Financial Review

Financial review and analysis of the fiscal year ended March 31, 2023

Business environment

In the fiscal year ended March 2023, the global economy experienced a major turning point due to rising geopolitical risks and changes in the macro environment. The situation in Ukraine added to the resumption of economic activities due to the end of the pandemic, which caused energy prices to soar and accelerated the response of governments and international organizations to the energy crisis. Growing carryover demand during the economic recovery process and stagnant production and logistics due to soaring energy prices led to a sharp rise in prices, and central banks began to raise interest rates drastically, reversing their aggressive easing policies. Throughout the year, global stock markets remained flat as interest rates and economic direction remained uncertain. In March 2023, the market fluctuated widely as bank runs led to failure of some major regional banks in the US and this spilled over into crisis in the European banking sector.

Japan faced a sharp depreciation of the yen due to continued monetary easing. The combination of accelerating global inflation and a weak yen has brought the first inflation in 40 years to Japan, where deflation has long taken hold. The Nikkei Stock Average remained flat throughout the year as uncertain economic conditions made it difficult to forecast corporate earnings.

Summary of consolidated results

In this environment, we have continued to work to establish a structure that will enable us to secure sustainable profits globally by expanding stable revenues and diversifying our portfolio.

Net revenue for the fiscal year ended March 2023, decreased 2% year-on-year to 1,335.6 billion yen, and non-interest expenses increased 4% year-on-year to 1,186.1 billion yen. Income before income taxes was 149.5 billion yen, net income attributable to Nomura Holdings shareholders was 92.8 billion yen, ROE was 3.1% and EPS (diluted earnings attributable to Nomura Holdings shareholders per share) was 29.74 yen.

✓ Net interest income, net of interest expenses, is an integral component of trading operations, which is affected by the level and composition of trading assets and total assets and liabilities, including repo and reverse repo transactions, as well as the term structure and volatility of interest rates. Dividends from American Century Investments are also included in financial income. For the year ended March 2023, interest and dividends increased 3.9x and interest expenses increased 5.0x from the previous year. As a result, net interest and dividends income for the year ended March 2023 decreased from the year ended March 2022.

(billions of yen)		FY2021/22	FY2022/23	Year-on-year	Comments
Revenue	Commission	332.3	**279.9**	-15.8%	Sales of stocks and investments trusts were low due to uncertain market conditions.
	Fees from investment banking	149.6	**113.2**	-24.3%	Impacted by a decrease in global fee pools.
	Asset management and portfolio service fees	270.0	**271.7**	0.6%	Stable revenues were flat year-on-year.
	Net gain (loss) on trading	368.8	**563.3**	52.7%	Rise in volatility and increased client flows in macro businesses contributed to revenues.
	Gain (loss) on private equity debt investments	30.8	**14.5**	-52.9%	Investment gain from Nomura Capital Partners investee companies decreased.
	Interest and dividends	✓ 284.2	✓ **1,114.7**	3.9x	Impacted by global rise in interest rates.
	Gain (loss) on investment in equity securities	5.4	**-1.4**	—	
	Other	152.8	**130.9**	-14.3%	American Century Investments related gain/loss decreased.
Total revenue		1,594.0	**2,486.7**	56.0%	
Interest expenses		✓ 230.1	✓ **1,151.1**	5.0x	Impacted by global rise in interest rates.
Net revenue		1,363.9	**1,335.6**	-2.1%	
Non-interest expenses		1,137.3	**1,186.1**	4.3%	Increased mainly due to yen depreciation.
Income (loss) before income taxes		226.6	**149.5**	-34.0%	
Net income (loss) attributable to Nomura Holdings shareholders		143.0	**92.8**	-35.1%	

Results of three segments

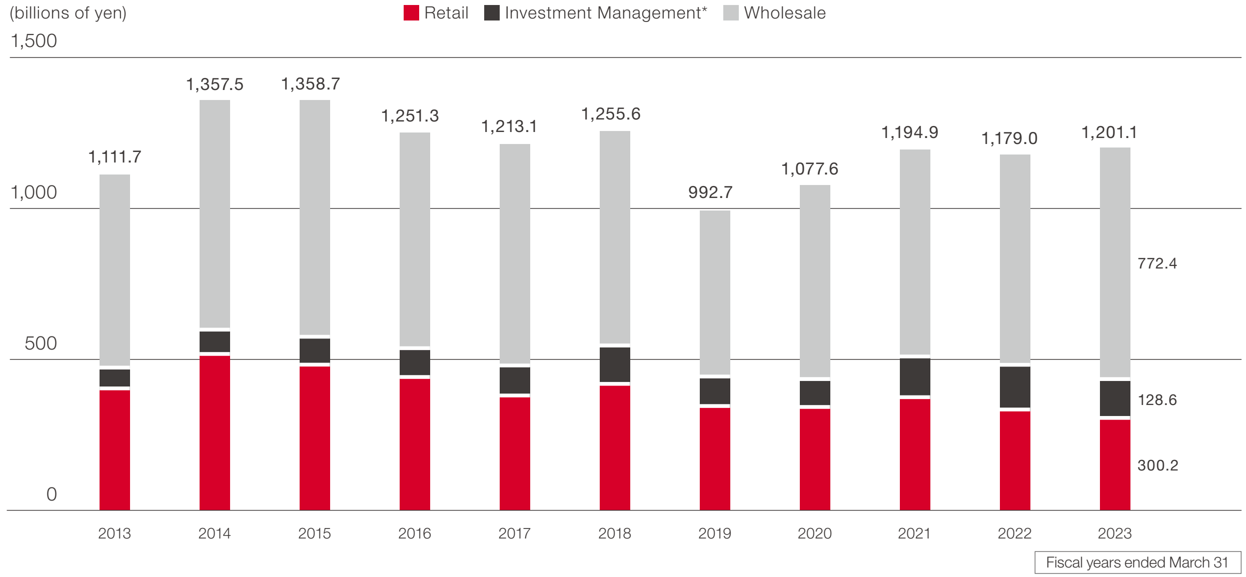
For the year ended March 2023, total net revenue for the three segments were 1,201.1 billion yen, up 2% from the previous year, and income before income taxes was 106.4 billion yen, down 48% from the previous year.

Income before income taxes in Retail decreased 43% to 33.5 billion yen. In the first half of the fiscal year, the main factor was a 16% drop in flow revenue due to a decline in client investment sentiment amid uncertain market conditions. On the other hand, as a result of providing detailed consulting services, we were able to grow recurring revenue assets, resulting in an increase of 2% in recurring revenue from the previous year. Efforts to control costs helped lift our recurring revenue cost coverage ratio to 51%.

Income before income taxes in Investment Management decreased 39% to 43.5 billion yen. Performance improved at our aircraft leasing subsidiary, Nomura Babcock & Brown, and our core, stable business revenue remained in line with last year's performance, while investment gain/loss decreased by 72%. Expenses increased by 11% year-on-year due to the increase in aircraft leasing transactions, yen depreciation and rising inflation.

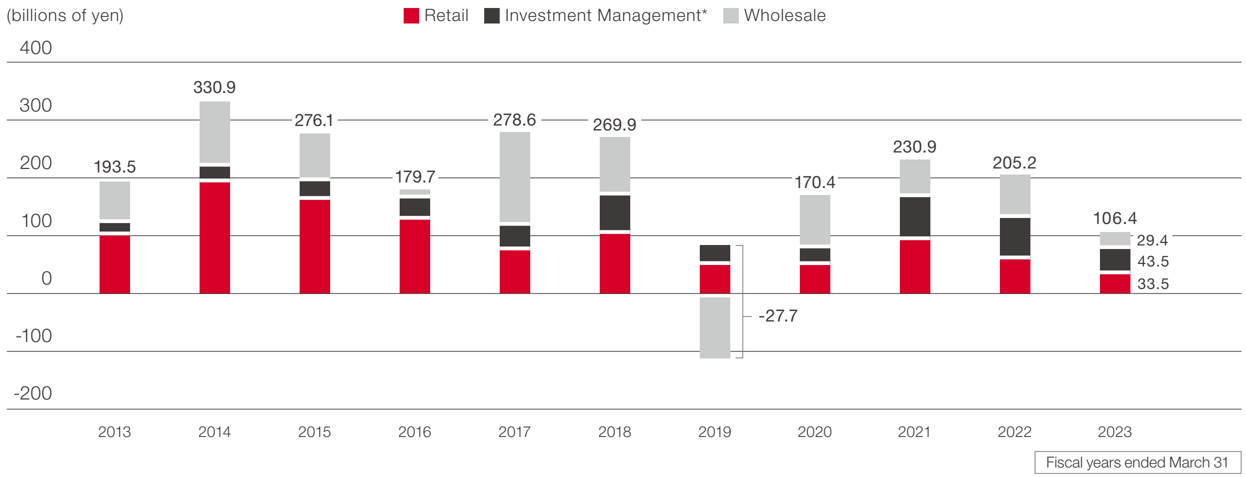
Income before income taxes in Wholesale decreased 61% to 29.4 billion yen. Global Markets revenues increased by 18%. Fixed Income revenues increased, especially in macro products, and Equity revenues recovered as losses attributable to transaction with a US client was no longer present this year. Investment Banking, on the other hand, suffered a 20% revenue decline amid a decline of more than 40% in global fee pool, particularly in equity issuance and M&A. Expenses increased by 18% year-on-year and more than 90% of the increase was due to the weaker yen and rising inflation.

Total net revenue of three segments



* Asset Management Division and Merchant Banking Division was abolished with Investment Management Division established on April 1, 2021. Accordingly, figures for the year ended March 2021 have been restated to conform to the disclosure form for the year ended March 2022. Figures before the fiscal year ended March 2020, are the results of the former Asset Management Division.

Income (loss) before income taxes of three segments



Consolidated capital adequacy ratio

Tier 1 capital as of March 2023 was 3.2 trillion yen, an increase of approximately 100 billion yen from March 2022, while total risk-weighted assets also increased by approximately 1.5 trillion yen to 17.3 trillion yen. This was mainly due to an increase of approximately 1.4 trillion yen in market risk equivalent assets, reflecting widening credit spreads and yen weakening. As a result, the consolidated Common Equity Tier 1 capital ratio decreased to 16.32% from 17.22% at the end of March 2022, but we have maintained a sufficient level of capital in regards to our medium-term target of at least 11%. The Consolidated leverage ratio was 5.63%, down from 5.98% at the end of March 2022.

Consolidated Capital Adequacy Ratio

	(billions of yen)	March 2022	March 2023
Capital	CET1 capital	2,726	**2,829**
	Tier1 capital	3,103	**3,204**
	Total capital	3,103	**3,204**
Risk-weighted assets	Credit risk-weighted assets	8,301	**8,386**
	Value obtained by dividing market risk equivalent assets by 8%	4,899	**6,271**
	Value obtained by dividing operational risk equivalent assets by 8%	2,630	**2,668**
	Total risk-weighted assets	15,830	**17,324**
Consolidated capital adequacy ratio	CET1 capital ratio	17.22%	**16.32%**
	Tier1 capital ratio	19.60%	**18.49%**
	Consolidated capital adequacy ratio	19.60%	**18.49%**
	External TLAC ratio on a risk-weighted assets basis	30.72%	**31.78%**
	External TLAC ratio on a total exposure basis	10.30%	**10.63%**
	Consolidated leverage ratio	5.98%	**5.63%**

Return to shareholders

Our fundamental policy in the redistribution of profits is to continuously increase shareholder value and pay dividends. Regarding dividends, one of the key indicators was a consolidated dividend payout ratio of 30%, based on the semiannual consolidated financial results. From the fiscal year ending March 2024, the policy has been changed to at least 40%. 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. The total payout ratio, which we aim to be at least 50%, including dividends and share buybacks, remains the same.

Based on this policy, we paid a dividend of 5 yen per share with a record date of September 30, 2022 and a dividend of 12 yen per share with a record date of March 31, 2023. As a result, the annual dividend was 17 yen per share. In April 2023, we launched a share buyback program with upper limits of 35 million shares and 20 billion yen in total value of shares repurchased.

In addition, Nomura will retain a maximum of approximately 5% of the total number of issued shares and will cancel shares exceeding this amount. Based on this principle, on April 26, 2023, the Board of Directors approved a resolution to cancel 70 million shares (approximately 2% of the total number of issued shares), which was conducted on June 1, 2023.

Capital Policy

Dividend ratio

Consolidated payout ratio of each semi-annual consolidated earnings

At least 40%

Total payout ratio

Total payout ratio, which includes dividends and share buybacks

At least 50%

Policy for retention and cancellation of own shares

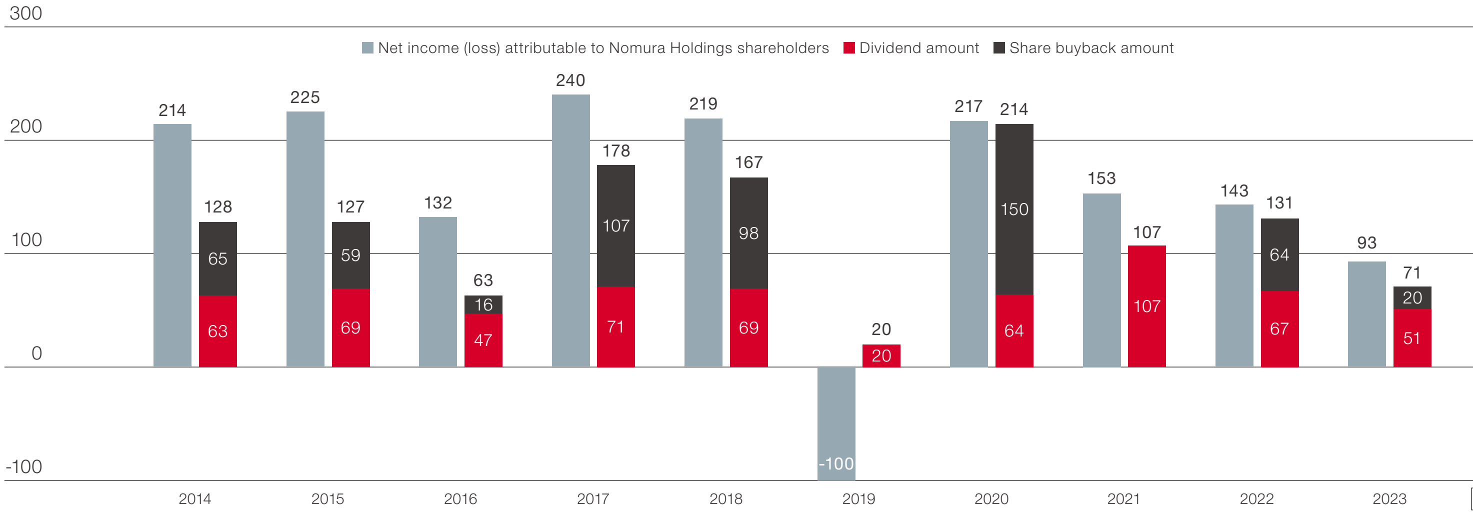
Maximum retention of own shares

Approximately 5% of the total number of issued shares

Policy for cancellation of own shares

Cancel shares exceeding the maximum retention amount

Total shareholder return



Results over the past 10 years

Total net income

Approx. ¥**1.5** trillion

Total payout amount (dividend amount + share buyback amount)

Approx. ¥**1.2** trillion

Average total payout ratio*

79%

Fiscal years ended March 31

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Dividend ratio	30%	31%	36%	30%	32%	—	30%	70%	47%	55%
Total payout ratio*	60%	57%	48%	74%	76%	—	98%	70%	92%	77%

* Total payout ratio includes allocation to shares to be delivered as stock-based compensation