Financial review and analysis of the fiscal year ended March 31, 2019

Business environment

The global economy grew in both developed and emerging-market nations, but the overall pace of growth in certain countries, regions have slowed. Financial markets were destabilized by concerns over protectionist policies, including the U.K.'s negotiations to leave the EU and U.S.-China trade friction. Major central banks largely acted to tighten monetary policy.

In the U.S., acceleration in real Gross Domestic Product ("GDP") growth continued from 2017. Personal consumption and government spending grew against a backdrop of tax reforms and fiscal expansion, and capital expenditures were at solid levels. However, the exchange of additional tariffs and retaliatory tariffs between the U.S. and China raised concerns about trade friction in financial markets, and stock prices plunged in late 2018. The Federal Reserve Board (FRB) announced it would halt monetary tightening in 2019, and the U.S. postponement of tariff hikes pushed interest rates sharply lower and stock markets recovered. The Dow Jones Industrial Average rose 7.6% to $25,929 at the end of March 2019, from $24,103 at the end of March 2018. The yield on 10-year U.S. Treasuries fell 33bps to 2.41% at the end of March 2019, from 2.74% at the end of March 2018.

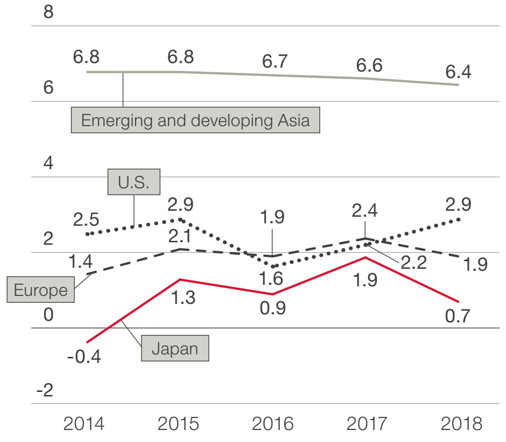
The Euro area economy slowed down from July-September 2018. The largest economy in the Eurozone, Germany, was adversely affected by the slowdown in the Chinese economy and reduced demand for autos in key Eurozone countries.

The DAX index fell 4.7% from €11,526.04 at the end of March 2018 to €12,096.73 at the end of March 2019. In December 2018, the European Central Bank (ECB) decided to end its quantitative easing program at the end of 2018, but in March 2019, it announced that it would maintain its interest rate policy at least until the end of 2019 due to the slowing German economy. With the ECB taking a cautious stance on rate hikes presently, the yield on 10-year German government bonds fell below zero in late March 2019 for the first time since autumn of 2016. In the U.K., companies' willingness to invest in plant and equipment was weak due to the uncertainty around the U.K's departure from the EU.

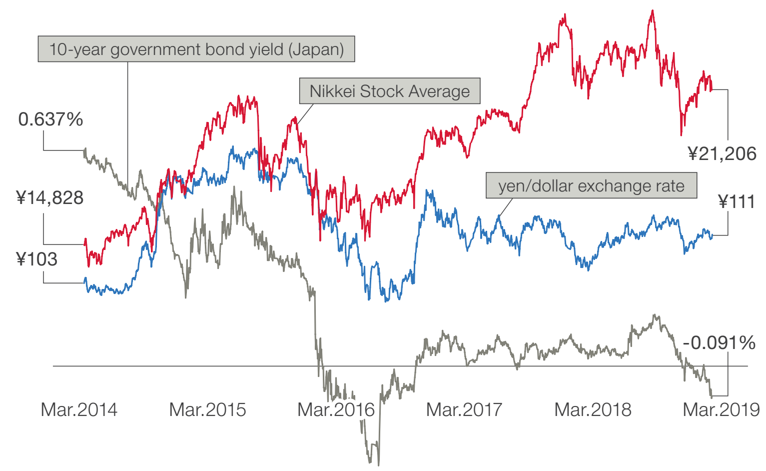
In Asia, real GDP grew 6.6% in China in 2018, down from 6.8% in 2017. Other Asian countries continued to enjoy solid economic growth overall, led by domestic demand. However, markets experienced significant capital outflows as investors avoided risks associated with the U.S. interest rate hike and U.S.-China trade friction.

Japan was also affected by the global economic slowdown driven by U.S.-China trade friction. Personal consumption was also low partly due to a string of natural disasters including heavy rains, typhoons, and earthquakes, which also disrupted supply chains and affected corporate production activity. The Nikkei Stock Average was ¥21,205.81 at the end of March 2019, down 1.2% from ¥21,454.30 at the end of March 2018. In the bond market, the Bank of Japan (BOJ) maintained its framework for quantitative and qualitative monetary easing with yield curve control. The yield on newly issued 10-year Japanese government bonds was largely in the range of -0.10% to 0.15%.

Real GDP of the United States, Europe, Emerging and Developing Asia, and Japan over the past five years*1



Yields on Japanese government bonds over the past 5 years: 10 years, yen/dollar exchange rate, and Nikkei Stock Average*2



*1 Source: U.S. Department of Commerce; Europe, eurostat; Emerging and Developing Asia, IMF; Japan, Cabinet Office. Fiscal year in Japan and calendar year in other countries
*2 Source: Bloomberg

Summary of consolidated results

Net revenue (after deducting interest expenses) for the fiscal year ended March 31, 2019 was ¥1,116.8 billion, down 25% from the previous fiscal year, and Income before income taxes was ¥37.7 billion, and net income attributable to Nomura Holdings shareholders was ¥100.4 billion. EPS for the current fiscal year (diluted net income attributable to Nomura Holdings shareholders per share) was ¥-29.92.

(billions of yen)		FY2017/18	FY2018/19	Year-on-year	Comments
Revenue	Commission	373.3	**293.1**	-21.5%	Brokerage commissions and commissions for distribution of investment trusts decreased due to a decrease in sales in stock and investment trusts
	Fees from investment banking	101.7	**101.5**	-0.1%	Revenues were flat year on year as M & A and ECM businesses contributed to earnings
	Asset management and portfolio service fees	245.6	**245.5**	0.0%	Asset management fees were flat year on year due to the inflows into private placement investment trusts for financial institutions and discretionary investment products
	Net gain (loss) on trading	442.9	**343.0**	-22.6%	Both Fixed Income and Equity were weak
	Gain (loss) on private equity investments	-0.9	**1.0**	-	
	Interest and dividends	585.7	**777.0**	32.7%	
	Gain (loss) on investments in equity securities	2.7	**-7.0**	-	Unrealized gains (losses) and trading gains (losses) on stocks held for operating purposes decreased.
	Other	221.2	**81.1**	-63.4%	This was due to the substantial liquidation of an overseas subsidiary and the gains from the sale of our controlling financial interest in Asahi Fire and Marine Insurance Co., Ltd. recorded in the previous fiscal year booked last quarter were no longer present and a decrease in gain/loss related to American Century Investments
Total revenue		1,972.2	**1,835.1**	-6.9%	
Interest expenses		475.2	**718.3**	51.2%	
Net revenue (after deducting interest expenses)		1,497.0	**1,116.8**	-25.4%	
Non-interest expenses		1,168.8	**1,154.5**	-1.2%	Despite a decrease in personnel expenses due to the control of bonuses and a decrease in legal expenses related to legacy transactions, the recognition of goodwill impairment loss (81.4 billion yen) attributable to Wholesale resulted in a slight decrease from the previous year
Income (loss) before income taxes		328.2	**-37.7**	-	
Net income (loss) attributable to Nomura Holdings shareholders		219.3	**-100.4**	-	

! As net interest income, which is interest income and dividends minus interest expenses, depends on the level and composition of total assets and liabilities, including trading assets, repurchase agreement and reverse repurchase agreement transactions, as well as the term structure and volatility of interest rates, it is one of the integral parts of trading activities.
In the fiscal year ended March, 2019, while interest and dividends including dividends from American Century Investments increased, interest expenses also increased, leading to a year-on-year decrease in net interest income.

Performance by business unit

Retail Division

Net revenue for the year ended March 2019 decreased 18% to ¥339.5 billion and income before income taxes decreased 52% to ¥49.5 billion. The decline was due to sluggish trading of stocks and investment trusts as clients' willingness to invest declined due to the uncertain market environment. The Retail Division continues to transform and strengthen its business model by enhancing the trust of our clients and improving their satisfaction, and being a reliable and dependable financial institution that customers turn to. As a result of our continued success in providing services that meet a wide range of client needs, including asset management, real estate, business succession and financing, our consulting related revenues increased 14% year on year. Net inflows of cash and securities was high, exceeding ¥2 trillion, due to the contribution of large-scale financing deals.

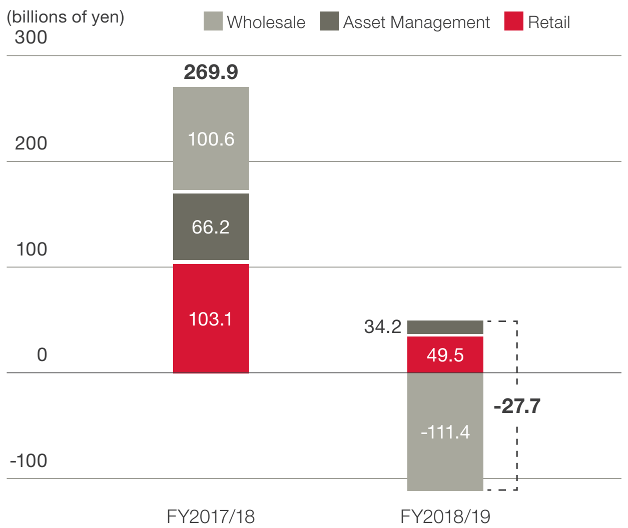
Asset Management Division

In the year ended March 31, 2019, net cash inflows totaled approximately ¥2.2 trillion. This was mainly due to the expansion of ETF (Exchange Traded Funds) and defined contribution pension funds in the investment trust business, and the growth of new investment advisory clients in overseas markets. As a result, the assets under management as of the end of March 2019 reached a record high of ¥51.4 trillion. At the same time, total net revenues decreased 23% to ¥97.8 billion, and income before income taxes decreased 48% to ¥34.2 billion. Although an increase in the assets under management contributed to earnings, cash outflows from some publicly offered investment trusts and valuation losses from changes in the market value of equity interests in American Century Investments negatively impacted performance.

Wholesale Division

Total net revenues from Wholesale Division decreased 22% to ¥555.4 billion. A decline in client activity due to geopolitical uncertainties, coupled with turmoil in emerging markets and credit markets, led to a substantial decline, particularly in Fixed Income. Although Investment Banking net revenues declined year on year amid a decline in global revenue opportunities, M&A and ECM businesses grew, driven by successful cross-regional and cross-divisional cooperation. Net loss before income taxes was ¥111.4 billion as a result of an increase in non-interest expenses driven by goodwill impairment losses and one-time expenses associated with business portfolio reviews.

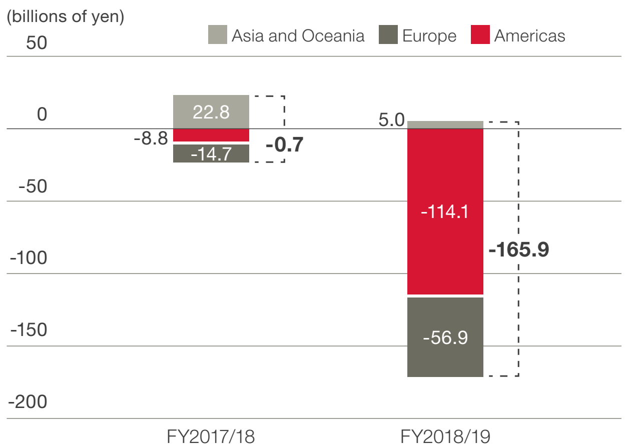
Income (loss) before income taxes by segment



Overseas business

Consolidated net loss before income taxes for the year ended March 2019 worsened to ¥165.9 billion. Geographically, although Asia and Oceania secured profits, the Americas recorded a loss of ¥114.1 billion and EMEA a loss of ¥56.9 billion. The decline in revenues were driven primarily from a difficult market environment in Fixed Income in addition to increased expenses, including an impairment loss on goodwill attributable to Wholesale, settlement costs related to legacy transactions with the U.S. Department of Justice, and one-time costs associated with reviewing the business portfolio.

International income (loss) before income taxes by region



Consolidated capital adequacy ratio

The consolidated common equity Tier1 ratio as of March 31, 2019 was 17.11%, up from 16.53% as of March 31, 2018. This was mainly due to a decline in risk-weighted assets, particularly market risk, as a result of the dissolution of temporary positions held. We have set a medium-term target for the consolidated common equity Tier1 ratio of at least 11% and is maintaining a sufficient level of capital.

The consolidated leverage ratio rose to 5.03% from 4.74% at the end of March 2018. This is mainly due to the adoption of a new method for measuring exposure in the denominator.

Consolidated capital adequacy ratio

billions of yen		FY2017/18	FY2018/19	Year-on-year
Capital	CET1 capital	2,500	2,440	-60
	Tier1 capital	2,666	2,606	-61
	Total capital	2,732	2,652	-81
Risk-weighted assets	Credit risk-weighted assets	7,736	7,527	-209
	Value obtained by dividing market risk equivalent assets by 8%	4,748	4,211	-537
	Value obtained by dividing the operational risk equivalent assets by 8%	2,638	2,513	-125
	Total risk-weighted assets	15,122	14,252	-871
Consolidated capital adequacy ratio	CET1 capital ratio	16.53%	17.11%	0.58%
	Tier1 capital ratio	17.63%	18.28%	0.65%
	Consolidated capital adequacy ratio	18.06%	18.60%	0.54%

Return to shareholders

Our basic policy for returning profits to shareholders is to continuously improve shareholder value and pay dividends. A key indicator for dividends is the consolidated dividend payout ratio of 30%, which is calculated on a semiannual basis. Dividends are determined based on a comprehensive review of trends in the regulatory environment in Japan and overseas, including the strengthening of Basel regulations, as well as consolidated performance. The number of dividends is, in principle, two per year (Reference Date: September 30, March 31). We also aim to achieve a total return ratio of at least 50%, including the return to shareholders from the repurchase of treasury stock.

Although we recorded a net loss attributable to shareholders in both the first and second half of the year ended March 31, 2019, we decided to pay dividends. In addition to the dividend policy, we also took into account the fact that temporary expenses have depressed business results and stable dividend payments. As a result, the annual dividend was ¥6 per share.

Annual dividend per share