Risk Management

Nomura Group promotes integrated risk management as part of the firm's management strategy to control various risks inherent in daily operations, secure capital soundness in any economic environment, achieve business plans, protect customers and comply with laws and regulations.

Risk management policy

All executives and employees of Nomura Group, irrespective of their function, actively engage in risk management.

Nomura Group aims to identify the risks that could lead to significant losses by categorizing the types of risks associated with its business activities, as well as the impacts of risks and their likelihood of occurrence. In principle, Nomura Group avoids risks that are difficult to identify and manage.

Nomura Group recognizes that there are risks that cannot be identified at present. As financial professionals, all executives and employees of Nomura Group must expand their knowledge of risks, and foster a corporate culture that appropriately recognizes, evaluates and manages risks.

Risk culture

Fostering a sound risk culture is essential for Nomura Group to maintain its social credibility and sustain its business activities. At Nomura Group, all employees, irrespective of their function or geographic location, must understand their specific responsibilities related to risk management, and actively work to manage risks.

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.

Establish and promote the risk management framework; monitor and challenge the first line of defense

Review from an independent position

First line of defense	Second line of defense	Third line of defense
1 — Departments engaged in trading and sales	2 — Departments engaged in risk management	3 — Internal Audit
As the first line of defense, departments engaged in sales and trading manage the risks associated with their own business activities. For example, trading departments do business within predetermined risk limits, and proactively identify and address any issues they find.	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.	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.

Risk management activities

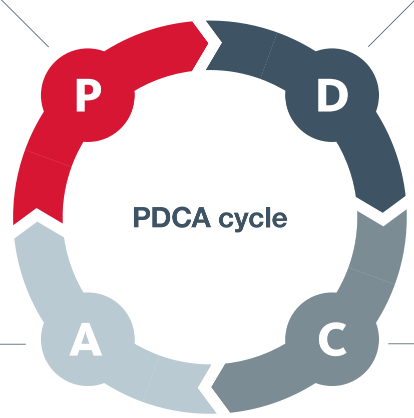
Based on the concept of PDCA cycle (Plan, Do, Check and Action), all executives and employees of Nomura Group conduct risk management activities as three defensive lines to ensure that the various risks inherent in daily operations do not exceed the level of risk appetite.

P Plan

In order to realize Nomura Group's corporate philosophy, the Executive Management Board formulates business plans and establishes risk appetite taking into account the business environment and the state of management resources. These are reviewed annually or as needed.

D Do

Each business division carries out its business plans in accordance with the risk appetite and the Code of Conduct.

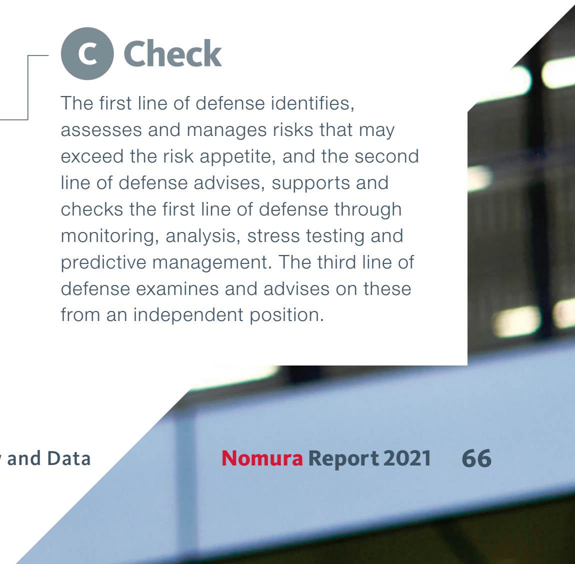


A Action

Each business division works to improve risks that may exceed the risk appetite, as well as carries out activities based on the advice, support and checks received from the second line of defense.

C Check

The first line of defense identifies, assesses and manages risks that may exceed the risk appetite, and the second line of defense advises, supports and checks the first line of defense through monitoring, analysis, stress testing and predictive management. The third line of defense examines and advises on these from an independent position.



Risk Appetite Statement

Risk appetite statement documents Nomura's fundamental understanding and approach toward various risks. It defines the types of risk that Nomura Group choose to take and not to take under any circumstances when executing our business strategy in order to achieve our business goal.

Our Risk Appetite Statement is approved by the Executive Management Board, and risks are monitored daily against the risk appetite. If by any chance risk levels exceed the risk appetite, senior management consults with those directly involved and takes actions to eliminate excessive risk as necessary.

In 2021, Risk Appetite Statement upgraded to recognize that ESG factors, including climate change, have a significant impact on various risk categories.

Categories for which risk appetite is established

Capital adequacy and liquidity	Nomura Group defines the level of capital adequacy and sound liquidity as risk appetite, taking into account the regulatory requirements, funding capacity, and business environment.
Financial risk	Nomura Group allocates financial resources to each business in order to achieve corporate strategies and business plans, while remaining within the bounds of the risk appetite for capital adequacy and liquidity. Nomura Group defines the types and levels of financial risks that each business takes within its allocated resources as financial risk appetite. In setting the financial risk appetite, Nomura Group classifies market and credit risks into segments according to the nature of business, and uses quantitative metrics or qualitative indicators as well as processes to capture these characteristics.
Non-financial risk	Non-financial risks exist in daily activities and processes, and can result in a financial loss or significant adverse impact on Nomura Group, our clients and financial markets. It is therefore everyone's responsibility to manage non-financial risks in line with Nomura Group's risk appetite.

Financial risk

Financial risk is the possibility of losses arising from Nomura Group's portfolio of financial instruments and financial transactions due to various factors. It consists of the following risks.

Nomura Group manages these risks by (1) setting limits, imposing risk charges, and limiting holdings; (2) managing the concentration risk of the obligor group and portfolio through individual review and approval processes; (3) determining the feasibility and terms of new transactions through individual deliberations; and (4) establishing a robust framework through requirements definition and process building.

Risk category	Definition
Mark to market risk	Risk of incurring losses due to a change in the value of assets or liabilities resulting from movements in interest rates, currencies, and prices of stocks and other securities.
Market liquidity risk	Risk that trading costs will increase due to the time taken to close positions, or that trading will become unfeasible due to rapid changes in the market.
Default risk	Risk of incurring losses when a counterparty or issuer fails to meet its obligations.
Event risk	Risks inherent in specific financial transactions, such as losses from events caused by discontinuous changes in the market. Events may or may not result from fluctuations in financial markets.
Model risk	Nomura Group uses models for valuation of financial instruments, for measurement of key risks including Value at Risk and counterparty exposure, for estimating liquidity, and for asset price verification. Model uncertainty due to simplification, incorrect use of a model, or reduced model suitability in the current market environment can lead to financial losses and failure to satisfy regulatory requirements. This is called model risk.

Non-financial risk

Non-financial risk includes Operational Risk and Reputational Risk.

Operational risk

Risk of financial loss or non-financial impact arising from inadequate or failed internal processes, people and systems, or from external events. Nomura Group's approach to operational risk management includes four core processes: operational risk event reporting, risk and control self assessment (RCSA), monitoring using key risk indicators (KRI), and scenario analysis. Managed operational risks are divided into the 10 categories below.

Compliance risk also includes conduct risk, which is the risk that the conduct of any member of Nomura Group deviates from the social norms and ethics required of a financial institution, and, as a result, adversely affects client protection and the soundness of the market.

Risk category	Definition
Compliance risk	Risk of financial loss or reputational damage due to violations of financial services laws, rules or regulations, and improper conduct which disrupts the integrity of the financial markets and causes unfair client treatment.
Legal risk	Risk of financial loss or reputational damage due to (i) ambiguity and/or insufficiency in contractual terms to secure Nomura's legal rights and/or enforceability of the contractual terms; (ii) failure to comply with applicable laws and regulations; and/or (iii) failure to adopt to changes in laws and regulations.
IT and Cyber Security	Risk of financial loss or reputational damage due to (i) poor performance or unavailability of IT systems; (ii) data corruption and/or; (iii) unauthorised or improper access to IT systems and data from within or outside the institution.
Business Resilience	Risk of financial loss or reputational damage due to inability to resume normal business operations during a business disruption event and damage to or unavailability of physical assets from natural disasters and other events.
Third-Party	Risk of financial loss or reputational damage due to failure of third-party to perform in line with expectations
Financial Reporting & Tax	Risk of financial loss or reputational damage due to material misstatement or omission in the firm's (i) external financial reporting, regulatory reporting or internal financial management reporting; and/or (ii) external tax reporting or payments.
People	Risk of financial loss, staff impact or reputational damage due to acts inconsistent with employment or health and safety laws or employment norms and agreements.
Transaction Lifecycle	Risk of financial loss or reputational damage due to failures in transaction processing and/or process management.
Prudential Risk Frameworks	Risk of financial loss or reputational damage due to inadequate prudential risk management frameworks.
Fraud	Risk of financial loss or reputational damage due to intent to defraud, misappropriate property or conduct unauthorized activity by an internal or third party.

Reputational Risk

The possible damage to Nomura's reputation and associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with Nomura Group's values and corporate philosophy. All personnel must consider the impact of their actions or inactions on Nomura's reputation and apply high standards to their behavior as set out in the Nomura Group Code of Conduct.

Risk Management Governance and Oversight

Nomura has established an organizational structure to facilitate effective business operations and management of risks.

Executive Management Board (EMB)

Executive Management Board deliberates on and determines the Risk Appetite, in addition to the Business Plan and budget.

Group Integrated Risk Management Committee (GIRMC)

Group Integrated Risk Management Committee establishes a policy and a framework of our risk management.

Chief Risk Officer(CRO)

Chief Risk Officer is responsible for supervising the Risk Management division and maintaining the effectiveness of the financial risk management framework.

Chief Financial Officer (CFO)

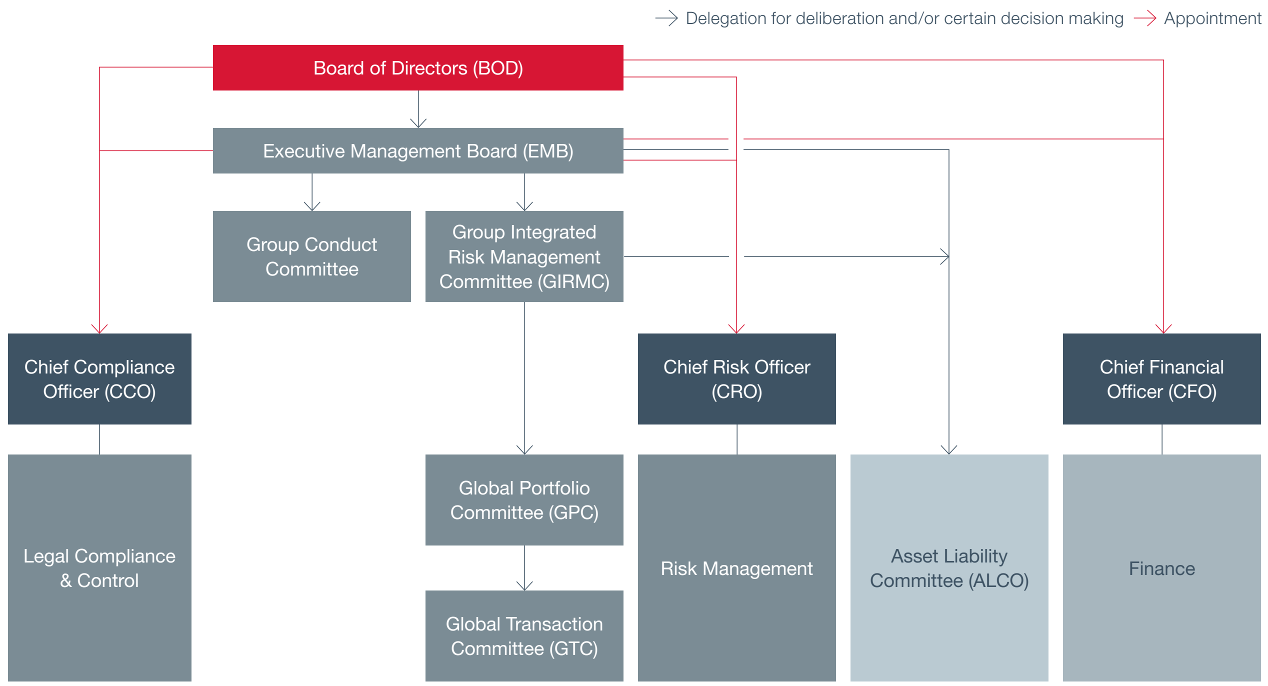
Chief Financial Officer is responsible for supervising Finance division, and overall financial strategy and liquidity management.

Chief Compliance Officer (CCO)

Chief Compliance Officer is responsible for supervising the Legal, Compliance and Controls division ("LCC") and maintaining the effectiveness of the non-financial risk management framework.

Risk Management, Finance and LCC divisions

Risk Management, Finance and LCC divisions comprise various departments established independently from Nomura's business divisions. These three divisions are responsible for establishing and enforcing risk management policies and regulations, establishing and operating risk management processes, verifying the effectiveness of risk management methods, and reporting to Officers and Group Integrated Risk Management Committee.

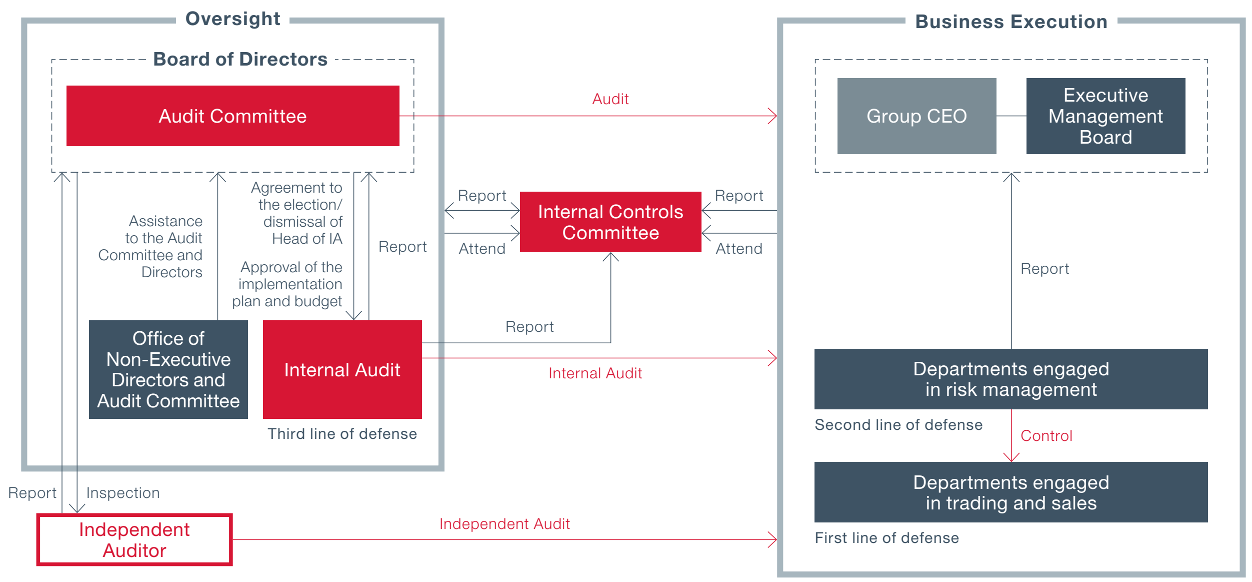


Internal Audit (Third line of defense)

In order to ensure the effectiveness and appropriateness of internal controls, we have established dedicated internal auditing departments in the Company and its major subsidiaries that are independent from the execution of business operations, and these departments conduct internal audits in Nomura Group. To ensure the independence of the Internal Audit department from business execution functions, the formulation of the implementation plan and budget for internal audits are subject to the approval of the Audit Committee or the Audit Committee members appointed by the Audit Committee. The appointment and dismissal of the head of the Internal Audit Division requires the consent of the Audit Committee or the Audit Committee members appointed by the Audit Committee.

In order to ensure appropriate corporate behavior throughout the Group 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, we are working to strengthen and enhance our internal control system. Important matters in regard to internal controls including internal audit activities is deliberated at the Internal Controls Committee, which is chaired by Group CEO and includes a member of the Audit Committee, and the matters discussed at the Internal Controls Committee are also reported to the Board of Directors.

Internal Controls System Framework



* Internal Controls Committee deliberates upon principal matters related to the maintenance and assessment of internal controls with respect to the Nomura Group's business, audit matters, and risk managements of the Nomura Group. The Committee is chaired by the Group CEO Kentaro Okuda, any person(s) designated by the Group CEO, an Audit Committee member elected by the Audit Committee, and a Director elected by the Board of Directors.

Audit Committee actions in relation to large losses with a US client transactions

Audit Committee received a report on the large losses with the US client transactions (during March 2021) immediately after the discovery at the end of March, and decided to conduct an internal investigation as well as a comprehensive review by employing an external law firm. Audit Committee also noted that, as a result of these investigations, we have already implemented emergency preventive measures and we are conducting a comprehensive review by third-party risk management experts on our risk management framework for the Wholesale division and our Risk Management function. Both Audit Committee and Internal Controls Committee will continue to monitor the progress of these actions.

* For further details, please refer to our annual report/20F.