

Risk Management

As a provider of sophisticated financial services, Nomura Group recognizes that enhancing risk management is the most important management issue in helping to solve social issues and achieving sustainable growth. We are promoting group-wide efforts to enhance risk management, including promoting an appropriate risk culture among all people working in Nomura Group.

Risk management policy

Nomura Group is working to enhance our people's knowledge and understanding of risks, as well as to properly recognize, evaluate and actively manage risks. We manage risks in accordance with the Code of Conduct, and in doing so we not only comply with rules and regulations, but also understand the reasons those rules and regulations were put in place, and manage risks based on high ethical standards. If risk management-related concerns or issues arise, we have a responsibility to proactively and promptly bring those concerns to managers and relevant departments, so as to ensure that the related risks are properly recognized and managed appropriately.

Fostering a sound risk culture is essential in order for risk management and a sense of responsibility to take root. In order to identify as many risks as possible that could lead to significant losses, we strive to understand the nature, impact, and probability of risks associated with our day-to-day operations and the products we handle. As a general rule, we strive to avoid risks that are difficult to identify and manage. In addition, recognizing the existence of unforeseen risks that cannot be identified at present, as financial professionals we work to increase our knowledge about risks and develop a corporate culture of correctly recognizing, assessing and managing 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.



Departments involved in the first line of defense are responsible for complying with the risk management framework comprising the Risk Appetite Statement, company policies and procedures, as well as risk limits and other matters prescribed therein. In addition to complying with internal rules, they are responsible for appropriately managing risks in accordance with the Code of Conduct. Moreover, they develop systems to identify and manage risks by themselves by making appropriate use of the infrastructure, information, and analysis provided by the second line of defense.

Departments involved in the second line of defense develop a framework to appropriately manage risk and support the risk management activities of the first line of defense, monitor whether the business activities of the first line of defense are in line with the risk appetite, and report to the Board of Directors and management. In addition, they evaluate the risk management system developed by the first line from an independent position.

Departments of the third line of defense (Internal Audit) independently verify and evaluate the effectiveness of the first and second lines of defense respectively. The first line of defense manages risks appropriately in accordance with the Code of Conduct, the second line of defense supports the risk management activities and monitors the business activities of the first line of defense.

Risk Appetite Statement

To promote integrated risk management, Nomura Group defines risk appetite as the types and level of risk that Nomura Group is willing to assume in pursuit of its strategic objectives and business plans. The Risk Appetite Statement documents these types and levels of risk in writing.

The Risk Appetite Statement is approved by the Executive Management Board and receives the consent of the Board Risk Committee. Compliance with the Risk Appetite Statement is

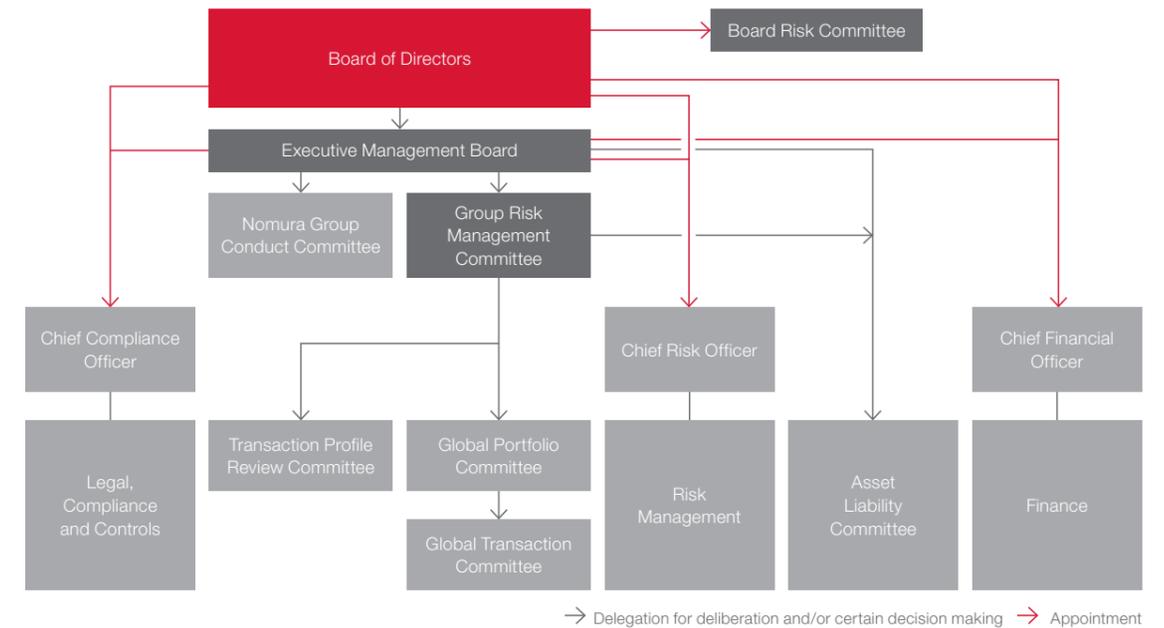
monitored. In FY2021/22, we specified our policy of conducting risk management in accordance with the Nomura Group Code of Conduct, and specifically defined the roles and responsibilities of each of the three lines of defense.

For details about Nomura Group's Risk Appetite Statement, please visit Nomura Holdings, Inc.'s website.

<https://www.nomuraholdings.com/company/risk/index.html>

Risk management governance and oversight

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



Board Risk Committee In order to ensure independence from the execution side, the Board Risk Committee, chaired by an outside director, assists the Board of Directors in supervising Nomura Group's risk management and contributes to the sophistication of risk management. The Board Risk Committee provides consent for the Risk Appetite Statement and the key designs of the risk management framework, and oversees the outcomes of analysis and verification of the risk environment, the future forecasts of the risk environment, along with overseeing the status of execution of overall risk management and medium- to long-term risk strategies.

* Please also refer to Page 63 for the role of the Board Risk Committee in the enhancement of Risk Management.

Executive Management Board The Executive Management Board deliberates on and determines management strategies, the allocation of management resources, and important management matters for Nomura Group, and seeks to increase shareholder value by promoting the effective use of management resources and having a consensus regarding the execution of business. Key responsibilities of the Executive Management Board include approval of management resource allocation and limits, approval of business plans and budgets, and reporting to the Board of Directors.

Group Risk Management Committee Upon delegation from the Executive Management Board, the Group Risk Management Committee deliberates on and determines important matters concerning Nomura Group's enterprise risk management to contribute to the sound and smooth operation of businesses. As the decision-making body for risk management on the execution side, the Group Risk Management Committee develops a framework for integrated risk management consistent with the risk appetite, and conducts necessary deliberations on strengthening risk management systems based on reports from business divisions.

Risk management enhancement

Nomura Group recognizes that enhancing risk management is one of the most important management issues for achieving sustainable growth. To date, on the supervision side we have established the Board Risk Committee mainly comprising outside directors, while on the execution side we have established the Group Risk Management Committee. In addition, we have established the Steering Committee for Enhancement of Risk Management to enable

members of senior management to promote initiatives aimed at enhancing risk management. We are also taking concrete steps to strengthen and expand our three lines of defense. (See figure below)

In addition, on top of instilling a Group-wide risk culture, we are closely examining governance, management systems, and business processes, and advancing initiatives that will lead to specific improvements.

- ▶ Established Board Risk Committee comprised mostly of outside directors
- ▶ Established Group Risk Management Committee on execution side
- ▶ Established Steering Committee for Enhancement of Risk Management
- ▶ Strengthen and enhance business operating structure
- ▶ Detailed review of risk culture, governance, management structure, business processes, etc.



Strengthen and expand the systems for the first line, the second line, and the third line

Strengthening three lines of defense

Implement structure for cross-divisional, cross-regional collaboration to speed up decision making and identify potential risks early



Hired global head to oversee risk control in the front office
Hired global head to oversee management of client activity and internal collaboration

Appointed new Senior Managing Director in Tokyo headquarters in charge of Risk Management
Established Group Risk Management Head Office
In addition to having Chief Risk Officer in Americas, we conducted focused hiring of senior staff to manage risk

Conduct more global or multi-regional audits to further enhance Internal Audit's ability to respond to the globalization of business and the associated complexity of risks, amid growing expectations of Internal Audit from various stakeholders.
Also enhance the effectiveness of internal audits by reorganizing the staff structure on an ongoing basis in accordance with the changes of the risk environment, and establish an HR model containing adequate and sufficient professional skills on a global basis.

Specific initiatives to enhance risk management on the first line



By conducting various business reviews, ensures consistency between business strategy and the actual business, while cultivating a sense of risk ownership (fully understanding and proactively responding to risks, etc.) and enhances accountability on the business side.

Integrate existing front office risk management bodies into a consolidated front office risk and control function to allow for integrated monitoring of financial and non-financial risks at a global level as the first line of defense.

In addition to bolstering the counterparty credit risk monitoring framework, enhancing client management practices by making clear the roles and responsibilities of sales personnel

Increase direct communications from management by using town hall meetings and video messages to deliver initiatives and contents such as business strategy and risk culture.

Specific initiatives to enhance risk management on the second line



As part of its efforts to enhance risk management, a committee consisting of senior management as its members has commenced regular reviews of all Wholesale businesses with financial risk.

Conduct annual portfolio reviews of individual businesses to confirm that business operations are conducted in line with risk appetite within the framework of the first and second lines of defense.

The Risk Appetite Statement was revised to clarify the description about the management system based on three lines of defense.

Quantify risk appetites for various risks, review the framework of limit management, including escalation

Improve risk methodologies in order to measure each risk more appropriately

Expand and strengthen risk management systems by strengthening organizations and increasing personnel. In addition, we are promoting the enhancement of employee expertise through various training programs.

Internal audit structure and specific initiatives on the third line

- In order to ensure the effectiveness and appropriateness of internal controls, the firm has 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 across the Nomura Group.
- To ensure the independence of the Internal Audit department from business execution functions, the formulation of the audit 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 firm is working to strengthen and enhance its internal control system. This is to ensure appropriate corporate behavior throughout the Group in an effort to (i) deliver management transparency and ensure efficiency, (ii) comply with regulations, (iii) manage risks, (iv) maintain the reliability of business and financial reports, and (v) encourage appropriate information disclosure. Internal Audit independently evaluates the effectiveness of such internal controls.

- Internal Audit is enhancing its capabilities and promoting audits more globally in the risk management audit areas. This is to better evaluate emerging risks and changes in the environment, as well as the firm's business strategies.

For details about Nomura's Internal Controls System Framework including Internal Controls Committee, please visit Nomura Holdings, Inc.'s website.

<https://www.nomuraholdings.com/company/cg/intcon.html>

*Internal Controls Committee deliberates on important matters in regard to areas such as internal controls, audit activities and risk management relating to the Nomura Group's business. The Committee shall consist of the Group CEO, person(s) appointed by the Group CEO, member(s) of the Audit Committee designated by the Audit Committee and a director(s) designated by the board of directors.