

CORPORATE GOVERNANCE

Nomura Holdings recognizes that in order to achieve the management's goal of enhancing corporate value by deepening society's trust in the firm and increasing the satisfaction of stakeholders, beginning with shareholders and clients, strengthening corporate governance is one of the most important issues. As a company with Three Board Committees, we have separated management oversight from business execution. This separation of duties strengthens the oversight functions of the Board of Directors and delegation of authority regarding business execution to the Executive Officers with the aim to accelerate the Group's decision-making process.

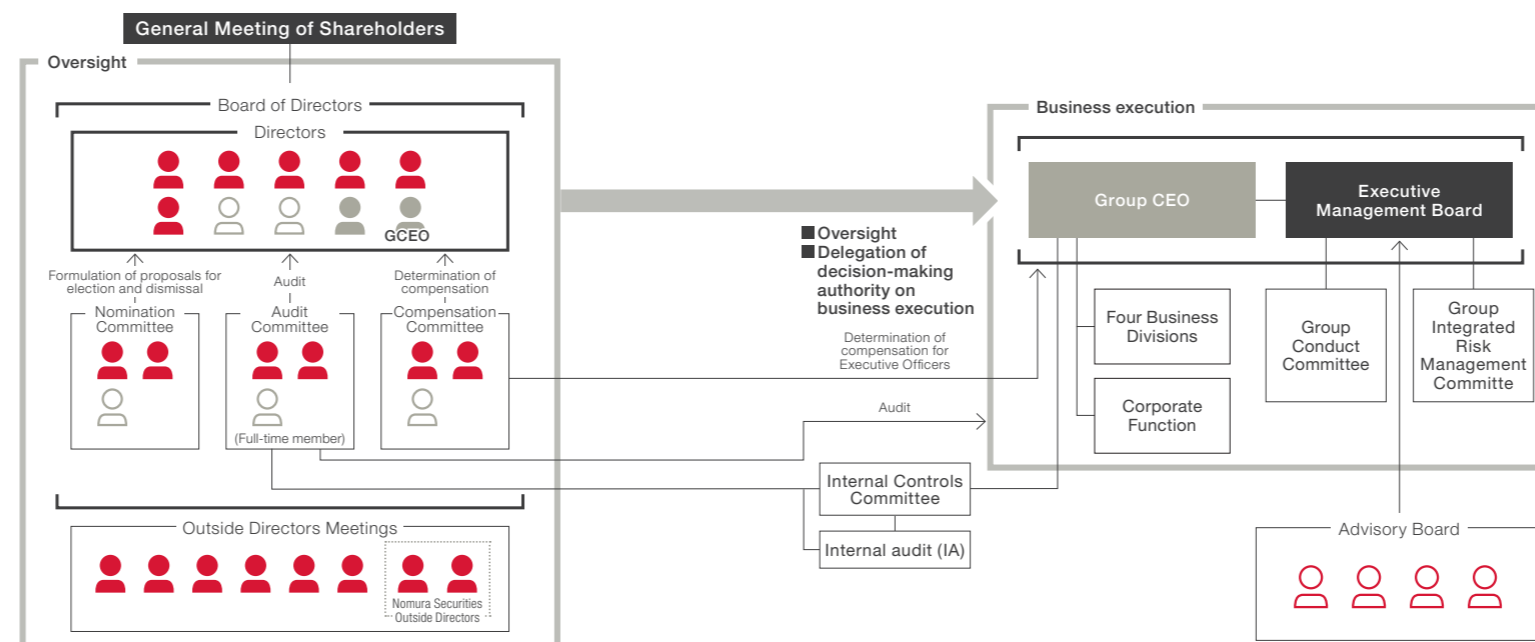
Nomura's corporate governance

- + Enhanced the Board of Directors' oversight function and achieved a high level of impartiality and transparency by separating oversight and business execution functions.
- + The Board of Directors has formulated the "Fundamental Management Policy of Nomura Holdings, Inc.," in which the Board of Directors elects the Group CEO and other Executive Officers while also making key decisions on our business execution.
- + Accelerated decision-making process by delegating business execution authority from Board of Directors to Executive Officers.
- + Board of Directors are composed of diverse members in terms of nationality, gender, backgrounds and experts such as corporate management, corporate accounting, finance-related legal systems, and other areas.
- + A majority of the Nomination, Audit, and Compensation Committee are independent Outside Directors.
- + The Nomination Committee decides Director Nominees based on certain appointment standards, including personality, insights, ethics, in-depth knowledge and experience in their specialty areas.
- + All members of the Audit Committee meet the independence standards prescribed in the Sarbanes-Oxley Act in the U.S., and more than one of them are financial experts under this legislation.
- + On the basis of pay for performance principle, the Compensation Committee decides the compensation of Directors and Executive Officers while seeking to enhance objectivity and transparency based on analysis performed by external evaluation institutions.
- + Board of Directors discloses the results from analysis and evaluation of the effectiveness of the entire Board based on each Directors' self-evaluation each year.

Corporate Governance System

- Outside Directors
- Inside Directors (Executive)
- Outside Experts
- Inside Directors (Non-executive)

	Meetings held in FY2019/20	Attendance rate in FY2019/20
Board of Directors	11	100%
Nomination Committee	9	100%
Audit Committee	16	100%
Compensation Committee	8	100%
Outside Directors Meetings	5	100%



Reinforcing the corporate governance

In 2010, two additional Outside Directors from abroad joined the Board of Directors, which is now comprised of a majority of Outside Directors. In 2015, we established "Outside Directors Meetings" where they discuss matters related to our business and corporate governance regularly. In addition, we invited Asian experts as members of the Advisory Board, which is designed to upgrade our corporate governance, helping us evolve into a "global investment bank." In 2019, all three of our committees have an Outside Director as the Chairman to further enhance our corporate governance structure. In addition, the Succession Plan was discussed in the Nomination Committee, concerning the Group CEO qualifications based on factors such as the management environment and candidate proposal to further develop our governance structure.

In the same year, we published Nomura Group Code of Conduct, to build upon the Code of Ethics of Nomura Group, established in 2004, into actions and guidelines for Nomura Group officers and employees. We operate all of our business activities based on the Code, and we strive to fulfill our responsibility not just to shareholders but to all other stakeholders.

Our company's continuous efforts to strengthen corporate governance are reflected in the corporate governance framework, which is shown as the "Nomura Holdings Corporate Governance Guidelines," established in November 2015. In addition, the current status of compliance with the Corporate Governance Code is disclosed in the Corporate Governance Report.

- Nomura Holdings Corporate Governance Guidelines
https://www.nomuraholdings.com/company/cg/data/cg_guideline.pdf
- Corporate Governance Report
https://www.nomuraholdings.com/company/cg/data/cg_report.pdf

Ratio of Outside Directors

2003 **36%** → **60%** 2020

Ratio of non-Japanese Directors

2003 **0%** → **20%** 2020

Ratio of female Directors

2003 **0%** → **20%** 2020

Adopted a Company with Committees, etc. structure (now known as a Company with Three Board Committees)

2003

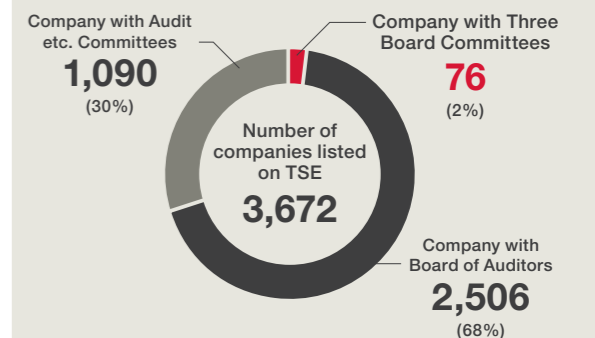
Established the Advisory Board as an advisory body to the Executive Management Board

2001

Regularly held Outside Directors Meetings

2015

Form of Corporate Governance of Japanese companies

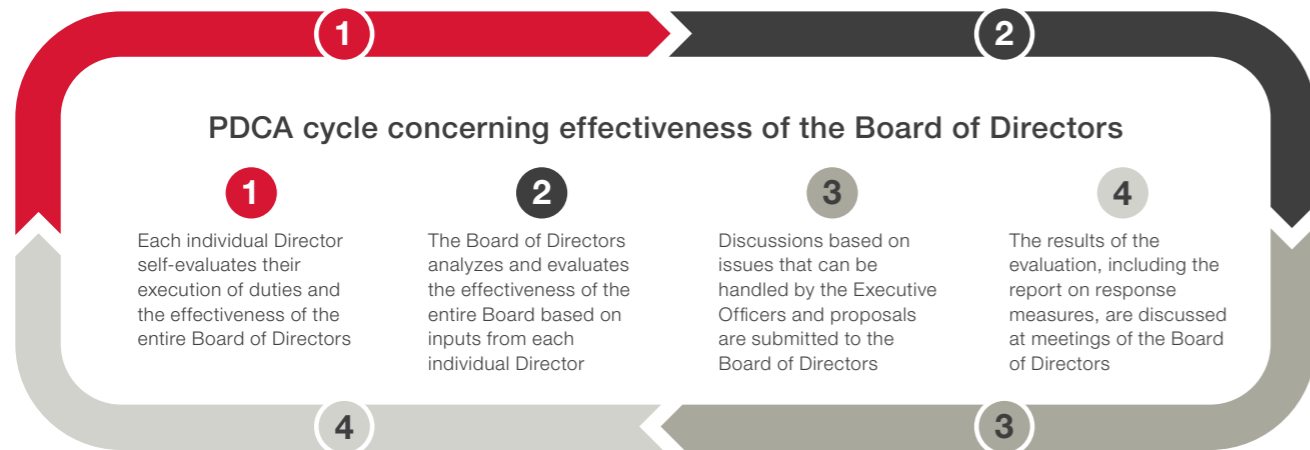


Source: Nomura, Japan Exchange Group "Corporate Governance Information Search" (As of July 7, 2020)

Evaluation of the effectiveness of the Board of Directors

We have been conducting evaluations on the effectiveness of the Board of Directors since the fiscal year ended March 2016. Each Director assesses the management of the Board of Directors, including the quantity and quality of information offered and discussions by the Board of Directors. Based on those results, they also share their findings at Board of Directors Meetings as well as Outside Directors Meetings, and further discuss about issues found with other Directors including Executive Officers in order to continue strengthening their oversight function.

Through evaluation of these discussions and findings, the Board of Directors found the effectiveness of Board of Directors is generally at an almost good level this year as well. As a company with Three Board Committees structure, we ensure to accelerate the Group's decision-making process, and we are enhancing the ability to utilize of all members' expertise either during or outside of Board of Directors Meetings, to further enrich the function of the Board of Directors.



Evaluation items	Response to results
<p>Constitution and management of the Board of Directors</p> <p>Information provision to the Board of Directors</p> <p>The Board of Directors' involvement in management goals and strategy</p> <p>The Board of Directors' function ability to oversee management</p> <p>Constitution and management of the Nomination, Audit and Compensation Committees</p> <p>Monitoring of the state of dialogues with stakeholders</p> <p>Management of Outside Directors Meetings, etc.</p>	<p>Response to results from previous year</p> <p>In fiscal year ended March 2019, Director Kimura who is the lead Outside Director has been assigned to the Chairman of Nomination Committee and Compensation Committee, and aimed for sophistication of Board of Directors.</p> <p>At the Nomination Committee, Succession Plan discussed by concerning the Group CEO qualifications based on factors such as the management environment and candidate proposal. At the Compensation Committee, performance-based compensation was discussed, and the function of each Committee was enhanced.</p> <p>Regarding the incident of improper communication of information, the Board of Directors concerning investigation results by the special investigation team under the Audit Committee, required to establish a remediation action plan to the senior managements. As a result, the Nomura Group Code of Conduct which is an essential part of the remediation plan has been established based on the discussions at the Board of Directors, and the efforts to permeate the code were also discussed at the Board of Directors.</p>
	<p>Future Challenges</p> <p>At the regularly held meetings of Outside Directors, enhancement of discussions regarding management's goals and strategies, and effective management of Board of Directors will be discussed with Directors and senior management for ideal way of the Company's Board of Directors.</p>

Main items discussed by the Board of Directors

	Main agenda	Content of the discussion
1Q	FY2018/19 full year results, dividend payouts	Company overview, performance and market environment by division and region, situation of competitors, etc.
	Business execution report	Review of business platform and future strategies
	Risk management report	Operational status of risk appetite and discussion of risks requiring attention
	Compliance reporting	Current status and next steps on addressing the incident of improper communication of information
	Audit activity findings report	Initiatives to realize medium to long-term management strategy
2Q	FY2019/20 1Q results	Company overview, performance and market environment by division and region, situation of competitors, etc.
	Business execution report	Partial sale of Nomura Research Institute shares and future strategy for Retail Division
	Risk management report	Operational status of risk appetite and discussion of risks requiring attention
	Compliance reporting	Current status and next steps on addressing the incident of improper communication of information
	Revision of Corporate Governance Guidelines	Clarification of selection criteria for Chairman of Nomination and Compensation Committee
	Strategic Shareholding Review Committee reporting	Current status of strategic shareholdings and future measures
3Q	FY2019/20 2Q results, dividend payouts	Company overview, performance and market environment by division and region, situation of competitors, etc.
	Business execution report	Future strategy for each division
	Investments, sales and alliances report	Current status of investments, sales, alliances
	Proxy voting analysis of Annual General Meeting in June 2019	Proxy voting results for Institutional and individual investors Major shareholder proxy voting results analysis and future measures
	Risk management report	Operational status of risk appetite and discussion of risks requiring attention
4Q	FY2019/20 3Q results	Company overview, performance and market environment by division and region, situation of competitors, etc.
	Business execution report	Future strategy for each division
	Shareholder Relations Report	Status of dialogue with key shareholders
	Risk management report	Operational status of risk appetite and discussion of risks requiring attention
	Compliance reporting	Discussion on rule changes in relation to establishment of the Nomura Group Code of Conduct

Internal Controls System

We are strengthening our internal controls to ensure appropriate corporate behaviors throughout the Group are made in an effort to deliver management transparency, ensure efficiency, comply with regulations, manage risks, maintain the reliability of business and financial reports, and encourage appropriate information disclosure.

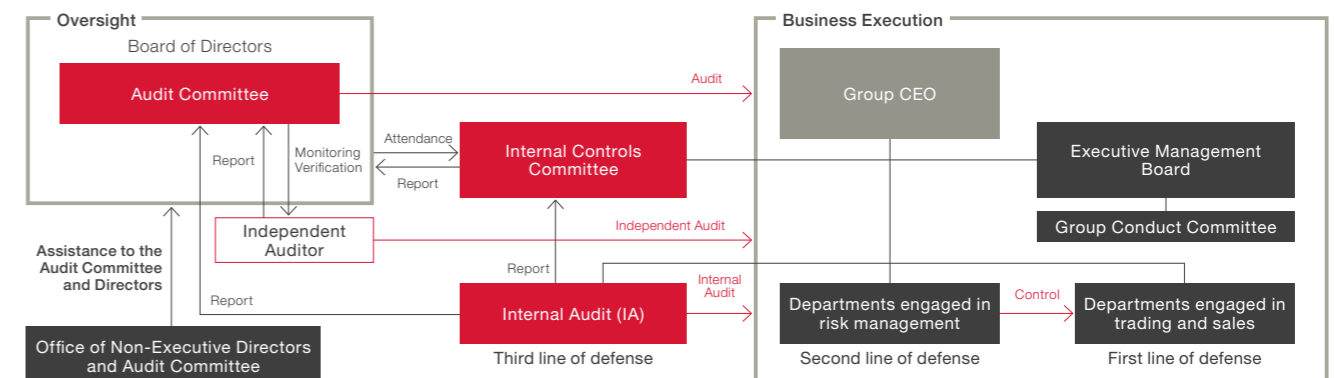
First, we implemented risk controls in the sales and trading businesses, which are then reviewed and monitored by risk management teams. They also encourage development of management frameworks. Finally, the Internal Audit department, which is independent from business execution, conducts their internal audit (This is commonly referred to as the "Three Lines of Defense" approach. See page 63 for details).

The status of the internal audits is reported to the "Internal Controls Committee*" chaired by the Group CEO and attended by members of the Audit Committee. Deliberations of the Internal Controls Committee are reported to the Board of Directors. The Audit Committee collaborates directly with the Internal Audit department and submits reports to the Board of Directors.

To strengthen the independence of the Internal Audit department from business execution functions, and implementation plans, their budget formulation and the election and dismissal of their heads require the consent of the Audit Committee.

* Internal Controls Committee deliberates and determines matters regarding the establishment and evaluation of internal controls for the Nomura Group's business management structure as well as matters regarding the improvement of corporate behavior. Upon the consent of the Audit Committee, the Committee approves the internal audit plan, the budget regarding the internal audit, and elects and dismisses the Head of the Internal Audit Division. The Committee is comprised of Group CEO, person(s) assigned by Group CEO, member(s) of Audit Committee designated by the Audit Committee and Director(s) designated by Board of Directors.

Structure of Nomura Holdings' internal controls system



Compensation for Directors and Executive Officers

As Nomura has adopted the "Company with Three Board Committees" structure, the Compensation Committee has established the Compensation Policy of Nomura Group and the Compensation Policy for Directors and Executive Officers. We ensure that the Nomura Group's compensation framework aligns with our business strategy.

Compensation Policy of Nomura Group

We have developed our compensation policy to enable us to achieve sustainable growth, realize a long-term increase in shareholder value, deliver added value to our clients, compete in the global market and enhance our reputation.

- 1 Align with Nomura's values and strategies
- 2 Reflect group, divisional, and individual performance
- 3 Establish appropriate performance measurement with a focus on risk
- 4 Align employee and shareholder interests
- 5 Appropriate compensation structures
- 6 Ensure robust governance and control processes

Compensation Policy for Directors and Executive Officers

The compensation of Directors and Executive Officers comprises fixed compensation and variable compensation, and is determined by the Compensation Committee based on this policy.

A portion of compensation may be deferred or paid in the form of equity-linked awards. Equity-linked awards have vesting periods to ensure that the medium to long-term interests of Directors and Executive Officers are closely aligned with those of shareholders. In addition, the deferred compensation may not be paid or may be forfeited under certain circumstances.

Compensation framework: fixed compensation and variable compensation

Nomura delivers compensation to senior management and employees through fixed and variable components.

(1) Fixed Compensation

Fixed compensation primarily consists of base salary and other allowances.

Base salary is determined by examining individual duty, role, responsibility, knowledge, skills, competencies, experience, etc. Other allowances are determined by reflecting the local labor market standards and practices.

(2) Variable Compensation

Variable compensation is consisted of cash bonuses and deferred compensation, which are performance-linked compensations. In determining performance-linked compensation, following indicators are referred. In addition to referring these financial indicators, the total compensation is determined by comprehensively considering individual responsibility and performance, as well as trends of global competitors and industry-wide.

- 1 Income before income taxes
- 2 Net income attributable to NHI shareholders per share (diluted)
- 3 Dividends per share
- 4 Share prices, etc.

Compensation paid to Directors and Executive Officers

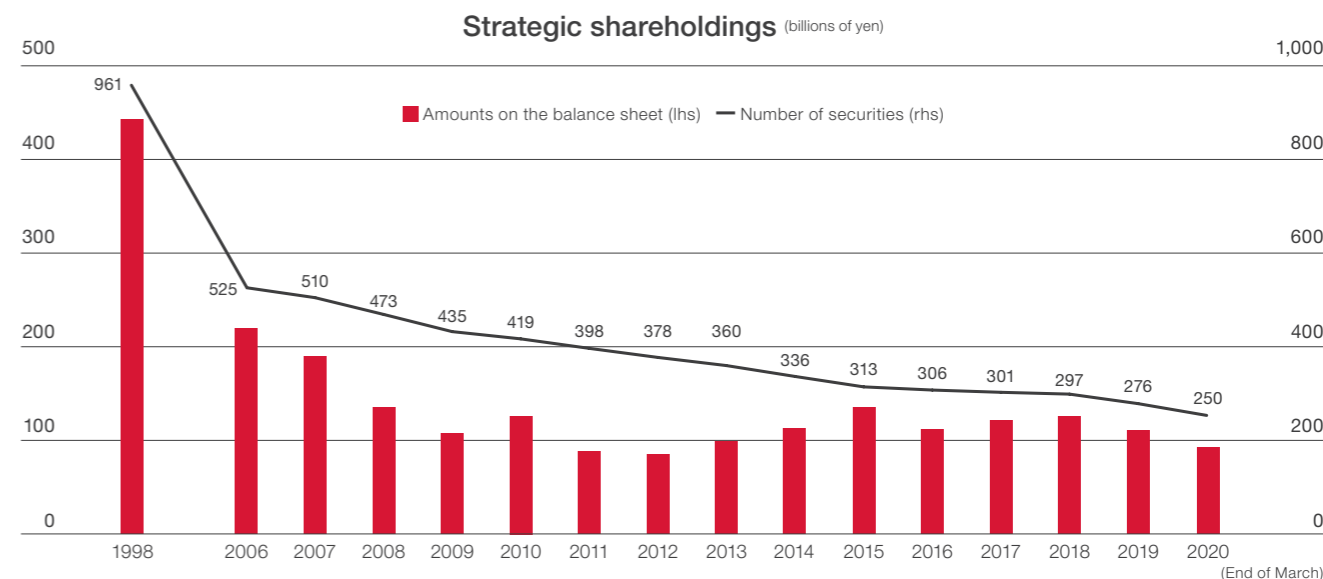
Position	Directors (Outside Directors)	Executive Officers	Total
Number of People ^{*1}	8 (6)	8	16
Basic Compensation ^{*2,3} (millions of yen)	253 (129)	560	813
Bonus (millions of yen)	100 (-)	538	638
Deferred Compensation ^{*4} (millions of yen)	15 (-)	203	218
Total (millions of yen)	368 (129)	1,301	1,669

Notes 1. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.
 2. Basic compensation of 813 million yen includes other compensation (such as commuter pass allowances) of 750 thousand yen.
 3. In addition to basic compensation of Executive Officers, 27 million yen of corporate housing costs, such as housing allowance and related tax adjustments, were provided.
 4. Deferred compensation (such as RSU, stock options, etc.) granted during and prior to the fiscal year ended March 31, 2020 is recognized as expense in the financial statements for the fiscal year ended March 31, 2020.
 5. Subsidiaries of the Company paid 61 million yen to Outside Directors as compensation, etc. for their directorship at those subsidiaries for the fiscal year ended March 31, 2020.
 6. The Company abolished retirement bonuses to Directors in 2001.

Compensation for Directors and Executive Officers <https://www.nomuraholdings.com/company/cg/compensation.html>

Basic policy for strategic shareholdings

Over the past 20 years, Nomura Group has consistently reduced its investments in strategic shareholdings that are not used for pure investment purposes. As of end of March 2020, our Company held 250 companies' stocks, total assets recorded on the balance sheet is ¥92.1 billion (total market value of holdings) and represented only 3.6% of our Tier1 capital.



We have ongoing discussions concerning the value of strategic shareholdings (see below chart). Regarding strategic shareholdings, we balance the risks and costs involved in holding such shares with potential benefits into business strategy, such as additional opportunities to increase the revenues of our businesses through expansion of transactions, or business alliances with partners whose shares are held, and Nomura shall hold such shares only if such shareholdings will contribute to maintaining or enhancing the corporate value of the Nomura Group.

These topics are discussed by the Strategic Shareholders Discussion Committee established by Board of Directors (held twice during fiscal year ended March 2020). As a result, we will proceed with the sale of such shareholdings, where it has been determined to be reasonable upon consideration of the impact on the market and other circumstances.

Process for Reviewing the value of strategic shareholdings

