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Q Could you explain activities of the Nomination Committee, and what is discussed in the Committee?

The mission of the Nomination Committee is to decide each year's nominees to the Board of Directors with sufficient reasoning and to define the independence criteria for outside directors. Over the past couple years, we have spent the most time on our key task; planning for a successor to the Group CEO. The committee rules stipulate that the Nomination Committee must meet at least once a year. Normally, the Committee meets about three times a year, but the number increased to six in fiscal year ended March 2019 and nine in fiscal March 2020.

Q What perspectives are important to the Nomination Committee when selecting nominees for Nomura Holdings' board of directors?

Nomura's Corporate Governance Guidelines state the requirements for directors, the first is to ensure a diverse board, and the second is to have a majority of outside directors. Diversity includes nationality, gender, and specialty of directors. As for internal directors, the Group CEO and Group COO (currently unassigned) are also appointed as directors. As a result, of the 10 currently on the Board, six are from the outside, including two non-Japanese and two female directors. Outside directors are required to meet independence criteria in addition to their expertise.

From a governance perspective, Nomura Holdings has taken an advanced approach. In other words, the Board of Directors is essentially responsible for the supervision of management, and is very clearly separated from the execution. Furthermore, although there are no explicit standards to exert, it is the role of the Board of Directors to dismiss the Group CEO if he or she is judged unfit to fulfill the duties sufficiently.

Q In December 2019, Nomura announced its key managerial position effective April 2020. When did you begin discussing and eventually decide upon appointing Mr. Okuda as the new Group CEO?

It effectively started from 2018. Mr. Nagai, the Group CEO at that time, attended the Nomination Committee as an advisory explainer to the Committee and we gradually narrowed down the list of candidates from more than 10 people. First, we identified and defined the requirements for the next leader since the business environment has changed considerably from Mr. Nagai's time. Looking ahead to the future, we discussed at length which qualifications, experiences and leadership styles are necessary to lead in this changing environment. I felt the discussions became really focused and intensive at the three Nomination Committees in August, October and November 2019. During the Committee meeting in December, the Committee decided on Mr. Okuda and submitted its recommendation to the Board of Directors.

In fact, the Nomination Committee members do not have many opportunities to speak directly with incumbent executives. On the other hand, the Audit Committee conducts monthly interviews and each member has opportunities to meet not only the heads of each business division, but also the executive officers under them. As a result of the opinion raised by the Board of Directors and the evaluation of the effectiveness process three years ago, outside directors other than the Audit Committee members can now attend meetings. If timing allows, I attend the Committee meetings and ask questions. Outside directors can also attend meetings where executives from Japan and overseas gather to discuss the business conditions and strategies for the Group and its divisions. By attending these meetings, the members of the Nomination Committee have a chance to meet the executives and know who each candidate is, and this indeed helped smooth our screening process.

Q Why did the Committee conclude that Mr. Okuda would be the best to fill the Group CEO position?

Nomura is a company filled with extremely talented personnel. In fact, if you look around, there are so many people from Nomura who play important parts in various fields. I think Nomura encourages nurturing people. The reason we recommended Mr. Okuda from such a large pool of talented people is that we felt he will be a great leader during times when Nomura continues to transform itself five or ten years from now. Furthermore, Mr. Okuda has worked mainly in the Wholesale Division and also has overseas experience. Taking into consideration the macroeconomic environment, including the declining birthrate, aging population and the decline in commission rates in Japan, we believe that there are limitations to significant growth in earnings even if we increase our share in Japan. Under these circumstances, it is the Wholesale business and capital markets business, as well as new business areas such as China and the Merchant Banking business, that have greater future growth potential. Mr. Okuda was the best person to lead the firm's focus of the client franchise in addition to established brokerage capabilities in the Wholesale business.

Although the Wholesale Division reported valuation losses in response to the sudden market downturn in March of this year, we feel that our fundamental competitiveness in this business has steadily improved both last year

and this year. However, there are questions about the volatility of earnings. One year, the Wholesale business may deliver significant profits and in the next year, it could swing to a loss. I cannot guarantee this will not occur. Stabilizing overseas earnings and raising profitability are important financial objectives for Nomura. This does not mean that we need to expand aggressively, instead, we need to manage the growth while controlling costs properly.

In the face of rapidly evolving technology and infrastructure demand, as demonstrated in response to the coronavirus pandemic, we must be running ahead of advancements in digitization, which are expected to accelerate in the future. Partnerships with regional financial institutions in Japan and with LINE Securities are extremely important, and we do not need to do everything ourselves. Identifying the right balance could determine our competitiveness. We have decided that Mr. Okuda is the most appropriate person to lead the firm in accelerating these efforts while also tackling the challenges we face, and maintaining overall balance. He instinctively excels with both conceptual thinking and planning ability, and is also effective at communicating externally and internally. He also possesses the ability to convey information in an easy-to-understand manner, instead of relying on financial terminology.



Q Next, could you explain the frequency of the Compensation Committee meetings and the topics of discussion?

Under the committee rules, these meetings are held at least once a year, but in fiscal year ended March 2020, we convened eight times. During one meeting, we discussed the voluntary return of executive compensation following the TSE incident, and discussed compensation levels at the subsequent meetings. Now that I have become the Chairman of the Committee, we started to discuss ways to increase transparency of our remuneration methodology for executives. When our company is doing well, executives should be proud to be compensated well, and

we should set up rules to ensure that compensation is consistent. Executives will have greater incentive to perform well if they understand the criteria on which they are being evaluated.

We reached a general agreement to an overall framework in March this year, and taking into consideration best practices from other companies in Japan and overseas. We are now at the stage of deciding details such as which KPIs to use. Since Mr. Okuda has delivered his new management vision, the KPIs will also incorporate the vision's objectives.

We would like to incorporate qualitative evaluation as well. For example, better fiduciary duty fulfillment and client satisfaction that result in an increase to client assets could be important factors for some divisions. In

addition, the KPIs we refer to for performance evaluation may differ between the firm-wide management and individual business executives.

Q There is an opinion that Chairman of the Board of Directors should be an outside director, but is not currently the case for Nomura. What is your opinion?

In some financial institutions, an outside director serves as the Chairman of the Board of Directors. However, I think an internal director as Chairman works better for Nomura. While we certainly have outside directors who are familiar with financial industry, they do not know everything about the securities industry. The Chairman's responsibility is to facilitate discussion. In the past, the Chairman rarely had influence on the conclusion, and I have never had any concerns. Mr. Koga, who served as the Chairman until March this year, was

evaluated highly for the effectiveness of the Board of Directors.

As the majority of Nomura's Board are outside directors, the board has the ability to change Chairmen should the sitting Chairman have material problems in fulfilling his duties. This is a safeguard though, I don't believe that situation would arise. At present, the Board of Directors, including six outside directors, is engaged in vigorous discussions, and the Chairman may lead, but not individually make decisions.

Q Lastly, if there are any challenges regarding Nomura Holdings' governance, how will you address changes?

As I mentioned at the outset, I believe that Nomura's approach and structure for governance is quite advanced.

Executives are responsible for ensuring proper corporate governance. In response to last year's inappropriate communication of information, and in order to ensure that such incidents never recur, the firm had created the Nomura Group Code of Conduct through discussions at all levels of the company. It's very rigorous and based on foundational principles. In order to eliminate some of the misconceptions that

employees can engage in activities that are not explicitly forbidden in the rules, they must ask themselves whether their actions align with the principles and meet the standard of ethics required of them. I ask myself five set questions and if all can be answered "Yes," I can proceed with the action in question. This is very important. However, development of governance has no end point. The environment will change and evolve, and I believe that we have to continue taking necessary actions to improve governance and address new matters.