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.

Corporate Governance System

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

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.

Corporate Governance Report

Organization Chart

Nomura Holdings Corporate Governance Guidelines


Corporate Governance Report


Form of Corporate Governance of Japanese companies

Company with Three Board Committees

<table>
<thead>
<tr>
<th>Number of companies listed on TSE</th>
<th>1,090 (99%)</th>
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<tr>
<td>Company with Audit Committee</td>
<td>3,672 (86%)</td>
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<tr>
<td>Company with Board of Auditors</td>
<td>2,506 (68%)</td>
</tr>
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</table>

Source: Nomura, Japan Exchange Group "Corporate Governance Information Scroll" (as of July 1, 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 that 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.

Main items discussed by the Board of Directors

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

Structure of Nomura Holdings’ internal controls system

- Internal Controls Committee deliberates and determines matters regarding the establish 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 consists of Group CEO and other persons designated by Group CEO. The Committee is directed by the Audit Committee or the Director(s) designated by Board of Directors.

Future Challenges

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.
Corporate Governance

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.

1. A portion of compensation may be deferred or paid in the form of equity-linked awards.
2. 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 comprehensively considering individual responsibility and performance, as well as trends of global competitors and industry-wide.

Basic compensation
- Basic compensation of ¥318 billion is determined on the basis of the business strategy and consists of fixed salary and other allowances.
- In addition to basic salary, annual vacation, etc. are also paid.
- In addition to basic compensation of Executive Officers, ¥74 billion is paid as a retirement benefit.
- The compensation is determined by reflecting the local labor market standards.

Variable compensation
- Performance-linked compensation is determined by reflecting the results of the business in the previous year.
- The compensation is determined in consideration of the business performance and the trends of the global market.

Notes:
1. Compensation is determined by reflecting the results of the business in the previous year.
2. The compensation is determined by reflecting the local labor market standards.
3. The compensation is determined by reflecting the results of the business in the previous year.
4. The compensation is determined by reflecting the local labor market standards.
5. The compensation is determined by reflecting the results of the business in the previous year.
6. The compensation is determined by reflecting the results of the business in the previous year.

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.

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 Tier 1 capital.

![Strategic shareholdings chart](https://www.nomuraholdings.com/company/cg/compensation.html)

### Process for Reviewing the value of strategic shareholdings

**Quantitative analysis**

- **Verification of whether the return on required capital (Revenues + dividends from transactions with companies, etc.) exceeds the required level.** If it meets the required level, we will continue to hold our position, and if not, we will conduct further qualitative analysis.

**Qualitative analysis**

- **Qualitative analysis considers whether to continue to hold or sell based on medium to long-term revenue projections, holding objectives and periods, relationships with issuers and regional economies, and other strategic factors.**

### Expected return of stock above criteria

**Quantitative analysis**

- **Expected return of stock above criteria**
  - Exceeds expectation
  - Under expectation

**Qualitative analysis**

- **Expected return of stock below criteria**
  - Meets expectation
  - Under expectation

**Holding policy**

- **Continue holding**
- **Sale of strategic holding**

**Notes**

- **Quantitative analysis regularly held for all strategic shareholdings**
- **Qualitative analysis for strategic shareholdings**

**Notes**

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