Business environment

The global economy has been recovering from the initial shock of the COVID-19 pandemic. The second and third waves of infections have impacted the service sector such as restaurants and tourism worldwide, whereas manufacturing activity held up well, and the impact of subsequent waves was less pronounced than that seen during the first wave in March and April 2020. The global economic recovery was also boosted by fiscal and monetary policy support around the world, including emerging markets. On the other hand, the pace of economic recovery varies depending on the roll out of vaccinations in each country.

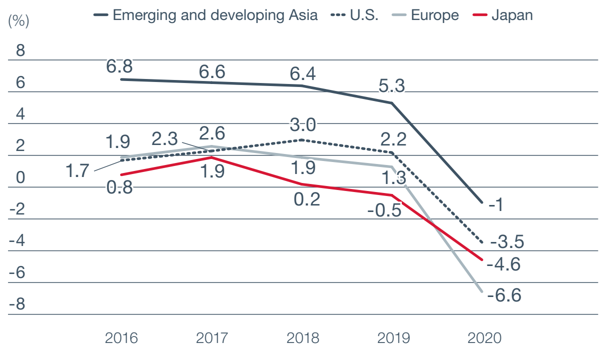
Although in the US, social distancing and lockdown measures taken in response to the COVID-19 outbreak caused a historically steep decline in real GDP in April-June 2020, the economy and financial markets stabilized following large-scale economic policy and the Federal Reserve Board's adoption of a zero interest rate policy, quantitative and credit easing. Although GDP fell by 3.5% over the full year in 2020, after having risen by 2.2% in 2019, the Dow Jones Industrial Average rose by 50% from $21,917 at the end of March 2020 to $32,982 at the end of March 2021. The U.S. presidential election in November 2020 gave the Democratic Party control of the White House and majorities in both houses of Congress in a "Blue Wave" of victories, and interest rates also rose on expectations for significant government spending advocated by the Democratic Party. The yield on 10-year U.S. Treasuries also rose by 1.07%point from 0.67% at the end of March 2020 to 1.74% at the end of March 2021.

Real GDP in the euro area also significantly fell on a quarter-on-quarter annualized basis in April-June 2020 as countries in the region were hit by increases in COVID-19 case numbers and responded with major restrictions on economic activity. Although the economy recovered once in the summer, case numbers increased again in October 2020, and with economic activity restricted, Real GDP in the euro area fell by 6.7% in 2020 compared to the previous year, the worst decline since the launch of the euro in 1999. The ECB extended the Pandemic Emergency Purchase Programme ("PEPP") quantitative easing program, originally launched in March 2020, through to March 2022 and increased the amount of its asset purchases.

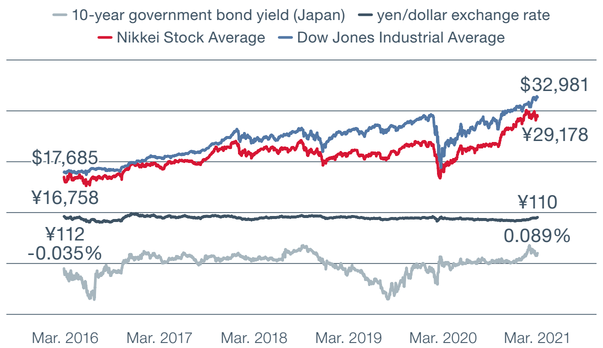
In Asia ex-Japan, the GDP growth rate for the full year 2020 remained positive, up 2.3% from the previous year, as China was able to increase exports in response to special pandemic-related demand upon ramping production back up earlier than other countries. Countries such as South Korea, Taiwan, and Singapore that produce high-tech products were well positioned to benefit from growth in overseas demand for semiconductors and related products. In contrast, the spread of the COVID-19 pandemic and delays in securing vaccine supplies have held back economic recovery in India and other emerging market countries.

The performance of Japan's economy deteriorated substantially as a result of the COVID-19 pandemic. Although there were indications that economic activity both in Japan and abroad after July 2020 were to resume, the third wave of infections arrived towards the end of the year and domestic consumer spending fell again. During this period, the Japanese government introduced significant economic stimulus package, supporting corporate funding and employment, stimulating demand through public-sector investments alongside implementing structural reforms in the environmental and digital fields. In the equity market, although the market shifted between optimism and pessimism throughout the fiscal year in response to COVID-19-related news, share prices reacted favorably on moves toward normalization of economic activity. The Nikkei 225 rose by 54.2% from ¥18,917.01 at the end of March 2020 to ¥29,178.80 at the end of March 2021. In the bond market, yields generally remained low amid with the Bank of Japan ("BOJ") maintaining its program of quantitative and qualitative easing with yield curve control.

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



Yields on Japanese government bonds over the past 5 years, 10 years, dollar/yen exchange rate, Nikkei average and Dow Jones Industrial 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 the other countries

*2 Source: Bloomberg

Summary of consolidated results

Net revenue for the fiscal year ended March 31, 2021 was ¥1,401.9 billion up 8.9% from the previous fiscal year, and expenses other than financing expenses increased 12.7% to ¥1,171.2 billion. Income before income taxes was ¥230.7 billion, net income attributable to Nomura Holdings shareholders was ¥153.1 billion, ROE was 5.7%, and EPS (diluted earnings attributable to Nomura Holdings shareholders per share) was ¥48.63, all of which decreased from the previous year.

(billions of yen)		FY2019/20	FY2020/21	Year-on-year	Comments
Revenue	Commission	308.8	**376.9**	22.1%	Commissions from sales of stocks and investment trusts increased.
	Fees from investment banking	103.2	**108.7**	5.3%	Fees from sales of stocks increased
	Asset management and portfolio service fees	238.2	**230.0**	-3.4%	Fees fell due to fee ratios etc. decreased
	Net gain (loss) on trading	356.6	**310.0**	-13.1%	For the fiscal year ended March 2021, we booked a loss (¥204.2 billion) arising from transactions with a US client. Excluding this impact, revenue increased.
	Gain (loss) on private equity and debt investments	-0.1	**12.7**	—	
	Interest and dividends	794.5	**356.5**	-55.1%	
	Gain (loss) on investments in equity securities	-14.7	**14.1**	—	
	Other	166.0	**208.3**	25.5%	American Century Investments related gain/loss improved markedly. While gain on sale of Nomura Research Institute shares of ¥73.3 billion booked in previous year peeled off, gain related to approval to convert rights in Nihonbashi redevelopment project of ¥71.1 billion was realized in FY2021.
Total revenue		1,952.5	**1,617.2**	-17.2%	
Interest expenses		664.7	**215.4**	-67.6%	
Net revenue		1,287.8	**1,401.9**	8.9%	
Non-interest expenses		1,039.6	**1,171.2**	12.7%	Non-interest expenses increased due to Nomura Real Estate Holdings impairment charge of ¥47.7 billion and a provision of ¥41.6 billion arising from transactions with a US client.
Income (loss) before income taxes		248.3	**230.7**	-7.1%	
Net income (loss) attributable to Nomura Holdings shareholders		217.0	**153.1**	-29.4%	

Net interest income remains an integral part of trading activities which is calculated as interest income and dividends less interest expenses, depends on the level and composition of total assets and liabilities, including trading assets, repurchase agreements and reverse repurchase agreement transactions, as well as term structures and volatility of interest rates. Dividends from American Century Investments are included in net interest income.
For the year ended March 2021, interest income decreased 55% and interest expenses decreased 68%. As a result, net interest income for the year ended March 2021 increased from the year ended March 2020.

Performance by Business Segment

■ Retail Division Net revenue for the fiscal year ended March 2021 increased by 10% to ¥368.8 billion, and income before income taxes increased by 87% to ¥92.3 billion. Against a backdrop of favorable market conditions, investor confidence improved, and stock transactions and investment trust sales increased. In addition, to face-to-face communications, by utilizing digital tools, we have also been working on non-face-to-face approaches since 2019 in order to deliver services to as many clients as possible to achieve further traction.

The Retail Division is working to achieve key performance indicators (KPI) targets for the fiscal year ending March 2023. Net inflows of cash and securities was ¥900 billion and at the end of March 2021, Retail client assets partly due to market factors reached a record high of ¥126.6 trillion. Consulting-related revenues, such as insurance, real estate, business succession, and inheritance, were limited to ¥13.4 billion due to constraints on sales activities. However, following the diversification of approaches to clients, the number of active clients who transacted at least once a year was almost the same as the previous year, at 1,019,000.

■ Asset Management Division*1 Net revenue for the fiscal year ended March 2021 increased by 46% to ¥134.8 billion, and income before income taxes increased by 158% to ¥74.2 billion, achieving highest levels since the fiscal year ended March 2002. Assets under management rose to a record high driven by inflows, and American Century Investments related-gain/loss improved markedly from the previous year on the back of market appreciation.

As a KPI for the fiscal year ending March 2023, Asset Management Division targets ¥65 trillion in assets under management. In the fiscal year ended March 2021, a total of approximately ¥1.9 trillion of funds flowed in, mainly from ETFs, investment trusts dedicated to defined contribution pension funds (DC), and ESG-related products. As a result, assets under management stood at ¥64.7 trillion, almost meeting KPI targets as of March 31, 2021.

*1 On April 1, 2021, Asset Management Division and Merchant Banking Division were dissolved and the Investment Management Division was newly established.

Overseas Business

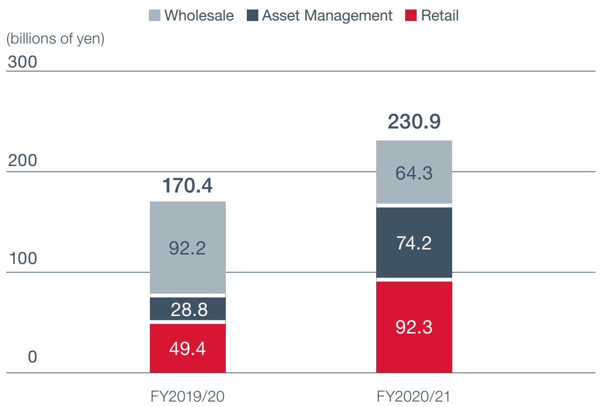
In the fiscal year ended March 2021, our international business recorded a loss before taxes of ¥13.5 billion. In the Americas, although we saw strength across Rates and Securitized Products in Fixed Income and Cash Equities, a loss of ¥245.7 billion from transactions with a US client in the fourth quarter had a major impact on earnings. In Europe, Rates were strong particularly in European government bonds, while FX/EM and Credit markets were strong in Asia.

■ Wholesale Division Net revenue for the fiscal year ended March 2021 increased by 7% to ¥691.4 billion, and income before income taxes decreased by 30% to ¥64.3 billion. Although Fixed Income and Investment Banking booked stronger revenues year on year and Equity was strong through to the third quarter, net income decreased year on year due to a loss of ¥245.7 billion (¥204.2 billion booked in Equities revenue as trading loss and ¥41.6 billion as loan loss provision in expenses) arising from transactions with a US client in the fourth quarter.

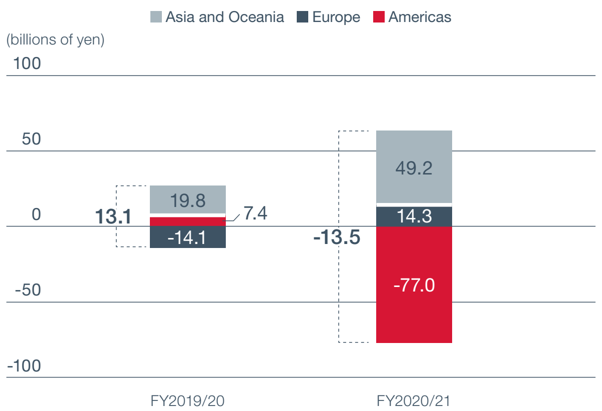
On the other hand, in the current fiscal year, steady progress was made towards achieving KPI targets. Revenue/modified RWA*2 stood at 6.4%, surpassing the target of around 6% for two consecutive years. Fee and commission based revenue exceeded the target of approximately $1.26 billion, thanks to strong M&A and Execution Services. Cost income ratio rose to 91% due to a loss from transactions with a US client.

*2 Wholesale net revenue (annualized) divided by modified risk-weighted assets (daily average for the accounting period) used by Wholesale. Modified risk-weighted assets (daily average for the accounting period) is a non-GAAP financial measure and is the total of (i) risk-weighted assets (as calculated and presented under Basel III) and (ii) an adjustment equal to the regulatory adjustment to common equity tier I capital calculated and presented under Basel III divided by our internal minimum capital ratio target.

Income before income taxes by segment



International income (loss) before income taxes by region



Consolidated Capital Adequacy Ratio

The consolidated Common Equity Tier1 ratio as of March 31, 2021 was 15.81%, up from 15.34% as of March 31, 2020. The main factor was an increase in capital, the numerator, on the back of AT1 bond issuance. Nomura has set a medium-term target of a consolidated Common Equity Tier1 ratio of at least 11% and has maintained a sufficient capital level. The consolidated leverage ratio rose to 5.63% from 4.83% at the end of March 2020.

(billions of yen)	March 2020	March 2021	Year-on-year
Capital			
CET1 capital	2,405	**2,522**	118
Tier1 capital	2,572	**2,841**	269
Total capital	2,602	**2,845**	243
Risk-weighted assets			
Credit risk-weighted assets	7,635	**8,551**	916
Value obtained by dividing market risk equivalent assets by 8%	5,549	**4,952**	-598
Value obtained by dividing the operational risk equivalent assets by 8%	2,491	**2,449**	-42
Total risk-weighted assets	15,675	**15,951**	277
Consolidated capital adequacy ratio			
CET1 capital ratio	15.34%	**15.81%**	0.47%
Tier1 capital ratio	16.40%	**17.80%**	1.40%
Consolidated capital adequacy ratio	16.60%	**17.83%**	1.23%
External TLAC ratio on a risk weighted assets basis	—	**23.06%**	—
External TLAC ratio on a total exposure basis	—	**8.24%**	—

Return to shareholders

Our fundamental policy is to return profits to shareholders by continuously increasing shareholder value and paying dividends. Regarding dividends, the consolidated dividend payout ratio of 30%, based on semiannual consolidated results, is one of the important indicators. The dividend amount for each fiscal year will be determined by comprehensively taking into account the trends in the regulatory environment, including the strengthening of the Basel requirements, in Japan and overseas, as well as consolidated business results. Dividends are, in principle, paid twice a year (base dates: September 30, March 31). Total shareholder return policy, including share buybacks, is at least 50%. Based on the above policy regarding dividends from surplus, we paid a dividend of ¥20 per share with a record date of September 30, 2020 and a dividend of ¥15 per share with a record date of March 31, 2021. As a result, the annual dividend is ¥35 per share.

Total shareholder return