Compliance is a top management priority for Nomura Group, and the Code of Ethics of Nomura Group defines our fundamental policy on compliance. The management and employees of the Group pledge to abide by the rules stated in this code once each year. Also, we have established “Nomura Founding Principles and Corporate Ethics Day” as a day for management and employees annually to reaffirm our corporate culture and corporate ethics, underpinned by Our Founder’s Principles, the lessons learned from past incidents, and renew our determination to prevent the recurrence of such incidents and to gain and maintain the trust of society. We will not limit ourselves to compliance with laws, regulations, and other rules. We will ensure that all executives and employees understand that “Compliance” is to act on a principles basis and with good sense in accordance with the norms and ethics required by society as a financial institution, and to fulfill the roles expected by society.

**Compliance framework**

We have appointed the Chief Compliance Officer to oversee compliance for the Group as a whole along with a Group Compliance Department that provides support. In addition, Compliance Officers, who report compliance-related matters in accordance with the instructions of the Chief Compliance Officer have been assigned to each Group company to strengthen our internal controls in response to global business development, and to develop and maintain the respective compliance structures of each Group company, including overseas offices.

**Nomura Securities’ compliance structure**

In addition to Group-wide initiatives, Nomura Securities has established a “Compliance Program” as a detailed action plan, and put into place a compliance framework based on this program. The Company has established a Internal Control Committee chaired by the President. The Committee oversees Company-wide initiatives and is in charge of establishing and deliberating on important issues related to internal controls. It also has established the post of Internal Administration Supervisor to monitor compliance issues in line with Japan Securities Dealers Association’s rule as well as Sales Managers and Internal Administrators. To raise awareness of compliance among employees in each department and branch and to promote business operations that comply with laws and regulations, Administrative Compliance Officers have been also appointed. The Compliance Division, which strengthens and improves legal and regulatory compliance as well as the internal controls system by formulating internal rules and disseminating them throughout the Company, has been established. It also monitors the status of compliance with rules at each department and branch, and if problems are found, measures are taken to improve the compliance with laws and regulations and the internal control system.

**The three lines of defense in risk management**

Nomura Group has adopted the following layered structure on the grounds that all employees are accountable for proactively managing risk. As the second line of defense, compliance supports risk management measures taken by the first line of defense, independently monitor risks, and keep trading and sales departments in check as needed.

- **First line of defense**
  - Departments engaged in trading and sales
  - As the first line of defense, departments engaged in sales and trading manage the risks associated with their own business activities.

- **Second line of defense**
  - Departments engaged in risk management
  - Departments engaged in risk management establish frameworks to manage each type of risk, and support risk management measures taken by the First Line of Defense, such as sales and trading departments. Second line of defense independently monitor risks, and keep trading and sales departments in check as needed.

- **Third line of defense**
  - Internal Audit
  - Internal Audit reviews and provides consulting from an independent, objective position, with the aim of adding value by improving the organization’s operations and frameworks, including risk management.
Managing compliance risk

Nomura Group defines compliance risk in its “Risk Appetite Statement”. We are aware that each and every executive and employee is responsible for compliance and risk management, and each of us strives to manage compliance and risk independently. We have also defined conduct risk in the “Risk Appetite Statement” and positioned it as a management theme that we will focus on. Furthermore, in order to disseminate throughout the Group, the concept of the Code of Conduct, which meets the roles expected by society as a financial institution, and to establish a system to maintain and improve self-discipline, we established the “Conduct Risk Management Policy.”

Legal compliance measures

Maintenance of compliance framework and enhancement of management systems

In all Group companies and departments, Nomura Group complies with applicable laws and regulations and endeavors to prevent the occurrence of activities that may be construed as illegal by establishing effective control measures. In the event that such issues arise, they are reported in full to management-level executives without delay, and organizations and systems are structured to respond appropriately. Furthermore, in order to respond to the trust of society and clients in the Group and contribute to the further development of the financial and capital markets, we will continuously review and improve the effectiveness of our internal systems and rules so that all executives and employees can conduct business with a higher sense of ethics in addition to complying with laws and regulations.

Fostering a corporate culture that pursues compliance

Nomura Group aims to earn the trust of its clients, be a true partner, and contribute to the creation of a social and ethical business environment. Nomura Group believes that a sense of ethics in addition to complying with laws and regulations is required of all Group employees and that a corporate culture that goes beyond legal compliance to pursue appropriate business practices and conduct is important.

Definition of compliance risk

Compliance risk is the risk that a Nomura Group company incurs economic loss or damage to reputation through any of the following conduct by a Nomura Group executive or employee, regardless of legal or regulatory disposition:

- Violations of laws and regulations applicable to business activities
- Inappropriate behavior that deviates from social norms and ethics required of financial institutions

- "In particular, any risk that a financial institution deviates from the social norms and ethics required of it, and as a result, adversely affects customer protection and the soundness of the market, is referred to as “conduct risk.”"

Nomura Group complies with applicable laws and regulations and positioned it as a management theme that we will focus on. Furthermore, in order to disseminate throughout the Group, the concept of the Code of Conduct, which meets the roles expected by society as a financial institution, and to establish a system to maintain and improve self-discipline, we established the “Conduct Risk Management Policy.”

Nomura Group’s Primary Initiatives

- Training for Sales Managers, Internal Administrators, and employees of internal administration department, as well as quality improvement training for securities sales representatives
- Training for branch managers, general administration managers, new employees, newly appointed personnel, and others, aimed at increasing knowledge and deepening the understanding of compliance
- Supplemental compliance education and drills during various training sessions and meetings
- Training for Administrative Compliance Officers
- Monthly Compliance Hour at branch offices and departments

Compliance Hotline

In order to ensure an effective compliance framework at each Nomura Group company, the firm has established and implemented a robust structure that includes a point of contact that is independent from management. Nomura employees who have become aware of potential legal or regulatory violations are able to report their concerns to persons designated by Nomura Group, including outside attorneys, through the Nomura Group Compliance Hotline (informants may report through external and independent channels and have the option of remaining anonymous). The hotline is available 24 hours a day, seven days a week, and is fully bilingual (English and Japanese). We use internal communication channels to make sure all employees are familiar with the Compliance Hotline and encourage them to use the reporting system as necessary. We believe this will contribute to building a healthy corporate culture and further enhance awareness of ethics and professional conduct. By promoting the use of the Compliance Hotline, we are working to foster an atmosphere in which anyone who feels something is wrong can “say something.”

Compliance Hotline Flow Chart

Offering High-Quality Financial Services

Nomura Securities seeks to enhance the quality of financial products and services offered to customers under the Guidelines for Financial Instruments Business Supervision. To this end, the firm has implemented various initiatives that include the following:

- Ensuring fair financial business practices

Eliminating Anti-Social Forces

In order to eliminate anti-social forces, Nomura Group outlines in “Code of Ethics of Nomura Group,” Nomura must reject all transactions with anti-social forces, and our fundamental policy is to eradicate all ties with anti-social forces. The “Code of Ethics of Nomura Group” is applicable to all management and employees globally.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Nomura group has established the Code of Ethics, which requires all employees to understand and comply with the letter and spirit of all applicable laws, rules, and regulations including AML. Nomura has also established the Nomura Group Anti-Money Laundering and Combating the Financing of Terrorism Policy which is a global regulation on AML/CFT, and specified the common rules to be established in each region and subsidiary, such as customer management programs. The firm continues to enhance its group-wide

![Compliance Hotline Flow Chart](image-url)
Compliance

governance framework through observing international regulatory trends such as the Financial Action Task Force’s (FATF) recommendations on AML/CFT. In addition, while giving due consideration to the laws and regulations of each country, we have established specific standards that must be complied with. These standards are applicable to the entire Group covering important areas such as customer due diligence and measures against sanctions. In April 2018, Nomura Group established the “Anti-Money Laundering Department,” a department dedicated to AML/CFT. The department was reformed into “Financial Crime Department” in April 2019 with the aim of establishing an integrated governance structure on the initiatives undertaken by Nomura Group as a whole, and establishing an effective compliance framework.

Politically Exposed Persons (PEPs) and those who reside in designated high-risk countries from an AML perspective. Overseas offices are working to ensure whether there is a risk of conflicts of interest within Nomura Group. If a conflict of interest is found, the Group Compliance Dept. appropriately manages such transactions that involve conflicts of interest by, for example, setting up information barriers and implementing measures to block information, changing terms or methods of transactions, discontinuing transactions, disclosing information to customers, or monitoring those who share information regarding transactions.

Examination of Unfair Market Manipulation
At Nomura Securities, we examine transactions on a daily basis to determine whether there is a risk that transactions conducted by us or on behalf of us could constitute unfair trading, such as market manipulation, intentional market formation, or insider trading. Trading examinations are conducted in two stages. In the first stage, data extracted based on laws and regulations are added to our own standards to extract transactions suspected of unfair trading. In the second stage, transactions extracted in the first stage are examined from various angles, including account information and market information. Based on the review, we interview and give warnings to those who engage in transactions that are suspected of being unfair. We also set up a Hotline to prevent suspicious transactions to the authorities. The audit results are recorded and monitored on an ongoing basis when it is determined that a recurrence is likely. In addition, we regularly analyze the examination results and verify the effectiveness of the examination process in order to build and maintain an appropriate trading management system.

Prevention of insider trading
Based on laws and regulations, Nomura Securities provides mechanisms that prevent unfair trading by individuals who have violated or are likely to violate insider trading related laws and regulations. Also, in order to prevent insider trading, we have prepared an insider registration card. When accepting an order from a related party of a listed company, etc. (insider), we first confirm that there are no undisclosed material facts and then report the content of the order to the Internal Administrators and obtain his/her approval. Also, we regularly check whether there are any changes or omissions in the content of the insider registration card and whether transactions by insiders are properly approved and reported.

Furthermore, Nomura Securities has established the “Regulations on Corporate Confidential Information Management” which provides for the management and reporting systems of corporate information, etc., as well as prohibition of solicitation of securities in the case of corporate information, etc.

Customer Protection and Information Security
In accordance with applicable laws and regulations, including the Financial Instruments and Exchange Act and the Personal Information Protection Act, Nomura Group works to properly protect customers’ assets and information.

Proper segregation of customer assets
Nomura Securities properly segregates the assets of its customers from the assets of Nomura Securities itself. Nomura Securities has requested that EY Shin Nihon LLC provide “Assurance related to legal compliance with segregated management of customer assets” in accordance with Practical Guideline No. 54 of the Industry Committee of the Japanese Institute of Certified Public Accountants. As of March 31, 2019, Nomura Securities had received from the auditor a written assurance to the effect that management’s arguments in the management report on the segregation of customer assets were consistent with laws and regulations in all material respects. For more information, visit our website.

Effective protection of clients’ personal information and other information assets of the Group
The Nomura Group Information Security Policy provides the basic principles for appropriately protecting information assets. Each Group company has its own information security-related regulations in accordance with this basic policy.

We are also working to enhance the management of information provided to customers in accordance with the characteristics of each company’s business activities. In particular, customer-related personal information is handled in line with rigorous standards set out in the Nomura Group Privacy Policy and other applicable information security-related rules, and handled in full compliance with the Personal Information Protection Act and other related laws and regulations.

For further information, please refer to our website.