areas of focus as CFO. Those are (1) supporting Nomura Group’s sustained growth from a financial perspective, (2) maintaining an appropriate financial base that enables compliance with regulations, and (3) providing appropriate shareholder returns. One achievement from the past fiscal year is that (2) we have solidified our financial base and have become more responsive to various financial regulations.

There are several global financial regulations that Nomura Group must comply with. Above all, the capital adequacy regulations set by the Basel Committee have a direct impact in conducting our business. As we anticipate the minimum consolidated Common Equity Tier1 (“CET1”) capital ratio at approximately 8%, we are aiming to maintain a CET1 capital ratio of 11% or higher over the medium term, which includes a discretionary management buffer. Against this target, our CET1 capital ratio, as of March 31, 2019, was 17.1%, up from 1 year ago (16.5%). In 2022, a major revision will be made to the calculation of risk-weighted assets, the denominator of the CET1 capital ratio. Despite this impact, we can maintain a level where we can sustain our business and remain flexible going forward.

The consolidated leverage ratio has also improved steadily. As of March 31, 2019, our consolidated leverage ratio was 5.03%, up 0.29% from 4.74% a year ago, and we have sufficiency to meet the minimum requirement by the FSA disclosure (3%).
In April 2018, it was announced that our company, in addition to Japan’s G-SIBs, 3 megabanks, would be subject to the Total Loss Absorbing Capacity (TLAC) requirements. Although there still is time before requirements are implemented, we have already started to review some of the existing liabilities and secure TLAC eligible debts before March 31, 2021. Over the past year, we have raised about ¥240 billion in TLAC eligible debts and have worked to ensure disciplined balance sheet management. As a result, we’ve managed to have “Regulatory Capital + TLAC eligible debts” that meet the minimum level of TLAC requirements as of March 31, 2019. We will continue to implement this plan in a systematic manner so that we can meet our company’s demands without difficulty.

Cost control and optimization of resource allocation

Ahead of the fiscal year ending March 2022, we are working to reduce costs by US $1 billion (approx. ¥110 billion) in the Wholesale Division and approx. ¥30 billion in the Retail Division. As of the end of July 2019, we had already achieved approx. 50% of our targeted cost reduction. Initiatives in the Corporate departments are essential going forward since almost all corporate costs are allocated to the front side. In the past, Corporate departments were divided into 11 functions, but in May 2019, we reorganized 10 functions (excl. Internal Audit) into 5. Under the newly restructured organization, each function head is now working to reduce business processes and duplicated functions and layers.

For example, I was previously in charge of the Finance as CFO, but now I am also in charge of middle office functions. Currently, the Risk Management and Finance are engaged in risk management and production of disclosure data based on the transaction data coming from Operations. However, because the range of data handled and the flow of data differs, data incompatibilities and inefficiencies remain. We’ve integrated the 3 functions as one “Middle Office” and expect to reduce the duplication of business processes to make our organization structure simpler and more efficient. In the medium term, we believe that by updating the system using an agile approach, we can ensure data compatibility and make useful proposals to business and management based on more elaborate data analysis.

Optimizing resource allocation is also an important role for the CFO. We allocate risk-weighted assets, economic capital, unsecured funding, leverage exposure, and other resources to businesses, and regularly monitor profitability relative to the resource usage while engaging in dialogues with businesses. This restructuring of the business platform reduced risk-weighted assets used by the Wholesale Division by approximately 10% by resizing businesses with low profitability or negative revenue. We will strive to achieve optimized resource allocation while constantly reviewing and utilizing those reduced resources efficiently.

When making investments for growth, we will evaluate their success from determining whether they can ensure data compatibility and make useful proposals to business and management based on more elaborate data analysis.

At the same time, our business model and profitability remains challenged by the overall market environment. The year ended March 2019 was very challenging for us due to economic uncertainties in addition to our delay in responding to structural changes, resulting in sluggish performance in our core businesses and one-off items. In April 2019, we announced our business platform review and restructuring effort in order to quickly build a solid foundation for a new era. Of course, improving profitability is our top priority, but we can’t just rely on a market recovery. We will transform ourselves and adapt to the rapidly changing environment, recover earnings strength, and optimally allocate the resources necessary for this purpose. At the same time, we will carry out straightforward cost control.

Since the fiscal year ended March 2014, we have also strengthened shareholder returns by actively purchasing treasury stock in addition to dividend payments. Over the past 5 years, we have acquired approximately 570 million shares of treasury stock worth approximately ¥350 billion, including the portion allocated for stock grants. Out of these shares, 329 million shares were cancelled (number of shares issued decreased 9% from 3.82 billion shares to 3.49 billion shares). In June 2019, we’ve announced the share buyback program to purchase up to ¥150 billion or 300 million shares until March 31, 2020.

We strive to maximize our corporate value by balancing our profits between shareholder returns and investment opportunities.

Response to meet TLAC requirements

(Calculation based on the balance sheet as of March 31, 2019)

<table>
<thead>
<tr>
<th>Regulatory capital + TLAC eligible debt against leverage exposure</th>
<th>6.2%</th>
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</thead>
<tbody>
<tr>
<td>Regulatory capital + TLAC eligible debt against risk-weighted assets</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

Minimum level requirement: 6% from March 31, 2021

Minimum level requirement: 16% from March 31, 2021

Cost control and optimization of resource allocation

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

We strive to deliver a ROE of 10% or greater by conducting disciplined financial management while satisfying external and internal requirements including responding to regulations, allocating resources to businesses, pursuing capital efficiency and maintaining financial and investment buffers. At the same time, we are reviewing our assets. Over the past year, we have reduced strategic stockholdings by 21 company shares. As of March 31, 2019, we held 276 company shares, representing only 4.3% of Tier1 capital. In July 2019, we sold a portion of Nomura Research Institute for approximately ¥160 billion.

Strengthening capital base, while returning to shareholders

<table>
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<th>(billions of yen) (%)</th>
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<tbody>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2019</td>
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</tbody>
</table>

We strive to maximize our corporate value by balancing our profits between shareholder returns and investment opportunities.

Clariification 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%

Retirement of treasury stocks

(millions of shares)

<table>
<thead>
<tr>
<th>Retired on Dec. 18, 2017</th>
<th>Retired on Dec. 17, 2018</th>
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<tbody>
<tr>
<td>179 million shares</td>
<td>150 million shares</td>
</tr>
<tr>
<td>4.7% of outstanding shares</td>
<td>4.1% of outstanding shares</td>
</tr>
</tbody>
</table>

Responsive to market changes, our management team has been actively communicating with our stakeholders and reshaping our organization and the way we operate to deliver the best outcome for all our stakeholders. We are committed to delivering sustainable and responsible growth, and we remain confident in our ability to achieve this goal.

In conclusion, we are confident that our commitment to capital efficiency and balancing shareholder returns and investment opportunities will continue to be a key driver of our success in the years to come.