

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2021  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
OR  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_

Commission file number: 1-15270

**Nomura Horudingusu Kabushiki Kaisha**

(Exact name of registrant as specified in its charter)

**Nomura Holdings, Inc.**

(Translation of registrant's name into English)

**Japan**  
(Jurisdiction of incorporation or organization)

**13-1, Nihonbashi 1-chome  
Chuo-ku, Tokyo 103-8645  
Japan**  
(Address of principal executive offices)

**Takumi Kitamura, 81-3-5255-1000, 81-3-6746-7850**  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
American Depositary Shares Common Stock*	NMR	New York Stock Exchange

\* Not for trading, but only in connection with the registration of the American Depositary Shares, each representing one share of Common Stock.

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None  
(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None  
(Title of Class)

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.**

As of March 31, 2021, 3,063,155,434 shares of Common Stock were outstanding, including 34,687,335 shares represented by 34,687,335 American Depositary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No  
(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

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*As used in this annual report, references to the “Company”, “Nomura”, the “Nomura Group”, “we”, “us” and “our” are to Nomura Holdings, Inc. and, except as the context otherwise requires, its consolidated subsidiaries. As part of certain line items in Nomura’s financial statements and information included in this annual report, references to “NHI” are to Nomura Holdings, Inc.*

*As used in this annual report, “yen” or “¥” means the lawful currency of Japan, “dollar” or “\$” means the lawful currency of the United States of America (“U.S.”), and “EUR” means the lawful currency of the member states of the European Monetary Union.*

*As used in this annual report, “ADS” means an American Depositary Share, currently representing one share of the Company’s common stock, and “ADR” means an American Depositary Receipt evidencing one or more ADSs.*

*As used in this annual report, except as the context otherwise requires, the “Companies Act” means the Companies Act of Japan and the “FSA” means the Financial Services Agency of Japan.*

*Amounts shown in this annual report have been rounded to the nearest indicated digit unless otherwise specified. In tables and graphs with rounded figures, sums may not add up due to rounding.*

## **PART I**

### **Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

#### **A. Selected Financial Data**

The following table presents selected financial information as of and for the years ended March 31, 2017, 2018, 2019, 2020 and 2021 which is derived from our consolidated financial statements. The consolidated balance sheets for the years ended March 31, 2020 and 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2019, 2020 and 2021, and notes thereto appear elsewhere in this annual report. These financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

The selected consolidated financial information set forth below should be read in conjunction with Item 5. “Operating and Financial Review and Prospects” in this annual report and our consolidated financial statements and notes thereto included in this annual report.

	Millions of yen, except per share data and percentages				
	Year ended March 31				
	2017	2018	2019	2020	2021
<b>Statement of income data:</b>					
Revenue	¥ 1,715,516	¥ 1,972,158	¥ 1,835,118	¥ 1,952,482	¥ 1,617,235
Interest expense	312,319	475,189	718,348	664,653	215,363
Net revenue	1,403,197	1,496,969	1,116,770	1,287,829	1,401,872
Non-interest expenses	1,080,402	1,168,811	1,154,471	1,039,568	1,171,201
Income (loss) before income taxes	322,795	328,158	(37,701)	248,261	230,671
Income tax expense	80,229	103,866	57,010	28,894	70,274
Net income (loss)	¥ 242,566	¥ 224,292	¥ (94,711)	¥ 219,367	¥ 160,397
Less: Net income attributable to noncontrolling interests	2,949	4,949	5,731	2,369	7,281
Net income (loss) attributable to Nomura Holdings, Inc. (“NHI”) shareholders	¥ 239,617	¥ 219,343	¥ (100,442)	¥ 216,998	¥ 153,116
<b>Balance sheet data (period end):</b>					
Total assets <sup>(1)</sup>	¥42,531,972	¥40,343,947	¥40,969,439	¥43,999,815	¥42,516,480
Total NHI shareholders’ equity	2,789,916	2,749,320	2,631,061	2,653,467	2,694,938
Total equity	2,843,791	2,799,824	2,680,793	2,731,264	2,756,451
Common stock	594,493	594,493	594,493	594,493	594,493
<b>Per share data:</b>					
Net income (loss) attributable to NHI shareholders—basic	¥ 67.29	¥ 63.13	¥ (29.90)	¥ 67.76	¥ 50.11
Net income (loss) attributable to NHI shareholders—diluted	65.65	61.88	(29.92)	66.20	48.63
Total NHI shareholders’ equity <sup>(2)</sup>	790.70	810.31	794.69	873.26	879.79
Cash dividends <sup>(2)</sup>	20.00	20.00	6.00	20.00	35.00
Cash dividends in USD <sup>(3)</sup>	\$ 0.18	\$ 0.19	\$ 0.05	\$ 0.19	\$ 0.32
Weighted average number of shares outstanding (in thousands) <sup>(4)</sup>	3,560,776	3,474,593	3,359,565	3,202,370	3,055,526
<b>Return on equity<sup>(5)</sup>:</b>	8.7%	7.9%	(3.7%)	8.2%	5.7%

(1) Due to Accounting Standards Update 2014-09, “Revenue from Contracts with Customers” and the changes in our accounting policy which Nomura adopted on April 1, 2018, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

(2) Calculated using the number of shares outstanding at year end.

(3) Calculated using the Japanese Yen—U.S. Dollar exchange rate as of the respective fiscal year end date, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

(4) The number shown is used to calculate basic earnings per share.

(5) Calculated as net income (loss) attributable to NHI shareholders divided by total NHI shareholders’ equity.

## B. Capitalization and Indebtedness.

Not applicable.

## C. Reasons for the Offer and Use of Proceeds.

Not applicable.

## **D. Risk Factors.**

### **Risk Factors**

You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, our business, financial condition, results of operations or cash flows could be adversely affected. In that event, the trading prices of our shares could decline, and you may lose all or part of your investment. In addition to the risks listed below, risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

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#### **● Risks Relating to the Business Environment**

##### **1 Our business may be materially affected by financial markets, economic conditions and market fluctuations in Japan and elsewhere around the world**

- (1) The COVID-19 pandemic has affected our business, clients and employees and this may continue in the future
- (2) Natural disaster, terrorism, military dispute and infectious disease other than COVID-19 could adversely affect our business
- (3) Governmental fiscal and monetary policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations
- (4) Brexit may adversely affect our business on various fronts
- (5) Transition from LIBOR to alternative rate indices or among IBORs may adversely affect our business
- (6) Extended market declines and decreases in market participants can reduce liquidity and lead to material losses

##### **2 The financial services industry faces intense competition**

- (1) Competition with other financial firms and financial services by non-financial companies is increasing
- (2) Increased consolidation, business alliance and cooperation in the financial services industry mean increased competition for us
- (3) Our global business continues to face a challenging environment and may require further revisions to its business model

##### **3 Event risk may cause losses in our trading and investment assets as well as market and liquidity risk**

##### **4 Environmental, Social and Governance (“ESG”) factors including climate change and broader associated policy changes in each jurisdiction could adversely affect our business**

#### **● Risks Relating to Our Businesses**

##### **5 Our business may incur losses due to various factors in the conduct of its operations**

- (1) We may incur significant losses from our trading and investment activities
- (2) Holding large and concentrated positions of securities and other assets may expose us to large losses
- (3) Our hedging strategies may not prevent losses
- (4) Our risk management policies and procedures may not be fully effective in managing risk
- (5) Market risk may increase other risks that we face
- (6) Our brokerage and asset management revenues may decline

- (7) Our investment banking revenues may decline
  - (8) Our electronic trading business revenues may decline
- 6 We may be exposed to losses when third parties do not perform their obligations to us**
- (1) Defaults by a large financial institution could adversely affect the financial markets generally and us specifically
  - (2) There can be no assurance as to the accuracy of the information about, or the sufficiency of the collateral we use in managing, our credit risk
  - (3) Our clients and counterparties may be unable to perform their obligations to us as a result of political or economic conditions
- 7 We are a holding company and depend on payments from our subsidiaries**
- 8 We may not be able to realize gains we expect, and may even suffer losses, on our investments in equity securities and non-trading debt securities**
- 9 We may face an outflow of clients' assets due to losses of cash reserve funds or debt securities we offer**
- **Risks Relating to Our Financial Position**
- 10 We may have to recognize impairment losses with regard to the amount of goodwill, tangible and intangible assets recognized on our consolidated balance sheets**
- 11 Liquidity risk could impair our ability to fund operations and jeopardize our financial condition**
- (1) We may be unable to access unsecured or secured funding
  - (2) We may be unable to sell assets
  - (3) Lowering of our credit ratings could impact our funding
- 12 Equity investments in affiliates and other investees accounted for under the equity method in our consolidated financial statements may decline significantly over a period of time and result in us incurring impairment losses**
- **Risks Relating to Legal, Compliance and Other Operational Issues**
- 13 Misconduct or fraud by an employee, director or officer, or any third party, could occur, and our reputation in the market and our relationships with clients could be harmed**
- 14 A failure to identify and appropriately address conflicts of interest could adversely affect our business**
- 15 Our business is subject to substantial legal, regulatory and reputational risks**
- (1) Legal liability may occur due to market downturn and could adversely affect our business, financial condition and results of operations
  - (2) Extensive regulation of our businesses limits our activities and may subject us to significant penalties and losses
  - (3) Tightening of regulations applicable to the financial system and financial industry could adversely affect our business, financial condition and results of operations
  - (4) Deferred tax assets may be impacted due to a change in business condition or in laws and regulations, resulting in an adverse effect on our operating results and financial condition
- 16 Unauthorized disclosure or misuse of personal information held by us may adversely affect our business**

**17 System failure, information leakage and the cost of maintaining sufficient cybersecurity could adversely affect our business**

- **Risks Related to Holding or Trading of our Shares and ADRs**

**18 Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of the Company's common stock at a particular price on any particular trading day, or at all**

**19 Under Japan's unit share system, holders of the Company's shares constituting less than one unit are subject to transfer, voting and other restrictions**

**20 As a holder of ADRs, you will have fewer rights than a shareholder has and you will have to act through the depositary to exercise these rights**

**21 Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions**

**22 The Company's shareholders of record on a record date may not receive the dividend they anticipate**

**23 It may not be possible for investors to secure personal jurisdiction within the U.S. over the Company or the Company's directors or executive officers, or to enforce against the Company or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S.**

- **Special Note Regarding Forward-looking Statements**

- **Risks Relating to the Business Environment**

**1. Our business may be materially affected by financial markets, economic conditions and market fluctuations in Japan and elsewhere around the world**

Our business and revenues may be affected by any adverse changes or volatility in the Japanese and global economic environments and financial markets. In addition, not only purely economic factors but also wars, acts of terrorism, economic or political sanctions, pandemics, forecasts of geopolitical risks and geopolitical events which have actually occurred, natural disasters or other similar events could have an effect on the financial markets and economies of each country. If any adverse events including those discussed above were to occur, a market or economic downturn may last for a long period of time, which could adversely affect our business and can result in us incurring substantial losses. In addition to conditions in financial markets, social conditions such as the long-term trends of population aging and population decline faced by Japan are expected to continue to put downward pressure on demand in the businesses in which we operate, including, in particular, our Retail business. The following are certain risks related to the financial markets and economic conditions for our specific businesses.

*(1) The COVID-19 pandemic has affected our business, clients and employees and this may continue in the future*

The COVID-19 pandemic that began in 2020, and governmental measures to prevent its spread, have significantly affected the operating environment, for example causing volatility in global equity prices, interest rates and elsewhere and a widening of credit spreads. The COVID-19 pandemic has led to, in many affected areas, successive widespread lockdowns and similar government action worldwide, including Japan, Europe, America and elsewhere, and continues in many of these places. In response to the pandemic and subsequent lockdowns, we have activated contingency plans, and have implemented robust arrangements for our employees to work remotely. However, these measures may not be successful or sufficient, and may cause additional risks, such as challenges in supervision over employees working remotely or increased risk of cyberattacks. The continuation of such measures, even if limited to certain regions, will continue to impact societal and economic functions, which has and is expected to continue to adversely affect our business and results of operations. Even



while the spread of the disease may gradually subside as vaccination efforts progress, ongoing negative effects on markets, economic activity or the operating environment could further adversely affect our business, results of operations and financial condition.

*(2) Natural disaster, terrorism, military dispute and infectious disease other than COVID-19 could adversely affect our business*

We have developed a contingency plan for addressing unexpected situations. However, disaster, terrorism, military disputes or widespread infectious diseases afflicting our management and employees could exceed the assumptions of our plan, and could adversely affect our business. In addition, there is a possibility that unknown infectious diseases other than COVID-19 pandemic may hinder the operational duties by our management and employees.

*(3) Governmental fiscal and monetary policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations*

We engage in our business globally through domestic and international offices. Governmental fiscal, monetary and other policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations. In addition, any changes to the monetary policy of the Bank of Japan or central banks in major economies worldwide, which could potentially be followed by volatility of interest rate or yields may negatively affect our ability to provide asset management products to our clients as well as our and our clients' trading and investment activities, for example by decreased returns for fixed income products in the prolonged low interest rate environment in Japan.

*(4) Brexit may adversely affect our business on various fronts*

On January 31, 2020, the United Kingdom ("U.K.") withdrew from the European Union ("EU") under the Withdrawal Agreement between the U.K. and the EU ("Brexit"). On December 31, 2020, a transition period during which the rules and regulations of the EU continued to apply to the U.K expired. Although the U.K. and EU entered a trade and cooperation agreement governing their relationship prior to the expiration of the transition period, such agreement does not comprehensively address the financial industry, and there continues to be uncertainty as to the longer term consequences that Brexit may have on our business. Prior to Brexit, we conducted business in Europe primarily through Nomura International plc ("NIP"), our broker-dealer arm established in London, as our regional hub; but following the end of the transition period, we moved to a structure that provides client-facing services and other services centered on Nomura Financial Products Europe GmbH ("NFPE"), our licensed broker-dealer in Germany. Although we are taking various measures to manage the risks associated with Brexit and to mitigate the impacts of uncertainty in the market as a whole, delays or other issues in our transition of business to NFPE as well as the risks to the broader financial system associated with the transition may adversely affect our business, results of operations and financial condition.

*(5) Transition from LIBOR to alternative rate indices or among IBORs may adversely affect our business*

We trade derivatives including interest rate swaps and underwrite bonds and loans which refer to Interbank Offered Rates ("IBORs") such as the London Interbank Offered Rate ("LIBOR"). Following the LIBOR manipulation scandal in 2012, Financial Conduct Authority confirmed on March 5, 2021 the cessation effective dates of all LIBOR currencies and tenors. Regulators in each country including Japan have expressed their intention to request that financial transactions that refer to LIBOR be converted to alternative rate indices and that measures be taken in preparation for the permanent cessation of LIBOR. All transaction agreements which refer to LIBOR and remain after LIBOR cessation are expected to be revised or to be amended adding a clause of "fallback" rate that is agreed between the contracting parties in advance of the cessation of LIBOR. However, the details of calculation methodologies of alternative rate indices are under discussion in each country currently, and such transfers will involve the development of new calculation methods for alternative rates, revisions to relevant



contracts and modifications to the application of accounting principles to the relevant transactions. These changes could require us to incur additional costs and subject us to risks associated with systematic reform, operational application and client disclosure, or adversely impact the pricing, volatility and liquidity of financial products including derivatives, bonds and loans which reference IBORs. Therefore, our business, financial condition and results of operations could be materially and adversely affected and/or we could be subject to disputes, litigation or other actions with counterparties or relative participants. In addition, transactions referring to the alternative rate indices are not yet widely familiar in the market, and there is significant uncertainty regarding their application and acceptance, and we may not be successful in managing this transition without potentially serious disruption to our business.

*(6) Extended market declines and decreases in market participants can reduce liquidity and lead to material losses*

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in those markets in which we operate. Market liquidity may also be affected by decreases in market participants that could occur, for example, if financial institutions scale back market-related businesses due to increasing regulation or other reasons. As a result, it may be difficult for us to sell, hedge or value such assets held. Also, in the event that a market fails in pricing such assets, it will be difficult to estimate their value. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to Over-The-Counter (“OTC”) derivatives, we may incur substantial losses. Further, if the liquidity of a market significantly decreases and the market may become unable to price financial instruments held by us, this could lead to unanticipated losses.

## **2. The financial services industry faces intense competition**

Our businesses are intensely competitive, and are expected to remain so. We compete on the basis of a number of factors, including transaction execution capability, our products and services, innovation, reputation and price. We have experienced intense price competition, particularly in brokerage, investment banking and other businesses.

*(1) Competition with other financial firms and financial services by non-financial companies is increasing*

Since the late 1990s, the financial services sector in Japan has undergone deregulation. Banks and certain other financial institutions became able to enter into the securities brokerage business in 2004 and firewalls between commercial banks and securities firms were deregulated in 2009, increasing the ability of securities firms with affiliated commercial banks to cooperate more closely with them. As a result, securities subsidiaries of commercial banks and non-Japanese firms with increased competitiveness have been affecting our market shares in the sales and trading, investment banking and retail businesses. In recent years, competition is intensifying beyond the traditional financial sector based on the increasing digitalization of the industry, not only with the rise of online securities firms but also FinTech companies and the entry of non-financial companies into the financial services sector. In order to address such changes in the competitive landscape, we have already begun various efforts to these changes in the competitive environment. However, these measures may not be successful in growing or maintaining our market share in this increasingly fierce competitive environment, and we may lose business or transactions to our competitors, harming our business and results of operations.

*(2) Increased consolidation, business alliance and cooperation in the financial services industry mean increased competition for us*

There has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks and other broad-based large financial services groups have established or acquired broker-dealers or have consolidated with other financial institutions. These large financial services groups continue to develop business linkage within their respective groups in order to provide

comprehensive financial services to clients, offering a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group, which may enhance their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking and other financial services revenues in an effort to gain market share. In addition, the financial services industry has seen collaboration beyond the borders of businesses and industries, such as alliances between commercial banks and securities companies outside of framework of existing corporate groups and recent alliances with non-financial companies including emerging companies. Our competitiveness may be adversely affected if our competitors are able to expand their businesses and improve their profitability through such business alliances.

*(3) Our global business continues to face a challenging environment and may require further revisions to its business model*

We continue to believe there are significant opportunities in the international markets, but there is also significant competition associated with such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. For example, as a means to bolster our international operations, we acquired certain Lehman Brothers operations in Europe, the Middle East and Asia in 2008.

After the acquisition, however, market structures have changed drastically due to the scaling back of market-related businesses by European financial institutions and the monetary easing policies by European central banks, resulting in decline in whole market liquidity and, despite our efforts, we recognized an impairment loss of ¥81,372 million in the fiscal year ended March 31, 2019 in respect of these businesses.

Since April 2019, we have been working to rebuild our global business platform, under which we aim to simplify our operating model, transform our business portfolio and pivot towards client businesses and growth areas, which we believe has been successful. In order to support further development of our international operations, Nomura continues to grow its business organically and inorganically such as acquisition of Greentech Capital Advisors in 2020. We will continue to review our entire business portfolio while looking at the competitive environment, and intend to implement our strategies in consideration of potential risks. However, the risk remains that we may be required to incur greater expenses than expected, or to commit greater financial, management and other resources to the strategies than expected, which could adversely affect our business and results of operations. Moreover, the assumptions and expectations upon which the strategies are based may not be correct, which could lead to us realizing fewer benefits than expected or could even harm our business and results of operations overall. Furthermore, to the extent we reduce compensation or headcount as part of this strategy, our ability to attract and retain the employees needed to successfully run our businesses could be adversely affected. We may also be unsuccessful in designing a streamlined management structure, which could harm our ability to properly control or supervise our many businesses across the world.

**3. Event risk may cause losses in our trading and investment assets as well as market and liquidity risk**

Event risk refers to potential losses we may suffer through unpredictable events that cause large unexpected market price movements such as natural or man-made disasters, epidemics, acts of terrorism, armed conflicts or political instability, as well as adverse events specifically affecting our business activities or counterparties. These events include not only significant events such as the Great East Japan Earthquake in March 2011, the increasing tensions on Korean Peninsula following North Korean nuclear tests in 2017, sudden and unexpected developments in global trade or security policies such as tensions between the United States and China since 2018, and the COVID-19 pandemic in 2020 but also more specifically the following types of events that could cause losses in our trading and investment assets:

- sudden and significant reductions in credit ratings with regard to financial instruments held by our trading and investment businesses by major rating agencies,
- sudden changes in trading, tax, accounting, regulatory requirements, laws and other related rules which may make our trading strategy obsolete, less competitive or no longer viable, or

- an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and administrative penalty with respect to the issuers of our trading and investment assets.

#### **4. Environmental, Social and Governance (“ESG”) factors including climate change and broader associated policy changes in each jurisdiction could adversely affect our business**

Increasing attention on the management of Environmental, Social and Governance (“ESG”) factors in the business makes it imperative that we continue to develop policies in these areas, and that we position ourselves in a positive light to interested stakeholders including our shareholders, clients and society at large. Lack of sufficient focus on ESG considerations may not only impede our ability to build a sustainable business model, but may also increase our vulnerability to ESG related risks such as risks associated with climate change in the medium- to long-term.

We consider climate change one of the most important global challenges facing society. The direct impact of climate change, and the resulting changes in the business environment could cause us to incur losses. Climate change related risk is broadly divided into two parts, namely Physical Risks and Transition Risks, either of which may materially and adversely affect us.

- Physical Risk: The risk of physical damage or the impairment of the operating capability of the assets of Nomura Group, clients and business partners due to climate change. This includes the potential impact of extreme weather events, fire and sea level flooding.
- Transition Risk: The risks associated with accelerated policy and external changes associated with the move towards addressing climate risk. This includes changes in government policies, industrial policy or carbon based taxes, changes in social or other preferences and rapid changes in technologies which have the potential to leave stranded assets that are no longer viable.

#### **Risks Relating to Our Businesses**

##### **5. Our business may incur losses due to various factors in the conduct of its operations.**

*(1) We may incur significant losses from our trading and investment activities*

We maintain trading and investment positions in fixed income, equity and other markets, both for proprietary purposes and for the purpose of facilitating our clients’ trades. Our positions consist of various types of assets, including securities, derivatives transactions with equity, interest rate, currency, credit and other underliers, as well as loans, and reverse repurchase agreements. Fluctuations in the markets where these assets are traded can adversely affect the value of our positions, in these assets, with downturns potentially negatively affecting long positions and upturns potentially negatively affecting short positions. Although we continue to mitigate these position risks with a variety of hedging techniques, we may also incur losses if the value of these assets fluctuate or if the financial system is overly stressed and the markets move in a way we have not anticipated.

Our businesses have been, and may continue to be, affected by changes in market volatility levels. Certain of our trading businesses such as those engaged in trading and arbitrage opportunities depend on market volatility to generate revenues. Lower volatility may lead to a decrease in business opportunities which may affect the results of operations of these businesses. On the other hand, while higher volatility can increase trading volumes and spreads, it also increases risk as measured by Value-at-Risk (“VaR”) and may expose us to higher risks in connection with our market-making and proprietary businesses. Higher volatility can also cause us to reduce the outstanding positions or size of these businesses in order to avoid increasing our VaR.

For example, in March 2021, following the default of a U.S. prime brokerage client in respect of a margin call, we issued a close-out event notice to such client, and proceeded to wind down positions held as hedges for

transactions with the client. We refer to this event and the losses caused as the “U.S. Prime Brokerage Event.” See Item 5. *“Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event”* for further information on the nature of this event. Despite our efforts to wind down the relevant positions in a way that would limit losses to us and impacts on the market, volatility in the underlying securities led us to recognize a trading loss of ¥204.2 billion during the year ended March 31, 2021. We also recognized a provision for current expected credit losses ¥41.6 billion during the same period to reflect a shortfall in the value of securities pledged as collateral by the client against financing provided to the client, caused by a decrease in the value of such securities before we were able to liquidate them. The unwinding of the underlying positions was completed in the first quarter of the fiscal year ending March 31, 2022, and we expect to recognize additional losses of approximately ¥65 billion in the three months ending June 30, 2021 as a result. Despite our actions in response to the U.S. Prime Brokerage Event, including to improve our risk management activities, our business model necessarily involves significant trading activity, and we may record significant losses as a result of such trading activity again in the future.

Furthermore, we commit capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. We also structure and take positions in pilot funds for developing financial investment products and invest seed money to set up and support financial investment products. We may incur significant losses from these positions in the event of significant market fluctuations.

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect our profitability due to decrease in client transactions. Following the U.S. Prime Brokerage Event, multiple ratings agencies downgraded their outlook with regards to our ratings, which, if not resolved positively, may lead to downgrades in our ratings. See also *“—Risks Relating to Our Financial Position—Liquidity risk could impair our ability to fund operations and jeopardize our financial condition—(3) Lowering of our credit ratings could impact our funding”*.

*(2) Holding large and concentrated positions of securities and other assets may expose us to large losses*

We regularly hold large and concentrated positions of certain securities in our businesses such as market-making, block trading, underwriting, asset securitization, prime brokerage, acquiring newly-issued convertible debt securities through third-party allotment or providing business solutions to meet clients’ needs. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. Fluctuations in the prices of these securities can significantly affect the prices at which we are able to liquidate them when needed, resulting in the recording of significant trading losses, such as occurred in connection with the U.S. Prime Brokerage Event. See *“Item 5. Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event”*. We generally have higher exposure to those issuers engaged in financial services businesses, including commercial banks, broker-dealers, clearing houses, exchanges and investment companies. There may also be cases where we hold relatively large amounts of securities by issuers in particular countries or regions due to the business we conduct with our clients or our counterparties. In addition, we may incur losses due to market fluctuations on asset-backed securities such as residential mortgage-backed securities (“RMBS”) and commercial mortgage-backed securities (“CMBS”).

*(3) Our hedging strategies may not prevent losses*

We use a variety of financial instruments and strategies to hedge our exposure to financial risks arising from the financial instruments we enter into for proprietary purposes or for our clients. If our hedging strategies are not effective, we may incur losses. We base many of our hedging strategies on historical trading patterns and correlations. For example, if we hold an asset, we may hedge this position by taking a position in another asset

which has, historically, moved in a direction that would offset a change in value of the former asset. However, historical trading patterns and correlations may not continue, as seen in the case of past financial crises, and these hedging strategies may not be fully effective in mitigating our risk exposure because we are exposed to all types of risk in a variety of market environments. Moreover, not all hedging strategies are effective against all kinds of risk, and certain strategies may, if the risk is not otherwise appropriately managed, increase our risk. For example, many of the transactions leading to the U.S. Prime Brokerage Event entailed providing the client with “total return swap” derivative exposure to certain equities. See Item 5. “*Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event*” for further information on the nature of this event. In order to hedge the “total return” payments we were obligated to make to the client, we held cash positions in the underlying equities. However, this specific hedging strategy was not intended to hedge the risk of a default by the client and the potential need to liquidate the underlying positions in a volatile market environment. When such risk was realized, our hedging strategy of holding the underlying securities meant that we were exposed to such market fluctuations, contributing to the losses we recognized.

*(4) Our risk management policies and procedures may not be fully effective in managing risks*

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Although some of our methods of managing risk are based upon observed historical market data, the future movements in the financial markets may not be the same as was observed in the past. As a result, we may suffer large losses through unexpected future risk exposures. Other risk management methods that we use also rely on our evaluation of information regarding markets, clients or other matters, which is publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated, and we may be unable to properly assess our risks, and thereby suffer large losses. Furthermore, certain factors, such as market volatility, may render our risk evaluation model unsuitable for a new market environment. In such event, we may become unable to evaluate or otherwise manage our risks adequately. Moreover, regardless of how well policies and procedures are designed, they must be properly implemented and followed in order to be effective, which may not always occur despite our diligent efforts. Further, potential weaknesses in our organisation structures and governance frameworks may lead to misunderstanding over roles and responsibilities.

For example, with respect to the U.S. Prime Brokerage Event, we suffered significant losses through exposures to the client’s counterparty risk and market risks relating to the securities underlying the prime brokerage transactions with the client. We have reviewed and are in the process of completing a number of actions to comprehensively review, revise and strengthen our risk management policies and procedures and the implementation thereof. See Item 4. “*Business—Management Strategies and Challenges—Urgent Priority Issues—Risk Management and Compliance, etc.*” for further information on the nature and status of these review procedures. Such actions remain ongoing, however, and when completed, may not be sufficient to prevent similar exposure to such risks in the future, including to identify and rectify potential shortcomings, whether within the same business or among our many other business units, impairing the ability of such policies and procedures to prevent future losses.

*(5) Market risk may increase other risks that we face*

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate other risks that we face. For example, the risks inherent in financial instruments developed through financial engineering and innovation may be increased by market risk.

Also, if we incur substantial trading losses caused by our exposure to market risk, our need for liquidity could rise sharply while our access to cash may be impaired as a result of market perception of our credit risk.

Furthermore, in a downturn in the market overall or for specific securities, our clients and counterparties could incur substantial losses or experience other adverse events of their own, thereby weakening their financial condition and, as a result, increasing the credit risk they pose to us, such as occurred as part of the U.S. Prime Brokerage Event.



*(6) Our brokerage and asset management revenues may decline*

A market downturn could result in a decline in the revenues generated by our brokerage business because of a decline in the volume and value of securities that we broker for our clients. Also, within our asset management and investment management business, in most cases, we charge fees and commissions for managing our clients' portfolios that are based on the market value of their portfolios. A market downturn that reduces the market value of our clients' portfolios may increase the amount of withdrawals or reduce the amount of new investments in these portfolios, and would reduce the revenue we receive from these businesses. Also, any changes in our clients' investment preference on their asset portfolios, including shifting investment assets to stable assets such as deposits and/or passive funds, which bring relatively low commission rates, may reduce our revenue as well.

*(7) Our investment banking revenues may decline*

Changes in financial or economic conditions would likely affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients.

For example, net revenue from our investment banking activities declined during the year ended March 31, 2020 compared to the year ended March 31, 2019 primarily due to a market downturn from February 2020 as a result of the COVID-19 pandemic. While our investment banking net revenues have increased during the year ended March 31, 2021 compared to the year ended March 31, 2020, M&A activities and other investment banking activities are expected to continue to be negatively impacted by the pandemic for the foreseeable future.

*(8) Our electronic trading business revenues may decline*

Electronic trading is essential for our business in order to execute trades faster with fewer resources. Utilizing these systems allows us to provide an efficient execution platform and on-line content and tools to our clients via exchanges or other automated trading facilities. Revenue from our electronic trading, which includes trading commissions and bid-offer spreads is directly correlated with the number and size of the transactions in which we participate. Competition in electronic trading is intense and the introduction of highly discounted or no-commission trades at competitors has and will continue to exert pressure on our electronic and traditional trading revenue. Moreover, such revenue would decrease if there are financial market or economic changes that would cause our clients to trade less frequently or in a smaller amounts. Even if trade volumes increase due to the convenience of electronic trading, this may not be sufficient to offset margin erosion in our execution business, leading to a potential decline in revenue generated from this business. We continue to invest in developing technologies to provide an efficient trading platform; however, we may fail to maximize returns on these investments due to this increased pressure on lowering margins.

**6. We may be exposed to losses when third parties do not perform their obligations to us**

Our counterparties are from time to time indebted or otherwise owe certain obligations (such as with regards to the posting of collateral) to us as a result of transactions or contracts, including loans, commitments to lend, other contingent liabilities and derivative transactions. We may incur material losses when our counterparties default or fail to perform on their obligations to us due to their filing for bankruptcy, a deterioration in their creditworthiness, lack of liquidity, operational failure, an economic or political event, repudiation of the transaction or for other reasons. The U.S. Prime Brokerage Event, during which a U.S. prime brokerage client defaulted on obligations to us to post additional margin in respect of trading activities as well as to repay amounts lent against collateral held by us, is an example. See Item 5. "*Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event*" for further information on the nature of this event. Although we establish and maintain allowances for credit losses, such allowances reflect management judgments and assumptions based on information available to us, which may provide incorrect or incomplete, and these judgments and assumptions may prove to be incorrect, potentially significantly so.

Credit risk may also arise from:

- holding securities issued by third parties, or
- the execution of securities, futures, currency or derivative transactions that fail to settle at the required time due to non-delivery by the counterparty, such as financial institutions and hedge funds which are counterparties to credit default swaps or systems failure by clearing agents, exchanges, clearing houses or other financial infrastructure.

Issues related to third party credit risk may include the following:

*(1) Defaults by a large financial institution could adversely affect the financial markets generally and us specifically*

The commercial soundness of many financial institutions is closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. As a result, concern about the creditworthiness of or a default by, a certain financial institution could lead to significant liquidity problems or losses in, or defaults by, other financial institutions. This may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact on a daily basis. Actual defaults, increases in perceived default risk and other similar events could arise in the future and could have an adverse effect on the financial markets and on us. Our funding operations may be adversely affected if major financial institutions, Japanese or otherwise, fail or experience severe liquidity or solvency problems.

*(2) There can be no assurance as to the accuracy of the information about, or the sufficiency of the collateral we use in managing, our credit risk*

We regularly review our credit exposure to specific clients or counterparties and to specific countries and regions that we believe may present credit concerns. Default risk, however, may arise from events or circumstances that we do not detect, such as account-rigging and fraud. We may also fail to receive full information with respect to the risks of a counterparty, or to accurately manage and assess such information internally. For example, our credit risk assessments with respect to the client whose default led to the U.S. Prime Brokerage Event did not reflect the full extent of the client's relevant trading activity. In addition, in cases where we have extended credit against collateral, we may fall into a deficiency in value in the collateral if sudden declines in market values reduce the value of our collateral, as was the case with loans extended to the prime brokerage client leading in part to the U.S. Prime Brokerage Event. See Item 5. "*Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event*" for further information on the nature of this event.

*(3) Our clients and counterparties may be unable to perform their obligations to us as a result of political or economic conditions*

Country, regional and political risks are components of credit risk, as well as market risk. Political or economic pressures in a country or region, including those arising from local market disruptions or currency crises, may adversely affect the ability of clients or counterparties located in that country or region to obtain credit or foreign exchange, and therefore to perform their obligations owed to us.

## **7. We are a holding company and depend on payments from our subsidiaries**

We are a holding company and heavily depend on dividends, distributions and other payments from our subsidiaries to make payments on our obligations. Regulatory and other legal restrictions, such as those under the Companies Act, may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, many of our subsidiaries, including our broker-dealer subsidiaries, are subject to laws and regulations, including



regulatory capital requirements, that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. For example, NSC, Nomura Securities International, Inc., Nomura International plc and Nomura International (Hong Kong) Limited, our main broker-dealer subsidiaries, are subject to regulatory capital requirements and changes in such regulatory capital requirements and the required level could limit the transfer of funds to us. While we monitor and manage the transfer of funds among Nomura Group on the basis of the relevant laws and regulations on a daily basis, these laws and regulations may hinder our ability to access funds needed to make payments on our obligations.

**8. We may not be able to realize gains we expect, and may even suffer losses, on our investments in equity securities and non-trading debt securities**

We hold substantial investments in equity securities including private equity investments and non-trading debt securities. Under U.S. GAAP, depending on market conditions, we may recognize significant unrealized gains or losses on our investments in equity securities and debt securities, which could have an adverse impact on our financial condition and results of operations. For example, in the fiscal year ended March 31, 2020, we recognized a loss of ¥16.4 billion related to our investment in American Century Investments and ¥16.6 billion on our investments in equity securities resulting from market declines arising from the COVID-19 pandemic. Depending on the market conditions, we may also not be able to dispose of these equity securities and debt securities when we would like to do so, as quickly as we may wish or at the desired price.

**9. We may face an outflow of clients' assets due to losses of cash reserve funds or debt securities we offer**

Cash reserve funds, such as money market funds and money reserve funds are categorized as low risk financial products. As a result of a sudden rise in interest rates, such cash reserve funds may fall below par value due to losses resulting from price decreases of debt securities in the portfolio, defaults of debt securities in the portfolio or charges of negative interest. If we determine that a stable return cannot be achieved from the investment performance of cash reserve funds, we may accelerate the redemption of, or impose a deposit limit on, such cash reserve funds. For example, Nomura Asset Management Co., Ltd., the Company's subsidiary, ended its operation of money market funds in late August 2016 and executed an accelerated redemption of such funds in September 2016.

In addition, debt securities that we offer may default or experience delays in the payment of interest and/or principal.

These events above may result in the loss of client confidence and lead to an outflow of client assets from our custody or preclude us from increasing such client assets.

● **Risks Relating to Our Financial Position**

**10. We may have to recognize impairment losses with regard to the amount of goodwill, tangible and intangible assets recognized on our consolidated balance sheets**

We have purchased all or a part of the equity interests in, or operations from, certain other companies in order to pursue our business expansion, and expect to continue to do so when and as we deem appropriate. We account for certain of those and similar purchases and acquisitions as a business combination under U.S. GAAP by allocating our acquisition costs to the assets acquired and liabilities assumed and recognizing the remaining amount as goodwill. On April 1, 2020, Nomura acquired 100% of Greentech Capital, LLC ("Greentech") and goodwill of ¥12,480 million is reported on our consolidated balance sheet. We also possess tangible and intangible assets other than those stated above.

We may have to recognize impairment losses, as well as other losses associated with subsequent transactions, with regard to the amount of goodwill, tangible and intangible assets and, recognized on our consolidated group balance sheet which may adversely affect our financial condition and results of operations. For example, during the year ended March 31, 2019, we recognized an impairment loss on goodwill in our Wholesale segment attributable to previous overseas acquisitions of ¥81,372 million.

## **11. Liquidity risk could impair our ability to fund operations and jeopardize our financial condition**

Liquidity, or having ready access to cash, is essential to our business. We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of our creditworthiness or deterioration in market conditions. In addition to maintaining a readily available cash position, we seek to secure ample liquidity through repurchase agreements and securities lending transactions, long-term borrowings and the issuance of long-term debt securities, diversification of our short-term funding sources such as commercial paper, and by holding a portfolio of highly liquid assets. We bear the risk that we may lose liquidity under certain circumstances, including the following:

### *(1) We may be unable to access unsecured or secured funding*

We continuously access unsecured funding from issuance of securities in the short-term credit markets and debt capital markets as well as bank borrowings to finance our day-to-day operations, including refinancing. We also enter into repurchase agreements and securities lending transactions to raise secured funding for our trading businesses. An inability to access unsecured or secured funding or funding at significantly higher cost than normal levels could have a substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

- We incur large trading losses,
- The level of our business activity decreases due to a market downturn,
- Regulatory authorities take significant action against us, or
- Our credit rating is downgraded.

In addition to the above, our ability to borrow in the debt capital markets could also be adversely impacted by factors that are not specific to us, such as reductions in banks' lending capacity, a severe disruption of the financial and credit markets, negative views about the general prospects for the investment banking, brokerage or financial services industries, or negative market perceptions of Japan's financial soundness.

### *(2) We may be unable to sell assets*

If we are unable to raise funds or if our liquidity declines significantly, we will need to liquidate assets or take other actions in order to meet our maturing liabilities. In volatile or uncertain market environments, overall market liquidity may decline. In a time of reduced market liquidity, we may be unable to sell some of our assets, or we may have to sell at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell assets may also be adversely impacted by other market participants seeking to sell similar assets into the market at the same time.

### *(3) Lowering of our credit ratings could impact our funding*

Our funding depends significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on "credit watch" with negative implications. For example, following the U.S. Prime Brokerage Event, in March 2021, Fitch Ratings, Inc. placed our credit ratings on negative watch and Moody's Investors Service, Inc. changed the outlook on our credit ratings to negative, which may lead either agency to downgrade our credit ratings in the future. See Item 5. "Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event" for further information on the nature of this event. Future downgrades could increase our funding costs and limit our funding. This, in turn, could adversely affect our result of operations and our financial condition. In addition, other factors which are not specific to us may impact our funding, such as negative market perceptions of Japan's financial soundness.

**12. Equity investments in affiliates and other investees accounted for under the equity method in our consolidated financial statements may decline significantly over a period of time and result in us incurring impairment losses**

We have affiliates and investees accounted for under the equity method in our consolidated financial statements and whose shares are publicly traded. If there is a decline in the market price, of the shares we hold in such affiliates over a period of time, and we determine that the decline is other-than-temporary, then we recognize an impairment loss for the applicable fiscal period which may have an adverse effect on our financial condition and results of operations. For example, we recognized an impairment loss of ¥47,661 million against its investment in Nomura Real Estate Holdings, Inc. during the year ended March 31, 2021.

● **Risks Relating to Legal, Compliance and Other Operational Issues**

**13. Misconduct or fraud by an employee, director or officer, or any third party, could occur, and our reputation in the market and our relationships with clients could be harmed**

We always face the risk that our employees, directors or officers, or any third party, could engage in misconduct that may adversely affect our business. Misconduct by an employee, director or officer includes conduct such as entering into transactions in excess of authorized limits, acceptance of risks that exceed our limits, or concealment of unauthorized or unsuccessful activities. The misconduct could also involve the improper use or disclosure of non-public information relating to us or our clients, such as insider trading and the recommendation of trades based on such information, as well as other crimes, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us.

For example, on March 5, 2019, a researcher at Nomura Research Institute, Ltd. (“NRI”), our equity-method affiliate, revealed information that there was a high possibility that the standard for designating the top market of the Tokyo Stock Exchange (the “TSE”) would fall to ¥25 billion, which had been under review at the TSE, to a chief strategist (the “NSC Strategist”) in the research division of Nomura Securities Co., Ltd. (“NSC”). The researcher at NRI was a member of the Advisory Group to Review the TSE Equity Market Structure and received this information in such capacity. On the same day and the next day, the NSC Strategist communicated the information to certain people including members of Japanese stock sales team of NSC and Nomura International (Hong Kong) Limited, some of whom provided the information to their institutional investor clients. Although the provision of the information did not represent a violation of law, they were inappropriate conducts and impaired the implicit trust placed in us and our employees by other market participants. Following a special internal investigation conducted by external experts, on May 24, 2019, we announced a remediation plan and the reduction of compensation of certain of our executives and those of NSC. On May 28, 2019, the FSA issued a business improvement order to us and to NSC, requiring us to clarify responsibility for this incident, develop and submit a detailed improvement plan, and report periodically on the implementation and effectiveness of measures for improvement, and on August 28, 2019, a fine of ¥10 million was imposed by Tokyo Stock Exchange, Inc. as a penalty.

Third parties may also engage in fraudulent activities, including devising a fraudulent scheme to induce our investment, loans, guarantee or any other form of financial commitment, both direct and indirect. Because of the broad range of businesses that we engage in and the large number of third parties with whom we deal in our day-to-day business operations, such fraud or any other misconduct may be difficult to prevent or detect, and our future reputation and financial condition could adversely affected, which could result in serious reputational or financial damage to us in the future.

Measures we have implemented or additional measures that may be implemented in the future may not be effective in preventing or managing the risk of misconduct or fraud in all cases, and we may not always be able to detect or deter misconduct or fraud by an employee, director, officers, or third parties. If any administrative or judicial sanction is issued against us as a result of such fraudulent or misconduct, we may lose business opportunities, and our future revenue and results of operations may be materially and adversely affected, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

#### **14. A failure to identify and appropriately address conflicts of interest could adversely affect our business**

We are a global financial institution that provides a wide range of products and services to a diverse group of clients, including individuals, corporations, other financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Conflicts of interests can arise when our services to a particular client conflict or compete, or are perceived to conflict or compete, with our own interests. In addition, where non-public information is not appropriately restricted or shared within the firm, conflicts of interest can also arise where a transaction within the Nomura Group and or a transaction with another client conflict or compete, or is perceived to conflict or compete, with a transaction with a particular client. While we have extensive internal procedures and controls designed to identify and address conflicts of interest on the basis of the Nomura Group Conflicts of Interest Management Policy, a failure, or a perceived failure, to identify, disclose and appropriately address such conflicts could adversely affect our reputation, the willingness of current or potential clients to do business with us and our revenues and results of operations. In addition, conflicts of interest could give rise to regulatory actions or litigation.

#### **15. Our business is subject to substantial legal, regulatory and reputational risks**

Substantial legal liability or a significant regulatory action against us could have a material adverse effect on our business, financial condition or results of operations, or cause reputational harm to us. Also, material changes in regulations applicable to us or to the markets in which we operate could adversely affect our business. See Note 21 “*Commitments, contingencies and guarantees*” in our consolidated financial statements included in this annual report for further information regarding the significant investigations, lawsuits and other legal proceedings that we are currently facing.

We face significant legal risks in our businesses. These risks include liability under securities or other laws in connection with securities underwriting and offering transactions, liability arising from the purchase or sale of any securities or other financial products, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for our transactions, disputes with our business alliance partners and legal claims concerning our other businesses.

*(1) Legal liability may occur due to market downturn and could adversely affect our business, financial condition and results of operations*

During a prolonged market downturn or upon the occurrence of an event that adversely affects the market, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. In addition, even legal transactions might be subject to adverse public reaction according to the particular details of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

*(2) Extensive regulation of our businesses limits our activities and may subject us to significant penalties and losses*

The financial services industry is subject to extensive regulation. We are subject to increasing regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. In addition, while regulatory complexities increase, possibilities of extra-territorial application of a regulation in one jurisdiction to business activities outside of such jurisdiction may also increase. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities and/or affect our profitability, through net capital, client protection and market conduct requirements. In addition, on top of traditional finance-related legislation, the scope of laws and regulations

applying to, and/or impacting on, our operations may become wider depending on the situation of the wider international political and economic environment or policy approaches taken by governmental authorities in respect of regulatory application or law enforcement. In particular, the number of investigations and proceedings against the financial services industry by governmental and self-regulatory organizations has increased substantially and the consequences of such investigations and proceedings have become more severe in recent years, and we are subject to face the risk of such investigations and proceedings. For example, the U.S. Department of Justice (the “DOJ”) conducted an investigation regarding residential mortgage-backed securities securitized by some of our U.S. subsidiaries prior to 2009. On October 15, 2018, the U.S. subsidiaries settled the investigation with the DOJ and agreed to pay \$480 million. Although we take measures such as timely monitoring and establishing internal governance procedures in order to prevent violations of law and regulation, we may not always be able to prevent such violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create, which may negatively affect our business opportunities and ability to secure human resources. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions. In addition, certain market participants may refrain from investing in or entering into transactions with us if we engage in business activities in regions subject to international sanctions, even if our activities do not constitute violations of sanctions laws and regulations.

*(3) Tightening of regulations applicable to the financial system and financial industry could adversely affect our business, financial condition and results of operations*

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. The impact of such developments could make it economically unreasonable for us to continue to conduct all or certain of our businesses, or could cause us to incur significant costs to adjust to such changes.

Furthermore, the exact details of the implementation of proposals for regulatory change and its impact on us will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards. See Item 4.B “*Business Overview—Regulation*” in this annual report for more information about such regulations.

New regulations or revisions to existing regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Such new regulations or revisions to existing regulations include the so-called Basel III package formulated by the Basel Committee on Banking Supervision (“Basel Committee”) and the finalized Basel III reforms published in December 2017. Furthermore, in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for domestic systemically important banks (“D-SIBs”), and, in December 2015, the FSA identified us as a D-SIB and imposed a surcharge of 0.5% on our required capital ratio after March 2016 with 3-year transitional arrangement. In addition, FSB published the final standard requiring global systemically important banks (“G-SIBs”) to maintain a certain level of total loss-absorbing capacity (“TLAC”) upon their failure in November 2015. Under the FSA’s policy implementing the TLAC framework in Japan as updated in April 2018, the TLAC requirements in Japan apply not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. Based on the revised policy, in March 2019, the FSA published the notices and guidelines of TLAC regulations in Japan. According to these notices and guidelines, Nomura is subject to the TLAC requirements in Japan from March 31, 2021 although Nomura is not identified as a G-SIB as of the date of this annual report. These changes in regulations may increase our funding costs or require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could adversely affect our operating or financing activities or the interests of our shareholders.



*(4) Deferred tax assets may be impacted due to a change in business condition or in laws and regulations, resulting in an adverse effect on our operating results and financial condition*

We recognize deferred tax assets in our consolidated balance sheets as a possible benefit of tax relief in the future. If we experience or forecast future operating losses, if tax laws or enacted tax rates in the relevant tax jurisdictions in which we operate change, or if there is a change in accounting standards in the future, we may reduce the deferred tax assets recognized in our consolidated balance sheets. As a result, it could adversely affect our financial condition and results of operations. See Note 16 “*Income taxes*” in our consolidated financial statements included in this annual report for further information regarding the deferred tax assets that we currently recognize.

#### **16. Unauthorized disclosure or misuse of personal information held by us may adversely affect our business**

We keep and manage personal information obtained from clients in connection with our business. In recent years, there have been many reported cases of personal information and records in the possession of corporations and institutions being improperly accessed disclosed or misused.

Although we exercise care to protect the confidentiality of personal information and have in place policies and procedures designed to safeguard such information and ensure that it is used in compliance with applicable laws, rules and regulations, were any unauthorized disclosure or misuse of personal information to occur, our business could be adversely affected. For example, we could be subject to government actions such as administrative actions or penalties in case there is any violation of applicable personal data protection laws, rules and regulations or be subject to complaints and lawsuits for damages from clients if they are adversely affected due to the unauthorized disclosure or misuse of their personal information (including leakage of such information by an external service provider). In addition, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives. Moreover, restrictions on our ability to use personal information collected from clients may adversely affect our existing businesses or to develop new ones. Furthermore, any damage to our reputation caused by such unauthorized disclosure or misuse could lead to a decline in new clients and/or a loss of existing clients, as well as to increased costs and expenses incurred for public relations campaigns designed to prevent or mitigate damage to our corporate or brand image or reputation.

#### **17. System failure, the information leakage and the cost of maintaining sufficient cybersecurity could adversely affect our business**

Our businesses rely on secure processing, storage, transmission and reception of personal, confidential and proprietary information on our systems. We have been in the past and may again become the target of attempted unauthorized access, computer viruses or malware, and other cyber-attacks designed to access and obtain information on our systems or to disrupt and cause other damage to our services. For example, in June 2018, one of our foreign subsidiaries experienced a spear phishing incident that resulted in the unauthorized access to the firm’s desktop network, requiring us to immediately launch an internal investigation to assess and remediate the incident, notify the appropriate authorities of its occurrence and communicate with clients and other individuals whose data may have been impacted. In response to the COVID-19 pandemic, many of our employees now work remotely using networking or other technologies, and these technologies have become even more critical to our business. The implementation of remote work arrangements may also increase the possibility that we will be subject to cyber-attacks and other information security breaches. Although these threats may originate from human error or technological failure, they may also originate from the malice or fraud of internal parties, such as employees, or third parties, including foreign non-state actors and extremist parties. Additionally, we could also be adversely impacted if any of the third-party vendors, exchanges, clearing houses or other financial institutions to whom we are interconnected are subject to cyber-attacks or other informational security breaches. Such events could cause interruptions to our systems, reputational damage, client dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our financial condition and operations.

While we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future.

- **Risks Related to Holding or Trading of our Shares and ADRs**

**18. Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of the Company's common stock at a particular price on any particular trading day, or at all**

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. For the purpose of protecting investors from excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

**19. Under Japan's unit share system, holders of the Company's shares constituting less than one unit are subject to transfer, voting and other restrictions**

The Company's Articles of Incorporation, as permitted under the Companies Act, provide that 100 shares of the Company's stock constitute one "unit." The Companies Act imposes significant restrictions and limitations on holdings of shares that constitute less than a whole unit. Holders of shares constituting less than one unit do not have the right to vote or any other rights relating to voting. Under the unit share system, any holders of shares constituting less than a unit may at any time request the Company to purchase their shares. Also, holders of shares constituting less than a unit may request the Company to sell them such number of shares that the Company may have as may be necessary to raise such holder's share ownership to a whole unit. Shares constituting less than a unit are transferable under the Companies Act, but may not be traded on any Japanese stock exchange.

**20. As a holder of ADSs, you will have fewer rights than a shareholder has and you will have to act through the depositary to exercise these rights**

The rights of shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the company's accounting books and records and exercising appraisal rights are available only to holders of record. Because the depositary, through its custodian agent, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay you the dividends and distributions collected from the Company. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine the Company's accounting books or records or exercise appraisal rights except through the depositary.

**21. Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions**

The Companies Act and the Company's Articles of Incorporation and Regulations of the Board of Directors govern the Company's corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and executive officers' fiduciary duties and shareholders' rights may be different from



those that would apply to a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other jurisdictions, including jurisdictions within the U.S. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in another jurisdiction.

**22. The Company's shareholders of record on a record date may not receive the dividend they anticipate**

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. The Company's dividend payout practice is no exception. The Company ultimately determines whether the Company will make any dividend payment to shareholders of record as of a record date and such determination is made only after such record date. For the foregoing reasons, the Company's shareholders of record as of a record date may not receive the dividends they anticipate. Furthermore, the Company does not announce any dividend forecasts.

**23. It may not be possible for investors to secure personal jurisdiction within the U.S. over the Company or the Company's directors or executive officers, or to enforce against the Company or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S.**

The Company is a limited liability, joint-stock corporation incorporated under the laws of Japan. Most of the Company's directors and executive officers reside in Japan. Many of the Company's assets and the assets of these persons are located in Japan and elsewhere outside the U.S. It may not be possible, therefore, for U.S. investors to obtain personal jurisdiction over the Company or these persons within the U.S. or to enforce against the Company or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S. The Company believes that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of U.S. court judgments, of liabilities predicated solely upon the federal securities laws of the U.S.

● **Special Note Regarding Forward-looking Statements**

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of our results of operations or financial condition, or state other forward-looking information.

Known and unknown risks including the COVID-19 pandemic, uncertainties and other factors may cause our actual results, performance, achievements or financial position to differ materially from any future results, performance, achievements or financial position expressed or implied by any forward-looking statement contained in this annual report. Such risks, uncertainties and other factors are set forth in this Item 3.D and elsewhere in this annual report.

## **Item 4. Information on the Company**

### **A. History and Development of the Company.**

The Company (previously known as The Nomura Securities Co., Ltd.) was incorporated in Japan on December 25, 1925 under the Commercial Code of Japan when the securities division of The Osaka Nomura Bank, Ltd. became a separate entity specializing in the trading and distribution of debt securities in Japan. The Company was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York. In Japan, we broadened the scope of our business when we began trading in equity securities in 1938 and when we organized the first investment trust in Japan in 1941.

Since the end of World War II, we have played a leading role in most major developments in the Japanese securities market. These developments include the resumption of the investment trust business in the 1950s, the introduction of public stock offerings by Japanese companies in the 1960s, the development of the over-the-counter bond market in the 1970s, the introduction of new types of investment trusts such as the medium-term Japanese government bond investment trust in the 1980s, and the growth of the corporate bond and initial public offering markets in the 1990s.

Our expansion overseas accelerated in 1967, when the Company acquired a controlling interest in Nomura International (Hong Kong) Limited for the purpose of conducting broker-dealer activities in the Hong Kong capital markets. Subsequently, we established a number of other overseas subsidiaries, including Nomura Securities International, Inc. in the U.S. in 1969 as a broker-dealer and Nomura International Limited, now Nomura International plc, in the U.K. in 1981, which acts as an underwriter and a broker, as well as other overseas affiliates, branches and representative offices.

On October 1, 2001, we adopted a holding company structure. In connection with this reorganization, the Company changed its name from “The Nomura Securities Co., Ltd.” to “Nomura Holdings, Inc.” The Company continues to be listed on the Tokyo Stock Exchange and other stock exchanges. A wholly-owned subsidiary of the Company assumed the Company’s securities businesses and was named “Nomura Securities Co., Ltd.”

The Company has proactively engaged in establishing a governance framework to ensure transparency in the Company’s management. Among other endeavors, when the Company adopted a holding company structure and was listed on the New York Stock Exchange (“NYSE”) in 2001, the Company installed Outside Directors. In addition, in June 2003, the Company further strengthened and increased the transparency of the Company’s oversight functions by adopting the Company with Three Board Committees (previously known as the Committee System), a system in which management oversight and business execution functions are clearly separated.

In 2008, to pave the way for future growth, the Company acquired and integrated the operations of Lehman Brothers in Asia Pacific, Europe and the Middle East.

The address of the Company’s registered office is 13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan, telephone number: +81-3-5255-1000.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <https://www.sec.gov>. Our corporate website is <https://www.nomuraholdings.com>.

### **B. Business Overview.**

#### **Overview**

We are one of the leading financial services groups in Japan and we operate offices in countries and regions worldwide including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region (“Hong Kong”) through our subsidiaries.

Our clients include individuals, corporations, financial institutions, governments and governmental agencies.

Our business consists of Retail, Asset Management, Wholesale and Merchant Banking, which are described in further detail below. On April 1, 2021, the Asset Management Division and Merchant Banking Division were abolished and the Investment Management Division was newly established. See also Note 22 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

### **Corporate Goals and Principles**

The Nomura Group’s management vision is to enhance its corporate value by deepening society’s trust in the firm and increasing satisfaction of stakeholders, including that of shareholders and clients.

As a global investment bank, the Company will provide high value-added solutions to clients globally, and recognizing its wider social responsibility, the Company will continue to contribute to the economic growth and development of society.

To enhance its corporate value, the Company utilizes return on equity (“ROE”) as a management indicator and will strive for sustainable business transformation.

### **Our Business Divisions**

#### **Retail**

In our Retail Division, we conduct business activities by delivering a wide range of financial products and high quality investment services mainly for individuals and corporations in Japan primarily through a network of nationwide branches of Nomura Securities Co., Ltd. (“NSC”). The total number of local branches, including our head office, was 123 as of the end of March 2021. We offer investment consultation services to meet the medium and long-term needs of our clients. We discuss retail client assets in “*Retail Client Assets*” under Item 5.A of this annual report.

We will strengthen our operating model to provide solutions and services that enable us further flexible approaches to the entire balance sheet of our clients.

#### **Investment Management**

We established a new Investment Management Division by replacing the Asset Management Division and the Merchant Banking Division, effective April 1, 2021.

Investment Management Division, which is responsible for the asset management business in a broad sense, aims to increase added value by combining various types of expertise that have been accumulated within the group, from traditional assets such as stocks and bonds, to alternative assets such as non-listed equities. Recognizing the diversifying investment needs of clients and the downward pressure on management fees as challenges, we aim to expand our business through providing a wide range of investment opportunities and providing performances and solutions that exceed expectations. In addition, we will advance the sophistication of the asset management business and governance while ensuring the independence, diversity and swiftness of the investment and management companies in Investment Management Division.

#### **Wholesale**

The Wholesale Division consists of two businesses, Global Markets which is engaged in the trading, sales and structuring of financial products, and Investment Banking which is engaged in financing and advisory businesses.

## ***Global Markets***

Global Markets provides research, sales, trading, agency execution, and market-making of fixed income and equity-related products.

Our global fixed income offerings include, among other products, government securities, interest rate derivatives, investment-grade and high-yield corporate debt securities, credit derivatives, G-10 and emerging markets foreign exchange, asset-backed securities and mortgage-related products, in over-the-counter (“OTC”) and listed markets. We are primary dealers in the Japanese government securities market as well as in the Asian, European and U.S. markets.

Our global equity-related products include equity securities, Exchange Traded Funds (“ETFs”), convertible securities, listed and OTC equity derivatives, and prime services. In addition, we offer execution services based on cutting-edge electronic trading technology to help clients navigate through the complex market structure and achieve best execution. In order to provide extensive market access to our clients, we are also a member of various exchanges around the world, with leading positions on Tokyo Stock Exchange.

These product offerings are underpinned by electronic/digital technology, and our global structuring and quants function which provide tailored ideas and trading strategies for our institutional and corporate clients as well as our retail franchise.

## ***Investment Banking***

We offer a broad range of investment banking services to a diverse range of corporations, financial institutions, sovereigns, financial sponsors and others. We aim to establish and cultivate strong, long-term relationships with our clients by providing them with our extensive resources for each bespoke solution.

*Underwriting.* We underwrite offerings of a wide range of securities and other financial instruments, including various classes of shares, convertible and exchangeable securities, investment grade and high yield debt, sovereign and emerging market debt, structured securities and other securities in the Asian, European, U.S. and other financial markets. We also arrange private placements and engage in other capital raising activities.

*Financial Advisory & Solutions Services.* We provide financial advisory services on business transactions including mergers and acquisitions, divestitures, spin-offs, capital structuring, corporate defense activities, leveraged buyouts and risk solutions. Our involvement in reorganizations and other corporate restructurings related to industry consolidation enhances our opportunities to offer clients other advisory and investment banking services.

On April 1, 2020, we completed the acquisition of Greentech Capital, LLC, an M&A boutique that is strong in sustainable technology and infrastructure. While we expand our global advisory business, we will focus on broadening ESG related businesses with initiatives such as further utilization of Nomura Greentech’s expertise and enhancement of our sustainable finance platform.

## **Our Research Activities**

We have an extensive network of intellectual capital with key research offices in Tokyo, Hong Kong and other major markets in the Asia-Pacific region, as well as in London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our analysts collaborate closely across regions and disciplines to track changes and spot future trends in politics, economics, foreign exchange, interest rates, equities, and credit, and also provide quantitative analysis.

## **Our Information Technology**

We believe that information technology is one of the key success factors for our overall business and intend to maintain and enhance our solid technology platform to ensure that the Nomura Group is able to fulfill and

exceed the various needs of our clients. Accordingly, we will continue to invest, enhance and adapt our technology platform to ensure it remains suitable for each division proactively seek and implement innovative financial technology to improve the operations of our business.

In our Retail Division, we continually invest and enhance our core system and related systems to improve efficiency on business operation. We are also continuously working on improving our internet-based and smartphone platforms.

In our Wholesale Division, we continually invest and enhance our technology platforms to provide better risk management, improved data governance and also to increase trading capabilities through platforms allowing direct market access and algorithmic trading. In order to ensure the support level of Wholesale operations, we will continue to maintain utilization of our offshore service entities in India and enhance our regional support based capabilities.

Furthermore, our digital transformation efforts are directly linked to the competitiveness of financial institutions in the future, and we will continue to promote a wide range of initiatives based on the Group's strategy in order to provide highly convenient services to clients and respond to diversifying needs. We also believe that our people are the source of added value created by the Nomura Group even in a world where digitization and digitalization are advanced. We will continue to strengthen the development of our human resources with the qualities required for the upcoming era, such as consulting capabilities that make full use of both face-to-face and virtual communications.

## **Competition**

The financial services industry is intensely competitive and we expect it to continue remain so. We compete globally with other brokers and dealers, investment banking firms, commercial banks, investment advisors and other financial services firms. We also face competition on regional, product and niche bases from local and specialist firms. A number of factors determine our competitive position against other firms, including:

- the quality, range and prices of our products and services,
- our ability to originate and develop innovative client solutions,
- our ability to maintain and develop client relationships,
- our ability to access and commit capital resources,
- our ability to retain and attract qualified employees, and
- our general reputation.

Our competitive position is also affected by the overall condition of the global financial markets, which are influenced by factors such as:

- the monetary and fiscal policies of national governments and international economic organizations,
- economic, political and social developments both within and between Japan, the U.S., Europe and other major industrialized and developing countries and regions, such as the COVID-19 pandemic since 2020, and
- increasing digitalization beyond the traditional financial sector

In Japan, we compete with other Japanese and non-Japanese securities companies and other financial institutions. Competition has become more intense due to deregulation in the Japanese financial industry since the late 1990s and the increased presence of global securities companies and other financial institutions. In particular, major global firms have increased their presence in securities underwriting, corporate advisory services (particularly, mergers and acquisitions advisory) and secondary securities sales and trading.

There has also been substantial consolidation and convergence among financial institutions, both within Japan and globally and this trend continued as the credit crisis caused mergers and acquisitions and asset acquisitions in the industry. The growing presence and scale of financial groups which encompass commercial banking, securities brokerage, investment banking and other financial services has led to increased competition. Through their broadened offerings, these firms are able to create good client relationships and leverage their existing client base in the brokerage and investment banking business as well.

In addition to the breadth of their products and services, these firms have the ability to pursue greater market share in investment banking and securities products by reducing margins and relying on their commercial banking, asset management, insurance and other financial services activities. This has resulted in pricing pressure in our investment banking and trading businesses and could result in pricing pressure in other areas of our businesses. We have also competed, and expect to compete, with other financial institutions which commit capital to businesses or transactions for market share in investment banking activities. In particular, corporate clients may seek loans or commitments in connection with investment banking mandates and other assignments.

Moreover, the trend toward consolidation and convergence has significantly increased the capital base and geographic reach of some of our competitors, hastening the globalization of the securities and financial services markets. To accommodate this trend, we will have to compete successfully with financial institutions that are large and well-capitalized, and that may have a stronger local presence and longer operating history outside Japan.

## **Regulation**

### *Japan*

*Regulation of the Securities Industry and Securities Companies.* Pursuant to the FIEA, the Prime Minister of Japan has the authority to supervise and regulate the securities industry and securities companies, and delegates its authority to the Commissioner of the FSA. The Company, as a holding company of a securities company, as well as subsidiaries such as NSC and Nomura Financial Products & Services, Inc. (“NFPS”), are subject to such supervision and regulation by the FSA. The Commissioner of the FSA delegates certain authority to the Director General of Local Finance Bureaus to inspect local securities companies and branches. Furthermore, the Securities and Exchange Surveillance Commission, an external agency of the FSA which is independent from the Agency’s other bureaus, is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder the fair trading of securities, including inspection of securities companies. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of the securities industry.

To enhance investor protection, each Japanese securities company is required to segregate client assets and to hold membership in an Investor Protection Fund approved by the government under the FIEA. The Investor Protection Fund is funded through assessments on its securities company members. In the event of failure of a securities company that is a member of the fund, the Investor Protection Fund provides protection of up to ¥10 million per client. The Investor Protection Fund covers claims related to securities deposited by clients with the failed securities company and certain other client claims.

*Regulation of Other Financial Services.* Securities companies are not permitted to conduct banking or other financial services directly, except for those which are registered as money lenders and engaged in money lending business under the Money Lending Business Act or which hold permission to act as bank agents and conduct banking agency activities under the Banking Law. Among the subsidiaries of the Company in Japan, NSC is a securities company that is also registered as a money lender and holds permission to act as a bank agent. Another subsidiary of the Company, The Nomura Trust & Banking holds a banking license and trust business license.

*Financial Instruments and Exchange Act.* The FIEA widely regulates financial products and services in Japan under the defined terms “financial instruments” and “financial instruments trading business”. It regulates



most aspects of securities transactions and the securities industry, including public offerings, private placements and secondary trading of securities, on-going disclosure by securities issuers, tender offers for securities, organization and operation of securities exchanges and self-regulatory associations, and registration of securities companies. In addition, to enhance fairness and transparency in the financial markets and to protect investors, the FIEA provides for, among other things, penalties for misrepresentations in disclosure documents and unfair trading, strict reporting obligations for large shareholders and corporate information disclosure systems, including annual and quarterly report systems, submission of confirmation certificates concerning the descriptions in securities reports, and internal controls over financial reporting.

The FIEA also provides for corporate group regulations on securities companies the size of which exceeds specified parameters (Tokubetsu Kinyu Shouhin Torihiki Gyosha, “Special Financial Instruments Firm”) and on certain parent companies designated by the Prime Minister (Shitei Oyagaisha, “Designated Parent Companies”) and their subsidiaries (together, the “Designated Parent Company Group”). The FIEA aims to regulate and strengthen business management systems, compliance systems and risk management systems to ensure the protection of investors. The FIEA and its related guidelines also provide reporting requirements to the FSA on the Designated Parent Company Group’s business and capital adequacy ratios, enhanced public disclosures as well as restrictions on compensation all of which are designed to reduce excessive risk-taking by executives and employees of a Designated Parent Company Group. We were designated as the Designated Parent Company of NSC in April 2011 and were designated as the Designated Parent Company of NFPS in December 2013. As the Designated Parent Company and the final parent company within a corporate group (Saishu Shitei Oyagaisha, “a Final Designated Parent Company”), we are subject to these requirements. A violation of the FIEA may result in various administrative sanctions, including the revocation of registration or license, the suspension of business or an order to discharge any director or executive officer who has failed to comply with the FIEA.

**Orderly Resolution Regime.** On March 6, 2014, amendments to the FIEA and the Deposit Insurance Act, which included the establishment of an “Orderly Resolution Regime for Financial Institutions” to prevent a financial crisis that may spread across financial markets and may seriously impact the real economy, took effect. Under the Orderly Resolution Regime, the Financial Crisis Response Council, chaired by the Prime Minister, will take measures such as providing liquidity to ensure the performance of obligations for critical market transactions where it is considered necessary to prevent severe market disruption. Such measures will be funded by the financial industry, except in special cases where the government will provide financial support.

**TLAC.** In April 2016, the FSA published its policy describing its approach and framework for the introduction of the TLAC requirements in Japan applicable to Japanese G-SIBs and, in April 2018, released revisions to such policy that extended the coverage of the TLAC requirements in Japan not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. Based on the revised policy, in March 2019, the FSA finally published the notices and guidelines of TLAC regulations in Japan (including TLAC holding regulations). Although Nomura is not identified as a G-SIB as of the date of this annual report, Nomura is subject to the TLAC regulations in Japan, and is required to meet a minimum External TLAC requirement of holding TLAC in an amount at least 16% of our consolidated risk-weighted assets as from March 31, 2021 and at least 18% as from March 31, 2024 as well as at least 6% of the applicable Basel III leverage ratio denominator from March 31, 2021 and at least 6.75% from March 31, 2024.

**Regulatory Changes.** On May 31, 2019, a bill to amend the FIEA and the Payment Services Act, etc. was passed by the Diet of Japan. The amendment to the FIEA includes establishing the concept of “electronically recorded transferable rights” (*denshi kiroku iten kenri*, “ERTRs”) and treating ERTRs as Securities defined in Paragraph 1 of the FIEA. As a result, ERTRs are subject to requirements of the Disclosure of Corporate Affairs and Other Related Matters, and regulations for Financial Instruments Business Operators Engaged in Type I Financial Instruments Business apply to institutions dealing in ERTRs. Additionally, “crypto assets” (*angou shisan*) are now included in the definition of “Financial Instruments”, and derivatives transactions related to crypto assets are subject to the provisions of the FIEA. As a result of the amendment, certain special provisions



concerning the crypto asset-related business have been introduced, whereby Financial Instruments Business Operators, etc. must explain the nature of crypto assets and must not make any representation that may mislead their customers about the nature of crypto assets. Moreover, regulations governing unfair acts in respect of crypto asset and crypto asset derivative transactions are introduced. The amendment became effective on May 1, 2020.

### *Overseas*

Our overseas offices and subsidiaries are also subject to various laws, rules and regulations applicable in the countries where they conduct their operations, including, but not limited to those promulgated and enforced by the U.S. Securities and Exchange Commission (“SEC”), the Commodity Futures Trading Commission (“CFTC”), the U.S. Treasury, the Financial Stability Oversight Council (“FSOC”), the New York Stock Exchange, the Financial Industry Regulatory Authority (“FINRA”) (a private organization with quasi-governmental authority and a regulator for all securities companies doing business in the U.S.), the National Futures Association (“NFA”) (a self-regulatory organization for the U.S. derivatives industry) in the U.S.; by the Prudential Regulation Authority (“U.K. PRA”) and the Financial Conduct Authority (“U.K. FCA”) in the U.K; and by a number of EU regulators including Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Autorité de Contrôle Prudentiel et de Résolution (ACPR) and Autorité des Marchés Financiers (AMF). We are also subject to international money laundering and related regulations in various countries. For example, the USA PATRIOT Act of 2001 contains measures to prevent, detect and prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations and creating crimes and penalties. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could materially and adversely affect us.

**Regulatory Changes.** In response to the financial markets crisis, governments and regulatory authorities in various jurisdictions have made and continue to make numerous proposals to reform the regulatory framework for, or impose a tax or levy upon, the financial services industry to enhance its resilience against future crises, contribute to the relevant economy generally or for other purposes. In July 2010, the U.S. enacted the Dodd-Frank Act and a multi-agency rulemaking process. The rulemakings include the following: (i) create a tighter regulatory framework for over-the-counter (“OTC”) derivatives to promote transparency and impose conduct rules in that marketplace; (ii) establish a process for designating nonbank financial firms as Systemically Important Financial Institutions (“SIFIs”), subject to increased (and sometimes new) prudential oversight including early remediation, capital standards, resolution authority and new regulatory fees; (iii) prohibit material conflicts of interest between firms that package and sell asset-backed securities (“ABS”) and firms that invest in ABS; (iv) establish risk retention requirements for ABS; (v) establish rules related to the orderly liquidation of certain broker dealers; (vi) create annual stress tests; and (vii) set forth a number of executive compensation mandates, including rules to curtail incentive compensation that promotes excessive risk taking and listing standards for recovery of erroneously awarded compensation. The new regulatory framework for OTC derivatives includes mandates for clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, reporting and recordkeeping, and internal and external business conduct rules. Some U.S. derivatives and executive compensation rules may be applied extraterritorially and therefore impact some non-U.S. Nomura entities.

Other aspects of the Dodd-Frank Act and related rulemakings include provisions that (i) prohibit deposit-taking banks and their affiliates from engaging in proprietary trading and limit their ability to make investments in hedge funds and private equity funds (the so-called “Volcker Rule”); (ii) empower regulators to liquidate failing nonbank financial companies that are systemically important; (iii) provide for new systemic risk oversight and increased capital requirements for both bank and non-bank SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) establish new regulations regarding the role of credit rating agencies, investment advisors and others. The Economic Growth, Regulatory Relief, and Consumer Protection Act, which was enacted in May 2018, preserves the fundamental elements of the post-Dodd-Frank regulatory framework and, as to bank regulatory requirements, primarily focuses on revising certain aspects of the U.S. financial regulatory regime for small and medium-sized banking organizations. In connection with the implementation of

the Dodd-Frank Act, the U.S. Federal financial regulatory agencies have released proposals to tailor the application of prudential requirements, including capital and liquidity requirements, for large U.S. banking organizations and foreign banking organizations with significant U.S. activities.

The CFTC has largely finalized its rulemakings that implement the OTC derivatives market reform aspects of the Dodd-Frank Act. Among other items, the CFTC Dodd-Frank rules now impose reporting, clearing, margin and trade execution requirements that will apply, to varying degrees, to commodity derivative transactions entered into by all U.S. and many non-U.S. Nomura entities. These rules also require swap dealers that exceed a de minimis threshold of swap dealing activity to be registered with the CFTC and subject those registered swap dealers to internal and external conduct requirements. The U.S. derivatives rules are now being applied extraterritorially and are impacting some non-U.S. Nomura entities. The full extent of the extraterritorial application of the CFTC's Dodd-Frank rules continues to evolve as the CFTC updates its own guidance, and these changes may result in more or fewer aspects of the rules impacting Nomura's entities. In relevant part, on December 18, 2019, the CFTC approved proposed rules that address the cross-border application of registration thresholds and certain requirements relevant to swap dealers, as well as changes to existing terms and definitions and the CFTC's treatment of transactions that have been arranged, negotiated or executed by Associated Persons ("APs") in the U.S., and the availability of substituted compliance for the limited scope of the Title VII swap requirements addressed in the proposal. Separately, on March 5, 2019, the NFA issued rules that require certain APs of NFA member firms (e.g., swap dealers and Futures Commission Merchants) to satisfy certain swaps proficiency requirements to ensure that APs engaged in swaps activities meet a minimum proficiency standard that tests both their market knowledge and their knowledge of regulatory requirements relating to swaps activities. Swap dealer APs outside the U.S. that only transact swaps with non-U.S. persons or non-U.S. branches of U.S. swap dealers are exempt from the requirements. The compliance date for in-scope APs to complete the proficiency requirements is January 31, 2021. Furthermore, on July 22, 2020 the CFTC adopted final capital and financial reporting rules for swap dealers with a compliance date of October 6, 2021.

In addition, Title VII of the Dodd-Frank Act gives the SEC regulatory authority over "security-based swaps" which are defined under the act as swaps based on a single security or loan or a narrow-based group or index of securities. Security-based swaps are included within the definition of "security" under the U.S. Securities and Exchange Act of 1934 and the U.S. Securities Act of 1933. The SEC continues to issue final rules and interpretive guidance addressing cross-border security-based swap activities. On June 25, 2014, the SEC initially finalized a portion of its cross-border rules, namely key foundational definitions and registration calculations that will become operative once the SEC sets a timeframe for the security-based swap dealer registration process to begin. Since then, the SEC has issued a series of final rules that will apply certain Dodd-Frank Act requirements to security-based swaps between two non-U.S. person counterparties when the security-based swaps are arranged, negotiated or executed using personnel or personnel of agents located in the U.S. On February 10, 2016, the SEC issued final rules that require a non-U.S. person that uses personnel or personnel of agents located in the U.S. in connection with security-based swap dealing activity to include such security-based swaps in its security-based swap dealer registration de minimis calculation. On April 14, 2016, the SEC issued final rules that require a non-U.S. security-based swap dealer to comply with external business conduct standards rules when facing a non-U.S. person counterparty if the non-U.S. security-based swap dealer uses personnel or personnel of agents located in the U.S. to arrange, negotiate or execute the security-based swap. On July 14, 2016 the SEC issued final rules that subject a security-based swap between a non-U.S. security-based swap dealer and a non-U.S. person counterparty to public dissemination pursuant to SEC rules if the non-U.S. swap dealer uses personnel or personnel of agents located in the U.S. to arrange, negotiate or execute the security-based swap. On June 21, 2019, the SEC issued its final rules governing capital, margin and segregation requirements for security-based swap dealers, revised the capital and segregation requirements for broker-dealers that are not security-based swap dealers to the extent they engage in security-based swaps activities, and increased the minimum capital requirements for broker-dealers authorized to use internal models to compute net capital. On September 19, 2019, the SEC issued final rules governing recordkeeping and reporting for security-based swap dealers and amendments to existing recordkeeping and reporting requirements for broker-dealers. On December 18, 2019, the SEC adopted rules that would require security-based swap dealers to comply with

certain risk mitigation techniques with respect to portfolios of uncleared security-based swaps. These risk mitigation techniques include, inter alia, requirements that a security-based swap dealer establish, maintain and follow written policies and procedures: (1) related to bilateral offsetting of security-based swaps and periodic portfolio compression exercises; and (2) that are reasonably designed to ensure that it executes written security-based swap trading relationship documentation with each of its counterparties prior to, and contemporaneously with, executing a security-based swap. Finally, on December 18, 2019, the SEC also adopted final supplemental guidance and rule amendments addressing the cross-border application of certain security-based swap requirements. Specifically, the rules provide guidance, subject to certain conditions, on the circumstances under which providing “market color” will not constitute “arranging” or “negotiating” a security-based swap for purposes of the SEC rules, guidance relating to the certification and opinion requirements for non-U.S. security-based swap dealer registration applicants, and non-U.S. AP requirements relevant to registered security-based swap dealers. In addition, the SEC adopted a conditional exception from the security-based swap dealer *de minimis* registration calculation that would otherwise require a non-U.S. security-based swap entity to count a security-based swap transaction with a non-U.S. counterparty that was arranged, negotiated or executed by personnel or personnel of agents in the U.S. These cross-border rules and amendments may impact some non-U.S. Nomura entities. Significantly, the SEC’s cross-border final guidance and rule amendments trigger the eighteen (18) month countdown for security-based swap dealer registration and compliance with all final security-based swap dealer requirements. Consequently, for those dealers and other market participants who breach the *de minimis* counting threshold, security-based swap dealer registration and compliance with all final security-swap dealer rules will be no later than November 1, 2021.

The exact details of the Dodd-Frank Act implementation and ultimate impact on Nomura’s operations will depend on the form and substance of the final regulations adopted by various governmental agencies and oversight boards. In addition to the rulemakings required by the Dodd-Frank Act, the SEC is considering other rulemakings that will impact Nomura’s U.S. entities. While these rules have not been formally proposed, they have been publicly reported in the U.S. Office of Management and Budget’s (“OMB”) “Current Regulatory Plan and Unified Agenda of Regulatory and Deregulatory Actions.” The SEC’s Division of Trading and Markets has announced that it is considering recommending that the SEC propose an amendment to its net capital rule that would prohibit a broker-dealer that carries customer accounts from having a ratio of total assets to regulatory capital in excess of a certain level. The SEC and the CFTC are also considering a number of changes to market structure rules. The SEC adopted Rule 613 to create a consolidated audit trail (“CAT”) intended to allow regulators to track all activity throughout the U.S. markets in National Markets Systems (“NMS”) securities. Self-regulatory organizations must jointly submit a NMS plan to create and implement the CAT, which will replace existing reporting systems OATS, TRACE and EBS. On June 15, 2016 the SEC approved amendments to FINRA Rule 4210, which require FINRA member broker-dealers to set risk limits on each counterparty transacting in specified forward-settling agency mortgage-backed securities (“covered agency transactions”) as of December 15, 2016, and to collect variation margin and/or maintenance margin from certain counterparties transacting in covered agency transactions as of June 25, 2018. A failure to collect required margin in a timely manner (T+1) results in an obligation for the FINRA member broker-dealer to take a capital charge, and ultimately (T+5) to liquidate the customer’s position in order to satisfy the margin deficiency. On October 25, 2019, FINRA filed a rule change with the SEC again extending the effective date of the Rule 4210 margin requirements to March 25, 2021. The compliance date has since been extended to October 26, 2021. However, FINRA published a notice of filing of proposed changes to the margin rule on May 25, 2021 with comments due by June 15, 2021. On November 7, 2016, the CFTC approved a supplemental notice of proposed rulemaking modifying certain rules proposed in the CFTC’s December 17, 2015, notice of proposed rulemaking regarding Regulation AT. Proposed Regulation AT would have, among other things, required firms engaged in electronic algorithmic trading to (i) register with the CFTC and (ii) submit their trading source code to the CFTC. On June 25, 2020 the CFTC voted to both rescind the proposed Regulation AT and replace it with a proposed set of rules based on risk principles. The new rule was adopted by the CFTC on December 8, 2020 and became effective date on January 11, 2021 and where all designated contract markets must be in full compliance with the requirements of this rule no later than July 12, 2021.

On February 3, 2017, U.S. President Donald J. Trump signed Executive Order 13772 outlining core principles to regulate the U.S. financial system. The order directed the Secretary of the Treasury to consult with heads of member agencies of the FSOC and report within 120 days of the date of the order (and periodically thereafter) on the extent to which existing laws, treaties, regulations, guidance, reporting and recordkeeping requirements and other government policies promote the core principles. U.S. regulatory agencies may change financial regulations through administrative procedures and rulemakings, supervisory guidance or no-action relief as the result of recommendations by the Treasury Secretary in accordance with the core principles of the executive order. These may have a material impact on Nomura's business.

The core principles are as follows: (i) empower Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth; (ii) prevent taxpayer-funded bailouts; (iii) foster economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry; (iv) enable American companies to be competitive with foreign firms in domestic and foreign markets; (v) advance American interests in international financial regulatory negotiations and meetings; (vi) make regulation efficient, effective, and appropriately tailored; and (vii) restore public accountability within Federal financial regulatory agencies and rationalize the Federal financial regulatory framework. The Treasury Department divided its review of the financial system into a series of reports. The reports, all of which have been issued, cover the following subjects: (1) the depository system, covering banks, savings associations, and credit unions of all sizes, types and regulatory charters; (2) capital markets: covering debt, equity, commodities and derivatives markets, central clearing and other operational functions; (3) the asset management and insurance industries, and retail and institutional investment products and vehicles; and (4) non-bank financial institutions, financial technology and financial innovation. In addition, President Trump issued two Presidential Memoranda to the Secretary of the Treasury. One calls for a review of the Orderly Liquidation Authority ("OLA") established under Title II of the Dodd-Frank Act, which the Treasury Department released in February 2018, recommending reforms to the OLA and amendments to the U.S. Bankruptcy Code to make a bankruptcy proceeding a more effective solution method for large financial institutions. The other calls for Treasury to review the process by which the FSOC determines that a nonbank financial company could pose a threat to the financial stability of the U.S., subjecting such an entity to supervision by the Federal Reserve and enhanced prudential standards and capital requirements. In March 2019, the FSOC proposed to revise its interpretive guidance relating to such designations (the "March Proposal"). In December 2019, the FSOC issued finalized amendments to its interpretive guidance, which adopts the March Proposal with some modifications.

On October 26, 2017, the Division of Investment Management and the Division of Trading and Markets of the SEC issued three related no-action letters to address certain issues raised by cross-border implementation of the European Union's ("EU") Markets in Financial Instruments Directive ("MiFID II"), which took effect on January 3, 2018. MiFID II will require the unbundling of execution and research payments made by investment managers to broker-dealers. Under the relief, a broker-dealer may, without becoming subject to the Advisers Act, provide research services to an investment manager that is required, either directly or by contractual obligation, to pay for such research services with MiFID II-compliant research payments. This no-action letter, which was set to expire on July 3, 2020, has been extended until July 3, 2023.

The Foreign Account Tax Compliance Act ("FATCA"), which was enacted in 2010, requires foreign financial institutions ("FFIs") to report to the U.S. Internal Revenue Service information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. As a result, Nomura is subject to certain reporting requirements consistent with a mutual agreement between Japanese governmental authorities and the U.S. Treasury Department.

On December 22, 2017, President Donald Trump signed the Tax Cuts and Jobs Act into law. Among other things, the legislation includes the Base Erosion and Anti-Abuse Tax ("BEAT"), effectively a minimum tax on large corporations applied by adding back to taxable income certain deductible payments made to related foreign persons. These tax law changes are complex and raise significant interpretive issues and therefore we anticipate



future guidance on these rules to address the areas of uncertainty which could also have an adverse impact on the tax liabilities of our U.S. entities.

As part of global efforts to establish a framework to improve authorities' capacity to resolve failing SIFIs, the U.K. implemented the EU Bank Recovery and Resolution Directive ("BRRD"), which was published on June 12, 2014. The BRRD also aims to implement FSB recommendations on recovery and resolution regimes for financial institutions. The BRRD applies to banks and investment firms operating in EU member states, including EU branches and subsidiaries of third country firms. It includes requirements for the preparation of recovery and resolution plans ("RRPs") by institutions and regulators. It also creates various powers for EU regulators to intervene to resolve institutions at risk of failure, including the ability to sell or transfer all or part of an institution and the introduction of a debt write down or bail-in tool.

As part of the bail-in rules, firms will be required to maintain capital resources sufficient to meet the stipulated minimum requirement for eligible liabilities ("MREL"). The MREL overlaps with the global capital standards on total loss absorbing capacity ("TLAC") for G-SIBs issued by the FSB on November 9, 2015. As Nomura Group has adopted a single point of entry resolution strategy, European subsidiaries are subject to internal MREL. The internal MREL became applicable in the U.K. for all U.K. incorporated institutions from January 1, 2019 for firms whose failure would have a significant impact on the U.K. financial system and for certain overseas firms where the Bank of England ("BOE") would support a home resolution authority in carrying out a cross-border resolution. From January 1, 2020, Nomura is required to hold internal MREL resources above the regulatory capital requirements for the material subsidiaries in the U.K., identified as Nomura Europe Holdings plc ("NEHS") on a sub-consolidated basis and NIP.

In July 2019, the BOE and U.K. PRA published a policy statement on the Resolvability Assessment Framework ("RAF"). The proposals for the RAF bring together existing policies such as MREL and Operational Continuity in Resolution ("OCIR") as well as other new resolution policies in order to follow the resolution principles set out by the FSB. Under the policy, it is expected firms perform an assessment of their preparations for resolution and the BOE provide a public statement concerning resolvability of each firm. The BOE and U.K. PRA may consider, in consultation with Financial Services Agency ("FSA"), apply some or all of the requirements set out in the policy statement to NEHS.

EU banks and investment firms including those located in the U.K. have been subject to the current prudential regulatory capital regime since the introduction of the Capital Requirements Regulation and Capital Requirements Directive (collectively, "CRD IV") in January 2014. The aim of CRD IV was to strengthen the resilience of the EU banking sector so it would be better placed to absorb economic shocks while also ensuring that banks continued to finance economic activity and growth. CRD IV sets out regulations for minimum capital requirements for banks and investment firms and also introduced new capital and liquidity buffers.

In November 2016 the European Commission proposed amendments to this regulation in a "CRR II" package of reforms. Together with the updates to the Bank Recovery and Resolution Directive ("BRRD II") and Single Resolution Mechanism Regulation ("SRMR") this package is an important step towards the completion of the European post-crisis regulatory reforms and implements some of the outstanding global reforms agreed by the Basel Committee and the FSB. The EU views the amendments as essential to making its financial system more stable and resilient, and the financial institutions more resolvable. These updates entered into force in June 2019 with the majority of changes being introduced two years later in June 2021.

Among other things these proposed changes include the introduction of binding minimum leverage and net stable funding ratios, changes to the calculations for counterparty credit risk of derivatives, a tightening of large exposure limits, introduction of new reporting requirements for market risk and the introduction of a new EU intermediate parent undertaking requirement. These reforms are generally expected to lead to an increase in local capital and liquidity requirements and increased costs of compliance.

Subsequent to the finalization of work on the CRR II package the EU will introduce a “CRR III” package of reforms to implement all outstanding elements of the Basel III framework including changes to the calculations for Operational Risk, CVA, Credit Risk, FRTB capital requirements and the introduction of an output floor to modelled calculations.

Since Brexit, these amendments are not applicable in the U.K. The PRA is currently consulting on proposed changes similar to those in the CRR II package in consultation paper 5/21—implementation of Basel standards. This is expected to be implemented in the U.K. from 1 Jan 2022. Subsequent to this, the PRA will also consult on implementing the final elements of the Basel III framework equivalent to those in the EU CRR III package.

The revised MiFID II, which is split into the Markets in Financial Instruments Directive (“MiFID”) and the Markets in Financial Instruments Regulation (“MiFIR”) was published in the EU Official Journal on June 12, 2014 and entered into force on July 2, 2014. The majority of the new rules under MiFID II and MiFIR took effect from January 3, 2018, with Member States required to implement MiFID II through national legislation by July 3, 2017. The legislation sought to introduce wide-reaching changes to markets, including the extension of market transparency rules into non-equities and potentially reducing the size of the OTC derivative market by mandating the clearing of standardized OTC transactions through central clearing counterparties and their trading through regulated trading venues. The new framework introduced a market structure which was intended to close certain loopholes and ensure that trading, wherever appropriate, takes place on regulated platforms. It has introduced rules on high frequency trading with a view to improving the transparency and oversight of financial markets. The revised MiFID also aimed to strengthen the protection of investors by introducing more robust organizational and conduct requirements and by strengthening the role of management bodies. The new framework also increased the role and supervisory powers of regulators and established powers to prohibit or restrict the marketing and distribution of certain products in well-defined circumstances. A harmonized regime for granting firms from third countries access to EU professional markets, based on an equivalence assessment of third-country jurisdictions by the Commission, was also introduced.

Following a range of consultations and technical advice published by the European Securities and Markets Authority (“ESMA”), in April 2016 the European Commission adopted a MiFID Delegated Directive (“Directive”). The Directive contains provisions on investor protection, notably on safeguarding of clients. The Commission also adopted a delegated regulation supplementing MiFID II. This regulation was aimed at specifying, in particular, the rules relating to exemptions, the organizational requirements for investment firms, and conduct of business obligations in the provision of investment services. In May 2016, the Commission adopted a further delegated regulation supplementing MiFIR. This regulation aims at specifying, in particular, the rules relating to determining liquidity for equity instruments, the rules on the provision of market data on a reasonable commercial basis, the rules on publication, order execution and transparency obligations for systematic internalisers, and the rules on supervisory measures on product intervention by the ESMA, the European Banking Authority (‘EBA’) and national authorities, as well as on position management powers by the ESMA.

After two years, the European Commission is required to evaluate the overall functioning of the MiFID II/ MiFIR regime, in particular, addressing those areas where challenges still exist, and present a report to the European Parliament and Council together with a legislative proposal to reform the regime if required (the so called ‘MiFID Refit’). As part of this process, ESMA has already launched a number of consultations on specific areas, which will feed into the Commission’s reports.

Certain amendments to support economic recovery from the COVID-19 pandemic, including via relief from administrative requirements on firms, has been published in the EU Official Journal on February 26, 2021 (MiFID ‘Quick-Fix’). EU Member States are required to transpose the quick fix amendments into their national frameworks by November 28, 2021 and apply them by February 28, 2022. Alongside this, the scheduled MiFID2 review continues, with the Commission expected to publish a further legislative proposal towards the end of 2021. Since Brexit, these amendments are not applicable in the U.K. The FCA is currently consulting on proposed

changes to the conduct and organizational rules in the U.K. MiFID, specifically relating to research and best execution reporting. U.K. HMT intends to consult in due course on proposed legislative changes on other areas of MiFID II.

The European Market Infrastructure Regulation (“EMIR”) became effective on August 16, 2012, and applies to any entity established in the EU that is a legal counterparty to a derivative contract, even when trading with non-EU firms. EMIR was created with the intention of stabilizing OTC markets found within EU member states. Although the majority of EMIR regulations have already been implemented, on May 28, 2019, Regulation (EU) 2019/834 (EMIR REFIT) was published in the EU’s Official Journal, with the aim of amending EMIR to make some of its requirements simpler and more proportionate, particularly for non-financial counterparties (“NFCs”). With a few exceptions, the majority of the provisions in the Regulation entered into force on June 17, 2019.

Following the announcement made by BCBS and the International Organization of Securities Commissions (‘IOSCO’) on April 3, 2020 to defer by one year, the deadline for completing the final two implementation phases of the bilateral margin requirements, the European Supervisory Authorities (ESMA, EBA and the European Insurance and Occupational Pensions Authority) have published joint draft Regulatory Technical Standards to amend the Delegated Regulation on the risk mitigation techniques for non-centrally cleared OTC derivatives (bilateral margining), under EMIR to incorporate in the EU, the one year deferral.

On January 12, 2016, the Securities Financing Transactions Regulation (“SFTR”), which forms part of the EU’s package of legislation targeted at reforming shadow banking and aims to improve transparency in the securities financing transactions (“SFTs”) market, came into force subject to a range of transitional provisions over a number of years. On April 11, 2019, the final regulatory technical standards entered into force and MiFID firms were due to commence their reporting one year later on April 11, 2020. However, due to the COVID-19 pandemic, the reporting under the SFTR was extended until July 13, 2020. Other reporting counterparties were phased in over the following months, ending with NFCs on January 11, 2021.

On November 25, 2020, the FCA issued a statement explaining what trade repositories, and the U.K. counterparties that use them, should do to ensure they are compliant with the U.K. SFTR reporting obligations from the end of the Brexit transition period. All U.K. SFTR counterparties that enter into securities financing transactions that are in scope of the U.K. SFTR are required to report details of those transactions to an FCA-registered, or recognised, trade repositories.

On September 17, 2014, the Central Securities Depositories Regulation (“CSDR”) came into force, in the EU. It aims to harmonise certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for CSDs operating securities settlement systems across the EU. CSDR plays a pivotal role for post-trade harmonisation efforts in Europe, as it will enhance the legal and operational conditions for cross-border settlement in the EU. On February 5, 2020, ESMA has published a Final Report on draft regulatory technical standards (“RTS”) on postponing the date of entry into force of the Commission Delegated Regulation (EU) 2018/1229 (RTS on settlement discipline) to February 1, 2021. It has been endorsed by the European Commission on May 8, 2020 and is now subject to the non-objection of the European Parliament and of the Council. Furthermore, on August 28, 2020, ESMA published another Final Report on draft RTS definitively postponing the date of entry into force of the Commission Delegated Regulation (EU) 2018/1229 (RTS on settlement discipline) until February 1, 2022.. On January 27 2021, the European Commission published a delegated act confirming the entry into force of CSDR Settlement Discipline to February 1, 2022. In the U.K., on June 23, 2020, the Government confirmed that it will not implement the CSDR Settlement Discipline. U.K. firms will continue to apply the existing industry-led framework.

In June 2015, the European Parliament and Council to the EU members issued the final version of the Fourth Money Laundering Directive (“4MLD”). All EU member states, including the U.K., had until June 26, 2017 to transpose the requirements of the directive into national law. In February 2016, the European Commission, in an effort to bolster the fight against terrorist financing, proposed amendments to the 4MLD that



would enable the tracing of terrorists through financial movements and disrupt the sources of revenue for terrorist organizations by targeting their capacity to raise funds. These proposed amendments were included in a final version of the 4MLD issued by the EU Parliament in July 2016. In September 2017, additional legislation was implemented in the U.K. designed to combat financial crime including the Criminal Finances Act. The Act functions as an enhancement and extension of the Proceeds of Crime Act 2002 and, in addition to increasing the powers of authorities in investigating tax evasion, is also designed to make failure by a commercial organization to prevent the facilitation of tax evasion a punishable offence.

The Fifth Money Laundering Directive (“5MLD”), came into force in the EU on April 26, 2018 and for implementation by EU Member States by January 10, 2020. Not all Member States have yet been able to implement the changes. However the U.K. government has enacted the regulations bringing into force the 5MLD and the provisions are contained in the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The changes impose additional obligations within the financial services sector. 5MLD amends 4MLD, and includes provisions that enhance the required level of transparency around beneficial ownership of corporates and trusts, tightens some controls relating to Politically-Exposed Persons and high risk third countries and also addresses risks associated with certain technological innovation, particularly virtual currencies.

On October 2018 the 6th Money Laundering Directive (“6MLD”) was approved by the European Parliament and Council. EU member states had until December 3, 2020 to implement this upcoming Directive into national law, whilst regulated entities have a deadline of June 3, 2021. The U.K. has decided to opt out of complying with this further AML Directive as the Government assesses that the domestic legislation is already largely compliant with the Directive’s measures. The 6MLD complements the criminal aspects of the 5MLD and has been introduced to focus on the definition of these crimes and their sanctions. It also gives financial institutions more responsibility in the fight against financial crime and aims to promote the collaboration of member states when tackling money laundering.

The Senior Managers and Certification Regime (“SM&CR”) came into force on March 7, 2016 with the aim of reducing the risk of harm to consumers and strengthening market integrity by making firms, and individuals within those firms, more accountable for their conduct and competence. In July 2018, the U.K. FCA and U.K. PRA published near-final rules extending SM&CR to cover all financial services firms in the U.K. to apply from December 9, 2019. On March 8, 2019, the U.K. FCA announced its final rules on its proposed Directory—a new public register that will enable consumers, firms and other stakeholders to find information on key individuals working in financial services who are not otherwise appointed and publicly registered under the SM&CR. Firms were to submit data on Directory individuals in December 2019, and the Directory was expected to go live in March 2020. However, due to the COVID-19 pandemic, the implementation date of the directory of certified and assessed persons had been delayed. However, some firms, like banks and insurance companies, had already submitted their data to the FCA. The Directory is now live since March 31, 2021

Since 2012, the European Commission sought to establish a modern and harmonized data protection framework across the EU to replace the existing Directive. On May 4, 2016, the official texts of the new EU General Data Protection Regulation (“GDPR”) were published in the EU Official Journal in all the official languages and it came into force on May 25, 2016. GDPR took effect across the EU member states on May 25, 2018. GDPR included a number of important changes to existing data protection legislation including new obligations on data processors, restrictions on the transfer of personal data outside the EEA and the introduction of new concepts such as “accountability” (and related record-keeping), the “right to be forgotten” and a requirement for data breach notifications to the relevant Regulators. Enforcement of GDPR is carried out by both national regulators (for the U.K., the Information Commissioner) and the European Commission, and the regulators also have the power to impose greater fines for any breaches of the data protection requirements of up to 4% of a firm’s global turnover.

The EU Benchmark Regulation (“BMR”) entered into force on June 30, 2016 and has applied in the U.K. since January 1, 2018. Global regulators have imposed fines on firms following attempted manipulation of the

London Inter-bank Offered Rate (“LIBOR”), gold and foreign exchange benchmarks, and have taken action against individuals for misconduct related to benchmarks. The objectives of the EU BMR include, but are not limited to: (i)improving governance and controls over the benchmarking process to ensure that administrators avoid/manage conflicts of interest, (ii)improving the quality of input data and methodologies used by benchmark administrators, (iii)ensuring that contributors to benchmarks and the data they provide are subject to adequate controls, and (iv)protecting consumers and investors through greater transparency and adequate rights of redress.

Furthermore, in November 2019, the EU BMR was amended to include two new types of “climate benchmarks”—‘Paris-Aligned’ Benchmarks (“PABs”) and Climate Transition Benchmarks (“CTBs”). The Low-Carbon Benchmarks Regulation introduced the requirement (under Article 13 of the BMR) that administrators of benchmarks (save interest rate and foreign exchange benchmarks) must provide an explanation of how the key elements of their benchmark methodologies reflect ESG factors. The requirements are to be complied with by April 30, 2020. However, since the draft regulatory technical standards were still subject to a public consultation and a number of important details are subject to these delegated acts, ESMA issued a ‘No Action Letter’ encouraging EU national regulators not to force these ‘Level 1’ requirements until these delegated acts are finalized. The Delegated Acts were finalized and published on December 3, 2021 and entered into force in December 23, 2020.

In addition, interest rate benchmarks including, among others, the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”), the Euro Overnight Index Average (“EONIA”) and certain other Interbank Offered Rates (“IBORs”) are being reformed. The U.K. is due to make the transition from LIBOR to Sterling Overnight Index Average (“SONIA”) by the end of 2021 although certain interim milestones have been extended due to the COVID-19 pandemic.

In the Eurozone, €STR (Euro Short Term Rate) is set to gradually replace the Euro Overnight Index Average (“EONIA”) and serve as a fallback for the Euro Interbank Offered Rate (“EURIBOR”). EONIA will effectively be pegged against €STR until January 3, 2022, when EONIA ceases to apply.

On July 22, 2020, the U.K. Government published a policy statement extending the transitional period for third-country benchmarks under the U.K. BMR from December 31, 2022 to December 31, 2025, thus allowing U.K. firms to continue using benchmarks provided by administrators located outside the U.K. in new financial contracts and instruments without these benchmarks being registered with the FCA until end-2025.

On October 21, 2020, the U.K. Government published a policy statement making amendments to BMR to allow for the orderly winding down of LIBOR, including providing new powers for the U.K. Financial Conduct Authority (“FCA”). The proposed framework in the policy document allows the FCA to take an appropriate course of action to direct a change in the methodology of a critical benchmark and extend its publication, for a limited time period, for those contracts that face insurmountable barriers to transition from LIBOR (Tough Legacy Contracts). Currently the FCA is consulting on its proposal to use two new powers relating to the use of critical benchmarks that are being wound down. The powers are part of a wider package of amendments to the BMR in the Financial Services Act 2021, intended to ensure that the FCA has the appropriate regulatory powers to help reduce risk in the wind-down period before LIBOR ceases permanently.

In the U.K. as a follow up to the Fair and Effective Markets Review (established by the Chancellor of the Exchequer), the Fixed Income, Currencies and Commodities (“FICC”) Markets Standards Board (“FMSB”) was established in 2015 as a private sector response to the conduct problems revealed in global wholesale FICC markets after the financial crisis. The function of the FMSB is to help raise standards of conduct in global wholesale markets by producing voluntary Standards and other guidance in areas of uncertainty that are developed by the membership and designed to illustrate best practices to all market participants. These Standards are intended to reduce the continuing uncertainty about acceptable practices in opaque and unregulated areas, which is a hazard for FMSB members, as well as other market participants. The Standards published to date cover topics including the new issue process, binary options for the commodities markets, reference price

transactions for the fixed income markets and secondary market trading error compensation. The published Standards do not have legal or regulatory force and do not replace existing legislation; rather, they are intended to supplement the rules already in place. The Standards are implemented by way of FMSB member firms, including Nomura International plc, making an adherence statement on an annual basis.

The U.K.'s membership of the EU ended on January 31, 2020, commonly referred to as “**Brexit**”, in accordance with the *Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community* (the “**Withdrawal Agreement**”). On December 31, 2020, a transition period during which the rules and regulations of the EU continued to apply to the U.K expired. The U.K. and EU entered a trade and cooperation agreement governing their relationship prior to the expiration of the transition period, such agreement does not comprehensively address the financial industry.

On March 26, 2021, the U.K. Government announced that technical negotiations on the text of the U.K.-EU memorandum of understanding (“MoU”) establishing a framework for regulatory cooperation in financial services have concluded. Among other things, the MoU will establish a Joint U.K.-EU Financial Regulatory Forum to serve as a platform to facilitate dialogue on financial services issues. The MoU makes limited reference to access, saying that both sides will “jointly endeavor to pursue a robust and ambitious bilateral regulatory cooperation”.

In response to heightened global focus on the issues of climate change, and a growing demand for standards associated with Environmental, Social and Governance (“ESG”) factors and reporting, a number of global regulatory initiatives are being developed. These regulations cover both prudential frameworks including assessment and management of climate risks associated with Nomura businesses, and also labelling, disclosure and reporting regulations which includes but is not limited to the EU Taxonomy Regulation, the EU Sustainable Finance Disclosure Regulation and the EU Corporate Sustainability Reporting Directive.

## **Regulatory Capital Rules**

### *Japan*

The FSA and regulatory authorities have revised the current regulatory capital standards applicable to Nomura to alleviate some of the impact of the COVID-19 pandemic. In March 2020, the Basel Committee’s oversight body, the Group of Central Bank Governors and Heads of Supervision (“GHOS”), approved a set of measures that provide additional operational capacity for banks and supervisors. These measures allow banks and supervisors to immediately focus on financial stability, and priorities that alleviate the impact of the COVID-19 pandemic on the global banking system. GHOS also made changes to the implementation timeline of the outstanding Basel III standard by deferring the deadline by 1 year. After this announcement, the FSA also announced a 1 year deferment of the implementation schedule in Japan. In June 2020, in coordination with the monetary policy of the Bank of Japan in response to the impact of COVID-19 pandemic, the FSA published amendments to the Notice on Consolidated Leverage Ratio. Under these amendments, deposits with the Bank of Japan have been excluded from the total exposure measure used to calculate the leverage ratio during the period from June 30, 2020 to March 31, 2021. In March 2021, the FSA announced this measure will be extended for one year due to the continuous uncertainty regarding the impact of COVID-19.

The FIEA requires that all Financial Instruments Firms (Category I) (“Financial Instruments Firms I”), a category that includes NSC and NFPS, ensure that their capital adequacy ratios do not fall below 120% on a non-consolidated basis. The FIEA also requires Financial Instruments Firms I to file monthly reports regarding their capital adequacy ratios with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, and also to disclose their capital adequacy ratios to the public on a quarterly basis. In addition, if the capital adequacy ratio of a Financial Instruments Firm I falls below 140%, it must file a daily report with the authorities. The FIEA provides for actions which the Prime Minister, through the Commissioner of the FSA or

the Director-General of the appropriate Local Finance Bureau, may take if any Financial Instruments Firm I fails to meet the capital adequacy requirement. More specifically, if the capital adequacy ratio of any Financial Instruments Firms I falls below 120%, the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau may order the Financial Instruments Firm I to change its business conduct, to deposit its property in trust, or may issue any other supervisory order that such authorities deem necessary and appropriate to protect the interests of the general public or investors. If the capital adequacy ratio of a Financial Instruments Firm I falls below 100%, the authorities may take further action, including the issuance of orders to temporarily suspend its business and the revocation of its registration as a Financial Instruments Firm I under the FIEA.

Under the FIEA and regulations thereunder, the “capital adequacy ratio” means the ratio of adjusted capital to a quantified total of business risks. Adjusted capital is defined as net worth less illiquid assets. Net worth mainly consists of stated capital, additional paid-in capital, retained earnings, reserves for securities transactions, certain allowances for doubtful current accounts, net unrealized gains/losses in the market value of investment securities, and subordinated debt. Illiquid assets generally include non-current assets, certain deposits and advances and prepaid expenses. Business risks are divided into three categories: (i) market risks (i.e., risks of asset value changes due to decline in market values and other reasons), (ii) counterparty risks (i.e., risks of delinquency of counterparties and other reasons) and (iii) basic risks (i.e., risks in carrying out daily business activities, such as administrative problems with securities transactions and clerical mistakes), each quantified in the manner specified in a rule promulgated under the FIEA.

The FSA reviewed the FIEA and regulations thereunder in line with Basel 2.5 framework and the revised regulations for Basel 2.5 were implemented at the end of December 2011. Market risks increased significantly as a result of the Basel 2.5 rule implementation.

We closely monitor the capital adequacy ratio of NSC and NFPS on a continuous basis. Since the introduction of the capital adequacy requirement in Japan in 1989, we have at all times been in compliance with all appropriate requirements. We believe that we will continue to be in compliance with all applicable capital adequacy requirements for the foreseeable future.

As discussed above, the FSA amended the FIEA and introduced new rules on consolidated regulation and supervision of securities companies on a consolidated basis on April 1, 2011 to improve the stability and transparency of Japan’s financial system and ensure the protection of investors. Following introduction of these rules, NSC was designated as a Special Financial Instruments Firm, following which we have been designated as a Final Designated Parent Company. As such, we are required to calculate consolidated regulatory capital adequacy ratio according to the FSA’s “Establishment of standards on sufficiency of capital stock of a final designated parent company and its subsidiary entities, etc. compared to the assets held thereby”(2010 FSA Regulatory Notice No. 130;“Capital Adequacy Notice on Final Designated Parent Company”). Accordingly, since our designation as a Final Designated Parent Company in April 2011, we now calculate our Basel rule-based consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company.

The FSA also amended the FIEA to include reporting on consolidated regulatory capital for the Final Designated Parent Companies, effective April 1, 2011. We are subject to this reporting requirements as well as the capital adequacy requirements described above.

The Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 and Basel III, and we have calculated a Basel III-based consolidated capital adequacy ratio since the end of March 2013. Basel 2.5 includes significant changes in the method of calculating market risk and Basel III includes redefinition of capital items for the purpose of requiring higher levels of capital and expansion of the scope of credit risk-weighted assets calculation.

If our capital ratios fall to the minimum level required by the FSA, our business activities may be impacted. However, these ratios are currently at well capitalized levels. We have met all capital adequacy requirements to which we are subject and have consistently operated in excess of the FSA's capital adequacy requirements. Subject to future developments in regulatory capital regulations and standards, there has been no significant change in our capital ratios which management believes would have material impact on our operations.

The Basel Committee has issued a series of announcements regarding a broader program to strengthen the regulatory capital framework in light of weaknesses revealed by the financial crises, as described in "*Consolidated Regulatory Capital Requirements*" under Item 5.B of this annual report. The Capital Adequacy Notice on Final Designated Parent Company is expected to incorporate the series of rules and standards in line with the schedule proposed by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board ("FSB") and the Basel Committee announced the list of global systemically important banks ("G-SIBs") and the additional requirements to the G-SIBs including the recovery and resolution plan. The FSB also announced the group of G-SIBs will be updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIB. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important banks ("D-SIBs") and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In December 2015, the FSA identified us as a D-SIB and required additional capital charge of 0.5% after March 2016, with 3-year transitional arrangement.

#### *Overseas*

In the U.S., Nomura Securities International, Inc. ("NSI") is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority ("FINRA") and the Chicago Mercantile Exchange Group. NSI is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1") and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. ("NGFP") is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC ("ILLC") is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2020 and 2021, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc ("NEHS") is subject to consolidated regulatory supervision by the Prudential Regulation Authority ("U.K. PRA"). The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive and the Capital Requirements Regulation which came into effect on January 1, 2014. Nomura International plc ("NIP"), the most significant of NEHS' subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated by the U.K. PRA and has



minimum capital adequacy requirements imposed on it on a standalone basis. In addition, Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the U.K. PRA on a standalone basis and Nomura Financial Products Europe GmbH (“NFPE”), a Nomura subsidiary domiciled in Germany, is regulated by the German regulator (“BaFin”). As of March 31, 2020 and 2021, NEHS, NIP, NBI and NFPE were in compliance with relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Singapore Ltd (“NSL”) are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing and clearing in securities and futures contracts, advising on securities, futures contracts and corporate finance and wealth management. Activities of NIHK, including its branch in Taiwan, are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit (“ACU”) license governed by the Monetary Authority of Singapore (“MAS”). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. NIHK and NSL have always been compliant with relevant regulatory capital related requirements.

In addition, certain of our other subsidiaries are subject to various securities and banking regulations, and the capital adequacy requirements established by the regulatory and exchange authorities of the countries in which those subsidiaries operate. We believe that each such subsidiary is, and will in the foreseeable future be, in compliance with these requirements in all material respects.

## **Management Challenges and Strategies**

### *Management vision*

The Nomura Group’s business environment is undergoing significant changes. We will continue to respond to it flexibly while maintaining an appropriate financial standing and effectively utilizing management resources through improved capital efficiency. In addition, we are never satisfied with ourselves and will constantly implement new initiatives with the aim of expanding existing businesses and providing value-added services to clients.

### *Issues Relating to the U.S. Prime Brokerage Event*

As described in more detail in Item 5. “*Operating and Financial Review—A. Operating Results—Executive Summary—U.S. Prime Brokerage Event*”, we recognized significant losses during the year ended March 31, 2021 as a result of the U.S. Prime Brokerage Event. We have taken a number of steps to address the issues underlying the U.S. Prime Brokerage Event, and plan to take additional steps in the future aimed at strengthening and enhancing our risk management procedures in future. Immediately following the incident, we conducted an internal investigation of the underlying facts, and our Audit Committee hired an external law firm to conduct a comprehensive review. As a result of these investigations, we have already implemented a number of measures; and in addition, we are also reviewing our risk management framework, centered on the prime brokerage business, and conducting a comprehensive review by third-party risk management experts on our risk management framework for the Wholesale division and our Risk Management function. Finally, we have taken steps to strengthen global risk controls, such as enhancing our Risk Management organization and deepening and expanding the scope of our Wholesale division’s risk monitoring conducted by a committee including our Chief Risk Officer, Chief Financial Officer and the Head of Wholesale.



Moreover, we have appointed Mr. Christopher Willcox, who has extensive experience with the U.S. financial services business, as the CEO & President of our U.S. subsidiaries Nomura Securities International, Inc. (our registered broker-dealer subsidiary in the U.S.) and Nomura Global Financial Products Inc. (our registered swap dealer subsidiary in the U.S.), as well as Co-CEO of Nomura Holding America, Inc. (the intermediate holding company for our U.S. subsidiaries), effective May 3, 2021. We have also enhanced our front office and risk management teams, and we nominated three additional outside directors from outside of Japan, each of whom were elected at our annual general meeting of shareholders on June 21, 2021.

We view our responses to the U.S. Prime Brokerage Event as falling into the following four “phases”. As of the date of this annual report, Phase 1 is complete, while Phases 2 through 4 are in progress and represent our ongoing efforts.

- Phase 1: Initial Responses (completed). As part of this phase, we reviewed all of the transactions with our existing prime brokerage clients, as well as large positions in our other financing-related businesses, and concentrated positions in non-risk origination businesses. As a result, we have concluded that there are no transactions similar to those triggering the U.S. Prime Brokerage Event, namely no other prime brokerage transactions which are excessively leveraged or any other transactions by our non-risk origination businesses with significant concentrated exposures.
- Phase 2: Review of Prime Brokerage Risk Management Framework (in progress). As part of this phase, we are taking actions to enhance the monitoring of concentrated positions, revise our margin rates applicable to clients and to enhance management of margin rates for individual transactions (including internal approvals and other processes).
- Phase 3: Comprehensive Review of Wholesale Risk Framework (in progress). We have already completed our comprehensive internal review of the risk management framework in the Wholesale division, and have initiated a further review by third-party risk management experts. We are also reviewing our organizational structure and staffing within risk management function in order to strengthen further our risk management framework.
- Phase 4: Enhance Global Risk Governance (in progress): We are considering actions to strengthen the functions of our risk management committees, including expanding the scope of our Wholesale division’s risk monitoring beyond our financing businesses to include other businesses in the Wholesale division. We are also working to promote a better understanding of further proactive risk management capabilities among front office teams.

#### *Urgent Priority Issues*

The COVID-19 pandemic has continued to impact the global economy and the daily lives of individual clients since 2020. We believe that the improvement of Nomura’s enterprise value and the sustainable growth of entire society are linked, with the resolution of social issues as a point of connection. As a financial services group, Nomura’s mission and highest priority are to continue to address the following issues:

- Continue to fulfill our responsibility as capital market intermediary and liquidity provider in order to maintain the financing required by companies and trading activities by market participants.
- Support the recovery of the economy and corporate activities while ensuring the safety of our clients, communities and employees and their families.
- Maintain a robust financial position and ensured sufficient liquidity in a highly volatile and stressful market environment.

### *Medium-to Long-term Priority Issues to respond to changed environment*

Amid client behavior changes and new needs arising from the impact of the prolonged COVID-19 pandemic, we are taking into consideration changes in the business environment surrounding the Nomura Group and implementing the Group's growth strategy for the sustainable improvement of our corporate value based on the following three pillars:

- **Growth strategy for sustainable improvement of corporate value**

As part of our business strategy to improve corporate value, we are expanding and strengthening our scope of business from public markets to private markets in the areas of 'Products and services', 'Clients' and 'Delivery'.
- **Digitalization to provide new value-added services and convenience to clients**

Our digital transformation efforts are directly linked to the competitiveness of financial institutions in the future, and we will continue to promote a wide range of initiatives based on the Group's strategy in order to provide highly convenient services to clients and respond to diversifying needs. We also believe that our people are the source of added value created by the Nomura Group even in a world where digitization and digitalization are advanced. We will continue to strengthen the development of our human resources with the qualities required for the upcoming era, such as consulting capabilities that make full use of both face-to-face and virtual communications.
- **Initiatives for Sustainability**

The Nomura Group supports the Task Force on Climate-related Financial Disclosures ("TCFD") and is working to expand information disclosure based on it. In addition, we have established an organizational structure to promote ESG risk management and business opportunities, including climate change, from various perspectives while globally sharing knowledge. In particular, in the field of sustainable finance, where there is a great demand for financial funds as a result of the transition to a decarbonized society, we will implement advantage of our strengths as a global financial services group.

The challenges and strategies in each division are as follows:

- **Retail Division**

Based on the basic concept of "Enriching clients by responding to their concerns about assets", the Retail Division aims to become a financial institution fulfilling the needs of many people. We will continue working on improving the skills of our Partners, and enhance our wide range of products and services in order to accurately respond to diversifying clients' asset issues such as inheritance or anxiety about lack of funds after retirement. In addition, we will strengthen our operating model to provide solutions and services that enable us further flexible approaches to the entire balance sheet of our clients.
- **Investment Management Division**

We established a new Investment Management Division by replacing the Asset Management Division and the Merchant Banking Division, effective April 1, 2021.

Investment Management Division, which is responsible for the asset management business in a broad sense, aims to increase added value by combining various types of expertise that have been accumulated within the group, from traditional assets such as stocks and bonds, to alternative assets such as non-listed equities. Recognizing the diversifying investment needs of clients and the downward pressure on management fees as challenges, we aim to expand our business through providing a wide range of investment opportunities and providing performances and solutions that exceed expectations.

In addition, we will advance the sophistication of the asset management business and governance while ensuring the independence, diversity and swiftness of the investment and management companies in Investment Management Division.

- **Wholesale Division**

The Wholesale Division faces challenges presented by increasingly sophisticated client needs and technological advancement, coupled with uncertainty in the market environment and the potential for an economic downturn. To ensure continuity of service as well as added value to clients, we will continue to enhance collaboration across regions and divisions while ensuring tight risk control. We will continue efforts to diversify our business portfolio and deploy financial resources to selective, high growth opportunities.

Global Markets aims to provide uninterrupted liquidity to our clients while positioning our portfolio to weather a possible economic downturn, while reinforcing risk control and governance. Additionally, we aim to further diversify our business portfolio, reinforce global connectivity and cross-sell to leverage our global platform and client franchise, opportunistically pursue growth opportunities and continue to build on the strength of our Flow trading businesses.

Investment banking aims to provide advisory services and financing to domestic as well as cross-border restructurings and industry-wide consolidations, as well as interest rate and FX solutions related to these transactions as volatile business environments impact our clients' businesses. While we expand our global advisory business, we will focus on broadening ESG related businesses with initiatives such as further utilization of Nomura Greentech's expertise and enhancement of our sustainable finance platform.

- **Risk Management and Compliance, etc.**

At the Nomura Group, the types and levels of risks for the purpose of achieving strategic objectives and business plans based on management philosophy is set forth as the Risk Appetite. We will continue to develop a risk management framework which ensures financial soundness, enhances corporate value, and is strategically aligned to the business plan and incorporated in decision making by senior management.

With regard to compliance, we will continue to focus on improving the management structure to comply with local laws and regulations in the countries where we operate. We also continue to review our internal systems and rules so that all executive management and employees can work autonomously with high ethical standards.

In order to ensure not only compliance with laws and regulations, but also that all directors, officers and employees are able to act in accordance with social norms, we have established the "Nomura Group Code of Conduct" as guidelines for actions to be taken, and through associated training and other measures, we are working to promote appropriate actions ("Conduct") based on the Code of Conduct. At the 'Nomura Founding Principles and Corporate Ethics Day' held in every August, all directors, officers and employees reaffirm the lessons learned from past incidents and renew our determination to prevent similar incidents then to maintain and gain the trust society places in us; discussions are held regarding the proper way to conduct after looking back on past incidents, and a pledge is made to comply with the Code of Conduct.

In September 2020, however, an incident occurred in Nomura Securities Co., Ltd. ("Nomura Securities") in which a portion of corporate client information was leaked to outside due to fraudulent third-party approaches. Nomura Group companies including Nomura Securities are working to further strengthen our information management systems and to further promote the Code of Conduct.

By addressing and resolving the above issues, we will strive for the stability and further development of financial markets as well as the sustainable growth of the Nomura Group.

### C. Organizational Structure.

The following table lists the Company and its significant subsidiaries and their respective countries of incorporation. Indentation indicates the principal parent of each subsidiary. Proportions of ownership interest include indirect ownership.

Name	Country/Region	Ownership Interest (%)
Nomura Holdings, Inc. . . . .	Japan	—
Nomura Securities Co., Ltd. . . . .	Japan	100
Nomura Asset Management Co., Ltd. . . . .	Japan	100
The Nomura Trust & Banking Co., Ltd. . . . .	Japan	100
Nomura Babcock & Brown Co., Ltd. . . . .	Japan	100
Nomura Capital Investment Co., Ltd. . . . .	Japan	100
Nomura Investor Relations Co., Ltd. . . . .	Japan	100
Nomura Funds Research and Technologies Co., Ltd. . . . .	Japan	100
Nomura Research & Advisory Co., Ltd. . . . .	Japan	100
Nomura Business Services Co., Ltd. . . . .	Japan	100
Nomura Facilities, Inc. <sup>(1)</sup> . . . . .	Japan	100
Nomura Institute of Capital Markets Research . . . . .	Japan	100
Nomura Healthcare Co., Ltd. . . . .	Japan	100
Nomura Agri Planning & Advisory Co., Ltd. . . . .	Japan	100
Nomura Land and Building Co., Ltd. <sup>(1)</sup> . . . . .	Japan	100
Nomura Financial Products & Services, Inc. . . . .	Japan	100
Nomura Institute of Estate Planning . . . . .	Japan	100
N-Village Co., Ltd. . . . .	Japan	100
Nomura Capital Partners Co., Ltd. . . . .	Japan	100
Nomura Mezzanine Partners Co., Ltd. . . . .	Japan	100
Corporate Design Partners Co., Ltd. . . . .	Japan	100
Nomura Kagayaki Co., Ltd. . . . .	Japan	100
Nomura Asia Pacific Holdings Co., Ltd. . . . .	Japan	100
Nomura International (Hong Kong) Limited . . . . .	Hong Kong	100
Nomura Singapore Limited . . . . .	Singapore	100
Nomura Securities Singapore Pte. Ltd. . . . .	Singapore	100
Nomura Australia Limited . . . . .	Australia	100
PT Nomura Sekuritas Indonesia . . . . .	Indonesia	96
Nomura Asia Investment (Fixed Income) Pte. Ltd. . . . .	Singapore	100
Nomura Asia Investment (Singapore) Pte. Ltd. . . . .	Singapore	100
Capital Nomura Securities Public Co., Ltd. . . . .	Thailand	99
Nomura Financial Advisory and Securities (India) Private Limited . . . . .	India	100
Nomura Holding America Inc. . . . .	U.S.	100
Nomura Securities International, Inc. . . . .	U.S.	100
Nomura Corporate Research and Asset Management Inc. . . . .	U.S.	100
Nomura Derivative Products Inc. . . . .	U.S.	100
Nomura America Mortgage Finance, LLC . . . . .	U.S.	100
Nomura Global Financial Products, Inc. . . . .	U.S.	100
NHI Acquisition Holding, Inc. . . . .	U.S.	100
Instinet Incorporated . . . . .	U.S.	100
Nomura Europe Holdings plc . . . . .	U.K.	100
Nomura International plc . . . . .	U.K.	100
Nomura Bank International plc . . . . .	U.K.	100
Nomura Financial Products Europe GmbH . . . . .	Germany	100
Banque Nomura France . . . . .	France	100
Nomura Bank (Luxembourg) S.A. . . . .	Luxembourg	100
Nomura Bank (Switzerland) Ltd. . . . .	Switzerland	100
Nomura Europe Finance N.V. . . . .	The Netherlands	100
Nomura European Investment Limited . . . . .	U.K.	100
Nomura Asia Investment (India Powai) Pte. Ltd. . . . .	Singapore	100
Nomura Services India Private Limited . . . . .	India	100
Nomura International Funding Pte. Ltd. . . . .	Singapore	100
Nomura Orient International Securities Co., Ltd. . . . .	China	51

- (1) Wholly owned subsidiaries, Nomura Facilities, Inc. (“NFI”) and Nomura Land and Building Co., Ltd. (“NLB”), merged effective on April 1, 2021. NFI is a surviving entity and NLB is an absorbed entity. The company name has been changed to Nomura Properties Inc.

## **D. Property, Plants and Equipment.**

### **Our Properties**

As of March 31, 2021, our principal head office is located in Tokyo, Japan and occupies 934,955 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 131,470 square feet, our Nagoya branch office, which occupies 89,567 square feet, and the head office of NAM in Tokyo, which occupies 161,835 square feet.

As of March 31, 2021, our major offices outside Japan are the head offices of NIP located in London, which occupies 237,030 square feet, the New York head office of Nomura Securities International, Inc., which occupies 199,538 square feet, and the offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 111,826 square feet. We lease most of our overseas office space.

As of March 31, 2021, the major office of Nomura Services India Private Limited, our specialized service company in Mumbai, India, occupies 500,952 square feet.

As of March 31, 2021, the aggregate book value of the land and buildings we owned was ¥116 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥59 billion.

### **Item 4A. Unresolved Staff Comments**

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2021 and which remain unresolved as of the date of the filing of this annual report with the Commission.

## **Item 5. Operating and Financial Review and Prospects**

### **A. Operating Results.**

*You should read the following discussion of our operating and financial review and prospects together with Item 3.A “Selected Financial Data” of this annual report and our consolidated financial statements included elsewhere in this annual report.*

*This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those under Item 3.D “Risk Factors” and elsewhere in this annual report.*

### **Business Environment**

#### *Japan*

The performance of Japan’s economy deteriorated substantially in reaction to the COVID-19 pandemic. In April-June 2020, exports declined sharply as economic activity was restricted worldwide to stem the spread of

the disease. The Japanese government declared a state of emergency in April 2020, causing a decline in consumer spending as consumers stayed in their homes and a reduction in corporate capex in response to heightened uncertainty. Real gross domestic product (“GDP”) decreased a sharp 28.6% on a quarter-on-quarter annualized basis in April-June 2020. Real GDP growth then rebounded sharply (up 22.9%) in July-September 2020, driven by exports and consumer spending, as economic activity resumed both in Japan and abroad as the spread of infections calmed somewhat. In October-December 2020, capex also increased, and GDP rose by 11.6%. The second wave of infections in summer 2020 was quelled to a large extent by calls from national and local governments to refrain from unnecessary trips outside the home, but a third wave hit toward the end of the year, and the Japanese government declared a second state of emergency in January 2021. Although exports continued to grow on an ongoing recovery in global manufacturing activity, consumer spending in Japan turned downward again, and real GDP fell by 5.1% in January-March 2021. Although real GDP for the quarter was 6.8% higher than in April-June 2020 under the first state of emergency declaration, it was 2.3% lower than October-December 2019, prior to the pandemic. During this period, the Japanese government supported corporate funding and employment through massive stimulus packages in April and May 2020 totaling ¥233.9 trillion. It added an additional ¥73.6 trillion in stimulus in December 2020, beginning to work on structural reforms in environmental and digital fields in addition to stimulating demand through public-sector investment.

Corporate earnings were hit by the COVID-19 pandemic across a wide range of sectors, but with a pronounced recovery in the manufacturing sector from around midway through the fiscal year ended March 2021 (“FY2020”), recurring profits at major companies finished up slightly from the fiscal year ended March 2019 (“FY2019”) levels. When adjusting for the impact of higher profits in the investment businesses of some companies, however, profits were down year on year. When excluding the rebound from transitory losses and impairment booked in FY2019, profit growth in FY2020 was driven by the electrical machinery & precision equipment and software sectors. In the electrical machinery & precision equipment sector, profits were boosted by increased stay-at-home demand, including for video games, as well as increased demand for electronic components and semiconductors in a wide range of fields, including automotive applications and smartphones, which are moving to 5G. Profit growth in the software sector was driven mainly by an increase in stay-at-home demand and amusement software, which has benefited from digital distribution efforts. In contrast, earnings deteriorated in sectors such as retail, services, and transportation as companies were asked to suspend operations under the state of emergency declaration and as the number of foreign visitors to Japan dropped off. We estimate that recurring profits at major companies (constituents of the Russell/Nomura Large Cap Index) rose in the fiscal year ending in March 2021 after falling in FY2019. ROE (based on shareholders’ equity) improved from 6.7% in the previous fiscal year to 7.2% at major companies (constituents of the Russell/Nomura Large Cap Index).

In the equity market, share prices reacted favorably on moves toward normalization of economic activity, although the market shifted between optimism and pessimism throughout the fiscal year in response to COVID-19-related news. Key Japanese equity indices rose on a fiscal-year basis for the first time in three years, buoyed by economic stimulus measures and monetary easing in Japan and elsewhere, and by improved sentiment on the development and rollout of COVID-19 vaccines. Despite the state of emergency declared in April 2020, Japanese share prices rose on the resumption of economic activity once the spread of the disease waned around the world. Japanese share prices then continued to head upward on expectations for policy support from government spending and monetary policy. In the latter half of 2020, there were some periods of accelerated growth in COVID-19 case numbers in Japan and elsewhere, but the impact on Japanese equities was muted. Uncertainty regarding the political situation in the U.S. decreased after the presidential election in November, and the U.S. equities rose on expectations for further government spending, leading to a renewed rise in Japanese equities as well. The Nikkei Stock Average (“Nikkei 225”) temporarily broke above ¥30,000 for the first time in roughly 30 years on February 15, 2021. Upside was subsequently held down by the rise in the U.S. long-term interest rates and a sharp rise in coronavirus infections in Europe, but the overarching upward trend in Japanese share prices held true throughout the fiscal year. The Tokyo Stock Price Index (the “TOPIX”), a broadly representative index of Japanese stock performance, rose by 39.3% from 1,403.04 at the end of March 2020 to



1,954.00 at the end of March 2021. The Nikkei 225 similarly 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 expectations for the Bank of Japan (“BOJ”) to maintain its program of quantitative and qualitative easing with yield curve control. In April and May 2020, when the Japanese economy fell sharply under the declaration of a state of emergency and as economic activity was restricted worldwide in an effort to get the pandemic under control, yields on newly issued 10-year Japanese government bonds (“JGBs”) trended around 0%. Beginning in June, yields remained above 0% as the economy recovered, but remained in a narrow range between zero and 0.05% throughout 2020. The government drew up three successive supplementary budgets, and while additional JGB issuance totaled around ¥110 trillion, the BOJ set no upper limit for its JGB purchases at its April 27 2020 monetary policy meeting, pledging to purchase any amount necessary, and this announcement contributed to the avoidance of a major rise in interest rates. At its December 18 meeting the BOJ announced it would “conduct an assessment for further effective and sustainable monetary easing.” Joe Biden was inaugurated as President in the U.S., and the U.S. long-term interest rates rose sharply on expectations for massive stimulus policies to bolster the U.S. economy. With heightening expectations for the Bank of Japan to allow for a rise in interest rates in Japan as well, yields on newly issued 10-year JGBs reached 0.15% at the end of February 2021. On March 5, however, BOJ Governor Haruhiko Kuroda made comments counter to these expectations, and the rise in yields paused. The results of the aforementioned assessment were announced on March, 19 and while the range in which the BOJ intended to allow long-term yields to fluctuate was expanded from plus or minus 0.2% to plus or minus 0.25%, the change was small, and yields on newly issued 10-year JGBs fell back below 0.1%. These yields then ended the fiscal year at 0.12% at the end of March, in reaction to the BOJ’s JGB purchase schedule for April, which suggested a decline in monthly purchases compared with March.

In foreign exchange markets, the U.S. Dollar/Japanese Yen started the fiscal year above \$1 = ¥107, but the environment shifted to push the yen up versus the U.S. dollar throughout 2020 as second and third waves of COVID-19 pandemic hit Europe and North America. The U.S. long-term yields broke below 0.5% in August 2020 in response to comments from the U.S. Federal Reserve Board suggesting that it would extend its easing policies, and the drop in the U.S. interest rates put downward pressure on the dollar across the board. An unclear political outlook ahead of the U.S. presidential election in November also increased pressure to sell the dollar. Although Democrat Joe Biden won the presidency, the Republican Party was forecast to retain its majority in the Senate, and expectations for fiscal outlays and a resultant rise in the U.S. interest rates dropped off, temporarily adding further momentum to dollar depreciation. From the beginning of 2021, however, while the U.S.D/JPY fell as far as \$1 = ¥102.59 on January 6, the U.S. interest rates then rose and investors made a clear shift to buying the U.S. dollars again once the Democratic party secured a majority in the Senate after winning both seats in the Georgia runoff elections in January. The U.S.D/JPY shifted toward yen depreciation and dollar appreciation, reaching \$1 = ¥110.97 on March 31, the highest level since in nearly a year since the previous March. While EUR/JPY started fiscal 2020 at around €1 = ¥118, the yen strengthened versus the euro as far as €1 = ¥114.43 on May 6 in reaction to uncertainty about the pandemic. In May, however, the euro turned upward versus both the U.S. dollar and the yen, as global economic sentiment showed signs of bouncing back, share prices strengthened their rebound, and expectations heightened for the German and French governments to contribute to the European recovery fund. In the Eurozone, factors such as the European Central Bank’s (“ECB’s”) efforts to restrain euro appreciation and concerns about the spread of the coronavirus and the political situation in Italy at times put downward pressure on the euro, but the overall trend of euro strength and yen weakness continued nonetheless, with EUR/JPY ending March 2021 at 129.86 after climbing to as high as 130.67 on March 18.

### *Overseas*

The global economy has been recovering from the initial shock of the COVID-19 pandemic. The second and third waves of infections damaged service industries such as restaurants and tourism worldwide, but 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 helped along by fiscal and monetary policy support around the world, including in less economically developed countries. The International Monetary Fund (“IMF”) estimates that global economic growth turned substantially negative in 2020, falling 3.3% compared to the previous year, but it projects high growth of 6.0% in 2021. In the U.S. in particular, expectations have risen for more aggressive fiscal outlays, with Joe Biden having won the presidency in November 2020 and the Democratic Party having secured a majority in both the House of Representatives and the Senate. The U.S. has also made progress in vaccinating its population, and its GDP growth rose by 6.4% on a quarter-on-quarter annualized basis in January-March 2021, up for a third consecutive quarter. At the same time, disparities have opened up in the pace of recovery, as growth is estimated to have been negative in January-March in areas that have fallen behind in vaccinations, such as Europe and Japan.

The U.S. economy has recovered rapidly after plunging immediately after the initial outbreak. The social distancing and lockdown measures taken in response to the outbreak caused a historically steep decline in real GDP in April-June 2020 (down 31.4% on a quarter-on-quarter annualized basis), but real GDP then rebounded rapidly, rising 33.4% in July-September 2020. In part thanks to large-scale economic policy and the Federal Reserve Board’s adoption of a zero interest rate policy (“ZIRP”), quantitative easing, and credit easing, the economy and financial markets stabilized. Subsequently, the U.S. presidential election in November 2020 and the Georgia runoff election in January 2021 gave the Democratic Party control of the White House and majorities in both houses of Congress in a “Blue Wave” of victories. Interest rates also rose on expectations for the massive government spending advocated by the Democratic Party. Subsequently the Democratic majority in Congress was able to independently push through a stimulus bill costing roughly \$2 trillion in March 2021. The Federal Reserve Board remained steadfastly dovish during this period, maintaining its ZIRP and quantitative easing. GDP fell by 3.5% over the full year in 2020, after having risen by 2.2% in 2019. Consumer price inflation increased from 1.5% March 2020 to 2.6% in March 2021. 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 yield on 10-year U.S. Treasuries also rose by 1.07ppt from 0.67% at the end of March 2020 to 1.74% at the end of March 2021.

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. Real GDP fell by 11.6% 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, including effective bans on retail sales of all but essential items and temporary shutdowns of many manufacturing facilities. Real GDP in the euro area then turned sharply upward in July-September 2020, up by 12.5%, as many of these restrictions were lifted after case numbers began to head downward in June. Case numbers then turned upward again in October, however, and with economic activity once again restricted, real GDP fell by 0.7% in October-December 2020 and fell by 0.6% in January-March 2021. The ECB in December 2020 extended the Pandemic Emergency Purchase Programme (“PEPP”) quantitative easing program, which it launched in March 2020, through March 2022 and increased the envelope of its asset purchases to EUR1.85 trillion. In March 2021 it announced that it would increase purchases under PEPP in April-June to higher than January-March levels. The U.K. signed a trade accord with the European Union (“EU”) immediately prior to the Brexit deadline, allowing it to maintain trade with EU countries in 2021 and thereafter.

In ex-Japan Asia, China was able to maintain positive GDP growth in 2020, with real GDP up by 2.3% compared to the previous year, as it was able to increase exports in response to special pandemic-related demand after ramping production back up earlier than other countries. In the second half of 2020, China countered a renewed surge in COVID-19 pandemic with area-specific lockdowns and thorough PCR testing, enabling a solid level of economic activity to prevail overall. Domestic demand has been recovering in China, with brisk construction activity on investments in infrastructure and real estate, normalization of service spending, and the corporate sector more eager to make capital investments again. Since the National People’s Congress in March 2021, however, Chinese authorities have been working to hold down the rise in the debt ratio, and construction activity is expected to slow gradually as a result of restrictions in areas such as regional government lending and real estate and construction funding. Elsewhere in Asia, the spread of COVID-19 pandemic and delays in securing vaccine supplies have held back economic recoveries in India and other less economically developed

countries. In contrast, countries that produce high-tech products such as South Korea, Taiwan, and Singapore are well positioned to benefit from growth in foreign demand for semiconductors and related products.

## Executive Summary

[Overall results of business]

We recognized net revenue of ¥1,401.9 billion for the fiscal year ended March 31, 2021, an increase of 8.9% from the previous fiscal year. Non-interest expenses increased by 12.7% to ¥1,171.2 billion, income before income taxes was ¥230.7 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥153.1 billion. Return on equity was 5.7%. EPS<sup>(1)</sup> for the fiscal year ended March 31, 2021 was ¥48.63, a decrease from ¥66.20 for the fiscal year ended March 31, 2020. We have decided to pay a dividend of ¥15 per share to shareholders of record as of March 31, 2021. As a result, the total annual dividend will be ¥35 per share for the fiscal year ended March 31, 2021.

[Management's assessment of events that had a particular impact on the results of the year]

On March 26, 2021, a U.S. client defaulted on margin calls made by one of our U.S. subsidiaries, namely Nomura Global Financial Products Inc., in connection with prime brokerage transactions entered into with the client, which has resulted in us incurring significant losses. See “—U.S. Prime Brokerage Event” for further information on the nature of this event. Our results for the full year and fourth quarter ended March 31, 2021 include losses of ¥245.7 billion in respect of this matter, primarily incurred from the winding down and liquidation of hedges against these positions which we closed out as a result of the default. These losses also include additional provisions for current expected credit losses against financing extended to the same client collateralized by a portfolio of securities. This event had a major impact on our financial results for the full year and particularly the fourth quarter ended March 31, 2021. However, excluding this impact, our core business of Retail, Asset Management and our Wholesale global business all delivered strong results. We also observe that our financial soundness remains robust, including our capital metrics and liquidity.

### *U.S. Prime Brokerage Event*

In March 2021, following the default by one of our prime brokerage clients in the United States on its obligations to post additional margin in respect of its positions with us, we issued a closeout notice to the client following which we began to winddown the positions held by us and liquidate hedges held against those positions. Due to fluctuations in the market values of the hedges against the positions and our expectation that we will not be able to recover those losses from the client, we recognized significant losses during the fourth quarter and fiscal year ended March 31, 2021, and expect to recognize additional losses in the quarter ending June 30, 2021. We refer to these events, described in more detail below as the “U.S. Prime Brokerage Event.”

Our transactions with the client comprised (i) total return swaps (“TRS transactions”), which are transactions that allow the client to obtain synthetic (i.e., derivative) long or short exposure to underlying individual equities or indices, as well as (ii) providing financing against a portfolio of securities in the client's cash prime brokerage account. To manage credit risk in relation to prime brokerage clients, we require that prime brokerage clients deposit collateral (referred to as “margin”) in respect of their positions with us in accordance with the margin ratios applied to them. These margin ratios are determined based on the results of an internal risk assessment of the specific client and the composition of the client's positions and may require that they post additional margin based on the effect of market movements on these ratios. TRS transactions are hedged from a market risk perspective by holding long or short positions in individual equities or indices and through derivative transactions, depending on the positions taken by the relevant client. For long equity positions taken by the client, we hold cash equity long positions in the underlying equities as well as derivative transactions. For short equity

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(Note):

<sup>1</sup> Diluted net income attributable to Nomura Holdings' shareholders per share.

positions taken by the client, we hold cash equity short positions and derivative transactions. Lending transactions against cash prime brokerage portfolios are generally overcollateralized, and therefore not separately hedged, and we may enter into separate hedges if the value of the collateral falls.

Particularly between January and March 2021, transaction amounts and volumes with the client increased significantly as a result of changes in market prices as well as new positions entered into by the client. However, in March 2021, the market value of certain securities in which the client held a large synthetic position experienced a sharp decline, after which we requested that the client deposit additional margin with us pursuant to our contractual agreements with the client. The client defaulted on its obligation to post additional margin, and we issued a closeout notice to the client. It became clear that the client had similar large positions with other financial institutions, and that the client had also defaulted on margin calls with these financial institutions. Although we endeavored to take a disciplined approach to unwind the positions and liquidate the hedges for the TRS transactions, taking into account both market impact and our own trading losses, due to the significant volume of positions being closed by both us and the other affected financial institutions and the effect on market prices, we recognized ¥204.2 billion of losses in earnings reported within *Net gain (loss) on trading* in the quarter and fiscal year ended March 31, 2021. We also recognized additional provisions for current expected credit losses of ¥41.6 billion in earnings reported within *Other expenses* during the same period against loans extended to the client collateralized by a cash portfolio of securities, reflecting the reduced likelihood of recovery on these lending transactions. All of the positions with the client were closed out and hedges liquidated by May 17, 2021, as a result of which we expect to recognize losses of approximately ¥65 billion during the quarter ending June 30, 2021.

For a description of the steps we have taken and are taking to address the risk management and other related issues raised by the U.S. Prime Brokerage Event, see Item 4. “Business—B. Business Overview—Management Challenges and Strategies—Issues Relating to the U.S. Prime Brokerage Event.”

[Capital policy and shareholder returns]

We plan to maintain appropriate capital ratios and aim for sustainable growth through optimal capital allocation. As preparatory steps to achieve our management vision, while controlling cost levels, we are investing for growth to realize our management strategy of expanding the scope of our business from public into private markets, in order to balance investment and shareholder returns, and maximize shareholder value by improving productivity and expanding revenue sources.

We strive to pay dividends using a consolidated payout ratio of 30 % of each semi-annual consolidated earnings as a key indicator. Additionally we aim for a total payout ratio, which includes dividends and share buybacks, of at least 50 %. The total amount of shareholder returns for each fiscal year is determined by comprehensively taking into account trends in the regulatory environment in Japan and overseas, including the strengthening of Basel regulations, as well as the consolidated results of our business divisions. For further details of our dividend policy, refer to Item 5.B. “*Liquidity and Capital Resources—Capital Management—Dividends*”.

[Summary by Segment]

In our Retail Division, net revenue for the year ended March 31, 2021 increased by 9.6% from the previous fiscal year to ¥368.8 billion. Non-interest expenses decreased by 3.6% to ¥276.5 billion. As a result, income before income taxes increased by 86.8% to ¥92.3 billion. Based on the basic concept of “Enriching clients by responding to their asset concerns”, our Retail Division has been working on consulting business in close cooperation with each client with the aim of becoming “the most trusted partner”. During the current fiscal year, the strong market environment boosted client confidence and led to strong sales of investment trusts, stocks and foreign bonds. By also strengthening our remote consulting system through contact centers, we have achieved results that exceed expectations. In addition to asset management, we will enhance our products and services such as; Real Estate, Inheritance, or Succession, which aims to provide various solutions and advices to all of our

clients' assets. We are also taking digital approaches in addition to face-to-face approaches, to provide services to a wider range of clients. We will further strengthen our digital approach.

In our Asset Management Division, net revenue for the year ended March 31, 2021 increased by 45.5% from the previous fiscal year to ¥134.8 billion. Non-interest expenses decreased by 5.2% to ¥60.5 billion. As a result, income before income taxes increased by 158.0% to ¥74.2 billion. As a major institutional investor, our Asset Management Division has expanded its investment strategy to focus on ESG (Environment, Society and Governance), which contributes to social development as well as medium to long term asset formation, for example by establishing multiple ESG-related investment trusts. Funds continued to flow into ETFs (Exchange Traded Funds) during this term. On the 25th anniversary since our Nomura Asset Management Co., Ltd. ("NAM") listed Japan's first ETF product in 1995, we rebranded our ETF products including unifying the names of certain products as "NEXT FUNDS". In addition, NAM listed an ETF targeting the S&P 500 ESG Index, which incorporated ESG factors into the selection criteria for constituent stocks. In the investment trust business, we invested in a wide range of sectors and funds flowed into bond funds which pursue total returns while controlling price fluctuations, and also we observed outflow of funds in Japan from emerging market funds throughout the year. The fair value of our investment in American Century Investments also increased during the year as a result of an upturn in the US stock markets and we also increased global cooperation with our investee.

In our Wholesale Division, net revenue for the year ended March 31, 2021 increased by 6.6% from the previous fiscal year to ¥691.4 billion. In Global Markets, we focused on providing uninterrupted service and liquidity to help our clients as they navigated through periods of high market volatility and portfolio rebalancing amidst the challenges arising from the global COVID-19 pandemic. We continued to reinforce our core strengths across regions and also supported sovereign and supranational issuers in fund raising for pandemic relief. We delivered steady performance by deepening engagement with clients and increasing market share. In Investment Banking, client activity was suppressed due to concerns of the spread of COVID-19 in the first quarter, but in the following quarters we were able to execute large domestic as well as cross-border business restructurings and industry-wide consolidations by carefully responding to our clients' needs. In addition to M&A advisory and underwriting businesses for both equity and debt, the recovery of the acquisition finance market also led to robust growth for the fiscal year. The acquisition of Greentech and an alliance with Wolfe Research also contributed positively to revenue growth.

However, these increases in revenue were largely offset by trading losses of ¥204.2 billion incurred in connection with the U.S. Prime Brokerage Event, as described in further detail in "*—Executive Summary—U.S. Prime Brokerage Event*". Furthermore, non-interest expenses increased by 12.7% to ¥627.1 billion, due in large part to the recognition of provisions for current expected credit losses of ¥41.6 billion also incurred in connection with the U.S. Prime Brokerage Event. As a result, income before income taxes for the Wholesale Division decreased by 30.3% to ¥64.3 billion.

### ***Progress on Key Performance Indicators***

[Management Indicators]

One component of Nomura's management vision is "achieving sustainable growth by solving social issues" and we have set Return on Equity (ROE) as one of the most important indicators towards the fiscal year ending March 2025. After the introduction of the Corporate Governance Code in Japan, the importance of management having an awareness of capital costs has increased among Japanese companies. In addition, since the financial services industry is subject to stringent financial capital regulations, more effective use of capital is required. As a result, we believe that the optimal allocation of management resources will become even more important for our company in the future. Accordingly, beginning in the year ended March 31, 2020, we adopted ROE as a key management indicator, which management uses to track the progress of our sustainable business transformation. At the Board of Directors meeting held in May 2020, in-depth discussions were held on the management indicators and basic concepts described as follows.



### Return on equity

ROE is defined and calculated as net income attributable to NHI shareholders divided by total NHI shareholders' equity. We believe that disclosure of ROE is useful to investors in that it helps them to assess business conditions and effective use of capital to enhance corporate value. We currently calculate and measure ROE on a quarterly basis.

We have set a medium to long-term ROE target of 8-10% for the fiscal year end March 2025, reflecting the cost of capital demanded by our company. However, ROE may be of limited use in that it does not necessarily reflect financial soundness. In order to avoid the excessive pursuit of capital efficiency with the aim of improving ROE at the expense of financial soundness, we attach importance to the creation of corporate value, giving due consideration to financial soundness, and thereby improving ROE. ROE for the year ended March 31, 2021 decreased to 5.7% from 8.2% for the prior fiscal year, primarily due to losses recognized in connection with the U.S. Prime Brokerage Event which occurred in March 2021 and which is discussed above.

### Common equity Tier1 ratio (CET1 ratio)

In addition to ROE, there are multiple global financial regulations that we must comply with, including capital regulations established by Basel Committee on Banking Supervision as interpreted and implemented by the FSA which have a direct impact on the way we conduct business. For this reason, we have set a target of maintaining a common equity Tier 1 ratio (CET1 ratio) of at least 11%, so that we will take into consideration the financial soundness including certain buffer against severe market stress. Our CET1 ratio increased to 15.81% as of March 31, 2021 from 15.34% as of March 31, 2020. For further details, on the key capital requirements we must follow, see Item 5.B. "Consolidated Regulatory Capital Requirements".

### [Indicators by Business Segment]

In addition to the Group KPIs, our management also uses certain divisional specific KPIs to monitor and assess performance of the divisions.

### Retail

We have adopted the following key indicators in the Retail Division to quantify the outcomes of those efforts and monitor our business: Recurring revenue assets; Consulting-related revenue; and Net inflows of cash and securities; Active clients; so that our management will be able to monitor the progress and target sustainable and further business growth. We believe that disclosure of those indicators is useful to investors in that it helps them to assess the progress of the division's client-facing activities as well as digest and understand our growth potential.

	Year ended March 31 (Billions of yen)				
	2019*	2020	% Change from previous year	2021	% Change from previous year
Recurring revenue assets . . . . .	¥—	¥ 15,300	— %	¥ 18,200	19.0%
Consulting-related revenue . . . . .	¥—	¥ 14.9	— %	¥ 13.4	-10.1%
Net inflows of cash and securities . . . . .	¥—	¥ -429.4	— %	¥ 887.7	— %
Active clients . . . . .	—	1,071,000	— %	1,019,000	-4.9%

\* These segment KPIs have been defined and introduced since 2020 hence there is no number to be provided for the year of 2019.

### Recurring revenue assets

Recurring revenue assets are defined and calculated as a total of assets under custody and related loans, which is reported by ¥470 billion within *Loans receivable* in the consolidated balance sheets as of March 31, 2021. Recurring revenue assets such as investment trusts and discretionary investments grew driven by the market rally and net inflows into investment trusts, contributing to higher Recurring revenue.



### *Consulting-related revenue*

Consulting-related revenue is defined as per the *Fees from investment banking*. Consulting-related revenue improved from third to fourth quarter on contributions from annuities and other products.

### *Net inflows of cash and securities*

Net inflows of cash and securities is defined and calculated as cash and securities inflows minus outflows, excluding regional financial institutions. Net inflows of cash and securities was over ¥800 billion in annual total which combined with market factors to lift Retail client assets to a record high of ¥126.6 trillion as of March 31, 2021.

### *Active clients*

Active clients are defined as number of clients who transacted at least once since April 1 (accumulated). Growth in the number of Active clients was slow compared to the previous fiscal year when the number of clients re-entering the market increased as the market plunged.

### *Asset Management*

For operating results including key indicator of Asset Management Division, see Item 5.A. “*Results by Business Segment—Asset Management*”.

### *Investment Management*

In April 1, 2021, Nomura established a new Investment Management Division. The Investment Management Division will replace the Asset Management Division and Merchant Banking Division. Key indicator(s) decided for Investment Management Division, as a new business segment, will be disclosed from fiscal year ending March 31, 2022.

### *Wholesale*

Starting April 2019, we have adopted a cost-to-income ratio and a revenue to modified RWA ratio as additional key performance indicators in our Wholesale Division. We believe that disclosure of these indicators would be useful for investors to assess progress in terms of cost and resource efficiency. Additionally, we use these indicators to evaluate our business based on progress on cost savings initiatives and return on resources.

	Year ended March 31				
	<u>2019*1</u>	<u>2020</u>	<u>% Change from previous year</u>	<u>2021</u>	<u>% Change from previous year</u>
Cost-to-income ratio . . . . .	105*1%	86%	-18.1%	91%	5.8%
Revenue/modified RWA . . . . .	5.0%	6.5%	30.0%	6.4%	-1.5%

(1) Excludes the ¥81 billion goodwill impairment included in *Non-interest expenses*, recognized through earnings during the year ended March 31, 2020

### *Cost-to-income ratio*

The cost-to-income ratio for the Wholesale Division is calculated by dividing non-interest expenses for the Division for a given reporting period by net revenue generated by the Division for the same period, calculated consistently, in each case, with our segment presentation for the division. It is monitored at a divisional level to track operating margins for the business. The ratio increased during the year ended March 31, 2021 compared to the prior fiscal year primarily due to the negative impact of the U.S. Prime Brokerage Event on revenue and cost

for the year. However, the negative impact was mitigated by other increases in revenue as well as pro-active cost management after adjusting for the impact of pay for performance and other revenue driven costs. The ratio decreased during the year ended March 31, 2020 compared to the prior fiscal year because Wholesale profitability improved on the back of the revenue pickup and the cost reduction associated with the strategic actions taken since 2019. We have excluded goodwill impairment from the denominator used to calculate the ratio for the year ended March 31, 2020 as this is significant non-recurring cost which we believe would distort usefulness of the ratio as a KPI.

*Revenue to modified Risk Weighted Asset (RWA) ratio*

The revenue to modified RWA ratio for the Wholesale division is calculated by dividing net revenue generated by our Wholesale Division for a given reporting period (in the case of net revenue for the Wholesale Division for periods shorter than a full fiscal year, on an annualized basis) by the average balance of modified RWA used by the Wholesale Division for the same period. The Revenue to modified RWA ratio is monitored to track our revenue earning capacity against risk resources deployed. Modified RWA is the total of (i) average daily risk-weighted assets as calculated and presented under Basel regulations as interpreted and implemented by the FSA and (ii) an adjustment equal to the regulatory adjustment to common equity tier1 (CET1) capital calculated and presented under Basel regulations as interpreted and implemented by the FSA divided by our internal minimum capital ratio target of 12.5%. (daily average for the accounting period), which we use to estimate the amount of deductions to RWA generated by the division. The revenue to modified RWA as we calculate and present it may differ from similarly titled measures presented by our competitors due to the approach and methodologies used for calculation. Our credit risk-weighted assets and operational risk equivalent assets are calculated by using the foundation Internal Ratings-Based Approach and the Standardized Approach, respectively, with the approval of the FSA. Furthermore, Market risk equivalent assets are calculated by using the Internal Models Approach for market risk. The conversion of Wholesale RWA to modified RWA is based on adjustments reflecting our internal minimum capital ratio target. Moreover, the usefulness of this ratio may be limited in that the adjustment applied to RWA, which is intended to capture the appropriate amount of RWA to attribute to our businesses (as opposed to RWA as calculated for regulatory capital purposes), is an estimate incorporating our internal risk tolerance; however, this adjustment may not appropriately reflect the actual regulatory capital impact of the charged assets that are used by our business. Revenue to modified RWA increased for the year ended March 31, 2021 compared to the prior fiscal year was primarily because of an increase in revenue offset in part by the impact of the U.S. Prime Brokerage Event discussed above.

## Results of Operations

### Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen, except percentages				
	Year ended March 31				
	2019	2020	% Change from previous year	2021	% Change from previous year
Non-interest revenues:					
Commissions . . . . .	¥ 293,069	¥ 308,805	5.4%	¥ 376,897	22.1%
Fees from investment banking . . .	101,521	103,222	1.7	108,681	5.3
Asset management and portfolio service fees . . . . .	245,519	238,202	(3.0)	230,047	(3.4)
Net gain on trading . . . . .	342,964	356,609	4.0	310,040	(13.1)
Gain (loss) on private equity and debt investments . . . . .	1,007	(93)	—	12,734	—
Gain (loss) on investments in equity securities . . . . .	(6,983)	(14,726)	—	14,053	—
Other . . . . .	81,057	165,991	104.8	208,317	25.5
Total Non-interest revenues . . . . .	1,058,154	1,158,010	9.4	1,260,769	8.9
Net interest revenue . . . . .	58,616	129,819	121.5	141,103	8.7
Net revenue . . . . .	1,116,770	1,287,829	15.3	1,401,872	8.9
Non-interest expenses . . . . .	1,154,471	1,039,568	(10.0)	1,171,201	12.7
Income (loss) before income taxes . . . .	(37,701)	248,261	—	230,671	(7.1)
Income tax expense . . . . .	57,010	28,894	(49.3)	70,274	143.2
Net income (loss) . . . . .	¥ (94,711)	¥ 219,367	— %	¥ 160,397	(26.9)%
Less: Net income attributable to noncontrolling interests . . . . .	5,731	2,369	(58.7)	7,281	207.3
Net income (loss) attributable to NHI shareholders . . . . .	¥ (100,442)	¥ 216,998	— %	¥ 153,116	(29.4)%
Return on equity . . . . .	(3.7)%	8.2%		5.7%	

*Net revenue* increased from the year ended March 31, 2020 to the year ended March 31, 2021 despite recognizing significant losses in connection with the U.S. Prime Brokerage Event in our Wholesale Division. This increase is primarily driven by *Commissions* earned by Retail Division. *Commissions* increased from the year ended March 31, 2020 to the year ended March 31, 2021 primarily due to an increase in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* increased from the year ended March 31, 2020 to the year ended March 31, 2021 primarily due to an increase in revenue from M&A advisory services and our solution services associated with fund raising. *Asset management and portfolio service fees* decreased from the year ended March 31, 2020 to the year ended March 31, 2021 mainly due to decreases in fee ratios. *Net gain on trading* decreased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to the U.S. Prime Brokerage Event. *Net gain on trading* also included total losses of ¥13.4 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities primarily due to a tightening of Nomura's credit spreads which were temporarily widened at the end of March 2020 due to the COVID-19 pandemic. *Other* increased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to recognizing a non-recurring gain of ¥71.1 billion resulting from the rights conversion related to the Tokyo Nihonbashi district redevelopment project.

*Net revenue* increased from the year ended March 31, 2019 to the year ended March 31, 2020. This increase is primarily driven by *Commissions* and *Net gain on trading* in our Retail and Wholesale Division. *Commissions* increased from the year ended March 31, 2019 to the year ended March 31, 2020 primarily due to an increase in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* increased from the year ended March 31, 2019 to the year ended March 31, 2020 primarily due to an increase in revenue from M&A advisory services and our solution services associated with fund raising. *Asset management and portfolio service fees* decreased from the year ended March 31, 2019 to the year ended March 31, 2020 in response to the decrease in assets under management. *Net gain on trading* increased from the year ended March 31, 2019 to the year ended March 31, 2020, primarily driven by an increase in revenue from our Fixed Income business within our Wholesale Division. *Net gain on trading* also included total gains of ¥17.5 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities primarily due to a widening of Nomura's credit spreads particularly as a result of the COVID-19 pandemic during the fiscal year. *Other* increased from the year ended March 31, 2019 to the year ended March 31, 2020, primarily due to the realized gain of ¥73,293 million by the partial sale of Nomura's investment in ordinary shares of Nomura Research Institute, Ltd.

*Net interest revenue* is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. *Net interest revenue* is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view *Net interest revenue* and *Non-interest revenues* in aggregate. For the year ended March 31, 2021, interest revenue, including a dividend from our investment in American Century Investments decreased by 55%, and interest expense decreased by 68% from the year ended March 31, 2020. As a result, *Net interest revenue* for the year ended March 31, 2021 increased from the year ended March 31, 2020. For the year ended March 31, 2020, interest revenue, including dividends from our investment in American Century Investments increased by 2%, and interest expense decreased by 8% from the year ended March 31, 2019. As a result, *Net interest revenue* for the year ended March 31, 2020 increased from the year ended March 31, 2019.

*Gain (loss) on investments in equity securities* includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships. Unrealized and realized gains were recognized on these investments during the year ended March 31, 2021 as a result of market appreciation during the year.

*Non-interest expenses* for the year ended March 31, 2021 increased from the year ended March 31, 2020, primarily due to provisions for credit losses of ¥41.6 billion recognized as a result of the U.S. Prime Brokerage Event and an impairment loss of ¥47.7 billion on our equity method investments in Nomura Real Estate Holdings.

*Non-interest expenses* for the year ended March 31, 2020 decreased from the year ended March 31, 2019, primarily due to the absence of the goodwill impairment charge of ¥81,372 million attributable to the Wholesale Division recognized in the prior fiscal year.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Nomura's domestic effective statutory tax rate was approximately 31% for the fiscal year ended March 31, 2019, 2020 and 2021, respectively. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company's effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

*Income tax expense* for the year ended March 31, 2021, represented an effective tax rate of 30.5%. The significant factors causing the difference between the effective tax rate of 30.5% and the effective statutory tax

rate of 31% was the effect of the tax benefit recognized on the outside basis differences for investment in subsidiaries and affiliates which decreased the effective tax rate by 8.7%, partially offset by changes in deferred tax valuation allowances which increased the effective tax rate by 8.7%.

*Income tax expense* for the year ended March 31, 2020, represented an effective tax rate of 11.6%. The significant factors causing the difference between the effective tax rate of 11.6% and the effective statutory tax rate of 31% was the effect of non-taxable income which decreased the effective tax rate by 23.5%, partially offset by non-deductible expenses which increased the effective tax rate by 2.9%.

*Income tax expense* for the year ended March 31, 2019, represented an effective tax rate of a negative 151.2%. The significant factors causing the difference between the effective tax rate of a negative 151.2% and the effective statutory tax rate of 31% was the effect of non-deductible expenses which decreased the effective tax rate by 110.3%, partially offset by non-taxable income which increased the effective tax rate by 16.8%.

## Results by Business Segment

Our operating management and management reporting for the year ended March 31, 2021 is prepared based on our Retail, Asset Management and Wholesale divisions and we disclose business segment information in accordance with this structure. Our Merchant Banking division is reported as part of our Other segment. On April 1, 2021, we created the Investment Management Division which mainly comprises our former Asset Management and Merchant Banking divisions.

Realized gain on investments in equity securities held for operating purposes, our share of equity in the earnings of affiliates, corporate items and other financial adjustments (including the operating results of our Merchant Banking division) are included as “Other” operating results outside of business segments in our segment information. A part of unrealized gain (loss) on certain investments in equity securities held for operating purposes is classified as a reconciling item outside of our segment information. The following segment information should be read in conjunction with Item 4.B “*Business Overview*” of this annual report and Note 22 “*Segment and geographic information*” in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 22 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

## Retail

### *Operating Results of Retail*

	Millions of yen				
	Year ended March 31				
	2019	2020	% Change from previous year	2021	% Change from previous year
Non-interest revenue	¥331,743	¥329,983	(0.5)%	¥366,271	11.0%
Net interest revenue	7,737	6,376	(17.6)	2,538	(60.2)
Net revenue	339,480	336,359	(0.9)	368,809	9.6
Non-interest expenses	289,990	286,926	(1.1)	276,480	(3.6)
Income before income taxes	¥ 49,490	¥ 49,433	(0.1)%	¥ 92,329	86.8%

*Net revenue* increased from the year ended March 31, 2020 to the year ended March 31, 2021 primarily due to an increase in brokerage commissions.

*Net revenue* decreased from the year ended March 31, 2019 to the year ended March 31, 2020 primarily due to a decrease in fees from investment banking services, partially offset by increased commissions from the distribution of investment trusts.

*Non-interest expenses* decreased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to a decrease in occupancy expenses.

*Non-interest expenses* decreased from the year ended March 31, 2019 to the year ended March 31, 2020, primarily due to a decrease in business development expenses including advertising costs.

The following table shows the breakdown of Retail non-interest revenues for the year ended March 31, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2020	2021	% Change from previous year
Commissions . . . . .	¥153,170	¥187,678	22.5%
Brokerage commissions . . . . .	61,207	92,589	51.3
Commissions for distribution of investment trusts . . . . .	66,940	68,352	2.1
Other commissions . . . . .	25,023	26,737	6.9
Net gain on trading . . . . .	56,756	58,357	2.8
Fees from investment banking . . . . .	23,239	20,354	(12.4)
Asset management fees . . . . .	92,139	88,996	(3.4)
Others . . . . .	4,679	10,886	132.7
Non-interest revenues . . . . .	<u>¥329,983</u>	<u>¥366,271</u>	<u>11.0%</u>

*Commissions* increased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to increases in brokerage commissions received from equity and equity-related products. *Fees from investment banking* decreased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to decreases in commissions related to debt securities offering.

#### *Retail Client Assets*

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2020 and 2021. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

	Trillions of yen				
	Year ended March 31, 2020				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities . . . . .	¥ 71.9	¥12.4	¥(13.4)	¥ (8.2)	¥ 62.7
Debt securities . . . . .	18.8	29.3	(27.3)	(2.4)	18.4
Stock investment trusts . . . . .	9.0	3.1	(3.2)	(1.3)	7.6
Bond investment trusts . . . . .	6.8	0.9	(0.5)	0.1	7.3
Overseas mutual funds . . . . .	1.1	0.1	(0.1)	(0.1)	1.0
Others . . . . .	7.1	0.8	(1.0)	0.1	7.0
Total . . . . .	<u>¥114.7</u>	<u>¥46.6</u>	<u>¥(45.5)</u>	<u>¥(11.8)</u>	<u>¥104.0</u>



	Trillions of yen				
	Year ended March 31, 2021				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities . . . . .	¥ 62.7	¥24.4	¥(24.9)	¥ 20.1	¥ 82.3
Debt securities . . . . .	18.4	12.3	(9.9)	(2.7)	18.1
Stock investment trusts . . . . .	7.6	3.1	(3.0)	2.5	10.2
Bond investment trusts . . . . .	7.3	1.4	(0.6)	(0.1)	8.0
Overseas mutual funds . . . . .	1.0	0.2	(0.1)	(0.0)	1.1
Others . . . . .	7.0	0.9	(0.7)	(0.3)	6.9
Total . . . . .	<u>¥104.0</u>	<u>¥42.3</u>	<u>¥(39.2)</u>	<u>¥ 19.5</u>	<u>¥126.6</u>

Retail client assets increased from March 31, 2020 to March 31, 2021. The balances of our clients' equity and equity-related products increased from March 31, 2020 to ¥82.3 trillion as of March 31, 2021, mainly due to market appreciation during the year. The balances of our clients' investment trusts increased by ¥3.4 trillion from ¥15.9 trillion as of March 31, 2020 to ¥19.3 trillion as of March 31, 2021.

Retail client assets decreased from March 31, 2019 to March 31, 2020. The balances of our clients' equity and equity-related products decreased by ¥9.2 trillion from ¥71.9 trillion as of March 31, 2019 to ¥62.7 trillion as of March 31, 2020, mainly due to the disruptions in the Japanese equity market from February 2020 reflecting the effect of the COVID-19 pandemic and increase of net outflows. The balances of our clients' investment trusts decreased by ¥1.0 trillion from ¥16.9 trillion as of March 31, 2019 to ¥15.9 trillion as of March 31, 2020.

## Asset Management

### *Operating Results of Asset Management*

	Millions of yen				
	Year ended March 31				
	2019	2020	% Change from previous year	2021	% Change from previous year
Non-interest revenue . . . . .	¥89,607	¥85,190	(4.9)%	¥126,874	48.9%
Net interest revenue . . . . .	8,238	7,415	(10.0)	7,900	6.5
Net revenue . . . . .	97,845	92,605	(5.4)	134,774	45.5
Non-interest expenses . . . . .	63,660	63,833	0.3	60,529	(5.2)
Income before income taxes . . . . .	<u>¥34,185</u>	<u>¥28,772</u>	<u>(15.8)%</u>	<u>¥ 74,245</u>	<u>158.0%</u>

*Net revenue* increased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to unrealized gains recognized in respect of our investment in American Century Investments.

*Net revenue* decreased from the year ended March 31, 2019 to the year ended March 31, 2020, primarily due to unrealized losses recognized in respect of our investment in American Century Investments and the decrease in asset management and portfolio service fees.

*Non-interest expenses* decreased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to decreases in commission expenses related to fund management.

*Non-interest expenses* increased slightly from the year ended March 31, 2019 to the year ended March 31, 2020.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2020 and 2021.

	Billions of yen				
	Year ended March 31, 2020				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd . . . . .	¥53,371	¥26,098	¥(25,076)	¥(3,745)	¥50,648
Nomura Corporate Research and Asset Management Inc. . . . .	3,011	568	(739)	(351)	2,489
Combined total . . . . .	56,382	26,666	(25,815)	(4,096)	53,137
Shared across group companies . . . . .	(5,008)	(882)	1,501	577	(3,812)
Total . . . . .	<u>51,374</u>	<u>25,784</u>	<u>(24,314)</u>	<u>(3,519)</u>	<u>49,325</u>

	Billions of yen				
	Year ended March 31, 2021				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd . . . . .	¥50,648	¥28,675	¥(27,705)	¥14,540	¥66,158
Nomura Corporate Research and Asset Management Inc. . . . .	2,489	871	(910)	771	3,221
Combined total . . . . .	53,137	29,546	(28,615)	15,311	69,379
Shared across group companies . . . . .	(3,812)	(1,141)	1,414	(1,187)	(4,726)
Total . . . . .	<u>49,325</u>	<u>28,405</u>	<u>(27,201)</u>	<u>14,124</u>	<u>64,653</u>

In our investment trust business, asset under management increased primary due to the market appreciation during the year ended March 31, 2021.

The following table presents NAM's share, in terms of net asset value, of the Japanese publicly offered investment trusts market as of March 31, 2019, 2020 and 2021.

	March 31		
	2019	2020	2021
Total of publicly offered investment trusts . . . . .	28%	28%	28%
Stock investment trusts . . . . .	26%	26%	26%
Bond investment trusts . . . . .	45%	44%	44%

(Source) Nomura's own calculation based on data published by the Investment Trusts Association, Japan.

Investment trust assets included in assets under management by NAM were ¥46.6 trillion as of March 31, 2021, a ¥12.6 trillion, 37% increase from March 31, 2020. This increase is due to positive net inflows of ¥2.8 trillion and market appreciation of ¥9.8 trillion. The balances of certain investment trusts, such as TOPIX Exchange Traded Fund and NIKKEI 225 Exchange Traded Fund increased.

Investment trust assets included in assets under management by NAM were ¥34.0 trillion as of March 31, 2020, a ¥1.6 trillion, 4% decrease from March 31, 2019. This decrease is due to positive net inflows of ¥1.4 trillion and market depreciation of ¥3.0 trillion. Despite the market depreciation, the balances of certain investment trusts, such as TOPIX Exchange Traded Fund increased.

## Wholesale

### *Operating Results of Wholesale*

The operating results of our Wholesale Division comprise the combined results of our Global Markets and Investment Banking businesses. Our Global Markets business comprises our Fixed Income and Equities businesses.

	Millions of yen				
	Year ended March 31				
	2019	2020	% Change from previous year	2021	% Change from previous year
Non-interest revenue . . . . .	¥ 496,484	¥506,203	2.0%	¥524,019	3.5%
Net interest revenue . . . . .	58,904	142,416	141.8	167,337	17.5
Net revenue . . . . .	555,388	648,619	16.8	691,356	6.6
Non-interest expenses . . . . .	666,787	556,399	(16.6)	627,051	12.7
Income (loss) before income taxes . . . . .	¥(111,399)	¥ 92,220	— %	¥ 64,305	(30.3)%

*Net revenue* increased from the year ended March 31, 2020 to the year ended March 31, 2021 despite the significant losses recognized in respect of the U.S. Prime Brokerage Event. Fixed Income revenues in Global Markets increased year on year due to a strong performance in rates, credit and securitization products. Equities revenues in Global Markets decreased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to recognizing trading losses in respect of the U.S. Prime Brokerage Event. Investment Banking revenue increased from the year ended March 31, 2020 to the year ended March 31, 2021 primarily due to increases in M&A advisory and equity financing deals during the year.

*Net revenue* increased from the year ended March 31, 2019 to the year ended March 31, 2020. Fixed Income revenues increased year on year due to strong performance in foreign currency and emerging market products, and Equities revenues also increased due to higher client activities in response to the higher market volatilities. Income before income taxes for the year ended March 31, 2020 includes provisions for credit losses and negative fair value adjustments of approximately ¥35 billion primarily against lending activities due to market dislocation in March caused by the COVID-19 pandemic.

*Non-interest expenses* increased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to additional provisions for credit losses as a result of the U.S. Prime Brokerage Event.

*Non-interest expenses* decreased from the year ended March 31, 2019 to the year ended March 31, 2020, primarily due to the goodwill impairment loss recognized in December 2018.

The following table presents a breakdown of net revenue for Wholesale for the year ended March 31, 2019, 2020 and 2021.

	Millions of yen				
	Year ended March 31				
	2019	2020	% Change from previous year	2021	% Change from previous year
<b>Wholesale net revenue:</b>					
Global Markets net revenue . . . . .	¥ 453,044	¥562,927	24.3%	¥575,533	2.2%
Investment Banking net revenue . . . . .	102,344	85,692	(16.3)	115,823	35.2
Net revenue . . . . .	¥ 555,388	¥648,619	16.8%	¥691,356	6.6%

### *Global Markets*

We have a proven track record in sales and trading of debt securities, equity securities, and foreign exchange, as well as derivative products based on these financial instruments, mainly to domestic and overseas institutional investors. In response to the increasingly diverse and complex needs of our clients, we continue to enhance our trading and product origination capabilities to offer superior products not only to domestic and overseas institutional investors, but also to our Retail and Asset Management Divisions. This cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-adding solutions for our clients. These ties enable us to identify the types of product of interest for investors and develop and deliver products that meet their needs. We continue to develop extensive ties with institutional investors in Japan and international markets, as well as wealthy investors, public-sector agencies, and regional financial institutions in Japan, and government agencies, financial institutions, and corporations around the world.

*Net revenue* increased from the year ended March 31, 2020 to the year ended March 31, 2021. In our Fixed Income businesses, *Net revenue* increased from ¥337,480 million for the year ended March 31, 2020 to ¥441,893 million for the year ended March 31, 2021 primarily due to strong performance mainly in rates, credit and securitization products. In our Equities business, *Net revenue* decreased from ¥225,447 million for the year ended March 31, 2020 to ¥133,640 million for the year ended March 31, 2021, primarily due to recognizing a trading loss from the transactions with the U.S. client.

*Net revenue* increased from the year ended March 31, 2019 to the year ended March 31, 2020. In our Fixed Income businesses, *Net revenue* increased from ¥232,835 million for the year ended March 31, 2019 to ¥337,480 million for the year ended March 31, 2020 primarily due to strong performance mainly in foreign currency and emerging market products. In our Equities business, *Net revenue* increased from ¥220,209 million for the year ended March 31, 2019 to ¥225,447 million for the year ended March 31, 2020 due to higher client activities due to market volatilities.

### *Investment Banking*

We provide a broad range of investment banking services, such as underwriting and advisory activities. We underwrite offerings of debt, equity and other financial instruments in major financial markets, such as Asia, Europe and the U.S. We have been enhancing our M&A and financial advisory expertise to secure more high-profile deals both across and within regions. We develop and forge solid relationships with clients on a long-term basis by providing extensive resources in a seamless fashion to facilitate bespoke solutions.

*Net revenue* increased from the year ended March 31, 2020 to the year ended March 31, 2021, primarily due to increases in M&A advisory and equity financing deals during the year.

*Net revenue* decreased from the year ended March 31, 2019 to the year ended March 31, 2020, primarily due to market downturn from February 2020 resulting from the effect of the COVID-19 pandemic.

### **Other Operating Results**

Other operating results include net gain (loss) related to economic hedging transactions, realized gain on investments in equity securities held for operating purposes, equity in earnings of affiliates, operating results of the Merchant Banking Division, corporate items, and other financial adjustments. See Note 22 “*Segment and geographic information*” in our consolidated financial statements included within this annual report.

*Income (loss) before income taxes* in Other operating results were ¥(2,773) million for the year ended March 31, 2019, ¥99,163 million for the year ended March 31, 2020 and ¥(11,753) million for the year ended March 31, 2021, primarily due to a gain of ¥71,075 million resulting from the rights conversion related to the Tokyo Nihonbashi district redevelopment project and recognizing an impairment loss of ¥47,661 million on

Nomura's equity method investments in Nomura Real Estate Holdings, Inc. which is one of our affiliated companies.

Other operating results for the year ended March 31, 2021 include the negative impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥12,052 million and gains from changes in counterparty credit spreads of ¥11,988 million.

Other operating results for the year ended March 31, 2020 include the negative impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥16,333 million and losses from changes in counterparty credit spreads of ¥12,056 million.

Other operating results for the year ended March 31, 2019 include the negative impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥183 million and losses from changes in counterparty credit spreads of ¥725 million.

### **Summary of Regional Contribution**

For a summary of our *net revenue, income (loss) before income taxes* and long-lived assets by geographic region, see Note 22 "*Segment and geographic information*" in our consolidated financial statements included in this annual report.

### **Regulatory Capital Requirements**

Many of our business activities are subject to statutory capital requirements, including those of Japan, the U.S., the U.K. and certain other countries in which we operate. For further discussion on statutory capital requirements, see Note 19 "*Regulatory requirements*" in our consolidated financial statements included in this annual report.

### **Translation Exposure**

A significant portion of our business is conducted in currencies other than Japanese Yen—most significantly, U.S. Dollars, British pounds and Euros. We prepare financial statements of each of our consolidated subsidiaries in its functional currency, which is the currency of the primary economic environment in which the entity operates. Translation exposure is the risk arising from the effect of fluctuations in exchange rates on the net assets of our foreign subsidiaries. Translation exposure is not recognized in our consolidated statements of income unless and until we dispose of, or liquidate, the relevant foreign subsidiary.

### **Critical Accounting Policies and Estimates**

Critical accounting policies are the accounting policies which have the most significant impact on the preparation of our consolidated financial statements included within this annual report and which require the most difficult, subjective and complex judgments by management to develop estimates used in the application of these policies. Such estimates determined by management include estimates regarding the fair value of financial instruments and the outcome of litigation and other non-financial assets and other matters that affect the reported amounts of assets and liabilities as well as the disclosures in the consolidated financial statements. Estimates, by their nature, are based on underlying assumptions which require management judgment and depend on the extent of available information. Actual results in future periods may differ from current estimates, which could have a material impact on the consolidated financial statements.

The following table summarizes the critical accounting policies within our consolidated financial statements which have had the most significant impact on our financial condition and financial performance during the year ended March 31, 2021. For each such critical accounting policy, the following table also identifies the critical



accounting estimates inherent within application of those policies, the nature of the estimates, the underlying assumptions made by management during the year to derive those estimates and the financial impact of if we had used different estimates or assumptions during the year. Similar to the year ended March 31, 2020, we also summarize if/how the COVID-19 pandemic has impacted application of these critical accounting policies during the year. See Note 1 “*Summary of Accounting Policies*” in our consolidated financial statements included in this annual report for more information on the critical accounting policies we apply for all of these areas and the relevant additional footnotes referred to in the table for more information around how these critical accounting policies and critical accounting estimates have been applied.

Critical accounting policy	Critical accounting estimates	Underlying subjective key assumptions by management	Effect of changes in estimates and assumptions during year ended March 31, 2021 (including impact of COVID-19)
Fair value of financial instruments  Note 2 “ <i>Fair value measurements</i> ”	Estimating fair value for financial instruments	<p>A significant portion of our financial instruments is carried at fair value. The fair value of these financial instruments are not only measured at quoted price but by other factors including valuation models and assumptions with judgement.</p> <p>Election of appropriate valuation techniques</p> <ul style="list-style-type: none"> <li>• For financial instruments measured at fair value where quoted prices are available in active markets, Nomura generally uses the prices as level 1 inputs for determining the fair value of these financial instruments.</li> <li>• For financial instruments where such quoted prices are not available, fair value of the financial instruments are measured by level 2 or level 3 input. Significant judgment is involved in selection of appropriate valuation techniques and validation of assumptions applied in models because the fair value measured could be varied by the selection of those models and assumptions. When selecting valuation techniques, various factors such as the particular circumstances where these financial instruments are traded, availability of reliable inputs, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs are considered.</li> </ul>	<p>See Note 2 “<i>Fair value measurements</i>” in our consolidated financial statements included in this annual report for Valuation methodology including active/inactive principal market, as well as our policy in fair value hierarchy.</p> <p>Although we have observed recovery in the financial markets, effects of the ongoing COVID-19 pandemic may still have adverse impact on price transparency of for certain financial instruments</p> <p>Balance of financial instrument with level 3 hierarchy (assets net of derivative liabilities) during the year decreased from ¥722 billion to ¥566 billion. Level 3 financial assets as a proportion of total financial assets carried at fair value on a recurring basis was 5% as of March 31, 2021 (5% as of March 31, 2020.)</p> <p>See Note 2, “<i>Fair Value of Financial Instruments</i>” for further quantitative and qualitative information regarding level 3 inputs, including how increases in those inputs would affect the fair value of the underlying financial instrument.</p>

Critical accounting policy	Critical accounting estimates	Underlying subjective key assumptions by management	Effect of changes in estimates and assumptions during year ended March 31, 2021 (including impact of COVID-19)
Litigation provisions Note 21 “Commitments, contingencies and guarantees”	Determination of whether a loss is probable and measurement of provisions and reasonably possible loss	<p data-bbox="597 275 911 302">Significance of level 3 inputs</p> <ul data-bbox="610 317 992 495" style="list-style-type: none"> <li data-bbox="610 317 992 495">• Fair value measurement is more judgmental in respect of level 3 financial instruments, which are valued based on significant non-market based unobservable inputs</li> </ul> <p data-bbox="597 516 992 789">In the normal course of business, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any penalties or settlements Nomura chooses to make to resolve the matter could be significant to Nomura’s results of operation.</p> <p data-bbox="597 804 964 831">Determination if a loss is probable</p> <ul data-bbox="610 846 992 1549" style="list-style-type: none"> <li data-bbox="610 846 992 961">• Recognition of litigation provisions are only required if a loss is probable and can be reasonably estimated.</li> <li data-bbox="610 976 992 1129">• Significant judgment required in deciding whether loss from litigation, investigations, claims or other actions is probable or just reasonably possible.</li> <li data-bbox="610 1144 992 1444">• Such judgment usually involves consideration of external legal counsel opinion, our own historical experiences in court and similar matters, the progress of regulatory investigation or litigation proceedings and management or our counterparty’s appetite to settle the matter.</li> <li data-bbox="610 1459 992 1549">• If a loss is only considered to be reasonably possible, no provision is required.</li> </ul> <p data-bbox="597 1564 906 1625">Measurement of a probable / reasonably possible loss</p> <ul data-bbox="610 1640 992 1848" style="list-style-type: none"> <li data-bbox="610 1640 992 1848">• Once a loss has been determined as being probable of occurring, a provision is recognized when a loss is probable and the amount of such loss or range of loss can be reasonably estimated.</li> </ul>	<p data-bbox="1019 516 1411 814">See Note 21 “Commitments, contingencies and guarantees” in our consolidated financial statements included in this annual report for details of the various legal matters Nomura is currently involved with, including those where provisions have been recognized or where loss is only considered reasonably possible.</p> <p data-bbox="1019 829 1411 1014">While COVID-19 continues to delay the potential resolution of certain litigation matters, no direct significant impact on litigation provisions as of March 31, 2021 and reasonably possible loss disclosed.</p> <p data-bbox="1019 1029 1411 1360">If we concluded as of June 25, 2021 that for those cases where an estimate of the range of reasonably possible losses can be made, such loss was actually now probable, we would recognize additional legal provisions through earnings of ¥48 billion. However this does not include the impact of probable losses where we cannot reasonably estimate the loss. See Note.21.</p>

Critical accounting policy	Critical accounting estimates	Underlying subjective key assumptions by management	Effect of changes in estimates and assumptions during year ended March 31, 2021 (including impact of COVID-19)
		<ul style="list-style-type: none"> <li>Where a loss is not probable but reasonably possible and an estimate of the range of reasonably possible losses can be made based on current information available as of the date of its consolidated financial statements, the reasonably possible maximum loss in excess of amounts recognized as a liability is disclosed.</li> <li>This determination is often inherently difficult due to the uncertainties, especially for legal claims or regulatory review that are indeterminate or still at an early stage.</li> <li>Similarly for other matters, there could be a wide range of possible outcomes.</li> <li>For certain exceptional matters, given the inherent complexities where we believe a loss is probable or reasonably possible, we may be unable to reasonably estimate the loss and therefore we are unable to recognize a provision or disclose the reasonably possible maximum loss in excess of amounts recognized as a liability for the matter. In these situations, we disclose this fact.</li> </ul>	

Level 3 financial assets as a proportion of total financial assets, carried at fair value on a recurring basis were 5% as of March 31, 2021 (5% as of March 31, 2020) as listed below:

	Billions of yen				
	March 31, 2021				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total
Financial assets measured at fair value (Excluding derivative assets) . . . . .	¥7,862	¥ 8,446	¥673	¥ —	¥16,981
Derivative assets . . . . .	43	15,801	162	(14,786)	1,220
Total . . . . .	<u>¥7,905</u>	<u>¥24,247</u>	<u>¥835</u>	<u>¥(14,786)</u>	<u>¥18,201</u>

See Note 2 “Fair value measurements” in our consolidated financial statements included in this annual report.

*Derivative contracts*

We use a variety of derivative financial instruments including futures, forwards, swaps and options, for trading and non-trading purposes. All derivatives are carried at fair value, with changes in fair value recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

Derivative assets and liabilities with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 “Balance Sheet—Offsetting” and ASC 815 “Derivatives and Hedging” are met. These criteria include requirements around the legal enforceability of such close-out and offset rights under the master netting agreement. In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively, where certain additional criteria are met.

Derivative contracts consist of listed derivatives and OTC derivatives. The fair value of listed derivatives are determined based on quoted market prices or valuation models. OTC derivatives are valued using valuation models. Listed derivative and OTC derivative assets and liabilities after netting are shown below:

	<u>Billions of yen</u>	
	<u>March 31, 2020</u>	
	<u>Assets</u>	<u>Liabilities</u>
Listed derivatives .....	¥ 559	¥ 716
OTC derivatives .....	1,383	1,093
	<u>¥1,942</u>	<u>¥1,809</u>

	<u>Billions of yen</u>	
	<u>March 31, 2021</u>	
	<u>Assets</u>	<u>Liabilities</u>
Listed derivatives .....	¥ 179	¥ 543
OTC derivatives .....	1,041	952
	<u>¥1,220</u>	<u>¥1,495</u>

The following table presents the fair value of OTC derivative assets and liabilities as of March 31, 2021 by remaining contractual maturity.

	<u>Billions of yen</u>						
	<u>March 31, 2021</u>						
	<u>Years to Maturity</u>					<u>Cross-maturity</u>	<u>Total</u>
	<u>Less than</u>	<u>1 to 3</u>	<u>3 to 5</u>	<u>5 to 7</u>	<u>More than</u>	<u>netting<sup>(1)</sup></u>	<u>fair value</u>
	<u>1 year</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>7 years</u>		
OTC derivative assets .....	¥1,572	¥1,138	¥803	¥488	¥2,699	¥(5,659)	¥1,041
OTC derivative liabilities .....	1,769	1,095	775	566	2,172	(5,425)	952

(1) Represents the impact of netting derivative assets with derivative liabilities for the same counterparty across maturity band categories. Derivative assets and derivative liabilities with the same counterparty in the same maturity category are netted within the maturity category. This column also includes cash collateral netting with the same counterparty.

The fair value of derivative contracts includes adjustments for credit risk, both with regards to counterparty credit risk on positions held and our own creditworthiness on positions issued. We realize gains or losses relating to changes in credit risk on our derivative contracts together with the movements of trading positions, which include derivatives that are expected to mitigate the above mentioned impact of changes in credit risk.

## Assets and Liabilities Associated with Investment and Financial Services Business

### *Exposure to Certain Financial Instruments and Counterparties*

Market conditions continue to impact numerous products to which we have certain exposures. We also have exposures to Special Purpose Entities (“SPEs”) and others in the normal course of business.

### *Leveraged Finance*

We provide loans to clients in connection with leveraged buy-outs and leveraged buy-ins. As this type of financing is usually initially provided through a commitment, we have both funded and unfunded exposures on these transactions.

The following table sets forth our exposure to leveraged finance with unfunded commitments, presenting funded and unfunded portions by geographic location of the target company as of March 31, 2021.

	Millions of yen		
	March 31, 2021		
	Funded	Unfunded	Total
Europe .....	¥ 3,454	¥ 80,888	¥ 84,342
Americas .....	8,322	94,058	102,380
Asia and Oceania .....	16,171	11,388	27,559
Total .....	<u>¥27,947</u>	<u>¥186,334</u>	<u>¥214,281</u>

### *Special Purpose Entities (“SPEs”)*

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In connection with our securitization and equity derivative activities, we also act as a transferor of financial assets to these entities, as well as, underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities. We retain, purchase and sell variable interests in SPEs in connection with our market-making, investing and structuring activities. Our other types of involvement with SPEs include guarantee agreements and derivative contracts.

For further discussion on Nomura’s involvement with variable interest entities, see Note 6 “*Securitizations and Variable Interest Entities*” in our consolidated financial statements included in this annual report.

## Accounting Developments

See Note 1 “*Summary of accounting policies: New accounting pronouncements adopted during the current year*” in our consolidated financial statements included in this annual report.



## Deferred Tax Assets

### *Details of deferred tax assets and liabilities*

The following table presents details of deferred tax assets and liabilities reported within *Other assets—Other and Other liabilities*, respectively, in the consolidated balance sheets as of March 31, 2021.

	<u>Millions of yen</u> <u>March 31, 2021</u>
<b>Deferred tax assets</b>	
Depreciation, amortization and valuation of fixed assets . . . . .	¥ 22,770
Investments in subsidiaries and affiliates . . . . .	20,220
Valuation of financial instruments . . . . .	73,905
Accrued pension and severance costs . . . . .	19,947
Other accrued expenses and provisions . . . . .	60,280
Operating losses . . . . .	353,326
Lease liabilities . . . . .	52,251
Other . . . . .	15,011
Gross deferred tax assets . . . . .	617,710
Less—Valuation allowances . . . . .	(428,014)
Total deferred tax assets . . . . .	<u>189,696</u>
<b>Deferred tax liabilities</b>	
Investments in subsidiaries and affiliates . . . . .	85,636
Valuation of financial instruments . . . . .	40,807
Undistributed earnings of foreign subsidiaries . . . . .	2,486
Valuation of fixed assets . . . . .	23,521
Right-of-use assets . . . . .	51,671
Other . . . . .	5,546
Total deferred tax liabilities . . . . .	<u>209,667</u>
<b>Net deferred tax assets (liabilities)</b> . . . . .	<u>¥ (19,971)</u>

### *Calculation method of deferred tax assets*

In accordance with U.S. GAAP, we recognize deferred tax assets to the extent we believe that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to us, which are not deemed more likely than not to be realized.

## **B. Liquidity and Capital Resources.**

### **Funding and Liquidity Management**

#### *Overview*

We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board ("EMB"). Nomura's liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all

funding requirements and unsecured debt obligations across one year and 30-day periods, respectively, without raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

We have in place a number of liquidity risk management frameworks that enable us to achieve our primary liquidity objective. These frameworks include (1) Centralized Control of Residual Cash and Maintenance of Liquidity Portfolio; (2) Utilization of Unencumbered Assets as Part of Our Liquidity Portfolio; (3) Appropriate Funding and Diversification of Funding Sources and Maturities Commensurate with the Composition of Assets; (4) Management of Credit Lines to Nomura Group Entities; (5) Implementation of Liquidity Stress Tests; and (6) Contingency Funding Plan.

Our EMB has the authority to make decisions concerning group liquidity management. The Chief Financial Officer (“CFO”) has the operational authority and responsibility over our liquidity management based on decisions made by the EMB.

*1. Centralized Control of Residual Cash and Maintenance of Liquidity Portfolio.*

We centrally control residual cash held at Nomura Group entities for effective liquidity utilization purposes. As for the usage of funds, the CFO decides the maximum amount of available funds, provided without posting any collateral, for allocation within Nomura and the EMB allocates the funds to each business division. Global Treasury monitors usage by businesses and reports to the EMB.

In order to enable us to transfer funds smoothly between group entities, we limit the issuance of securities by regulated broker-dealers or banking entities within the Nomura Group and seek to raise unsecured funding primarily through the Company or through unregulated subsidiaries. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across the Nomura Group.

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2021, our liquidity portfolio was ¥5,658.3 billion which sufficiently met liquidity requirements under the stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2020 and 2021 and averages maintained for the years ended March 31, 2020 and 2021. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2020	March 31, 2020	Average for year ended March 31, 2021	March 31, 2021
Cash, cash equivalents and time deposits <sup>(1)</sup> . . . . .	¥2,323.6	¥2,540.4	¥2,775.9	¥2,765.0
Government debt securities . . . . .	2,371.5	2,412.2	3,082.8	2,641.2
Others <sup>(2)</sup> . . . . .	310.6	401.8	254.0	252.1
Total liquidity portfolio . . . . .	<u>¥5,005.7</u>	<u>¥5,354.4</u>	<u>¥6,112.7</u>	<u>¥5,658.3</u>

- (1) Cash, cash equivalents, and time deposits include nostro balances and deposits with both central banks and market counterparties that are readily available to support the liquidity position of Nomura.
- (2) Others include other liquid financial assets such as money market funds and U.S. agency securities.

The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2020 and 2021 and averages maintained for the years ended March 31, 2020 and 2021. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2020	March 31, 2020	Average for year ended March 31, 2021	March 31, 2021
Japanese Yen	¥1,500.6	¥1,341.9	¥2,298.1	¥ 966.5
U.S. Dollar	2,219.9	2,732.5	2,441.2	3,367.1
Euro	818.4	789.5	795.1	793.5
British Pound	310.5	315.5	405.4	333.8
Others <sup>(1)</sup>	156.3	175.0	172.9	197.5
Total liquidity portfolio	<u>¥5,005.7</u>	<u>¥5,354.4</u>	<u>¥6,112.7</u>	<u>¥5,658.3</u>

(1) Includes other currencies such as the Australian dollar, the Canadian dollar and the Swiss franc.

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura Group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. (“NHI”) and Nomura Securities Co. Ltd. (“NSC”), our other major broker-dealer subsidiaries, our bank subsidiaries, and other group entities. In determining the amounts and entities which hold this liquidity portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 19 “*Regulatory requirements*” in our consolidated financial statements included within this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2020 and 2021.

	Billions of yen	
	March 31, 2020	March 31, 2021
NHI and NSC <sup>(1)</sup>	¥1,382.9	¥ 981.8
Major broker-dealer subsidiaries	2,645.8	2,632.6
Bank subsidiaries <sup>(2)</sup>	775.8	752.6
Other affiliates	549.9	1,291.3
Total liquidity portfolio	<u>¥5,354.4</u>	<u>¥5,658.3</u>

(1) NSC, a broker-dealer located in Japan, holds an account with the Bank of Japan (“BOJ”) and has direct access to the BOJ Lombard facility through which same day funding is available for our securities pool. Any liquidity surplus at NHI is lent to NSC via short-term intercompany loans, which can be unwound immediately when needed.

(2) Includes Nomura Bank International plc (“NBI”), Nomura Singapore Limited and Nomura Bank Luxembourg S.A.

## 2. Utilization of Unencumbered Assets as Part of Our Liquidity Portfolio.

In addition to our liquidity portfolio, we had ¥2,771.6 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2021 was ¥8,429.9 billion, which represented 287.8% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2020	March 31, 2021
Net liquidity value of other unencumbered assets . . . . .	¥2,573.6	¥2,771.6
Liquidity portfolio . . . . .	5,354.4	5,658.3
Total . . . . .	<u>¥7,928.0</u>	<u>¥8,429.9</u>

### 3. Appropriate Funding and Diversification of Funding Sources and Maturities Commensurate with the Composition of Assets

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets. We also seek to achieve diversification of our funding by market, instrument type, investors, currency, and staggered maturities in order to reduce unsecured refinancing risk.

We diversify funding by issuing various types of debt instruments—these include both structured loans and structured notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt increased to 47.2% of total long-term debt outstanding as of March 31, 2021 from 46.1% as of March 31, 2020.

#### 3.1 Short-Term Unsecured Debt

Our short-term unsecured debt consists of short-term bank borrowings (including long-term bank borrowings maturing within one year), other loans, commercial paper, deposit at banking entities, certificates of deposit and debt securities maturing within one year. Deposits at banking entities and certificates of deposit comprise customer deposits and certificates of deposit of our banking subsidiaries. Short-term unsecured debt includes the current portion of long-term unsecured debt.

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2020 and 2021.

	Billions of yen	
	March 31, 2020	March 31, 2021
Short-term bank borrowings . . . . .	¥ 572.1	¥ 265.8
Other loans . . . . .	154.3	138.7
Commercial paper . . . . .	525.1	460.0
Deposits at banking entities . . . . .	1,116.2	1,149.9
Certificates of deposit . . . . .	12.1	83.6
Debt securities maturing within one year . . . . .	692.5	831.5
Total short-term unsecured debt . . . . .	<u>¥3,072.3</u>	<u>¥2,929.5</u>

#### 3.2 Long-Term Unsecured Debt

We meet our long-term capital requirements and also achieve both cost-effective funding and an appropriate maturity profile by routinely funding through long-term debt and diversifying across various maturities and currencies.

Our long-term unsecured debt includes senior and subordinated debt issued through U.S. registered shelf offerings and our U.S. registered medium-term note programs, our Euro medium-term note programs, registered shelf offerings in Japan and various other debt programs.

As a globally competitive financial services group in Japan, we have access to multiple global markets and major funding centers. The Company, NSC, Nomura Europe Finance N.V., NBI, Nomura International Funding Pte. Ltd. and Nomura Global Finance Co., LTD. are the main group entities that borrow externally, issue debt instruments and engage in other funding activities. By raising funds to match the currencies and liquidities of our assets or by using foreign exchange swaps as necessary, we pursue optimization of our funding structures.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Our unsecured senior debt is mostly issued without financial covenants, such as covenants related to adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate repayment of the debt.

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2020 and 2021.

	Billions of yen	
	March 31, 2020	March 31, 2021
Long-term deposits at banking entities .....	¥ 147.9	¥ 109.0
Long-term bank borrowings .....	2,591.5	2,635.2
Other loans .....	82.5	74.2
Debt securities <sup>(1)</sup> .....	3,522.1	3,877.9
Total long-term unsecured debt .....	<u>¥6,344.0</u>	<u>¥6,696.3</u>

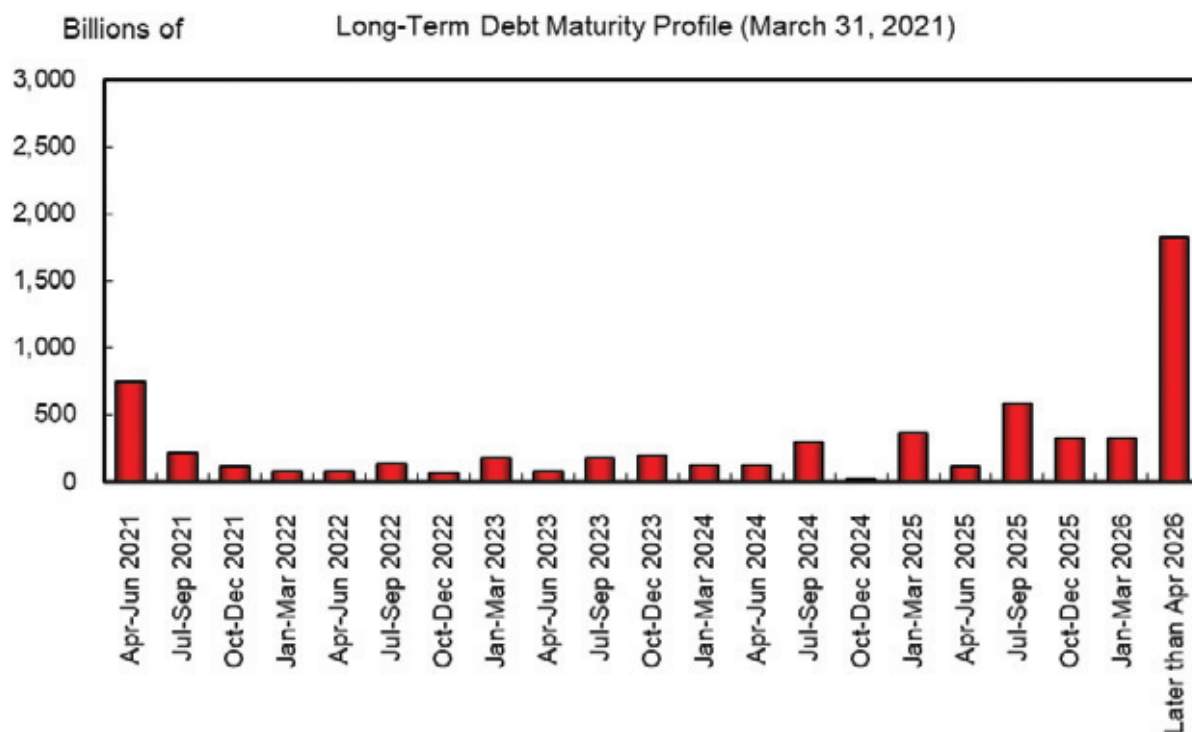
- (1) Excludes long-term debt securities issued by consolidated special purpose entities and similar entities that meet the definition of variable interest entities under ASC 810 “Consolidation” and secured financing transactions recognized within *Long-term borrowings* as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860 “Transfer and Servicing.”

### 3.3 Maturity Profile

We also seek to maintain an average maturity for our plain vanilla debt securities and borrowings greater than or equal to three years. The average maturity for our plain vanilla debt securities and borrowings with maturities longer than one year was 4.7 years as of March 31, 2021. A significant amount of our structured loans and structured notes are linked to interest rates, currencies, equities, commodities, or related indices. These maturities are evaluated based on internal models and monitored by Global Treasury. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. The model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings by the model.

On this basis, the average maturity of our structured loans and structured notes with maturities longer than one year was 8.1 years as of March 31, 2021. The average maturity of our entire long-term debt with maturities longer than one year including plain vanilla debt securities and borrowings, was 6.5 years as of March 31, 2021.





### 3.4 Secured Funding

We typically fund our trading activities through secured borrowings, repurchase agreements and Japanese “Gensaki Repo” transactions. We believe such funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Our secured funding capabilities depend on the quality of the underlying collateral and market conditions. While we have shorter term secured financing for highly liquid assets, we seek longer terms for less liquid assets. We also seek to lower the refinancing risks of secured funding by transacting with a diverse group of global counterparties and delivering various types of securities collateral. In addition, we reserve an appropriate level of liquidity portfolio for the refinancing risks of secured funding maturing in the short term for less liquid assets. For more detail of secured borrowings and repurchase agreements, see Note 5 “*Collateralized transactions*” in our consolidated financial statements.

### 4. Management of Credit Lines to Nomura Group Entities

We maintain and expand credit lines to Nomura Group entities from other financial institutions to secure stable funding. We ensure that the maturity dates of borrowing agreements are distributed evenly throughout the year in order to prevent excessive maturities in any given period.

### 5. Implementation of Liquidity Stress Tests

We maintain our liquidity portfolio and monitor the sufficiency of our liquidity based on an internal model which simulates changes in cash outflow under specified stress scenarios to comply with our above mentioned liquidity management policy.

We assess the liquidity requirements of the Nomura Group under various stress scenarios with differing levels of severity over multiple time horizons. We evaluate these requirements under Nomura-specific and broad market-wide events, including potential credit rating downgrades at the Company and subsidiary levels. We call this risk analysis our Maximum Cumulative Outflow (“MCO”) framework.

The MCO framework is designed to incorporate the primary liquidity risks for Nomura and models the relevant future cash flows in the following two primary scenarios:

- Stressed scenario—To maintain adequate liquidity during a severe market-wide liquidity event without raising funds through unsecured financing or through the liquidation of assets for a year; and
- Acute stress scenario—To maintain adequate liquidity during a severe market-wide liquidity event coupled with credit concerns regarding Nomura’s liquidity position, without raising funds through unsecured funding or through the liquidation of assets for 30 days.

We assume that Nomura will not be able to liquidate assets or adjust its business model during the time horizons used in each of these scenarios. The MCO framework therefore defines the amount of liquidity required to be held in order to meet our expected liquidity needs in a stress event to a level we believe appropriate based on our liquidity risk appetite.

As of March 31, 2021, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

We constantly evaluate and modify our liquidity risk assumptions based on regulatory and market changes. The model we use in order to simulate the impact of stress scenarios includes the following assumptions:

- No liquidation of assets;
- No ability to issue additional unsecured funding;
- Upcoming maturities of unsecured debt (maturities less than one year);
- Potential buybacks of our outstanding debt;
- Loss of secured funding lines particularly for less liquid assets;
- Fluctuation of funding needs under normal business circumstances;
- Cash deposits and free collateral roll-off in a stress event;
- Widening of haircuts on outstanding repo funding;
- Additional collateralization requirements of clearing banks and depositories;
- Drawdown on loan commitments;
- Loss of liquidity from market losses;
- Assuming a two-notch downgrade of our credit ratings, the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts; and
- Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

#### *6. Contingency Funding Plan*

We have developed a detailed contingency funding plan to integrate liquidity risk control into our comprehensive risk management strategy and to enhance the quantitative aspects of our liquidity risk control procedures. As a part of our Contingency Funding Plan (“CFP”), we have developed an approach for analyzing and quantifying the impact of any liquidity crisis. This allows us to estimate the likely impact of both Nomura-specific and market-wide events; and specifies the immediate action to be taken to mitigate any risk. The CFP lists details of key internal and external parties to be contacted and the processes by which information is to be disseminated. This has been developed at a legal entity level in order to capture specific cash requirements at the local level—it assumes that our parent company does not have access to cash that may be trapped at a subsidiary

level due to regulatory, legal or tax constraints. We periodically test the effectiveness of our funding plans for different Nomura-specific and market-wide events. We also have access to central banks including, but not exclusively, the BOJ, which provide financing against various types of securities. These operations are accessed in the normal course of business and are an important tool in mitigating contingent risk from market disruptions.

#### *Liquidity Regulatory Framework*

In 2008, the Basel Committee published “Principles for Sound Liquidity Risk Management and Supervision”. To complement these principles, the Committee has further strengthened its liquidity framework by developing two minimum standards for funding liquidity. These standards have been developed to achieve two separate but complementary objectives.

The first objective is to promote short-term resilience of a financial institution’s liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The Committee developed the Liquidity Coverage Ratio (“LCR”) to achieve this objective.

The second objective is to promote resilience over a longer time horizon by creating additional incentives for financial institutions to fund their activities with more stable sources of funding on an ongoing basis. The Net Stable Funding Ratio (“NSFR”) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.

These two standards are comprised mainly of specific parameters which are internationally “harmonized” with prescribed values. Certain parameters, however, contain elements of national discretion to reflect jurisdiction-specific conditions.

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Average of Nomura’s LCRs for the three months ended March 31, 2021 was 192.4%, and Nomura was compliant with requirements of the above notices. As for the NSFR, the revision of the liquidity regulatory notice was published by Financial Services Agency (on March 31, 2021) and NSFR will be implemented from the end of September 2021.

#### *Cash Flows*

Nomura’s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the year ended March 2020, we recorded net cash outflows from operating activities and net cash inflow from investing and financing activities. For the year ended March 2021, we recorded net cash inflows from operating activities and net cash outflow from investing and financing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2020 and 2021.

	Billions of yen	
	Year Ended March 31	
	2020	2021
Net cash provided by (used in) operating activities	¥ (15.9)	¥ 665.8
Net income	219.4	160.4
Trading assets and private equity and debt investments	(2,754.7)	1,468.4
Trading liabilities	429.0	777.7
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	2,224.4	(1,453.9)
Securities borrowed, net of securities loaned	291.8	(1,242.5)
Other, net	(425.7)	955.7
Cash flows from investing activities:	216.3	(139.0)
Cash flows from financing activities:	332.1	(269.9)
Long-term borrowings, net	(38.4)	(1.0)
Increase in short-term borrowings, net	656.2	(325.2)
Increase (decrease) in deposits received at banks, net	(93.3)	126.2
Other, net	(192.5)	(69.9)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(27.3)	60.8
Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents	505.2	317.7
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of the year	2,687.1	3,192.3
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of the year	¥ 3,192.3	¥ 3,510.0

See the consolidated statements of cash flows in our consolidated financial statements included within this annual report for more detailed information.

For the year ended March 31, 2021, our cash, cash equivalents, restricted cash and restricted cash equivalents increased by ¥317.7 billion to ¥3,510.0 billion. Net cash of ¥269.9 billion was used in financing activities due to net cash outflows of ¥325.2 billion from *Short-term borrowings*. As part of trading activities, while there were net cash inflows of ¥2,246.1 billion mainly due to a decrease in *Trading assets and Private equity and debt investments*, they were offset by net cash outflows of ¥2,696.4 billion from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥665.8 billion was provided by operating activities.

For the year ended March 31, 2020, our cash, cash equivalents, restricted cash and restricted cash equivalents increased by ¥505.2 billion to ¥3,192.3 billion. Net cash of ¥332.1 billion was provided by financing activities due to net cash inflows of ¥656.2 billion from *Short-term borrowings*. As part of trading activities, while there were net cash outflows of ¥2,325.7 billion due to an increase in *Trading assets and Private equity and debt investments* in combination with cash inflows due to an increase in *Trading liabilities*, they were offset by net cash inflows of ¥2,516.1 billion from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥15.9 billion was used in operating activities.

### Balance Sheet and Financial Leverage

Total assets as of March 31, 2021, were ¥42,516.5 billion, a decrease of ¥1,483.3 billion compared with ¥43,999.8 billion as of March 31, 2020, reflecting primarily a decrease in *Trading assets*. Total liabilities as of March 31, 2021, were ¥39,760.0 billion, a decrease of ¥1,508.5 billion compared with ¥41,268.6 billion as of March 31, 2020, reflecting primarily a decrease in *Securities sold under agreements to repurchase*. NHI shareholders' equity as of March 31, 2021 was ¥2,694.9 billion, an increase of ¥41.5 billion compared with ¥2,653.5 billion as of March 31, 2020, primarily due to an increase in *Retained earnings*.

We seek to maintain sufficient capital at all times to withstand losses due to extreme market movements. The EMB is responsible for implementing and enforcing capital policies. This includes the determination of our balance sheet size and required capital levels. We continuously review our equity capital base to ensure that it can support the economic risk inherent in our business. There are also regulatory requirements for minimum capital of entities that operate in regulated securities or banking businesses.

As leverage ratios are commonly used by other financial institutions similar to us, we voluntarily provide a leverage ratio and adjusted leverage ratio primarily for benchmarking purposes so that users of our annual report can compare our leverage against other financial institutions. Adjusted leverage ratio is a non-GAAP financial measure that Nomura considers to be a useful supplemental measure of leverage.

The following table presents NHI shareholders' equity, total assets, adjusted assets and leverage ratios as of March 31, 2020 and 2021.

	Billions of yen, except ratios	
	March 31	
	2020	2021
NHI shareholders' equity	¥ 2,653.5	¥ 2,694.9
Total assets	43,999.8	42,516.5
Adjusted assets <sup>(1)</sup>	28,092.7	26,477.0
Leverage ratio <sup>(2)</sup>	16.6 x	15.8 x
Adjusted leverage ratio <sup>(3)</sup>	10.6 x	9.8 x

(1) Represents total assets less *Securities purchased under agreements to resell* and *Securities borrowed*.

Adjusted assets is a non-GAAP financial measure and is calculated as follows:

(2) Equals total assets divided by NHI shareholders' equity.

(3) Equals adjusted assets divided by NHI shareholders' equity.

	Billions of yen	
	March 31	
	2020	2021
Total assets	¥43,999.8	¥42,516.5
Less:		
Securities purchased under agreements to resell	12,377.3	10,775.1
Securities borrowed	3,529.8	5,264.4
Adjusted assets	¥28,092.7	¥26,477.0

Total assets decreased by 3.4% reflecting primarily a decrease in *Trading assets*. Total NHI shareholders' equity increased by 1.6% reflecting primarily an increase in *Retained earnings*. As a result, our leverage ratios were 16.6 times as of March 31, 2020 and 15.8 times as of March 31, 2021.

Adjusted assets decreased primarily due to a decrease in *Trading assets*. As a result, our adjusted leverage ratios were 10.6 times as of March 31, 2020 and 9.8 times as of March 31, 2021.



## Capital Management

### *Capital Management Policy*

We seek to enhance shareholder value and to capture growing business opportunities by maintaining sufficient levels of capital. We will continue to review our levels of capital as appropriate, taking into consideration the economic risks inherent to operating our businesses, the regulatory requirements, and maintaining our ratings necessary to operate businesses globally.

### *Dividends*

We believe that raising corporate value over the long term and paying dividends is essential to rewarding shareholders. We will strive to pay dividends using a consolidated pay-out ratio of 30 percent of each semi-annual consolidated earnings as a key indicator.

Dividend payments are determined taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment as well as the Company's consolidated financial performance.

Dividends will in principle be paid on a semi-annual basis with record dates of September 30 and March 31.

Additionally we will aim for a total payout ratio, which includes dividends and share buybacks, of at least 50 percent.

With respect to retained earnings, in order to implement measures to adapt to regulatory changes and to increase shareholder value, we seek to efficiently invest in business areas where high profitability and growth may reasonably be expected, including the development and expansion of infrastructure.

### *Dividends for the Fiscal Year*

Based on our Capital Management Policy described above, we paid a dividend of ¥20 per share to shareholders of record as of September 30, 2020 and have decided to pay a dividend of ¥15 per share to shareholders of record as of March 31, 2021. As a result, the total annual dividend will be ¥35 per share.

The following table sets forth the amounts of dividends per share paid by us in respect of the periods indicated:

<u>Fiscal year ended or ending March 31,</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
2016 .....	¥—	¥10.00	¥—	¥ 3.00	¥13.00
2017 .....	—	9.00	—	11.00	20.00
2018 .....	—	9.00	—	11.00	20.00
2019 .....	—	3.00	—	3.00	6.00
2020 .....	—	15.00	—	5.00	20.00
2021 .....	—	20.00	—	15.00	35.00

## Consolidated Regulatory Capital Requirements

The FSA established the “Guideline for Financial Conglomerates Supervision” (“Financial Conglomerates Guideline”) in June 2005 and set out the rules on consolidated regulatory capital. We started monitoring our consolidated capital adequacy ratio in accordance with the Financial Conglomerates Guideline from April 2005.

The Company has been assigned by the FSA as a Final Designated Parent Company who must calculate a consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent

Company in April 2011. Since then, we have been calculating our consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 and Basel III since then. We have calculated a Basel III-based consolidated capital adequacy ratio from the end of March 2013. Basel 2.5 includes significant change in calculation method of market risk and Basel III includes redefinition of capital items for the purpose of requiring higher quality of capital and expansion of the scope of credit risk-weighted assets calculation.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31, 2021, our common equity Tier 1 capital ratio is 15.81%, Tier 1 capital ratio is 17.80% and consolidated capital adequacy ratio is 17.83% and we are in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. (required level including applicable minimum consolidated capital buffers as of March 31, 2021 is 7.52% for the common equity Tier 1 capital ratio, 9.02% for the Tier 1 capital ratio and 11.02% for the consolidated capital adequacy ratio).

In accordance with Article 2 of the “Notice of the Establishment of Standards that Indicate Soundness pertaining to Loss-absorbing and Recapitalisation Capacity, Established as Criteria by which the Highest Designated Parent Company is to Judge the Soundness in the Management of the Highest Designated Parent Company and its Subsidiary Corporations, etc., under Paragraph 1, Article 57 -17 of the Financial Instruments and Exchange Act” (the “TLAC Notification”), we have started calculating our external TLAC ratio on a risk-weighted assets basis from March 2021. As of March 31, 2021, our external TLAC as a percentage of risk-weighted assets is 23.06% and we are in compliance with the requirement set out in the TLAC Notification.

The following table presents the Company’s consolidated capital adequacy ratios and External TLAC as a percentage of risk-weighted assets as of March 31, 2020 and March 31, 2021.

	<b>Billions of yen, except ratios</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2021</b>
Common equity Tier 1 capital . . . . .	¥ 2,404.6	¥ 2,522.1
Tier 1 capital . . . . .	2,571.5	2,840.5
Total capital . . . . .	2,602.4	2,845.2
<b>Risk-Weighted Assets</b>		
Credit risk-weighted assets . . . . .	7,634.7	8,550.9
Market risk equivalent assets . . . . .	5,549.3	4,951.6
Operational risk equivalent assets . . . . .	2,490.5	2,448.5
Total risk-weighted assets . . . . .	<u>¥15,674.5</u>	<u>¥15,951.0</u>
<b>Consolidated Capital Adequacy Ratios</b>		
Common equity Tier 1 capital ratio . . . . .	15.34%	15.81%
Tier 1 capital ratio . . . . .	16.40%	17.80%
Consolidated capital adequacy ratio . . . . .	16.60%	17.83%
<b>External TLAC as a percentage of risk-weighted assets</b> . . . . .	—	23.06%

Since the end of March 2011, we have been calculating credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and the Standardized Approach, respectively, with the approval of the FSA. Furthermore, Market risk equivalent assets are calculated by using the Internal Models Approach for market risk.

We provide consolidated capital adequacy ratios not only to demonstrate that we are in compliance with the requirements set out in the Capital Adequacy Notice on Final Designated Parent Company but also for benchmarking purposes so that users of this annual report can compare our capital position against those of other financial groups to which Basel III is applied. Management receives and reviews these capital ratios on a regular basis.

### **Consolidated Leverage Ratio Requirements**

In March 2019, the FSA set out requirements for the calculation and disclosure and minimum requirement of 3% of a consolidated leverage ratio, and the publication of “Notice of the Establishment of Standards for Determining Whether the Adequacy of Leverage, the Supplementary Measure to the Adequacy of Equity Capital of a Final Designated Parent Company and its Subsidiary Corporations, etc. is Appropriate Compared to the Assets Held by the Final Designated Parent Company and its Subsidiary Corporations, etc., under Paragraph 1, Article 57-17 of the Financial Instruments and Exchange Act” (2019 FSA Regulatory Notice No. 13; “Notice on Consolidated Leverage Ratio”), through amendments to revising “Specification of items which a final designated parent company should disclose on documents to show the status of its sound management” (2010 FSA Regulatory Notice No. 132; “Notice on Pillar 3 Disclosure”). We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with these Notices. We have also started calculating a consolidated leverage ratio from March 31, 2019 in accordance with the Notice on Pillar 3 Disclosure, Notice on Consolidated Leverage Ratio and other related Notices. In June 2020, in coordination with the monetary policy of the Bank of Japan in response to the impact of coronavirus (“COVID-19”) pandemic, the FSA published amendments to the Notice on Consolidated Leverage Ratio. Under these amendments, deposits with the Bank of Japan have been excluded from the total exposure measure used to calculate the leverage ratio during the period from June 30, 2020 to March 31, 2021. In March 2021, the FSA announced this measure will be extended for one year due to the continuous uncertainty regarding the impact of COVID-19. As of March 31 2021, our consolidated leverage ratio is 5.63%.

In accordance with Article 2 of the TLAC Notification we have started calculating our external TLAC ratio on a total exposure basis from March 2021. As of March 31, 2021, our external TLAC as a percentage of leverage ratio exposure measure is 8.24% and we are in compliance with the requirement set out in the TLAC Notification.

### **Regulatory changes which affect us**

The Basel Committee has issued a series of announcements regarding a Basel III program designed to strengthen the regulatory capital framework in light of weaknesses revealed by the financial crises. The following is a summary of the proposals which are most relevant to us.

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, “International framework for liquidity risk measurement, standards and monitoring” and “A global regulatory framework for more resilient banks and banking systems”. They include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (“CVA”) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; introducing a series of measures to address concerns over the “procyclicality” of the current framework; and introducing a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. These standards were implemented from 2013, which includes transitional treatment, (i.e., they are phased in gradually from 2013). In addition, the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (“CCPs”) on July 25, 2012, which came into effect in 2013 as part of Basel III. Moreover, in addition to Basel III leverage ratio framework under which we started the calculation and disclosure of consolidated leverage ratio as above, a series of final standards on the regulatory frameworks such as capital requirements for banks’ equity investments in funds, the standardized approach for measuring

counterparty credit risk exposures, capital requirements for bank exposures to CCPs, supervisory framework for measuring and controlling large exposures, Basel III: The Net Stable Funding Ratio and revisions to the securitization framework, and revised framework for market risk capital requirements have been published by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board (“FSB”) and the Basel Committee announced the list of global systemically important banks (“G-SIBs”) and the additional requirements to the G-SIBs including the recovery and resolution plan. The group of G-SIBs have been updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIBs. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions (“D-SIBs”) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In December 2015, the FSA identified us as a D-SIB and required additional capital charge of 0.5% after March 2016, with 3-year transitional arrangement.

In November 2015, the FSB issued the final TLAC standard for G-SIBs. The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalization capacity available in resolution for authorities to implement an orderly resolution. In response to the FSB’s publication of the TLAC standard, in April 2016, the FSA published its policy to develop the TLAC framework in Japan applicable to Japanese G-SIBs and, in April 2018, revised such policy to apply the TLAC requirements in Japan not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. In the revised policy, the Japanese G-SIBs and Nomura (“TLAC Covered SIBs”) would be subject to the TLAC requirements in Japan. On March 2019, the FSA published the notices and revised the guidelines of TLAC regulations. Although Nomura is not identified as a G-SIB as of the date of this annual report, the TLAC Covered SIBs, including Nomura, will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, Nomura will be required to meet a minimum TLAC requirement of holding TLAC in an amount at least 16% of our consolidated risk-weighted assets as from March 31, 2021 and at least 18% as from March 31, 2024 as well as at least 6% of the applicable Basel III leverage ratio denominator from March 31, 2021 and at least 6.75% from March 31, 2024.

Furthermore, according to the FSA’s revised policy published in April 2018, which is subject to change based on future international discussions, the preferred resolution strategy for the TLAC Covered SIBs is Single Point of Entry (“SPE”) resolution, in which resolution powers are applied to the top of a group by a single national resolution authority (i.e., the FSA), although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant the TLAC Covered SIBs in crisis.

To implement this SPE resolution strategy effectively, the FSA requires holding companies of the TLAC Covered SIBs (“Domestic Resolution Entities”) to (i) meet the minimum external TLAC requirements and (ii) cause their material subsidiaries that are designated as systemically important by the FSA, including but not limited to certain material sub-groups as provided in the FSB’s TLAC standard, to maintain a certain level of capital and debt recognized by the FSA as having loss-absorbing and recapitalization capacity, or Internal TLAC.

In addition, the TLAC Covered SIBs’ Domestic Resolution Entities will be allowed to count the amount equivalent to 2.5% of their consolidated risk-weighted assets from the implementation date of the TLAC requirements in Japan (March 31, 2021 for Nomura) and 3.5% of their consolidated risk-weighted assets from 3 years after the implementation date (March 31, 2024 for Nomura) as our external TLAC, considering the Japanese Deposit Insurance Fund Reserves.

It is likely that the FSA’s regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee, FSB or International Organization of Securities Commissions.

## Credit Ratings

The cost and availability of unsecured funding are generally dependent on credit ratings. Our long-term and short-term debt is rated by several recognized credit rating agencies. We believe that our credit ratings include the credit ratings agencies' assessment of the general operating environment, our positions in the markets in which we operate, reputation, earnings structure, trend and volatility of our earnings, risk management framework, liquidity and capital management. An adverse change in any of these factors could result in a downgrade of our credit ratings, and that could, in turn, increase our borrowing costs and limit our access to the capital markets or require us to post additional collateral and permit counterparties to terminate transactions pursuant to certain contractual obligations. In addition, our credit ratings can have a significant impact on certain of our trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions.

On May 13, 2020, Fitch Ratings placed the bbb+ viability ratings of the Company and NSC on negative watch.

On July 28, 2020, Fitch Ratings changed the Outlook on Japan from Stable to Negative. Accordingly, on August 5, 2020, the Outlook of the A- Issuer Default Rating of the Company and NSC was changed from Stable to Negative.

On September 14, 2020, Moody's Investors Service changed the Outlook of the Baa1 Long Term Issuer Rating of the Company and the A3 Long Term Issuer Rating of NSC from Negative to Stable.

On November 13, 2020, Fitch Ratings changed the Outlook of the A- Issuer Default Rating of the Company and NSC from Negative to Stable and removed the negative watch on the bbb+ viability ratings.

On March 31, 2021, Fitch Ratings placed the bbb+ viability ratings of the Company and NSC on negative watch.

On March 31, 2021, Moody's Investors Service changed the Outlook of the Baa1 Long Term Issuer Rating of the Company and the A3 Long Term Issuer Rating of NSC from Stable to Negative.

On March 31, 2021, Rating and Investment Information, Inc. changed the issuer rating of the Company from A+ to A.

As of May 28, 2021, the credit ratings of the Company and NSC were as follows.

<u>Nomura Holdings, Inc.</u>	<u>Short-term Debt</u>	<u>Long-term Debt</u>
S&P Global Ratings . . . . .	A-2	BBB+ (Stable)
Moody's Investors Service . . . . .	—	Baa1 (Negative)
Fitch Ratings . . . . .	F1	A- (Stable)
Rating and Investment Information, Inc. . . . .	a-1	A(Stable)
Japan Credit Rating Agency, Ltd. . . . .	—	AA- (Stable)
<u>Nomura Securities Co., Ltd.</u>	<u>Short-term Debt</u>	<u>Long-term Debt</u>
S&P Global Ratings . . . . .	A-2	A- (Stable)
Moody's Investors Service . . . . .	P-2	A3 (Negative)
Fitch Ratings . . . . .	F1	A- (Stable)
Rating and Investment Information, Inc. . . . .	a-1	A+ (Stable)
Japan Credit Rating Agency, Ltd. . . . .	—	AA- (Stable)

Both Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. are credit rating agencies nationally recognized in Japan. We rely on, or utilize, credit ratings on our long-term and short-term

debt provided by these Japanese credit rating agencies, as well as S&P Global Ratings, Moody's Investors Service, and Fitch Ratings for unsecured funding and other financing purposes and also for our trading and other business activities. Within the rating classification system of Rating and Investment Information, Inc., "a-1" is the highest of five categories for short-term debt and indicates "a strong degree of certainty regarding debt repayment"; and "A" is the third highest of nine categories for long-term debt and indicates "a high degree of certainty regarding debt repayment with excellence in specific component factors", with a plus (+) or minus (-) sign added to a rating in that category to indicate its relative standing within that category. Within the rating classification system of Japan Credit Rating Agency, Ltd., "AA" is the second highest of eleven categories for long-term debt and indicates "a very high level of capacity to honor the financial commitment on the obligation", with a plus (+) or minus (-) sign added to a rating in that category to indicate its relative standing within that category.

There has been no change to the ratings in the above table since the date indicated.

### **C. Research and Development, Patents and Licenses, etc.**

Not applicable.

### **D. Trend Information.**

The information required by this item is set forth in Item 5.A of this annual report.

### **E. Off-Balance Sheet Arrangements.**

#### *Off-balance sheet entities*

In the normal course of business, we engage in a variety of off-balance sheet arrangements with off-balance sheet entities which may have an impact on Nomura's future financial position and performance.

Off-balance sheet arrangements with off-balance sheet entities include where Nomura has:

- an obligation under a guarantee contract;
- a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves to provide credit, liquidity or market risk support to such entity;
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or
- any obligation, including a contingent obligation, arising out of a variable interest in an off-balance sheet entity that is held by, and material to, us, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, us.

Off-balance sheet entities may take the form of a corporation, partnership, fund, trust or other legal vehicle which is designed to fulfill a limited, specific purpose by its sponsor. We both create or sponsor these entities and also enter into arrangements with entities created or sponsored by others.

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In connection with our securitization and equity derivative activities, we also act as a transferor of financial assets to these entities, as well as, underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities. We retain, purchase and sell variable interests in SPEs in connection with our market-making, investing and structuring activities. Our other types of off-balance sheet arrangements include guarantee agreements and derivative contracts. Significant involvement is assessed based on all of our arrangements with these entities, even if the probability of loss, as assessed at the balance sheet date, is remote.



For further information about transactions with VIEs, see Note 6 “*Securitized and Variable Interest Entities*” in our consolidated financial statements included in this annual report.

#### **F. Tabular Disclosure of Contractual Obligations.**

In the ordinary course of our business, we enter into a variety of contractual obligations and contingent commitments, which may require future payments. These arrangements include:

##### *Standby letters of credit and other guarantees:*

- In connection with our banking and financing activities, we enter into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have fixed expiration dates.

##### *Long-term borrowings and contractual interest payments:*

- In connection with our operating activities, we issue Japanese Yen and non-Japanese Yen denominated long-term borrowings which incur variable and fixed interest payments in accordance with our funding policy.

##### *Operating lease commitments:*

- We lease office space, residential facilities for employees, motor vehicles, equipment and technology assets in the ordinary course of business both in Japan and overseas as lessee. These arrangements predominantly consist of operating leases;
- Separately we sublease certain real estate and equipment through operating lease arrangements.

##### *Finance lease commitments:*

- We lease certain equipment and facilities in Japan and overseas which are classified as finance lease agreements.

##### *Purchase obligations:*

- We have purchase obligations for goods and services which include payments for construction, advertising, and computer and telecommunications maintenance agreements.

##### *Commitments to extend credit:*

- In connection with our banking and financing activities, we enter into contractual commitments to extend credit, which generally have fixed expiration dates;
- In connection with our investment banking activities, we enter into agreements with clients under which we commit to underwrite securities that may be issued by clients.
- As a member of certain central clearing counterparties, Nomura is committed to provide liquidity facilities through entering into reverse repo transactions backed by government and government agency debt securities with those counterparties in a situation where a default of another clearing member occurs.

##### *Commitments to invest in partnerships:*

- We have commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to those partnerships.

Note 8 “Leases” in our consolidated financial statements contains further detail on our operating leases and finance leases. Note 11 “Borrowings” in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 21 “Commitments, contingencies and guarantees” in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

The contractual amounts of commitments to extend credit represent the maximum amounts at risk should the contracts be fully drawn upon, should the counterparties default, and assuming the value of any existing collateral becomes worthless. The total contractual amount of these commitments may not represent future cash requirements since the commitments may expire without being drawn upon. The credit risk associated with these commitments varies depending on our clients’ creditworthiness and the value of collateral held. We evaluate each client’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management’s credit evaluation of the counterparty.

The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2021.

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees . . .	¥ 206,072	¥ 174,864	¥ 11,722	¥ 281	¥ 19,205
Long-term borrowings <sup>(1)</sup> . . . . .	7,851,677	463,710	1,451,430	2,375,311	3,561,226
Contractual interest payments <sup>(2)</sup> . . . . .	714,585	90,749	148,389	106,442	369,005
Operating lease commitments <sup>(3)</sup> . . . . .	218,717	42,411	60,702	46,952	68,652
Purchase obligations <sup>(4)</sup> . . . . .	121,604	30,120	26,367	64,649	468
Commitments to extend credit <sup>(5)</sup> . . . . .	2,301,943	1,506,760	198,334	204,430	392,419
Commitments to invest . . . . .	136,367	111,576	2,339	4,338	18,114
<b>Total . . . . .</b>	<b>¥11,550,965</b>	<b>¥2,420,190</b>	<b>¥1,899,283</b>	<b>¥2,802,403</b>	<b>¥4,429,089</b>

- (1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
- (2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2021.
- (3) The amounts of operating lease commitments are undiscounted future minimum lease payments. The amounts of finance lease contracts were immaterial.
- (4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables. Includes the commitment to purchase parts of the redeveloped real estate in Tokyo Nihonbashi district from the redevelopment association.
- (5) Contingent liquidity facilities to central clearing counterparties are included.

Excluded from the above table are obligations that are generally short-term in nature, including short-term borrowings, deposits received at banks and other payables, collateralized agreements and financing transactions (such as reverse repurchase and repurchase agreements), and trading liabilities.

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥1,725 billion for reverse repurchase agreements and ¥1,533 billion for repurchase agreements as of March 31, 2021.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management.

#### Directors

The following table provides information about Directors of the Company as of June 25, 2021.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Koji Nagai (Jan. 25, 1959)	Director	Apr. 1981	Joined the Company
	Chairman of Board Directors	Apr. 2003	Director of Nomura Securities Co., Ltd.
	Member of the Nomination Committee	Jun. 2003	Senior Managing Director of Nomura Securities Co., Ltd.
	Member of the Compensation Committee	Apr. 2007	Executive Managing Director of Nomura Securities Co., Ltd.
	Director and Chairman of Nomura Securities Co., Ltd.	Oct. 2008	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2009	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2011	Co-COO and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2012	Senior Managing Director of the Company
			Director and President of Nomura Securities Co., Ltd.
		Aug. 2012	Representative Executive Officer & Group CEO of the Company
			Director and President of Nomura Securities Co., Ltd.
		Jun. 2013	Director, Representative Executive Officer & Group CEO of the Company
			Director and President of Nomura Securities Co., Ltd.
	Apr. 2017	Director, Representative Executive Officer, President & Group CEO of the Company	
		Director and Chairman of Nomura Securities Co., Ltd.	
	Apr. 2020	Director and Chairman of the Company (Current)	
		Director and Chairman of Nomura Securities Co., Ltd. (Current)	

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Kentaro Okuda (Nov. 7, 1963)	Director, Representative Executive Officer, President and Group CEO Representative Director and President of Nomura Securities Co., Ltd.	<p>Apr. 1987 Joined the Company</p> <p>Apr. 2010 Senior Managing Director of Nomura Securities Co., Ltd.</p> <p>Apr. 2012 Senior Corporate Managing Director of Nomura Securities Co., Ltd.</p> <p>Aug. 2012 Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.</p> <p>Apr. 2013 Senior Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.</p> <p>Apr. 2015 Senior Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.</p> <p>Apr. 2016 Senior Managing Director of the Company Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.</p> <p>Apr. 2017 Senior Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.</p> <p>Apr. 2018 Executive Managing Director, and Group Co-COO and Head of Americas (based in New York) of the Company Director, Executive Managing Director and Deputy President of Nomura Securities Co., Ltd.</p> <p>Apr. 2019 Executive Managing Director and Deputy President, Group Co-COO of the Company</p> <p>Apr. 2020 Representative Executive Officer and President, Group CEO of the Company Representative Director of Nomura Securities Co., Ltd.</p> <p>Jun. 2020 Director, Representative Executive Officer, President &amp; Group CEO of the Company Representative Director of Nomura Securities Co., Ltd.</p> <p>Jun. 2021 Director, Representative Executive Officer, President &amp; Group CEO of the Company (Current) Representative Director and President of Nomura Securities Co., Ltd. (Current)</p>

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Tomoyuki Teraguchi (Aug. 4, 1962)	Director, Representative Executive Officer and Deputy President Representative Director and Deputy President of Nomura Securities Co., Ltd.	<p>Apr. 1986 Joined the Company</p> <p>Apr. 2009 Senior Managing Director and Global Equity Strategy Office of Nomura Securities Co., Ltd.</p> <p>Apr. 2011 Senior Managing Director and Global Markets Joint COO of Nomura Securities Co., Ltd.</p> <p>Feb. 2013 Senior Managing Director and Global Markets COO of Nomura Securities Co., Ltd.</p> <p>Apr. 2013 Senior Managing Director, Global Markets COO and Global Research of Nomura Securities Co., Ltd.</p> <p>Apr. 2016 Senior Managing Director, Group Compliance Head and Operations of the Company Representative Executive Officer, Compliance Division and Operations of Nomura Securities Co., Ltd., Internal Control Supervisory Manager</p> <p>Apr. 2017 Senior Managing Director, Group Compliance Head and Operations of the Company Representative Executive Officer, Senior Corporate Managing Director, Compliance Division and Operations of Nomura Securities Co., Ltd., Internal Control Supervisory Manager</p> <p>May. 2019 Executive Managing Director and Chief Compliance Officer of the Company Representative Director, Executive Vice President, Compliance and Legal of Nomura Securities Co., Ltd., Internal Control Supervisory Manager</p> <p>Apr. 2020 Executive Managing Director, Chief of Staff and Chief Compliance Officer of the Company Representative Director and Deputy President, Compliance and Legal of Nomura Securities Co., Ltd., Internal Control Supervisory Manager</p>

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		<p>Apr. 2021 Representative Executive Officer, Deputy President, Chief of Staff and Chief Compliance Officer of the Company Representative Director and Deputy President and Chief of Staff of Nomura Securities Co., Ltd.</p> <p>Jun. 2021 Director, Representative Executive Officer, Deputy President, Chief of Staff and Chief Compliance Officer of the Company (Current) Representative Director, Deputy President and Chief of Staff of Nomura Securities Co., Ltd. (Current)</p>
Shoji Ogawa (Aug. 9, 1964)	<p>Director Member of the Audit Committee (full-time) Statutory Auditor of Nomura Financial Products &amp; Services, Inc.</p>	<p>Apr. 1987 Joined the Company</p> <p>Apr. 2007 Head of Investment Banking Strategic Planning Dept of Nomura Securities Co., Ltd.</p> <p>Oct. 2008 Head of Capital Markets Dept. and Capital Solutions Dept. of Nomura Securities Co., Ltd.</p> <p>Jul. 2009 Head of Capital Markets Dept. of Nomura Securities Co., Ltd.</p> <p>Apr. 2012 Head of Investment Banking Strategic Planning Dept. of Nomura Securities Co., Ltd.</p> <p>Jul. 2013 Head of Office of Audit Committee of the Company Head of Office of Audit Committee of Nomura Securities Co., Ltd.</p> <p>Aug. 2016 Head of Office of Non-Executive Directors and Audit Committee of the Company Head of Office of Non-Executive Directors and Audit Committee of Nomura Securities Co., Ltd.</p> <p>Apr. 2017 Senior Managing Director and Group Internal Audit of the Company Senior Managing Director and Internal Audit of Nomura Securities Co., Ltd.</p> <p>Apr. 2021 Advisor of the Company</p> <p>Jun. 2021 Director of the Company (Current)</p>



Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Kazuhiko Ishimura (Sep. 18, 1954)	Outside Director	Apr. 1979 Joined Asahi Glass Co., Ltd. (currently, AGC Inc.) (“AGC”)
	Chairman of the Nomination Committee	Jan. 2006 Executive Officer and GM of Kansai Plant of AGC
	Chairman of the Compensation Committee	Jan. 2007 Senior Executive Officer and GM of Electronics & Energy General Division of AGC
	Outside Director of TDK Corporation	Mar. 2008 Representative Director and President & COO of AGC
	Outside Director of IHI Corporation	Jan. 2010 Representative Director and President & CEO of AGC
	President of the National Institute of Advanced Industrial Science and Technology	Jan. 2015 Representative Director & Chairman of AGC
		Jan. 2018 Director & Chairman of AGC
		Jun. 2018 Outside Director of the Company (Current)
		Mar. 2020 Director of AGC
		Apr. 2020 President of the National Institute of Advanced Industrial Science and Technology (Current)
Takahisa Takahara (Jul. 12, 1961)	Outside Director	Apr. 1991 Joined Unicharm Corporation
	Member of the Nomination Committee	Jun. 1995 Director of Unicharm Corporation
	Member of the Compensation Committee	Apr. 1996 Director, General Manager of Procurement Division and Deputy General Manager of International Division of Unicharm Corporation
	Representative Director, President & CEO of Unicharm Corporation	Jun. 1997 Senior Director of Unicharm Corporation
	Outside Director of Calbee, Inc.	Apr. 1998 Senior Director, General Manager of Feminine Hygiene Business Division of Unicharm Corporation
		Oct. 2000 Senior Director, Responsible for Management Strategy of Unicharm Corporation
		Jun. 2001 Representative Director, President of Unicharm Corporation
		Jun. 2004 Representative Director, President & CEO of Unicharm Corporation (Current)
		Jun. 2021 Outside Director of the Company (Current)

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Noriaki Shimazaki (Aug. 19, 1946)	Outside Director Chairman of the Audit Committee Director of Nomura Securities Co., Ltd. Outside Director of Loginet Japan Co., Ltd.	Apr. 1969	Joined Sumitomo Corporation
		Jun. 1998	Director of Sumitomo Corporation
		Apr. 2002	Representative Director and Managing Director of Sumitomo Corporation
		Jan. 2003	Member of the Business Accounting Council of the Financial Services Agency
		Apr. 2004	Representative Director and Senior Managing Executive Officer of Sumitomo Corporation
		Apr. 2005	Representative Director and Executive Vice President of Sumitomo Corporation
		Jan. 2009	Trustee of the IASC (currently, IFRS Foundation)
		Jul. 2009	Special Advisor of Sumitomo Corporation
		Jun. 2011	Director of the Financial Accounting Standards Foundation Chairman of Self-regulation Board and Public Governor of the Japan Securities Dealers Association
		Sep. 2013	Advisor of the IFRS Foundation Asia-Oceania Office Advisor of the Japanese Institute of Certified Public Accountants (Current)
		Jun. 2016	Outside Director of the Company (Current) Director of Nomura Securities Co., Ltd. (Current)
		Aug. 2019	Senior Advisor of the IFRS Foundation Asia-Oceania Office (Current)
		Mari Sono (Feb. 20, 1952)	Outside Director Member of the Audit Committee Auditor of WASEDA University
Mar. 1979	Registered as Certified Public Accountant		
Nov. 1988	Partner of CENTURY Audit Corporation(*)		
Nov. 1990	Member of “Certified Public Accountant Examination System Subcommittee”, Certified Public Accountant Examination and Investigation Board, Ministry of Finance		

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		Apr. 1992 Member of “Business Accounting Council”, Ministry of Finance
		Dec. 1994 Senior Partner, CENTURY Audit Corporation(*)
		Oct. 2002 Member of Secretariat of the Information Disclosure, Cabinet Office (currently, Secretariat of the Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications)
		Apr. 2005 External Comprehensive Auditor, Tokyo
		Jul. 2008 Senior Partner of Ernst & Young ShinNihon LLC
		Aug. 2012 Retired Ernst & Young ShinNihon LLC
		Dec. 2013 Commissioner of the Securities and Exchange Surveillance Commission
		Jun. 2017 Outside Director of the Company (Current) *Each of the corporation is currently Ernst & Young ShinNihon LLC
Laura Simone Unger (Jan. 8, 1961)	Outside Director Independent Director of CIT Group Inc. Independent Director of Navient Corporation Independent Director of Nomura Holding America Inc. Independent Director of Nomura Securities International, Inc. Independent Director of Nomura Global Financial Products Inc.	Jan. 1988 Enforcement Attorney of U.S. Securities and Exchange Commission (SEC) Oct. 1990 Counsel of U.S. Senate Committee on Banking, Housing, and Urban Affairs Nov. 1997 Commissioner of SEC Feb. 2001 Acting Chairperson of SEC Jul. 2002 Regulatory Expert of CNBC May 2003 Independent Consultant of JPMorgan Chase & Co. Aug. 2004 Independent Director of CA Inc. Jan. 2010 Special Advisor of Promontory Financial Group Dec. 2010 Independent Director of CIT Group Inc. (Current) Nov. 2014 Independent Director of Navient Corporation (Current) Jun. 2018 Outside Director of the Company (Current)

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Victor Chu (Jun. 20, 1957)	Outside Director Chairman and Chief Executive Officer of First Eastern Investment Group Chair of Council, University College London Co-Chair, International Business Council of the World Economic Forum Independent Director of Airbus SE	Dec. 1982 Solicitor of the Supreme Court, Hong Kong Jan. 1988 Chairman and Chief Executive Officer of First Eastern Investment Group (Current) Oct. 1988 Director and Council Member of the Hong Kong Stock Exchange Jun. 1992 Advisory Committee Member of the Securities and Futures Commission, Hong Kong Aug. 2003 Foundation Board Member of the World Economic Forum Apr 2018 Independent Director of Airbus SE (Current) Jun. 2021 Outside Director of the Company (Current)
J.Christopher Giancarlo (May 12, 1959)	Outside Director Senior Counsel of Willkie Farr & Gallagher LLP Independent Director of the American Financial Exchange Chairman of Common Securitization Solutions LLC Independent Director of BlockFi Inc. Principal of Digital Dollar Project	Sep. 1984 Associate Attorney of Mudge Rose Guthrie Alexander & Ferdon Oct. 1985 Associate Attorney of Curtis, Mallet-Prevost, Colt & Mosle Jan. 1992 Attorney, Founding Partner of Giancarlo & Gleiberman Sep. 1997 Attorney, (Equity) Partner of Thelen Reid Brown Raysman & Steiner Apr. 2000 Vice President and Legal Counsel of Fenics Software Apr. 2001 Executive Vice President of GFI Group Inc. Jun. 2014 Commissioner of the U.S. Commodity Futures Trading Commission Jan. 2017 Chairman of the U.S. Commodity Futures Trading Commission Oct. 2019 Independent Director of the American Financial Exchange (Current) Jan. 2020 Senior Counsel of Willkie Farr & Gallagher LLP (Current) Jun. 2021 Outside Director of the Company (Current)

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
Patricia Mosser (Feb. 14, 1956)	Outside Director	Jul. 1986	Assistant Professor, Economics Department, Columbia University
	Senior Research Scholar*	Jan. 1991	Economist and Vice President of the Federal Reserve Bank of New York (FRBNY)
	Director of the MPA Program in Economic Policy Management*	Nov. 2006	Senior Vice President, FRBNY, Member of the FX Forum, Executive Meeting of East Asia and Pacific (EMEAP) Central Banks, Bank for International Settlements
	Director of Central Banking and Financial Policy*	Jan. 2007	Board Member of the American Economic Association's Committee on the Status of Women in the Economics Profession
	*Positions at Columbia University, School of International and Public Affairs	Jun. 2007	Member of the Markets Committee, Bank for International Settlements
		Jan 2009	Acting Systemic Open Market Account Manager for the Federal Open Market Committee (FOMC)
		Oct. 2013	Deputy Director of the Office of Financial Research (OFR), U.S. Treasury Department
		Oct. 2013	Member of the Deputies Committee of the Financial Stability Oversight Council (FSOC)
		Jun. 2015	Senior Research Scholar and Director of Central Banking and Financial Policy at Columbia University's School of International and Public Affairs (Current)
		Jun. 2021	Outside Director of the Company (Current)

Among the Directors listed above Kazuhiko Ishimura, Takahisa Takahara, Noriaki Shimazaki, Mari Sono, Laura Simone Unger, Victor Chu, J.Christopher Giancarlo and Patricia Mosser satisfy the requirements for an "Outside Director" under the Companies Act.

## Executive Officers

The following table provides information about the Company's Executive Officers as of June 25, 2021.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Kentaro Okuda (Nov. 7, 1963)	See “ <i>Directors</i> ” under this Item 6.A.	See “ <i>Directors</i> ” under this Item 6.A.
Tomoyuki Teraguchi (Aug. 4, 1962)	See “ <i>Directors</i> ” under this Item 6.A.	See “ <i>Directors</i> ” under this Item 6.A.
Toshiyasu Iiyama (Feb. 24, 1965)	Executive Managing Director Head of China Committee Chief Health Officer Representative Director and Deputy President of Nomura Securities Co., Ltd.	Apr. 1987 Joined the Company Apr. 2012 Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2015 Senior Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2016 Senior Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd. Apr. 2018 Senior Managing Director of the Company Executive Officer and Executive Vice President of Nomura Securities Co., Ltd. Apr. 2019 Senior Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd. Apr. 2020 Senior Managing Director of the Company Representative Director and Deputy President of Nomura Securities Co., Ltd. Apr. 2021 Executive Managing Director and Chief Health Officer of the Company (Current) Representative Director and Deputy President of Nomura Securities Co., Ltd. (Current)
Takumi Kitamura (Nov. 26, 1966)	Executive Managing Director Chief Financial Officer Director, Executive Vice President of Nomura Securities Co., Ltd.	Apr. 1990 Joined the Company Apr. 2016 Executive Managing Director and Chief Financial Officer of the Company Executive Managing Director and Financial Officer of Nomura Securities Co., Ltd.



Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		Apr. 2019 Executive Managing Director and Chief Financial Officer of the Company Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2021 Executive Managing Director and Chief Financial Officer of the Company (Current) Director, Executive Vice President of Nomura Securities Co., Ltd. (Current)
Sotaro Kato (Oct. 9, 1969)	Executive Managing Director Chief Risk Officer Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.	Sep. 2002 Joined the Company Apr. 2020 Executive Managing Director and Chief Risk Officer of the Company (based in New York) (Current) Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd. (Current)
Toru Otsuka (Jun. 5, 1967)	Executive Managing Director Chief Strategy Officer Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.	Apr. 1991 Joined the Company Apr. 2018 Senior Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd. May. 2019 Senior Managing Director and Chief Strategy Officer of the Company Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2021 Executive Managing Director and Chief Strategy Officer of the Company (Current) Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd. (Current)

## B. Compensation of Statutory Officers

Nomura's compensation program for statutory officers is outlined as following.

### 1. Revision of Management Strategy and Compensation program of Statutory Officers

We renewed our business execution structure on April 1, 2020 and publicly released our new management vision and business strategy on May 19, 2020. In order to make sure that the management vision and business strategy are appropriately in line with our compensation program, we revised the method of determination for compensation of Statutory Officers as follows from the fiscal year, through discussion in the Compensation Committee. Also, an outside director Hiroshi Kimura assumed the position of the chairman of the Nominating Committee and the Compensation Committee since June 24, 2019. Now that other outside director Kazuhiko Ishimura assumed the position since June 21, 2021.

Items	Before revision	After revision
Key performance implementation (KPI) regarding Performance-Linked Compensation	Pre-Tax Income (PTI) Earnings Per Share (EPS) Dividend Per Share Share price	Return on Equity (ROE) <sup>(1)</sup>
Determination method for amounts of Performance-Linked Compensation	(Comprehensive consideration method) In addition to 4 (four) types of indicators above, each responsibility, performance, and trends of compensation of other global competitive firms and the industry etc. are comprehensively considered.	(Determination of the achievement of KPI targets by qualitative evaluation etc.) Determined by considering qualitative evaluation etc. by the Compensation Committee, based on the level of achievement in actual value against the target value regarding KPI.
Determination method for compensation of each Statutory Officers		Determined linkage with each KPI for compensation in align with each responsibility in advance. At the end of the fiscal year, finally determined by considering each contribution, performance of its responsible area, qualitative evaluation etc.
Nominating Committee and Compensation Committee	(On and before June 23, 2019) Chairman: Nobuyuki Koga (chairman of board of directors, non-executive director) Member: Hiroshi Kimura (outside directors) Member: Kazuhiko Ishimura (outside directors)	(On and after June 21, 2021) Chairman: Kazuhiko Ishimura (outside directors) Member: Takahisa Takahara (outside directors) Member: Koji Nagai (chairman of board of directors, non-executive director)

- (1) The reason for selecting ROE as KPI is that it is set out in management vision and business strategy, which is publicly announced on May 19, 2020, as the most important indicator for assessment of business growth.

## 2. Compensation Policy and Compensation Scheme

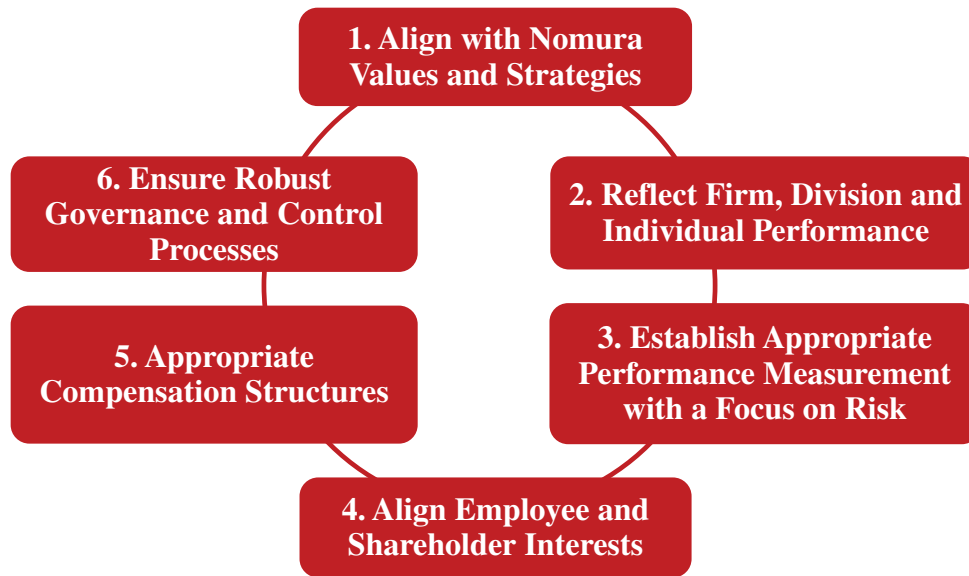
### (1) Compensation policy

We have developed Nomura Group compensation policy for all the employees and statutory officers (“Group Compensation Policy”) and Compensation Policy for Directors and Executive Officers of Nomura Holdings, Inc. to enable us to achieve sustainable growth, realize a long-term increase in shareholder value, deliver client excellence, compete in a global market and enhance our reputation. The Compensation Committee has been setting those policies with discussion for its appropriateness on every fiscal year.

Group Compensation Policy is as follows.

- Nomura Group is establishing its status firmly as a globally competitive financial services group. To support this, we recognize that our people are our most valuable asset.
- We have therefore developed our compensation policy for both executives and employees of Nomura Group to ensure we attract, retain, motivate and develop talent that enables us to achieve sustainable growth, realize a long-term increase in shareholder value, deliver client excellence, compete in a global market and enhance our reputation.

Group Compensation Policy is based around the following six key themes. It aims to:



”Compensation Policy for Directors and Executive Officers of Nomura Holdings, Inc.” is as follows:

Compensation of Directors and Executive Officers is composed of base salary, cash bonus and long-term incentive plans.

1) Base Salary

- Base salary is determined based on factors such as professional background, career history, responsibilities and compensation standards of related business fields.
- A portion of base salary may be paid in equity linked awards with appropriate vesting periods to ensure that medium to long-term interests of Directors and Executive Officers are closely aligned with those of shareholders.

2) Yearly Bonus

- Yearly bonuses of Directors and Executive Officers are determined by taking into account both quantitative and qualitative factors. Quantitative factors include performance of the Group and the division. Qualitative factors include achievement of individual goals and subjective assessment of individual contribution.

- Depending on the level of bonus payment, a portion of payment in cash may be deferred. In addition, a portion of deferred bonus may be paid in equity linked awards with appropriate vesting periods in lieu of cash to ensure that medium to long-term interests of Directors and Executive Officers are closely aligned with those of shareholders. Such deferred bonus may be unpaid or forfeited under specific circumstances.

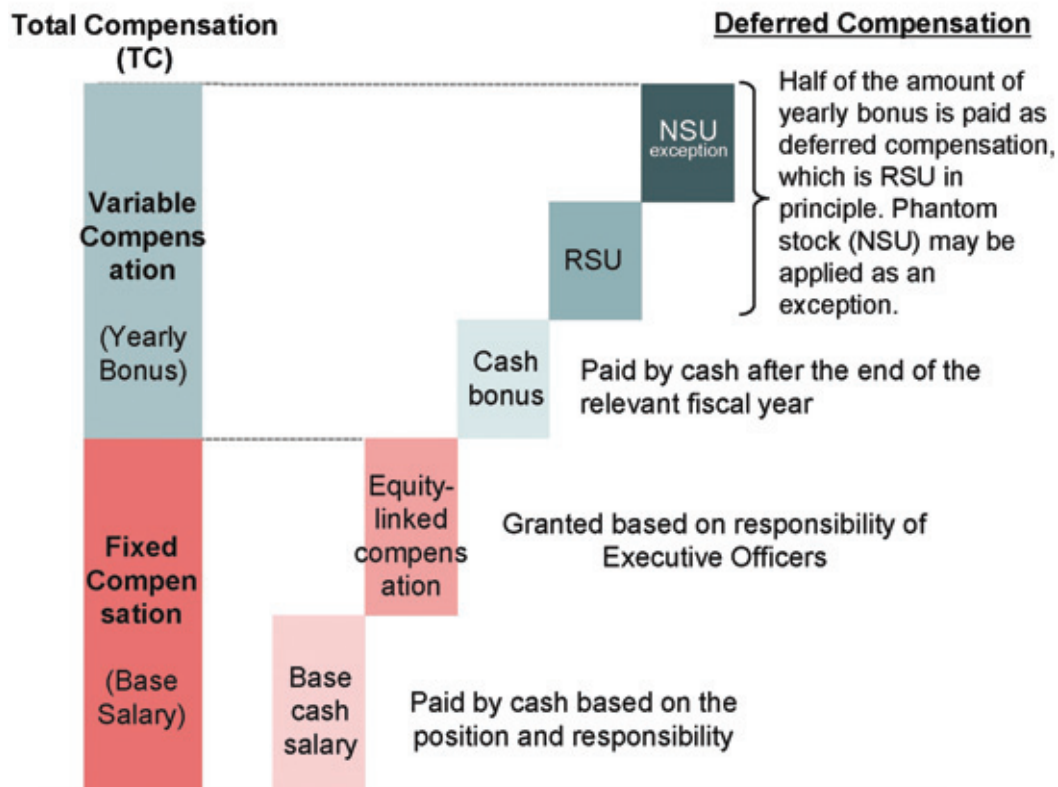
### 3) Long-term Incentive Plan

- Long-term incentive plans may be awarded to Directors and Executive Officers, depending on their individual responsibilities and performance.
- Payments under long-term incentive plans are made when a certain degree of achievements are accomplished. Payments are made in equity linked awards with appropriate vesting periods to ensure that medium to long-term interests of Directors and Executive Officers are closely aligned with those of shareholders.

## (2) Scheme and details of Compensation for Directors and Executive Officers

1) Scheme of Compensation and Directors and Executive Officers and calculation method.

### Scheme of compensation for Directors and Executive Officers



The result of Total Compensation (hereafter “TC”) for the President and the Group CEO regarding the fiscal year ended as of March 31, 2021 is as follows.

<u>Base Salary (Fixed Compensation)</u>			<u>Yearly Bonus (Variable Compensation)</u>			<u>Total Compensation (TC)</u>
<u>Base cash salary</u>	<u>Equity-linked compensation</u>	<u>Subtotal</u>	<u>Cash Bonus</u>	<u>Deferred Compensation</u>	<u>Subtotal</u>	
102.0	17.4	119.4	100.5	100.5	201.0	320.4
31.8%	5.4%	37.3%	31.4%	31.4%	62.7%	100.0%

The percentage of Base Salary (Fixed Compensation) and Yearly Bonus (Variable Compensation) in TC is approximately 40% : 60%. Also, Base Salary (Fixed Compensation) includes equity-linked compensation, which is delivered by Nomura’ shares after the relevant fiscal year, same as deferred compensation. To be in line with overall responsibility of business execution of the Nomura Group, approximately 40% (equity-linked compensation, which is a part of Base Salary (Fixed Compensation), and deferred compensation) of TC are paid as equity-linked compensation, which leads to the alignment of interest with shareholders and appropriate medium-term incentives.

## 2) Calculation method of the Yearly Bonus

<Outline of calculation method>

In calculating the Yearly Bonus for the Directors and the Executive Officers, a different calculation method is applied depending on the position.

<Specific calculation method by position>

- With respect to the President and the Group CEO, given the overall responsibility of business execution of the Nomura Group, the basic amount of the Yearly Bonus is calculated based on the level of achievement in actual value against the target value regarding ROE. In addition, TC, including the Base Salary and the Yearly Bonus, is determined by considering, as needed, qualitative evaluation etc. by the Compensation Committee.
- With respect to the Executive Officers, same as the President and the Group CEO, given the responsibility of business execution for the Nomura Group, an individual ratio is applied to calculate their basic amounts of the Yearly Bonus. In addition, the Yearly Bonus and TC are determined by reflecting the qualitative evaluation etc. such as the performance and contribution for their responsible area.
- With respect to the chairman of the Board of Directors, it is treated in the same matter as the Executive Officers.

<Actual value regarding the performance indicator used for the calculation of the Yearly Bonus>

<u>Performance Indicator</u>	<u>Target value</u>	<u>Actual value for the Fiscal Year</u>
ROE .....	8.0%	5.7%

## 3) Yearly Bonus of Director of the audit committee member and Outside Directors

With respect to the Director of the audit committee member is paid in cash only, to exclude equity-linkage of its compensation, so as to keep its independency from business execution. Also, Outside Directors are out of the scope of the Yearly Bonus

## 4) Matters relating to Non-Monetary Compensation

### (1) Deferred Compensation (equity-linked compensation)

The Company sets half of the amount of the Yearly Bonus of the Directors and Executive Officers. In principle, equity-linked compensation (Restricted Stock Unit (“RSU”), Notional Stock Unit (“NSU”) ) that falls under the Non-Monetary Compensation is used for payment of the amount.

(2) Outline of current Deferred Compensation Awards.

The outline of current Deferred Compensation Awards is as follows.

Type of award	Key features
RSU awards	<ul style="list-style-type: none"><li>• Settled in Nomura's common stock.</li><li>• Graded vesting period is set as three years in principle.</li><li>• It is introduced as the Deferred Compensation since the fiscal year ended March 31, 2018.</li><li>• In principle, it has been granted in May every year.</li></ul>
NSU awards	<ul style="list-style-type: none"><li>• Linked to the price of Nomura's common stock and cash—settled.</li><li>• Same as RSU awards, graded vesting period is set as three years in principle.</li><li>• Following the introduction of RSU as a principle vehicle in 2018 NSU awards are less commonly used in Nomura.</li><li>• Same as RSU awards, in principle, it has been granted in May every year.</li></ul>

As stated above, RSU awards have been introduced as a principle vehicle from the fiscal year ended as of March 31, 2018 and replaced with stock acquisition rights and other awards.

(3) Effect of payment of deferred compensation as equity-related compensation

By providing deferred compensation as equity-linked compensation, the economic value of the compensation is linked to the stock price of Nomura, and a certain vesting period is set.

- Alignment of interests with shareholders.
- Clawback by prescribing requirements such as voluntary retirement and violation of regulations.
- Medium-term incentives (\*) and retention by providing an opportunity for the economic value of Deferred Compensation at the time of grant to be increased by a rise in shares during a period of time from grant to vesting.
- \* In line with the introduction of RSU, among the equity-linked compensation, as the principal vehicle for Deferred Compensation, in principle, Nomura's common stock will be paid instead of cash over the three year deferral period from the fiscal year following the fiscal year in which the deferred compensation was granted. Since the number of shares to be paid is determined based on the Nomura's share price at the time of grant, the increase in Nomura's share price will increase the economic value of Deferred Compensation at the time of vest. Since the increase in share prices reflects the increase in corporate value, alignment of interest with that of shareholders, in addition to medium-term incentive effects for the Directors and Executive Officers, will be achieved.
- Promotion of cross-divisional collaboration and cooperation by providing a common goal of increasing corporate value over the medium to long term.

(4) Clawback prescribed in Deferred Compensation

Any voluntary resignation, material modification of the financial statements, material breach of Nomura's internal policies and regulations etc. are subject to forfeiture, reduction or clawback (Conclusion of individual contracts including "clawback clause").



(5) Deferred Compensation program in the past

For fiscal years ended March 31, 2017 and prior fiscal years, we granted SAR Plan B awards as a type of core deferral award to Statutory Officers and employees, which are stock unit awards linked to price of the Company's common stock pursuant to several stock unit plans designed to replicate the structure of restricted stock awards commonly used in the United States and Europe. These awards are physically-settled upon exercise into the Company's common stock, have an exercise price of ¥1 per share and graded vesting generally over three years with certain longer vesting or holding periods where required under local regulations, and are subject to forfeiture, reduction or clawback in the same way as the above awards.

For fiscal years ended March 31, 2011 through to March 31, 2017, we granted supplemental deferral awards comprising Collared Notional Stock Unit ("CSU") awards and Notional Index Unit ("NIU") awards. CSU awards are linked to the price of the Company's stock subject to a cap and a floor and NIU awards are linked to a world stock index quoted by Morgan Stanley Capital International. Both types of award are cash-settled with graded vesting generally over three years with certain longer vesting periods where required by local regulations, and are subject to forfeiture, reduction or clawback in the same way as the above awards.

Following the introduction of RSU awards, no new SAR Plan B, CSU or NIU awards were granted in May 2018 in respect of the fiscal year ended March 31, 2018. However, existing unvested awards continue to vest in accordance with their original contractual terms.

### 3. Compensation for Directors and Executive Officers

Pursuant to the fundamental approach and framework of compensation as described above, and as a company which adopts a committee-based corporate governance system, a Compensation Committee of Nomura determines compensation of its Directors and Executive Officers in accordance with our applicable compensation policy.

#### (1) Aggregate Compensation for Directors and Officers

	Number of People <sup>(1)</sup>	Millions of yen			
		Year ended March 31, 2021			
		Base Salary <sup>(2,3)</sup>	Performance-linked compensation <sup>(4)</sup>	Non-monetary compensation (Deferred Compensation) <sup>(5)</sup>	Total
Directors .....	10	¥ 290	¥ 66	¥ 226	¥ 582
(Outside Directors included in above) .....	(6)	(130)	( — )	( — )	(130)
Executive Officers .....	6	420	240	364	1,024
Total .....	16	¥ 710	¥ 306	¥ 590	¥1,606

(1) The number of people includes two Directors who retired in June 2020. There were eight Directors and six Executive Officers as of March 31, 2021. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.

(2) Base Salary of ¥710 million includes other compensation (commuter pass allowance) of ¥850 thousand.

(3) In addition to base salary of Executive Officers, ¥16 million of corporate housing costs, such as housing allowance and related tax adjustments, were provided.

(4) Out of the Yearly Bonus, amounts to be paid in cash after the Fiscal Year close are shown.

(5) Deferred compensation (such as RSU and stock options) granted during and prior to the fiscal year ended March 31, 2021 is recognized as expense in the financial statements for the fiscal year ended March 31, 2021.

(6) Subsidiaries of the Company paid ¥65 million to Outside Directors as compensation, etc. for their directorship at those subsidiaries for the fiscal year ended March 31, 2021.

(7) The Company abolished retirement bonuses to Directors in 2001.

**(2) Individual compensation of Directors and Executive Officers receiving ¥100 million or more**

			Millions of yen						
Name	Company	Category	Fixed Remuneration (Basic Compensation)			Variable Compensation <sup>(1)</sup>			
			Base Salary	Equity Compensation (RSUs)	Total	Cash Bonus	Deferred Compensation (RSUs, etc.)	Total	Total
Koji Nagai	Nomura	Chairman of the Board of Directors	¥ 91.2	¥ 0	¥ 91.2	¥ 50.5	¥ 50.5	¥101.0	¥192.2
Kentaro Okuda <sup>(2)</sup>	Nomura	Director, Representative Executive Officer (Group CEO)	¥102.0	¥17.4	¥119.4	¥100.5	¥100.5	¥201.0	¥320.4
Toshio Morita	Nomura	Executive Managing Director (Group Co-COO)	¥ 84.0	¥15.0	¥ 99.0	¥ 54.7	¥ 54.7	¥109.3	¥208.3
Tomoyuki Teraguchi	Nomura	Executive Managing Director	¥ 66.0	¥13.2	¥ 79.2	¥ 32.9	¥ 32.9	¥ 65.8	¥145.0

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2021.

(2) In addition to basic compensation, ¥16 million of corporate housing costs, such as housing allowance and related tax adjustments, were provided.

**During the Fiscal Year, the Compensation Committee was held 7 times and has been discussing as follows.**

Date	Summary of the discussion and the resolution	Attendance records of the member
April 24, 2020	Discussion: The yearly bonus of the previous fiscal year	perfect attendance
May 8, 2020	Resolution: The yearly bonus of the previous fiscal year	perfect attendance
June 24, 2020	Resolution: The appointment of the Director with the right to convoke the board of directors meetings and the Director who reports the executions of the committee's duties to the board of the directors meetings. Resolution: The compensation policies Resolution: Individual base salary of the Directors and Executive Officers	perfect attendance
August 25, 2020	Discussion: Transformation of the determination process of the Directors and Executive Officers compensation (bonus).	perfect attendance
October 28, 2020	Discussion: Transformation of the determination process of the Directors and Executive Officers compensation (bonus).	perfect attendance
December 3, 2020	Resolution: Transformation of the determination process of the Directors and Executive Officers compensation (bonus).	perfect attendance
March 26, 2021	Resolution: Individual base salary of the Directors and Executive Officers. Discussion: The yearly bonuses of the Fiscal Year. Discussion: The determination process of the Directors and Executive Officers compensation (bonus).	perfect attendance

Through the discussions and the resolutions above, the Compensation Committee confirmed that the compensations for the Directors and the Executive Officers regarding the Fiscal Year are in line with relevant compensation policies and appropriate. Also, the outlines of the discussions have been reported to the Board of Directors meeting.

### 3) Status of indicators referred in determining performance-linked compensation

Performance-linked compensation has been determined based on the mechanism described in above sections and certain indicators. Changes of the indicators between actuals of previous fiscal year and current year are referred in determining the performance-linked compensation as well as other qualitative information, compensation trends among competitors and industry.

Please refer to Item 3.A. “*Selected Financial Data*” for the actual values of the referring indicators.

### 4. Compensation governance and control

The Compensation Committee of Nomura, which is a statutory committee, is responsible for approving our overall compensation policy and for ensuring that the Nomura Group’s compensation framework supports our business strategy.

The Compensation Committee was held 8 times during the fiscal year to review and determine policies, framework, and individual compensation of directors and executive officers. To ensure effective discussion and determination at the Compensation Committee, executive officers are invited. Regarding the members of the Compensation Committee, please refer to Item 6.A. “*Directors and Senior Management*.”

The Compensation Committee’s activities during the fiscal year are following, variable compensation were discussed and determined on April 25, 2019. In addition, voluntary salary cut was reported on May 24, 2019. On June 24, 2019, after the appointment of directors at the annual shareholder meeting, the Compensation Committee reviewed and confirmed our compensation policy and determined fixed compensation for new directors. Also, checked and confirmed a partial amendment of the Nomura Group Compensation Policy. Furthermore, held 3 consecutive meetings since August 26, 2019, for discussing compensation control of directors and executive officers, which resulted to a resolution for a few sections on March 3, 2020, aiming to apply from the performance period ending March 31, 2021. On March 30, 2020, the fixed remuneration was determined for newly appointed executive officers as of April 1, 2020.

### Stock Acquisition Rights (“SARs”)

The following table presents information regarding unexercised Stock Acquisition Rights as of March 31, 2021.

Series of SARs	March 31, 2021				
	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.47	June 5, 2012	29,200	From April 20, 2016 to April 19, 2021	¥1	¥ 0
Stock Acquisition Rights No.48	June 5, 2012	411,900	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	36,500	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	39,700	From October 20, 2016 to April 19, 2022	1	0
Stock Acquisition Rights No.54	June 5, 2013	79,100	From April 20, 2016 to April 19, 2021	1	0

March 31, 2021

Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.57	June 5, 2014	87,200	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.58	June 5, 2014	720,900	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.61	June 5, 2014	840,600	From March 31, 2017 to March 30, 2022	1	0
Stock Acquisition Rights No.62	November 18, 2014	2,670,700	From November 18, 2016 to November 17, 2021	738	0
Stock Acquisition Rights No.63	June 5, 2015	80,500	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.64	June 5, 2015	659,500	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.65	June 5, 2015	1,029,200	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.68	November 18, 2015	2,565,800	From November 18, 2017 to November 17, 2022	802	0
Stock Acquisition Rights No.69	June 7, 2016	686,600	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.70	June 7, 2016	1,100,400	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.71	June 7, 2016	1,330,000	From April 20, 2019 to April 19, 2024	1	0
Stock Acquisition Rights No.72	June 7, 2016	203,200	From October 30, 2016 to October 29, 2021	1	0
Stock Acquisition Rights No.74	November 11, 2016	2,370,400	From November 11, 2018 to November 10, 2023	593	0
Stock Acquisition Rights No.75	June 9, 2017	852,600	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.76	June 9, 2017	1,003,900	From April 20, 2019 to April 19, 2024	1	0
Stock Acquisition Rights No.77	June 9, 2017	1,541,400	From April 20, 2020 to April 19, 2025	1	0
Stock Acquisition Rights No.78	June 9, 2017	811,800	From April 20, 2021 to April 19, 2026	¥ 1	¥ 0
Stock Acquisition Rights No.79	June 9, 2017	809,900	From April 20, 2022 to April 19, 2027	1	0
Stock Acquisition Rights No.80	June 9, 2017	136,200	From April 20, 2023 to April 19, 2028	1	0
Stock Acquisition Rights No.81	June 9, 2017	136,200	From April 20, 2024 to April 19, 2029	1	0
Stock Acquisition Rights No.82	June 9, 2017	276,700	From October 30, 2017 to October 29, 2022	1	0
Stock Acquisition Rights No.83	June 9, 2017	63,900	From April 30, 2018 to April 29, 2023	1	0
Stock Acquisition Rights No.84	November 17, 2017	2,475,300	From November 17, 2019 to November 16, 2024	684	0
Stock Acquisition Rights No.85	November 20, 2018	2,316,300	From November 20, 2020 to November 19, 2025	573	0

- (1) SARs (including those granted to Directors and Executive Officers of Nomura which are stated in the table below) are issued in conjunction with deferred compensation plan.
- (2) The number of shares issuable under SARs is subject to adjustments under certain circumstances including stock splits.

### SARs Held by Directors and Executive Officers of Nomura

The following table presents details of Stock Acquisition Rights held by Directors and Executive Officers as of March 31, 2021.

Series of SARs	March 31, 2021	
	Number of Shares under SARs	Numbers of Holders Directors and Executive Officers (excluding Outside Directors)
Stock Acquisition Rights No.58 .....	91	1
Stock Acquisition Rights No.61 .....	126	1
Stock Acquisition Rights No.64 .....	69	1
Stock Acquisition Rights No.65 .....	438	2
Stock Acquisition Rights No.69 .....	145	1
Stock Acquisition Rights No.70 .....	635	3
Stock Acquisition Rights No.71 .....	634	3
Stock Acquisition Rights No.75 .....	687	3
Stock Acquisition Rights No.76 .....	687	3
Stock Acquisition Rights No.77 .....	860	4

### Pension, Retirement or Similar Benefits

See Note 13 “*Employee benefit plans*” in our consolidated financial statements included in this annual report.

### C. Board Practices.

#### Information Concerning Directors

The Companies Act states that a Company with Three Board Committees (as defined below) must establish three committees; a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company’s directors, and the majority of the members of each committee must be outside directors. At a Company with Three Board Committees, the board of directors is entitled to establish the basic management policy for the company, has decision-making authority over certain prescribed matters, and supervises the execution by the executive officers of their duties. Executive officers and representative executive officers appointed by a resolution adopted by the board of directors manage the business affairs of the company, based on a delegation of authority by the board of directors.

Since June 2003, the Company has adopted a corporate governance structure that separates management oversight functions from business execution functions (“Company with Three Board Committees”). Through this governance structure, the Company aims to strengthen management oversight, increase the transparency of the Company’s management and expedite the decision-making process within the Nomura Group. An outline of the Company’s Board of Directors, Nomination Committee, Audit Committee and Compensation Committee is provided below.

### *Board of Directors*

The Company's Board of Directors consists of Directors who are elected at a general meeting of shareholders and the Company's Articles of Incorporation provide that the number of Directors shall not exceed twenty. The term of office of each Director expires upon the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within one year after their appointment. Directors may serve any number of consecutive terms. From among its members, the Company's Board of Directors elects the Chairman. The Company's Board of Directors met eleven times during the fiscal year ended March 31, 2021. As a group, the Directors attended 99% of the total number of meetings of the Board of Directors during the year. The Board of Directors has the authority to determine the Company's basic management policy and supervise the execution by the Executive Officers of their duties. Although the Board of Directors also has the authority to make decisions with regard to the Company's business, most of this authority has been delegated to the Executive Officers by a resolution adopted by the Board of Directors. There are no Directors' service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

### *Nomination Committee*

The Nomination Committee, in accordance with the Company's Regulations of the Nomination Committee, determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders by the Board of Directors. The Nomination Committee met eight times during the fiscal year ended March 31, 2021. As a group, the member Directors attended all of the meetings of the Nomination Committee during the year. As of June 21, 2021, the members of the Nomination Committee are Koji Nagai, a Director not concurrently serving as an Executive Officer, and Outside Directors Kazuhiko Ishimura and Takahisa Takahara. Kazuhiko Ishimura is the Chairman of this Committee.

### *Audit Committee*

The Audit Committee, in accordance with the Company's Regulations of the Audit Committee, (i) audits the execution by the Directors and the Executive Officers of their duties and the preparation of audit reports and (ii) determines the details of proposals concerning the election, dismissal or non-reappointment of the accounting auditor to be submitted to general meetings of shareholders by the Board of Directors. With respect to financial reporting, the Audit Committee has the statutory duty to examine financial statements and business reports to be prepared by Executive Officers designated by the Board of Directors and is authorized to report its opinion to the ordinary general meeting of shareholders.

The Audit Committee met fifteen times during the fiscal year ended March 31, 2021. As a group, the member Directors attended all of the meetings of the Audit Committee during the year. As of June 21, 2021, the members of the Audit Committee are Shoji Ogawa (a full-time member of the Audit Committee) and Outside Directors, Noriaki Shimazaki and Mari Sono. Noriaki Shimazaki is the Chairman of this Committee.

### *Compensation Committee*

The Compensation Committee, in accordance with the Company's Regulations of the Compensation Committee, determines the Company's policy with respect to the determination of the details of each Director and Executive Officer's compensation. The Compensation Committee also determines the details of each Director and Executive Officer's actual compensation. The Compensation Committee met seven times during the fiscal year ended March 31, 2021. As a group, the member Directors attended all of the meetings of the Compensation Committee during the year. As of June 21, 2021, the members of the Compensation Committee are Koji Nagai, a Director not concurrently serving as an Executive Officer, and Outside Directors Kazuhiko Ishimura and Takahisa Takahara. Kazuhiko Ishimura is the Chairman of this Committee.



### Limitation of Director Liability

In accordance with Article 33, Paragraph 2 of the Company's Articles of Incorporation and Article 426, Paragraph 1 of the Companies Act, the Company may execute agreements with Directors (excluding a person who serves as an executive director, etc.) that limit their liability to the Company for damages suffered by the Company if they acted in good faith and without gross negligence. Accordingly, the Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages ("Limitation of Liability Agreements") with each of the following Directors: Shoji Ogawa, Kazuhiko Ishimura, Takahisa Takahara, Noriaki Shimazaki, Mari Sono, Laura Simone Unger, Victor Chu, J. Christopher Giancarlo and Patricia Mosser. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

### Information Concerning Executive Officers

Executive Officers of the Company are appointed by the Board of Directors, and the Company's Articles of Incorporation provide that the number of Executive Officers shall not exceed forty-five. The term of office of each Executive Officer expires upon the conclusion of the first meeting of the Board of Directors convened after the ordinary general meeting of shareholders for the last fiscal year ending within one year after each Executive Officer's assumption of office. Executive Officers may serve any number of consecutive terms. Executive Officers have the authority to determine matters delegated to them by resolutions adopted by the Board of Directors and to execute business activities.

### D. Employees.

The following table shows the number of our employees as of the dates indicated:

	March 31,		
	2019	2020	2021
Japan .....	15,852	15,748	15,330
Europe .....	2,909	2,691	2,769
Americas .....	2,357	2,120	2,152
Asia and Oceania .....	6,746	6,070	6,151
Total .....	<u>27,864</u>	<u>26,629</u>	<u>26,402</u>

As of March 31, 2021, we had 15,330 employees in Japan, including 8,659 in our Retail Division, 1,707 in our Wholesale Division and 852 in our Asset Management Division. In overseas, we had 11,072 employees, of which 2,769 were located in Europe, 2,152 in the Americas, and 6,151 in Asia and Oceania.

As of March 31, 2021, 8,841 of Nomura Securities' employees in Japan were members of the Nomura employees' union, with which we have a labor contract. The Company and labor union communicate frequently in order to resolve labor-related matters.

We have not experienced any strikes or other labor disputes in Japan or overseas and consider our employee relations to be excellent.

## E. Share Ownership.

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2021. As of that date, none of them owned 1% or more of our issued and outstanding shares. None of the shares referred to below have different voting rights.

### Directors

Name	Number of Shareholdings
Koji Nagai	328,228
Kentaro Okuda	189,416
Tomoyuki Teraguchi	171,128
Shoji Ogawa	31,784
Kazuhiko Ishimura	—
Takahisa Takahara	881
Noriaki Shimazaki	21,175
Mari Sono	—
Laura Simone Unger	(1,000ADR) <sup>(1)</sup>
Victor Chu	—
J.Christopher Giancarlo	—
Patricia Mosser	—
Total	742,612

(1) ADRs are not included in the total.

### Executive Officers

Name	Number of Shareholdings
Kentaro Okuda	See above
Tomoyuki Teraguchi	See above
Toshiyasu Iiyama	80,707
Takumi Kitamura	55,741
Sotaro Kato	5,714
Toru Otsuka	20,938
Total	163,100

For information regarding stock options granted to our Directors and Executive Officers, see Item 6.B “*Compensation*” of this annual report.

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders.

According to a statement on Schedule 13G (Amendment No.6) filed by BlackRock, Inc. with the SEC on January 29, 2021, BlackRock, Inc. owned 184,193,537 shares, representing 5.70% of the issued shares of the Company’s common stock. However the Company has not confirmed the status of these shareholdings as of March 31, 2021.

According to a statement on Schedule 13G (Amendment No.1) filed by Sumitomo Mitsui Trust Holdings, Inc. with the SEC on February 5, 2021, Sumitomo Mitsui Trust Holdings, Inc. owned 217,569,400 shares, representing 6.70% of the issued shares of the Company’s common stock. However the Company has not confirmed the status of these shareholdings as of March 31, 2021.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2021, there were 291 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 397,971,009 shares of the Company's common stock, representing 12.3% of Nomura's then issued common stock. As of March 31, 2021, there were 34,687,335 ADSs outstanding, representing 34,687,335 shares of the Company's common stock or 1.1% of Nomura's then issued common stock. Our major shareholders above do not have different voting rights.

## **B. Related Party Transactions.**

### **Nomura Research Institute, Ltd.**

NRI develops and manages computer systems and provides research services and management consulting services. We are one of the major clients of NRI.

We held 28.8% of NRI's outstanding share capital as of March 31, 2021.

For the year ended March 31, 2021, we purchased ¥14,407 million worth of software and computer equipment and paid ¥47,005 million for other services to NRI, while received ¥548 million from NRI.

See also Note 20 "*Affiliated companies and other equity-method investees*" in the consolidated financial statements included in this annual report.

### **Directors**

There were no significant transactions.

## **C. Interests of Experts and Counsel.**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information.**

#### **Financial Statements**

The information required by this item is set forth in our consolidated financial statements included elsewhere in this annual report.

#### **Legal Proceedings**

For a discussion of our litigation and related matters, see Note 21 "*Commitments, contingencies and guarantees*" in the consolidated financial statements included in this annual report.

#### **Dividend Policy**

For our dividend policy, see Item 5.B "*Liquidity and Capital Resources—Capital Management—Dividends*" in this annual report.

## **B. Significant Changes.**

Except as disclosed in this annual report, there have been no significant changes since March 31, 2021.

## **Item 9. The Offer and Listing**

### **A. Offer and Listing Details.**

See Item 9. C. “The Offer and Listing—Markets”.

### **B. Plan of Distribution.**

Not applicable.

### **C. Markets.**

The principal trading market for the Company’s common stock is the Tokyo Stock Exchange. The Company’s common stock has been listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange since 1961. The trading symbol on those trading markets is “8604.”

Since December 2001, the Company’s common stock has been listed on the New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of common stock. The trading symbol is “NMR.” The Company’s common stock has been listed on the Singapore Stock Exchange since 1994. The trading symbol is “N33.”

### **D. Selling Shareholders.**

Not applicable.

### **E. Dilution.**

Not applicable.

### **F. Expenses of the Issue.**

Not applicable.

## **Item 10. Additional Information**

### **A. Share Capital.**

Not applicable.

### **B. Memorandum and Articles of Association.**

#### **Register, Objects and Purposes in the Company’s Articles of Incorporation**

Nomura Holdings, Inc. is incorporated in Japan and is registered in the Commercial Register (*Shogyo Tokibo* in Japanese) maintained by the Tokyo Legal Affairs Bureau.

Article 2 of the Company’s Articles of Incorporation, which is an exhibit to this annual report, states that the Company’s purpose is, by means of holding shares, to control and manage the business activities of domestic companies which engage in the following businesses and the business activities of foreign companies which engage in the businesses equivalent to the following businesses:

- (1) Financial instruments business prescribed in the Financial Instruments and Exchange Law;
- (2) Banking business prescribed in the Banking Law and trust business prescribed in the Trust Business Law; and
- (3) Any other financial services and any business incidental or related to such financial services.
- (4) Other than as prescribed in the items above, any other business ancillary or related to survey and research in connection with the economy, financial or capital markets, or infrastructure or undertaking the outsourcing thereof.

## **Provisions Regarding the Company's Directors**

Although there is no provision in the Company's Articles of Incorporation as to a Director's power to vote on a proposal or arrangement in which the Director is materially interested, under the Companies Act and the Company's Regulations of the Board of Directors, a Director must abstain from voting on such matters at meetings of the Board of Directors.

As a Company with Three Board Committees, the compensation of the Company's Directors and Executive Officers is determined by the Compensation Committee (see Item 6.C. "*Board Practices-Information Concerning Directors-Compensation Committee*" in this annual report). The Compensation Committee establishes the policy with respect to the determination of the individual compensation (including variable compensation) of each of the Company's Directors and Executive Officers and makes determinations in accordance with that compensation policy.

With respect to borrowing powers, these as well as other powers relating to the management of the business (with the exception of certain exclusions specified under the Companies Act) have been delegated to the Executive Officers by the Board of Directors as a Company with Three Board Committees.

There is no mandatory retirement age for the Company's Directors under the Companies Act or the Company's Articles of Incorporation.

There is no requirement concerning the number of shares an individual must hold in order to qualify him or her to serve as a Director of the Company under the Companies Act or the Company's Articles of Incorporation.

Pursuant to the Companies Act and the Company's Articles of Incorporation, the Company may, by a resolution adopted by the Company's Board of Directors, release the liabilities of any Directors or Executive Officers to the Company for damages suffered by the Company due to their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. In addition, the Company may execute with Directors (excluding a person who serves as an executive director, etc.) agreements that limit their liabilities to the Company for damages suffered by the Company if they acted in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. See Item 6.C. "*Board Practices-Limitation of Director Liability*" in this annual report.

## **Other Matters**

For disclosures under the following items, see "*Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934*" which is an exhibit to this annual report: Item 10.B.3, B.4, B.5, B.6, B.7, B.8, B.9 and B.10.

### **C. Material Contracts.**

In addition to the items disclosed in Item 6.C "Board Practices" of this annual report, Nomura tendered to the self-tender offer made by Nomura Research Institute, Ltd. ("NRI") conducted between July 1, 2019 and July 29, 2019. Upon the settlement on August 21, 2019, Nomura sold 101,889,300 ordinary shares it held at ¥159,966,201,000 (¥1,570 per share) to NRI. NRI remains an equity method affiliate of NHI.

### **D. Exchange Controls.**

#### *Acquisition of Shares*

The following summary is not intended to be a complete analysis of the prior notification or reporting requirements under Japanese foreign exchange regulations as a result of the acquisition by investors of shares of the Company. Potential investors should consult their own legal advisors on the consequences of the acquisition of shares of the Company, including specifically the applicable notification, reporting and other procedures and any available exemption therefrom under Japanese foreign exchange regulations.

The Foreign Exchange and Foreign Trade Law of Japan and its related cabinet orders and ministerial ordinances (“Foreign Exchange Regulations”) governs certain aspects relating to the acquisition and holding of shares of the Company by “foreign investors,” as defined below.

If a foreign investor acquires shares of the Company and as a result of this acquisition directly or indirectly holds 1% or more of the issued shares of the Company, together with its existing holdings and those of other parties who have a close relationship with that foreign investor (the “closely-related person”), the foreign investor is, in general, required to report the acquisition to the Minister of Finance and any other competent ministers via the Bank of Japan within 45 days from the date of acquisition. If (i) the foreign investor or its closely-related person will not become a board member of the Company, (ii) the foreign investor will not propose, at a general shareholders meeting of the Company, a transfer or disposition of its business, and (iii) the foreign investor will not have access to any non-public information regarding the Company’s technologies in relation to its business, in general, a prior notification is exempted.

“Foreign investors” are generally defined as (i) individuals who are not residents in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, (iii) corporations of which (a) 50% or more of the voting rights are held directly or indirectly by (i) and/or (ii) above, (b) a majority of officers consists of non-residents of Japan or (c) a majority of officers having the power of representation consists of non-residents of Japan, and (iv) partnerships or limited partnerships engaging in investment business, in which (a) 50% or more of the total amount of contributions are made directly or indirectly by (i) and/or (ii) above or (b) a majority of the managing partners are (i) and/or (ii) above.

#### *Dividends and Proceeds of Sale*

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which ADSs of the Company will be issued, the depository is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the U.S., to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

“Non-residents of Japan” are generally defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Branches and other offices of Japanese corporations located outside Japan are considered non-residents of Japan, and branches and other offices located within Japan of non-resident corporations are considered residents of Japan.

## **E. Taxation.**

### **U.S. Federal Income Taxation**

This section describes the material U.S. federal income tax consequences of owning shares or ADSs. It applies to you only if you are a U.S. holder (as defined below), you acquire your shares or ADSs in an offering and you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,



- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction,
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Income Tax Convention Between the U.S. and Japan (“Japan-U.S. Tax Treaty”). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of The Bank of New York Mellon (“depository”) and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the shares or ADSs.

You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are:

- a citizen or resident of the U.S.,
- a corporation created or organized in or under the laws of the U.S. or any political subdivision thereof,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

*You should consult your own tax advisor regarding the U.S. federal, state, local and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances.*

This discussion addresses only U.S. federal income taxation.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax.

#### *Taxation of Dividends*

Under the U.S. federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income.

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

The dividend is taxable when you, in the case of shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the “dividends-received deduction”

generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the U.S. for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect generally to treat distributions we make as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Japan-U.S. Tax Treaty and paid over to Japan will be creditable against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available under Japanese law or the Japan-U.S. Tax Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

For foreign tax credit purposes, dividends will generally be income from sources outside the U.S. and will generally be “passive income” for purposes of computing the foreign tax credit allowable to you.

#### *Taxation of Capital Gains*

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

#### *PFIC Rules*

We do not expect our shares and ADSs to be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation, such as Nomura, that is primarily engaged in an active business as a securities dealer is not entirely clear.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or shares:

- at least 75% of our gross income for the taxable year is passive income, or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your shares or ADSs, and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,
- the amount allocated to the taxable year in which you realized the gain or excess distribution, or to prior years before the first year in which we were a PFIC with respect to you, will be taxed as ordinary income,
- the amount allocated to each other previous year will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own shares or ADSs in a PFIC that are regularly traded on a qualified exchange, they will be treated as marketable stock, and you may elect to mark your shares or ADSs to market. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

Your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your shares or ADSs, you will be treated as having a new holding period in your shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service Form 8621.

## Japanese Taxation

The following is a summary of the principal Japanese tax consequences to owners of shares of the Company who are non-resident individuals or non-Japanese corporations (“non-resident shareholders”) without a permanent establishment in Japan to which the relevant income is attributable. As tax laws are frequently revised, the tax treatments described in this summary are also subject to changes in the applicable Japanese laws and/or double taxation conventions occurring in the future, if any. This summary is not exhaustive of all possible tax considerations which may apply to specific investors under particular circumstances. Potential investors should, by consulting with their own tax advisers, satisfy themselves as to

- the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,
- the laws of the jurisdiction of which they are resident, and
- any tax treaty between Japan and their country of residence.

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by the Company. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase of number of shares (as opposed to an increase of value of shares) from Japanese tax perspectives. Conversion of retained earnings or legal reserve (but other than additional paid-in capital, in general) into stated capital on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation (Article 2(16) of the Japanese Corporation Tax Law and Article 8(1)(xiii) of the Japanese Corporation Tax Law Enforcement Order).

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax applies, the rate of Japanese withholding tax applicable to dividends on listed shares such as those paid by the Company to non-resident shareholders is currently 15%, except for dividends paid to any individual shareholder who holds 3% or more of the issued shares for which the applicable rate is 20% (please refer to Article 170 and Article 213(1)(i) of the Japanese Income Tax Law and Article 9-3(1)(i) of the Japanese Special Tax Measures Law).

On December 2, 2011, the “Special measures act to secure the financial resources required to implement policy on restoration after the East Japan Earthquake” (Act No. 117 of 2011) was promulgated and special surtax measures on income tax were introduced to fund the restoration effort from the earthquake. Income tax and withholding tax payers will need to pay a surtax, calculated by multiplying the base income tax with 2.1% for 25 years starting from January 1, 2013. As a result of the fractional tax rate increase, 15.315% is applicable until December 31, 2037. If a non-resident taxpayer is a resident of a country that Japan has tax treaty with, as described below, such non-residents will not be subject to the surtax to the extent that the applicable rate agreed in the tax treaty is lower than the aggregate domestic rate.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, and Spain (in the case of Spain, the rate will change to 5% as of January 1, 2022). Under the Japan-U.S. Tax Treaty, the withholding tax rate on dividends is 10% for portfolio investors, provided that they do not have a permanent establishment in Japan, or if there is a permanent establishment, the shares with respect to which such dividends are paid are not effectively connected with such permanent establishment, and that they are qualified U.S. residents eligible to enjoy treaty benefits. It shall be noted that, under the Japan-U.S. Tax Treaty, withholding tax on dividends to be paid is exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds (please refer to Article 10(3)(b) of the Japan-U.S. Tax Treaty). In addition to the Japan-U.S. Tax Treaty, Japan currently has income tax treaties with, among others, the U.K., France, Australia, the Netherlands, Switzerland, Sweden and Belgium whereby the withholding tax rate on dividends is also reduced from 15% to 10% for portfolio investors.

Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by the Company are required to submit the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends” or the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends with respect to Foreign Depository Receipt”, as the case may be, in advance through the Company, which is the case for ADS holders, or (in cases where the relevant withholding taxpayer for the dividend payment is not the Company but a financial institution in Japan) through the financial institution, to the relevant tax authority before payment of dividends. Non-resident shareholders who receive dividends through a financial institution may select a simplified procedure with respect to dividends payable on or after January 1, 2014. Under such procedure, non-resident shareholders who submit the “Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks” to the relevant tax authority through a financial institution are deemed to have submitted the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends” mentioned above with respect to any dividend which will be paid by the Company to non-resident shareholders through the financial institution thereafter, provided that such non-resident shareholders shall notify the financial institution of certain information regarding the dividends before the payment of such dividends. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called “preservation doctrine” under Article 3-2 of the Special Measures Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. Consequently, if the domestic tax rate still applies, no treaty application is required to be filed.

Gains derived from the sale of shares outside Japan by a non-resident shareholder without a permanent establishment in Japan as a portfolio investor, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares as a legatee, heir or donee, even if the individual is not a Japanese resident.

You should consult your own tax advisers regarding the Japanese tax consequences of the acquisition, ownership and disposition of the shares and ADSs in your particular circumstances.

#### **F. Dividends and Paying Agents.**

Not applicable.

#### **G. Statement by Experts.**

Not applicable.

#### **H. Documents on Display.**

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, the Company will file with the Securities and Exchange Commission annual reports on Form 20-F within four months of the Company’s fiscal year-end and other reports and information on Form 6-K. You can access the documents filed via the Electronic Data Gathering, Analysis, and Retrieval system on the SEC’s website (<http://www.sec.gov>).

#### **I. Subsidiary Information.**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market, Credit and Other Risk**

### **Risk Management**

Nomura defines risks as (i) the potential erosion of Nomura's capital base due to unexpected losses arising from risks to which its business operations are exposed, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher cost of funding than normal levels due to a deterioration in Nomura's creditworthiness or deterioration in market conditions, and (iii) strategic risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

A fundamental principle established by Nomura is that all employees shall regard themselves as principals of risk management and appropriately manage these risks. Nomura seeks to promote a culture of proactive risk management throughout all levels of the organization and to limit risks to the confines of its risk appetite. The risk management framework that Nomura uses to manage these risks consists of its risk appetite, risk management governance and oversight, the management of financial resources, the management of all risk classes, and processes to measure and control risks. Each of these key components is explained in further detail in this Item 11.

In addition to the matters discussed herein, in response to the U.S. Prime Brokerage Event, we are in the process of reviewing our risk management framework for considering improvements thereto. See Item 4. "*Business—Management Challenges and Strategies— Issues Relating to the U.S. Prime Brokerage Event*" for a description of these initiatives, and Item 5 "*Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event*" for a discussion of the U.S. Prime Brokerage Event in general.

### **Risk Appetite**

Nomura has determined the types and levels of risk that it will assume in pursuit of its strategic objectives and business plan and has articulated this in its Risk Appetite Statement. This document is jointly submitted by the Chief Risk Officer ("CRO"), the Chief Financial Officer ("CFO") and the Chief Compliance Officer ("CCO") to the Executive Management Board ("EMB") for approval.

The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy, liquidity, financial risk and non-financial risk. It is subject to regular monitoring and breach escalation as appropriate by the owner of the relevant risk appetite statement.

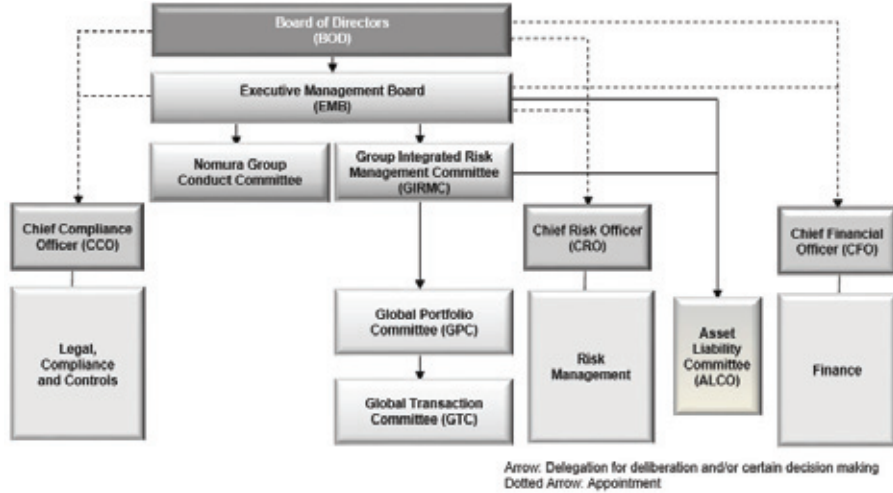
Nomura's Risk Appetite Statement is required to be reviewed at least annually by the EMB but it is reviewed on an ad hoc basis if necessary, and must specifically be reviewed following any significant changes in Nomura's strategy. Risk appetite underpins all additional aspects of Nomura's risk management framework.



## Risk Management Governance and Oversight

### Committee Governance

Nomura has established a committee structure to facilitate effective business operations and management of Nomura’s risks. The formal governance structure for risk management within Nomura is as follows:



#### Board of Directors (“BoD”)

The BoD determines the policy for the execution of the business of Nomura and other matters prescribed in laws and regulations, supervises the execution of Directors’ and Executive Officers’ duties and has the authority to adopt, alter or abolish the regulations of the EMB.

#### Executive Management Board (“EMB”)

The EMB deliberates on and determines management strategy, the allocation of management resources and important management matters of Nomura, and seeks to increase shareholder value by promoting effective use of management resources and unified decision-making with regard to the execution of business. The EMB delegates responsibility for deliberation of matters concerning risk management to the Group Integrated Risk Management Committee (“GIRMC”). Key responsibilities of the EMB include the following:

- Resource Allocation—At the beginning of each financial year, the EMB determines the allocation of management resources and financial resources such as risk-weighted asset and unsecured funding to business units and establishes usage limits for these resources;
- Business Plan—At the beginning of each financial year, the EMB approves the business plan and budget of Nomura. Introduction of significant new businesses, changes to business plans, the budget and the allocation of management resources during the year are also approved by the EMB; and
- Reporting—The EMB reports the status of its deliberations to the BoD.

#### Group Integrated Risk Management Committee (“GIRMC”)

Upon delegation from the EMB, the GIRMC deliberates on or determines important matters concerning integrated risk management of Nomura to assure the sound and effective management of its businesses. The GIRMC establishes a framework of integrated risk management consistent with Nomura’s risk appetite. The GIRMC supervises Nomura’s risk management by establishing and operating its risk management framework. The GIRMC reports the status of key risk management issues and any other matters deemed necessary by the committee chairman to the BoD and the EMB.

In addition, the GIRMC, upon delegation from the EMB, has established the Risk Management Policy, describing Nomura's overall risk management framework including the fundamental risk management principles followed by Nomura.

#### *Nomura Group Conduct Committee*

Upon delegation from the EMB, the Nomura Group Conduct Committee deliberates on the matters necessary for compliance and conduct risk management to assure the sound and effective management of its businesses.

#### *Global Portfolio Committee ("GPC")*

Upon delegation from the GIRMC, the GPC deliberates on or determines matters in relation to the management of global portfolio concentration risk in addition to a specific portfolio, for the purpose of achieving a risk profile consistent with the risk allocation and risk appetite of Nomura. The portfolio consists of businesses and products that fall within at least one of the three following categories: event financing, term financing and asset-based financing.

#### *Asset Liability Committee ("ALCO")*

Upon delegation from the EMB and the GIRMC, the ALCO deliberates on, based on Nomura's risk appetite determined by the EMB, balance sheet management, financial resource allocation, liquidity management and related matters. The ALCO reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

#### *Global Transaction Committee ("GTC")*

Upon delegation from the GPC, the GTC deliberates on or determines individual transactions in line with Nomura's risk appetite determined by the EMB and thereby seeks to assure the sound and effective management of Nomura's businesses.

#### *Other Committees*

Model Risk Management Committees such as the Global Risk Analytics Committee and the Model Risk Analytics Committee deliberate on or determine matters concerning the development, management and strategy of models upon delegation from the CRO. The primary responsibility of these committees is to govern and provide oversight of model management, including the approval of new models and significant model changes. Both committees report significant matters and material decisions taken to the CRO on a regular basis. The Collateral Steering Committee deliberates on or determines Nomura's collateral risk management, including concentrations, liquidity, collateral re-use, limits and stress tests, provides direction on Nomura's collateral strategy and ensures compliance with regulatory collateral requirements upon delegation from the CRO.

#### *Chief Risk Officer ("CRO")*

The CRO is responsible for setting the overall strategy and direction of the Risk Management Division. The CRO is responsible for supervising the Risk Management Division and maintaining the effectiveness of the risk management framework independently from the business units within Nomura. The CRO regularly reports on the status of Nomura's risk management to the GIRMC, and reports to and seeks the approval of the GIRMC on measures required for risk management.

#### *Chief Financial Officer ("CFO")*

The CFO is responsible for overall financial strategy of Nomura, and has operational authority and responsibility over Nomura's liquidity management based on decisions made by the EMB.

### *Chief Compliance Officer (“CCO”)*

The CCO is responsible for supervising the Legal, Compliance and Controls Division (“LCC Division”) and maintaining the effectiveness of the non-financial risk management framework (operational risk and reputational risk).

### *Risk Management Division, Finance Division and LCC Division*

The Risk Management Division, the Finance Division and the LCC Division comprise various departments or units established independently from Nomura’s business units. These three divisions are responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura Group entities, reporting to Executive Officers/Senior Managing Directors and the GIRMC and others, as well as reporting to regulatory bodies and handling regulatory applications concerning risk management methods and other items as necessary. Important risk management issues are closely communicated between these three divisions and the CRO, CFO and CCO. The CRO, CFO and CCO regularly attend the EMB and GIRMC meetings to report specific risk issues.

### Risk Policy Framework

Policies and procedures are essential tools of governance and define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura. Risk management operations are designed to function in accordance with these policies and procedures.

### Monitoring, Reporting and Data Integrity

Development, consolidation, monitoring and reporting of risk management information (“risk MI”) are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division, the Finance Division and the LCC Division are responsible for producing regular risk MI, which reflects the position of Nomura relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflect the use of the various risk tools used to identify and assess those risks. These three divisions are responsible for implementing appropriate controls over data integrity for risk MI.

### **Management of Financial Resources**

Nomura has established a framework for management of financial resources in order to adequately manage utilization of these resources. The EMB allocates financial resources to business units at the beginning of each financial year. These allocations are used to set revenue forecasts for each business units. Key components are set out below:

### Risk-weighted assets

A key component used in the calculation of our consolidated capital adequacy ratios is risk-weighted assets. The EMB determines the risk appetite for our consolidated Tier 1 capital ratio on an annual basis and sets the limits for the usage of risk-weighted assets by each division and by additional lower levels of the division. In addition the EMB determines the risk appetite for the level of exposures under the leverage ratio framework which is a non-risk based measure to supplement risk-weighted assets. See Item 4.B. “*Business Overview—Regulatory Capital Rules*”, Item 5.B. “*Consolidated Regulatory Capital Requirements*” and “*Consolidated Leverage Ratio Requirements*” in this annual report for further information on our consolidated capital adequacy ratios and risk-weighted assets.

## Available Funds

The CFO decides the maximum amount of available funds, provided without posting of any collateral, for allocation within Nomura and the EMB approves the allocation of the funds to each business division. Global Treasury monitors the usage by businesses and reports to the EMB.

## **Classification and Definition of Risk**

Nomura classifies and defines risks as follows and has established departments or units to manage each risk type.

<b>Risk Category</b>	<b>Definition</b>
<b><u>Financial Risk</u></b>	
Market risk	Risk of loss arising from fluctuations in values of financial assets or debts (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit risk	Risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. It is also the risk of loss arising through a credit valuation adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty.
Model risk	Risk of financial loss, incorrect decision making, or damage to the firm's credibility arising from model errors or incorrect or inappropriate model application.
Liquidity risk	Risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions.
<b><u>Non-financial Risk</u></b>	
Operational risk	Risk of financial loss or non-financial impact arising from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes in its definition Compliance, Legal, IT and Cyber Security, Fraud, Third Party and other non-financial risks.
Reputational risk	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.
<b><u>Other Risks</u></b>	
ESG: Environmental, Social and Governance <sup>(*)</sup>	ESG is a collective term for Environmental (E), Social (S) and Governance (G) factors. "Environmental" includes issues related to impacts on the natural environment, including climate change. "Social" includes interactions with stakeholders and communities, for example the approach to human rights, workplace related issues and engagement on social issues. Governance includes issues related to corporate governance, corporate behaviour and the approach to transparent reporting.
Strategic risk	Risk to current or anticipated earning, capital, liquidity, enterprise value, or the Nomura Group's reputation arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to change in the industry or external environment.

(\*) Added as of April 1, 2021

## Market Risk Management

Market risk is the risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

### Market Risk Management Process

Effective management of market risk requires the ability to analyze a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

Nomura uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis, including, but not limited to, Value at Risk (“VaR”), Stressed VaR (“SVaR”) and Incremental Risk Charge (“IRC”). In addition, Nomura uses sensitivity analysis and stress testing to measure and analyze its market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors. They are specific to each asset class and cannot usually be aggregated across risk factors. Stress testing enables the analysis of portfolio risks or tail risks, including non-linear behaviors and can be aggregated across risk factors at any level of the group hierarchy, from group level to business division, units or desk levels. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

### Value at Risk

VaR is a measure of the potential loss due to adverse movements of market factors, such as equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

#### *VaR Methodology Assumptions*

Nomura uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented, where historical market moves over a two-year window are applied to current exposure in order to construct a profit and loss distribution. Potential losses can be estimated at required confidence levels or probabilities. For internal risk management purposes, VaR is calculated across Nomura using a 1-day time horizon; this data is presented below. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility. For regulatory reporting purposes, Nomura uses a 10-day time horizon, calculated using actual 10-day historical market moves and employ an equal weight scheme to ensure VaR is not overly sensitive to changing market volatility. To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations are equally weighted.

Nomura’s VaR model uses exact time series for each individual risk factor. However, if good quality data is not available, a ‘proxy logic’ maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

#### *VaR Backtesting*

The performance of Nomura’s VaR model is closely monitored to help ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura’s VaR model is back tested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura’s Risk Management Division. One-day trading losses exceeded the 99% VaR estimate at the Nomura Group level once for the twelve months ended March 31, 2021.

### Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events. Given these limitations, Nomura uses VaR only as one component of a diverse market risk management process.

### VaR metrics

The following graph shows the daily VaR over the last six quarters for substantially all of Nomura's trading positions:



The following tables show the VaR as of each of the dates indicated for substantially all of Nomura's trading positions:

	Billions of yen		
	As of		
	March 31, 2019	March 31, 2020	March 31, 2021
Equity .....	¥ 1.07	¥ 8.88	¥ 93.43
Interest rate .....	2.85	22.35	8.56
Foreign exchange .....	1.88	5.08	4.17
Subtotal .....	5.79	36.31	106.16
Less: Diversification Benefit .....	(1.30)	(11.00)	(12.77)
VaR .....	<u>¥ 4.49</u>	<u>¥ 25.31</u>	<u>¥ 93.39</u>
	Billions of yen		
	For the twelve months ended		
	March 31, 2019	March 31, 2020	March 31, 2021
Maximum daily VaR <sup>(1)</sup> .....	¥10.61	¥ 32.89	¥ 93.39
Average daily VaR <sup>(1)</sup> .....	4.58	6.67	13.58
Minimum daily VaR <sup>(1)</sup> .....	3.05	3.62	7.14

(1) Represents the maximum, average and minimum VaR based on all daily calculations for the twelve months ended March 31, 2019, March 31, 2020, and March 31, 2021.



Total VaR increased to ¥93.39 billion as of March 31, 2021 from ¥25.31 billion as of March 31, 2020. VaR relating to equity risk increased to ¥93.43 billion as of March 31, 2021, compared to ¥8.88 billion as of March 31, 2020. VaR relating to interest rate risk decreased to ¥8.56 billion as of March 31, 2021, compared to ¥22.35 billion as of March 31, 2020. VaR relating to foreign exchange risk decreased to ¥4.17 billion as of March 31, 2021, compared to ¥5.08 billion as of March 31, 2020. The significant increases in total VaR and VaR relating to equity risk as of March 31, 2021 as compared to March 31, 2020 are a result of our wind-down activities of positions entered into as hedges and the value of collateral to be liquidated following the close-out notice delivered to our prime brokerage client following the U.S. Prime Brokerage Event. See Item 5. “*Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event*”.

Total VaR increased to ¥25.31 billion as of March 31, 2020 from ¥4.49 billion as of March 31, 2019. VaR relating to equity risk increased to ¥8.88 billion as of March 31, 2020, compared to ¥1.07 billion as of March 31, 2019. VaR relating to interest rate risk increased to ¥22.35 billion as of March 31, 2020, compared to ¥2.85 billion as of March 31, 2019. VaR relating to foreign exchange risk increased to ¥5.08 billion as of March 31, 2020, compared to ¥1.88 billion as of March 31, 2019.

### Stress Testing

Nomura conducts market risk stress testing since VaR and sensitivity analysis have limited ability to capture all portfolio risks or tail risks. Stress testing for market risk is conducted regularly, using various scenarios based upon features of trading strategies. Nomura conducts stress testing not only at the desk level, but also at the Nomura Group level with a set of common global scenarios in order to reflect the impact of market fluctuations on the entire Nomura Group.

### Non-Trading Risk

A major market risk in Nomura’s non-trading portfolio relates to equity investments held for operating purposes and on a long-term basis. Equity investments held for operating purposes are minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations held in order to promote existing and potential business relationships. This non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in this portfolio is to analyze market sensitivity based on changes in the TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the fair value of Nomura’s equity investments held for operating purposes, which allows to determine a correlation factor. Based on this analysis for each 10% change in the TOPIX, the fair value of Nomura’s operating equity investments held for operating purposes can be expected to change by 7,658 million at the end of March 2020 and 9,800 million at the end of March 2021. The TOPIX closed at 1,403.04 points at the end of March 2020 and at 1,954.00 points at the end of March 2021. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura’s expectations because of price fluctuations of individual equities.

### **Credit Risk Management**

Credit risk is the risk of loss arising from an obligor’s default, insolvency or administrative proceeding which results in the obligor’s failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a CVA associated with deterioration in the creditworthiness of a counterparty.

Nomura manages credit risk on a global basis and on an individual Nomura legal entity basis.

## Credit Risk Management Framework

The measurement, monitoring and management of credit risk at Nomura are governed by a set of global policies and procedures. Credit Risk Management (“CRM”), a global function within the Risk Management Division, is responsible for the implementation and maintenance of these policies and procedures. These policies are authorized by the GIRMC and/or Global Risk Strategic Committee (“GRSC”), prescribe the basic principles of credit risk management and set delegated authority limits, which enables CRM personnel to set credit limits.

Credit risk is managed by CRM together with various global and regional risk committees. This helps to ensure transparency of material credit risks and compliance with established credit limits, the approval of material extensions of credit and the escalation of risk concentrations to appropriate senior management.

## Credit Risk Management Process

CRM operates as a credit risk control function within the Risk Management Division, reporting to the CRO. The process for managing credit risk at Nomura includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura’s current and potential future credit exposures;
- Setting credit terms in legal documentation; and
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

The scope of credit risk management includes counterparty trading and various debt or equity instruments including loans, private equity investments, fund investments, investment securities and any other as deemed necessary from a credit risk management perspective.

The evaluation of counterparties’ creditworthiness involves a thorough due diligence and analysis of the business environments in which they operate, their competitive positions, management and financial strength and flexibility. Credit analysts also take into account the corporate structure and any explicit or implicit credit support. CRM evaluates credit risk not only by counterparty, but also by counterparty group.

Following the credit analysis, CRM estimates the probability of default of a given counterparty or obligor through an alphanumeric ratings scale similar to that used by rating agencies and a corresponding numeric scale. Credit analysts are responsible for assigning and maintaining the internal ratings, ensuring that each rating is reviewed and approved at least annually.

Nomura’s internal rating system employs a range of ratings models to achieve global consistency and accuracy. These models are developed and maintained by the Risk Methodology Group. Internal ratings represent a critical component of Nomura’s approach to managing counterparty credit risk. They are frequently used as key factors in:

- Establishing the amount of counterparty credit risk that Nomura is willing to take to an individual counterparty or counterparty group (setting of credit limits);
- Determining the level of delegated authority for setting credit limits (including tenor);
- The frequency of credit reviews (renewal of credit limits);
- Reporting counterparty credit risk to senior management within Nomura; and
- Reporting counterparty credit risk to stakeholders outside of Nomura.

The Credit Risk Control Unit is a function within the Model Validation Group (“MVG”) which is independent of CRM. It seeks to ensure that Nomura’s internal rating system is properly reviewed and validated, and that breaks or issues are reported to senior management for timely resolution. The unit is responsible for ensuring that the system remains accurate and predictive of risk and provides periodic reporting on the system to senior management.

For regulatory capital calculation purposes, Nomura has been applying the Foundation Internal Rating Based Approach in calculating credit risk-weighted assets since the end of March 2011. The Standardized Approach is applied to certain business units or asset types, which are considered immaterial to the calculation of credit risk-weighted assets.

### Credit Limits and Risk Measures

Internal ratings form an integral part in the assignment of credit limits to counterparties. Nomura’s credit limit framework is designed to ensure that Nomura takes appropriate credit risk in a manner that is consistent with its overall risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

Nomura’s main type of counterparty credit risk exposures arise from derivatives transactions or securities financing transactions. Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of Nomura’s counterparties. Changes in circumstances that alter Nomura’s risk appetite for any particular counterparty, sector, industry or country are reflected in changes to the internal rating and credit limit as appropriate.

Nomura’s global credit risk management systems record credit limits and capture credit exposures to Nomura’s counterparties allowing CRM to measure, monitor and manage utilization of credit limits, ensure appropriate reporting and escalation of limit breaches.

For derivatives and securities financing transactions, Nomura measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management has also been used for the Internal Model Method based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

Loans and lending commitments are measured and monitored on both a funded and unfunded basis.

### Wrong Way Risk

Wrong Way Risk (“WWR”) occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. Nomura has established global policies that govern the management of WWR exposures. Stress testing is used to support the assessment of WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital, as appropriate.

### Stress Testing

Stress Testing is an integral part of Nomura’s management of credit risk. Regular stress tests are used to support the assessment of credit risks by counterparties, sectors and regions. The stress tests include potential concentrations that are highlighted as a result of applying shocks to risk factors, probabilities of default or rating migrations.

## Risk Mitigation

Nomura utilizes financial instruments, agreements and practices to assist in the management of credit risk. Nomura enters into legal agreements, such as the International Swap and Derivatives Association, Inc. (“ISDA”) agreements or equivalent (referred to as “Master Netting Agreements”), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow Nomura to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

## Credit Risk to Counterparties in Derivatives Transaction

The credit exposures arising from Nomura’s trading-related derivatives as of March 31, 2021 are summarized in the table below, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura’s CRM.

Credit Rating	Billions of yen								
	Years to Maturity					Cross-Maturity Netting <sup>(1)</sup>	Total Fair Value	Collateral obtained	Replacement cost <sup>(3)</sup>
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years				
							(a)	(b)	(a)-(b)
AAA	¥ 25	¥ 32	¥ 1	¥ 3	¥ 50	¥ (99)	¥ 12	¥ 0	¥ 12
AA	350	310	126	94	442	(1,034)	288	73	215
A	829	465	347	164	948	(2,433)	320	204	116
BBB	245	197	118	93	608	(961)	300	106	194
BB and lower	73	61	42	44	57	(117)	160	255	0
Other <sup>(2)</sup>	50	73	169	90	594	(1,015)	(39)	94	0
Sub-total	¥1,572	¥1,138	¥803	¥488	¥2,699	¥(5,659)	¥1,041	¥732	¥537
Listed	453	74	7	—	—	(355)	179	187	0
Total	¥2,025	¥1,212	¥810	¥488	¥2,699	¥(6,014)	¥1,220	¥919	¥537

- (1) Represents netting of derivative liabilities against derivatives assets entered into with the same counterparty across different maturity bands. Derivative assets and derivative liabilities with the same counterparty in the same maturity band are net within the relevant maturity band. Cash collateral netting against net derivative assets in accordance with ASC 210-20 “*Balance Sheet—Offsetting*” and ASC 815 “*Derivatives and Hedging*” is also included.
- (2) “Other” comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.
- (3) Zero balances represent instances where total collateral received is in excess of the total fair value; therefore, Nomura’s credit exposure is zero.

## Country Risk

At Nomura, country risk is defined as the risk of loss arising from country-specific events (such as political, economic, legal and other events) that affect counterparties and/or issuers within that country, causing those counterparties and/or issuers to be unable to meet financial obligations. Nomura’s country risk framework acts as a complement to other risk management areas and encompasses a number of tools including, but not limited to, country limits, which restrict credit exposure concentration to any given country. Other tools to manage country risk include country ratings as well as country risk policies and procedures that describe responsibilities and delegation for decision-making.

Nomura’s credit portfolio remains well-diversified by country and concentrated towards highly-rated countries. The breakdown of top 10 country exposures is as follows:

<u>Top 10 Country Exposures<sup>(1)</sup></u>	<u>Billions of Yen</u> <u>(As of March 31, 2021)</u>
United States .....	3,450
Japan .....	2,598
United Kingdom .....	747
Germany .....	394
France .....	252
China .....	250
Singapore .....	194
Canada .....	178
Luxembourg .....	171
India .....	153

(1) The table represents the Top 10 country exposures as of March 31, 2021 based on country of risk, combining counterparty and inventory exposures

- Counterparty exposures include cash and cash equivalents held at banks; the outstanding default fund and initial margin balances posted by Nomura to central clearing counterparties as legally required under its direct and affiliate clearing memberships; the aggregate marked-to-market exposure by counterparty of derivative transactions and securities financing transactions (net of collateral where the collateral is held under a legally enforceable margin agreement); and the fair value of total commitment amount less any applicable reserves
- Inventory exposures are the market value of debt and equity securities, and equity and credit derivatives, using the net of long versus short positions.

### **Operational Risk Management**

Operational risk is the risk of financial loss or non-financial impact arising from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes in its definition Compliance, Legal, IT and Cyber Security, Fraud, Third Party and other non-financial risks. Operational risk does not include strategic risk and reputational risk, however, some operational risks can lead to reputational issues and as such operational and reputational risks may be closely linked.

#### The Three Lines of Defense

Nomura adopts the industry standard “Three Lines of Defense” for the management of operational risk, comprising the following elements:

- 1) 1st Line of Defense: The business which owns and manages its risks
- 2) 2nd Line of Defense: The Operational Risk Management (“ORM”) function, which co-ordinates the Operational Risk Management Framework and its implementation
- 3) 3rd Line of Defense: Internal Audit, who provide independent assurance

## Operational Risk Management Framework

An Operational Risk Management Framework has been established in order to allow Nomura to identify, assess, manage, monitor and report on operational risk. The GIRMC, with delegated authority from the EMB has formal oversight over the management of operational risk.

This framework is set out below:

### *Infrastructure of the framework*

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

### *Products and Services*

- Event Reporting: This process is used to identify and report any event which resulted in or had the potential to result in a loss or gain or other impact associated with inadequate or failed internal processes, people and systems, or from external events.
- Risk and Control Self-Assessment (“RCSA”): This process is used to identify the inherent risks the business faces, the key controls associated with those risks and relevant actions to mitigate the residual risks. Global ORM are responsible for developing the RCSA process and supporting the business in its implementation.
- Key Risk Indicators (“KRI”): KRIs are metrics used to monitor the business’ exposure to operational risk and trigger appropriate responses as thresholds are breached.
- Scenario Analysis: The process used to assess and quantify potential high impact, low likelihood operational risk events. During the process actions may be identified to enhance the control environment which are then tracked via the Operational Risk Management Framework.

### *Outputs*

- Analysis and reporting: A key aspect of ORM’s role is to analyze, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

## Regulatory Capital Calculation for Operational Risk

Nomura uses the Standardized Approach for calculating regulatory capital for operational risk. This involves using a three-year average of gross income allocated to business lines, which is multiplied by a fixed percentage (“Beta Factor”) determined by the FSA, to establish the amount of required operational risk capital.



Nomura uses consolidated net revenue as gross income, however for certain consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each business segment as defined in Nomura's management accounting data to each business line defined in the Standardized Approach as follows:

<b>Business Line</b>	<b>Description</b>	<b>Beta Factor</b>
Retail Banking	Retail deposit and loan-related services	12%
Commercial Banking	Deposit and loan-related services except for Retail Banking business	15%
Payment and Settlement	Payment and settlement services for clients' transactions	18%
Retail Brokerage	Securities-related services mainly for individuals	12%
Trading and Sales	Market-related business	18%
Corporate Finance	M&A, underwriting, secondary and private offerings, and other funding services for clients	18%
Agency Services	Agency services for clients such as custody	15%
Asset Management	Fund management services for clients	12%

Nomura calculates the required amount of operational risk capital for each business line by multiplying the allocated annual gross income amount by the appropriate Beta Factor defined above. The operational risk capital for any gross income amount not allocated to a specific business line is determined by multiplying such unallocated gross income amount by a fixed percentage of 18%.

The total operational risk capital for Nomura is calculated by aggregating the total amount of operational risk capital required for each business line and unallocated amount and by determining a three-year average. Where the aggregated amount for a given year is negative, then the total operational risk capital amount for that year will be calculated as zero.

In any given year, negative amounts in any business line are offset against positive amounts in other business lines. However, negative unallocated amounts are not offset against positive amounts in other business lines and are calculated as zero.

Operational risk capital is calculated at the end of September and March each year.

### **Model Risk Management**

Model Risk is the risk of financial loss, incorrect decision making, or damage to the firm's credibility arising from Model errors or incorrect or inappropriate Model application.

To effectively manage the Firm's Model Risk, Nomura has established a Model Risk Management Framework to govern the development, ownership, validation, approval, usage, ongoing monitoring, and periodic review of the Firm's Models. The framework is supported by a set of policies and procedures that articulate process requirements for the various elements of the model lifecycle, including monitoring of model risk with respect to the Firm's appetite.

New models and material changes to approved models must be independently validated prior to official use. Thresholds to assess the materiality of model changes are defined in Model Risk Management's procedures. During independent validation, validation teams analyze a number of factors to assess a model's suitability, identify model limitations, and quantify the associated model risk, which is ultimately mitigated through the imposition of approval conditions, such as usage conditions, model reserves and capital adjustments. Approved models are subject to Model Risk Management's periodic review process and ongoing performance monitoring to assess their continued suitability. Appropriately delegated Model Risk Management Committees provide oversight, challenge, governance, and ultimate approval of validated Models.

## **Funding and Liquidity Risk Management**

For further information on funding and liquidity risk management, see Item 5.B. “*Liquidity and Capital Resources—Funding and Liquidity Management*” in this annual report.

## **Risk Measures and Controls**

### Limit Frameworks

The establishment of robust limit monitoring and management is central to appropriate monitoring and management of risk. The limit management frameworks incorporate escalation policies to facilitate approval of limits at appropriate levels of seniority. The Risk Management Division, the Finance Division and the LCC Division are responsible for day-to-day operation of these limit frameworks including approval, monitoring, and reporting as required. Business units are responsible for complying with the agreed limits. Limits apply across a range of quantitative measures of risk and across market and credit risks.

### New Business Risk Management

The new business approval process represents the starting point for new business in Nomura and exists to support management decision-making and ensure that risks associated with new products and transactions are identified and managed appropriately. The new business approval process consists of two components:

- 1) Transaction committees are in place to provide formal governance over the review and decision-making process for individual transactions.
- 2) The new product approval process allows business unit sponsors to submit applications for new products and obtain approval from relevant departments prior to execution of the new products. The process is designed to capture and assess risks across various risk classes as a result of the new product or business.

The new business approval process continues to seek assuring the sound and effective management to better meet the various changes observed in the market environment.

### Stress Testing

Stress testing performed at the Nomura Group seeks to provide comprehensive coverage of risks across different hierarchical levels, and covers different time horizons, severities, plausibilities and stress testing methodologies. The results of stress tests are used in capital planning processes, capital adequacy assessments, liquidity adequacy assessments, recovery and resolution planning, assessments of whether risk appetite is appropriate, and in routine risk management.

Stress tests are run on a regular basis or on an ad hoc basis as needed, for example, in response to material changes in the external environment and/or in the Nomura Group risk profile. The results of stress tests with supporting detailed analysis are reported to senior management and other stakeholders as appropriate for the stress test being performed.

Stress testing is categorized either as sensitivity analysis or scenario analysis and may be performed on a Nomura Group-wide basis or at more granular levels.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors (for example, equity prices, equity volatilities) in order primarily to capture those risks which may not be readily identified by other risk models;
- Scenario analysis is used to quantify the impact of a specified event across multiple asset classes and risk classes. This is a primary approach used in performing stress testing at the different hierarchical levels of the Nomura Group;

Scenario analysis includes following examples.

- Nomura Group establishes several stress scenarios to validate risk appetite for capital and liquidity soundness, taking into account the business environment, business's risk profile, economic environment and forecasts.
- Group-wide stress to assess the capital adequacy of the Nomura Group under severe but plausible market scenarios is conducted on a quarterly basis at a minimum; and
- Reverse stress testing, a process of considering the vulnerabilities of the firm and hence how it may react to situations where it becomes difficult to continue its business, and reviewing the results of that analysis, is conducted on an annual basis at a minimum.

Stress testing is an integral part of the Nomura Group's overall governance and is used as a tool for forward-looking risk management, decision-making and enhancing communication amongst Corporate Functions, Business Divisions, and senior management.

## **Item 12. Description of Securities Other Than Equity Securities**

### **A. Debt Securities**

Not applicable.

### **B. Warrants and Rights**

Not applicable.

### **C. Other Securities**

Not applicable.

## D. American Depositary Shares

### Fees payable by ADR Holders

The following table shows the fees and charges that a holder of the Company's ADR may have to pay, either directly or indirectly:

<u>Type of Services:</u>	<u>Amount of Fee (U.S. Dollars)</u>
Taxes and other governmental charges	As applicable. The depositary may offset any taxes or governmental charges it is obligated to withhold, if applicable, against the proceeds from sale of the property received.
Transfers of the Company's shares to or from the name of the depositary (or its nominee) or the Custodian (or its nominee) in connection with deposits or withdrawals	Such registration fees as may be in effect for the registration of transfers of the Company's shares on the Company's share register (or any entity that presently carries out the duties of registrar).
Cable, telex and facsimile transmission expenses	As applicable.
Expenses incurred by the depositary in the conversion of foreign currency	As applicable.
Execution and delivery of Receipts in connection with deposits, stock splits or exercise of subscription rights	\$5.00 or less per 100 ADSs (or portion thereof).
Surrender of Receipts in connection with a withdrawal or termination of the Deposit Agreement	\$5.00 or less per 100 ADSs (or portion thereof).
Any cash distribution pursuant to the Deposit Agreement, including, but not limited to, cash distribution(s) made in connection with cash dividends; distributions in securities, property or subscription rights; and stock splits.	\$.02 or less per ADS (or portion thereof). Only the cash amounts net of this fee, if applicable, are distributed.
Distribution by the depositary of securities (other than common shares of the Company) that accrued on the underlying shares to owners of the Receipts	Treating for the purpose of this fee all such securities as if they were common shares of the Company, \$5.00 or less per 100 ADSs (or portion thereof).
General depositary services	\$.02 or less per ADS (or portion thereof), accruing on the last day of each calendar year, except where the fee for cash distribution described above was assessed during that calendar year.
Any other charge payable by the depositary, any of the depositary's agents, including the Custodian, or the agents of the depositary's agents in connection with the servicing of the Company's shares or other deposited securities	As applicable.

### Fees paid to Nomura by the depositary

The Bank of New York Mellon, as depositary, has agreed to pay all its standard out-of-pocket administration and maintenance expenses for providing services to the registered shareholders and up to 100,000 non-registered shareholders of ADRs. From April 1, 2020 to March 31, 2021, the Bank of New York Mellon has waived a total of \$165,585.85 in fees (including \$35,012.77 in connection with the expenses related to the Annual General Meeting of Shareholders) associated with the administration of the ADR program and administrative fees for routine corporate actions and for providing investor relations information services.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

### Item 15. Controls and Procedures

#### Disclosure Controls and Procedures.

Our Disclosure Committee is responsible for the establishment and maintenance of our disclosure controls and procedures. As of March 31, 2021, an evaluation was carried out under the supervision and with the participation of our management, including our Group Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our Group Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective.

#### Management’s Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Our management, with the participation of our Group Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2021. Our independent registered public accounting firm, Ernst & Young ShinNihon LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page F-5 of this annual report.

#### Changes in Internal Control Over Financial Reporting.

Our management also carried out an evaluation, with the participation of our Group Chief Executive Officer and Chief Financial Officer, of changes in our internal control over financial reporting during the year ended March 31, 2021. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2021 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

We have continued remote work arrangements originally implemented in the fiscal year ended March 31, 2020 over a significant portion of our workforce in response to the COVID-19 pandemic. Nevertheless, we do not believe that the shift to remote work has had or is likely to have a material effect on our internal control over financial reporting, although we are continually monitoring and assessing the impact of the pandemic on our internal control over financial reporting.

We have also reviewed internal controls, including internal controls over financial reporting, relevant to the U.S. Prime Brokerage Event which occurred in March 2021. As a result of that review, there has been no change in our internal control over financial reporting from such date to the date of this annual report that has materially affected, or is reasonably likely to affect, our internal control over financial reporting. See Item 5. “*Operating and Financial Review—Executive Summary—U.S. Prime Brokerage Event*” for more details on the U.S. Prime Brokerage Event.

### Item 16A. Audit Committee Financial Expert

The Company's Board of Directors has determined that Mr. Noriaki Shimazaki, a member of the Audit Committee, qualifies as an "audit committee financial expert" as such term is defined by the General Instructions for Item 16A of Form 20-F. Additionally, Mr. Noriaki Shimazaki meets the independence requirements applicable to him under Section 303A.06 of the NYSE Listed Company Manual. For a description of his business experience, see Item 6.A "Directors and Senior Management—Directors" in this annual report.

### Item 16B. Code of Ethics

In December 2019, we adopted a new code of ethics (as defined in Item 16B of Form 20-F) consisting of the "Nomura Group Code of Conduct 2020" and the "Nomura Group Code of Ethics for Financial Professionals," which replaced the prior code of ethics. In March 2021, we revised the "Nomura Group Code of Conduct 2020," and in addition to renaming it the "Nomura Group Code of Conduct 2021", we revised the wording in accordance with the following points, while maintaining the overall structure of the previous version: 1. Creating a psychologically safe work environment and enhancing client orientation by maximizing teamwork; 2. Further raising discipline and awareness to prevent violations; and 3. Encouraging proactive actions to strategically promote sustainability. A copy of the "Nomura Group Code of Conduct 2021" is attached to this annual report as Exhibit 11.1 and a copy of the "Nomura Group Code of Ethics for Financial Professionals" is attached to this annual report as Exhibit 11.2.

### Item 16C. Principal Accountant Fees and Services

Ernst & Young ShinNihon LLC has been our principal accountant for the last nineteen fiscal years. The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountant in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit or review of our financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services provided for tax compliance, tax advice and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit-Related Fees and Tax Fees, such as advisory services concerning risk management and regulatory matters.

	Millions of yen	
	Year ended March 31	
	2020	2021
Audit Fees . . . . .	¥3,409	¥3,532
Audit-Related Fees . . . . .	136	144
Tax Fees . . . . .	113	137
All Other Fees . . . . .	7	26
Total . . . . .	<u>¥3,665</u>	<u>¥3,839</u>

Audit-Related Fees included fees for consultations on accounting issues relating to our business. Tax Fees included fees for services relating to tax planning and compliance. All Other Fees included fees for services relating to advice with respect to regulations and disclosures under the Financial Instruments and Exchange Act in connection with our underwriting business.

In accordance with the regulations of the Securities and Exchange Commission issued pursuant to Sections 202 and 208 of the Sarbanes-Oxley Act of 2002, our Audit Committee has adopted a pre-approval policy regarding the engagements of our principal accountant. Under the pre-approval policy, there are two types of pre-approval procedures, "General Pre-Approval" and "Specific Pre-Approval."



Under “General Pre-Approval,” our CFO in conjunction with our principal accountant must make a proposal to our Audit Committee for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such a proposal must be made at least annually. The Audit Committee will discuss the proposal and if necessary, consult with outside professionals as to whether the proposed services would impair the independence of our principal accountant. If such proposal is accepted, the Audit Committee will inform our CFO and principal accountant of the services that have been pre-approved and are included in a “General Pre-Approved List.” Our Audit Committee is informed of each such service that is provided.

Under “Specific Pre-Approval,” if any proposed services are not on the General Pre-Approved List, our CFO is required to submit an application to the Audit Committee for such services. After reviewing the details and estimated fee levels for each engagement and if necessary, consulting with outside professionals as to whether the proposed services would impair the independence of the principal accountant, the Audit Committee may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, our CFO is required to submit an application to the Audit Committee for new fee levels for such services. The Audit Committee may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

None of the services described in the first paragraph under this Item 16C were waived from the pre-approval requirement pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

During the year ended March 31, 2021, we acquired 20,129 shares of the Company’s common stock by means of repurchase of shares constituting less than one unit upon the request of the holders of those shares. For an explanation of the right of our shareholders to demand such repurchases by us, see “*Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934*” which is an exhibit to this annual report. As of March 31, 2021, we had 3,063,505,434 outstanding shares of our common stock excluding 170,057,167 shares held as treasury stock.

We had not established share buyback programs nor purchased our common stock utilizing the programs during the year ended March 31, 2021.

The following table sets forth certain information with respect to our purchases of shares of our common stock during the year ended March 31, 2021.

Month	Total Number of Shares Purchased	Average Price Paid per Share (in yen)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2020	746	¥424	—	—
May 1 to 31, 2020	403	428	—	—
June 1 to 30, 2020	1,292	488	—	—
July 1 to 31, 2020	1,847	488	—	—
August 1 to 31, 2020	1,628	517	—	—
September 1 to 30, 2020	1,147	537	—	—
October 1 to 31, 2020	2,065	487	—	—
November 1 to 30, 2020	1,114	500	—	—
December 1 to 31, 2020	3,644	540	—	—
January 1 to 31, 2021	2,418	566	—	—
February 1 to 28, 2021	1,896	593	—	—
March 1 to 31, 2021	1,929	660	—	—
Total	<u>20,129</u>	<u>¥535</u>	<u>—</u>	<u>—</u>

Nomura recognizes the need to set out flexible financial strategies that allow the Board of Directors to respond quickly to any changes in the business environment and is looking into implementing further share buybacks. Details will be announced when finalized.

As of May 31, 2021, 3,093,947,650 shares of common stock were outstanding, excluding 139,614,951 shares held as treasury stock.

**Item 16F. Change in Registrant’s Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as the Company, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by the Company. The information set forth below is current as of the date of this annual report.

<b>Corporate Governance Practices Followed by NYSE-listed U.S. Companies</b>	<b>Corporate Governance Practices Followed by the Company</b>
A NYSE-listed U.S. company must have a majority of Directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.	Under the Companies Act, a company which adopts the Company with Three Board Committees structure is not required to have a majority of outside directors, but is required to have a majority of outside directors on each of the audit, nomination and compensation committees.  The Company currently has eight outside directors among its twelve Directors.
A NYSE-listed U.S. company must have an audit committee that satisfies the requirements under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.	The Company has an Audit Committee consisting of three Directors, two of whom are outside directors in compliance with the requirements under the Companies Act. All three Audit Committee members are independent directors under Rule 10A-3 under the U.S. Securities Exchange Act of 1934 with one member qualified as audit committee financial expert.
A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.	The Company has a Nomination Committee consisting of three Directors, two of whom are outside directors and the chairman is an outside director in compliance with the requirements under the Companies Act.
A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.	The Company has a Compensation Committee consisting of three Directors, two of whom are outside directors and the chairman is an outside director in compliance with the requirements under the Companies Act.
A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.	Under the Companies Act, Restricted Stock Unit (“RSU”) and Stock Acquisition Right (“SAR”) awards are deemed to be compensation for the services performed by the Company’s Directors and Executive Officers and do not require shareholders’ approval. The Compensation Committee establishes the policy with respect to the determination of the individual compensation of each of the Company’s Directors and Executive Officers (including RSU and SAR awards as equity compensation) and makes determinations in accordance with that compensation policy.

**Corporate Governance Practices Followed  
by NYSE-listed U.S. Companies**

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A NYSE-listed U.S. company must adopt and disclose corporate governance guidelines.

The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.

A NYSE-listed U.S. company must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

**Corporate Governance Practices Followed by the Company**

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Under the Companies Act, the Company is not required to adopt and disclose corporate governance guidelines. However, in response to Japan's Corporate Governance Code, which was incorporated into the Tokyo Stock Exchange's Securities Listing Regulations, the Company has established and publicly disclosed the "Nomura Holdings Corporate Governance Guidelines."

Under the Companies Act, outside directors of the Company are not required to meet at regularly scheduled executive sessions without management. However, in accordance with the "Nomura Holdings Corporate Governance Guidelines," outside directors hold meetings consisting solely of outside directors in order to discuss matters such as the business and corporate governance of the Company.

Under the Companies Act, the Company is not required to adopt and disclose a code of business conduct and ethics for directors, officers or employees. However, the Company has adopted the "Nomura Group Code of Conduct" Please see Item 16B of this annual report for further information regarding the "Nomura Group Code of Conduct."

**Item 16H. Mine Safety Disclosure**

Not applicable.

### **PART III**

#### **Item 17. Financial Statements**

In lieu of responding to this item, we have responded to Item 18 of this annual report.

#### **Item 18. Financial Statements**

The information required by this item is set forth in our consolidated financial statements included in this annual report.

## Item 19. Exhibits

Exhibit Number	Description
1.1	Articles of Incorporation of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.2	Share Handling Regulations of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.3	Regulations of the Board of Directors of Nomura Holdings, Inc. (English translation)
1.4	Regulations of the Nomination Committee of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee of Nomura Holdings, Inc. (English translation)
1.6	Regulations of the Compensation Committee of Nomura Holdings, Inc. (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among Nomura Holdings, Inc., The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
2.2	Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (filed on June 25, 2019 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
4.1	Form of Limitation of Liability Agreement <sup>(1)</sup>
8.1	Subsidiaries of Nomura Holdings, Inc.—See Item 4.C. “ <i>Organizational Structure</i> ” in this annual report.
11.1	Nomura Group Code of Conduct 2021 (English translation)
11.2	Nomura Group Code of Ethics for Financial Professionals (English translation) (filed on June 30, 2020 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
17.1	Subsidiary Issuer of Registered Guaranteed Securities
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the Company’s Annual Report on Form 20-F for the year ended March 31, 2021, has been formatted in Inline XBRL

(1) The Company has entered into Limitation of Liability Agreements substantially in the form of this exhibit with all of its directors and director Shoji Ogawa.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% of our total assets. We will furnish a copy of any such instrument to the SEC upon request.



**NOMURA HOLDINGS, INC.**  
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## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of  
Nomura Holdings, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at March 31, 2021 and 2020, and the consolidated results of its operations, and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 25, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Fair value of less liquid financial instruments**

*Description  
of the  
Matter*

The Company holds investment positions in the fixed income and equity markets both for trading and customer facilitation. The Company had JPY 835 billion and JPY 963 billion of financial instruments assets and liabilities, respectively, categorized within Level 3 of the fair value hierarchy. In determining the fair value of these financial instruments, the Company used unobservable valuation inputs which reflect their assumptions and specific data. These inputs are significant to the fair value of the financial instruments and are supported by little or no market activity as of March 31, 2021. The methodologies applied by management to determine the fair value of such instruments are described in Note 2 to the consolidated financial statements.

Auditing the fair value of the Company's Level 3 financial instruments was complex and highly judgmental due to the subjectivity of the judgments used and estimations made by management in determining the fair value for these financial instruments especially considering the impact of COVID-19 on global financial markets. In particular, to value certain financial instruments, management used a variety of valuation techniques which involved certain underlying assumptions and significant unobservable valuation inputs, including WACC, growth rates, liquidity discounts, market multiples including EV/ EBITDA ratios, volatilities and correlations which are significant to the value of these investments.

*How We  
Addressed  
the Matter  
in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risk of material misstatement relating to management's assessment of the significant inputs and estimates included in fair value measurement. This included the testing of model validation controls by various departments within the Company.

Our audit procedures to evaluate the valuation methodologies used by the Company included, among others, testing significant unobservable inputs, estimates and the mathematical accuracy of the Company's valuation models. We independently developed fair value estimates and compared them to the Company's results, and involved our valuation specialists to assist with the application of these procedures, on a sample basis. We also agreed significant inputs and underlying data used in the Company's valuations to agreements, information available from third party sources and market data, where available. We evaluated subsequent transactions and considered whether they corroborate or contradict the Company's year-end valuations.

### **Provisions for investigations, lawsuits and other legal proceedings**

*Description  
of the  
Matter*

As disclosed in Note 21 to the consolidated financial statements, the Company is involved in investigations, lawsuits and other legal proceedings. As of March 31, 2021, the Company has recorded litigation provision of JPY 62,889 million and for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognized as a liability (if any) against these cases is approximately JPY 48 billion. Legal expenses of JPY 41,131 million were recorded for the year ended March 31, 2021.

The Company recognizes a liability for those contingencies for which it is probable that a liability has been incurred at the date of the consolidated financial statements and the amount is reasonably estimable. As part of this, management performs an assessment of the materiality of contingencies where a loss is either reasonably possible or it is reasonably possible that an exposure to loss exists in excess of the amount accrued. If it is reasonably possible that such a loss or an additional loss may have been incurred and the effect on the consolidated financial statements is material, the Company discloses the nature of the loss contingency and an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made within the notes to the consolidated financial statements.

Auditing management's determination of whether a loss contingency is probable and reasonably estimable, reasonably possible or remote, and the related disclosures, is highly subjective, complex and requires significant judgment. Management judgment is needed to determine whether an obligation exists and a loss contingency should be recorded at March 31, 2021. This includes judgment in the determination of whether an outflow in respect of identified loss contingency is probable and can be estimated reliably. In addition, management judgment is needed to determine if an estimated loss is only reasonably possible rather than probable.

*How We  
Addressed  
the Matter  
in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risks of material misstatement relating to management's assessment for timely identification of contingencies that may arise out of lawsuits and regulatory investigations including the Company's assessment of whether they are probable or reasonably possible and the associated measurement of the best estimate.

Our audit procedures to test the assessment of the probability of incurrence of a loss and whether the loss was reasonably estimable included, among others, reading the minutes of the meetings of the Board of Directors and Executive Management Board, and reading relevant regulatory and legal correspondence to assess developments in significant matters, requesting and receiving external legal counsel confirmation letters, meeting with internal and external legal counsel to discuss the allegations, and obtaining a representation letter from the Company's management. In addition, our audit procedures to test the measurement of the loss contingency and the disclosure of the reasonably possible additional loss in excess of amounts recognized as a liability included, among others, evaluating the method of measuring the contingency, testing the accuracy and completeness of the underlying data, reading correspondence received from internal and external counsel used to determine a range of reasonably possible loss and performing a search for new or contrary evidence affecting the estimate.

/s/ Ernst & Young ShinNihon LLC

We have served as the Company's auditor for SEC reporting purposes since 2002, and as its Japanese statutory auditor since 1973, which includes the years we served as joint auditors between 1978 and 2002.

Tokyo, Japan  
June 25, 2021

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of  
Nomura Holdings, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Nomura Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2021, and the related notes and our report dated June 25, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
June 25, 2021

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	Millions of yen	
	March 31	
	2020	2021
<b>ASSETS</b>		
Cash and cash deposits:		
Cash and cash equivalents	¥ 3,191,889	¥ 3,509,754
Time deposits	309,373	281,422
Deposits with stock exchanges and other segregated cash	373,686	373,559
Total cash and cash deposits	<u>3,874,948</u>	<u>4,164,735</u>
Loans and receivables:		
Loans receivable (including ¥805,141 million and ¥818,523 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively)	2,857,405	2,943,472
Receivables from customers (including ¥11 million and ¥163,388 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively)	541,284	459,090
Receivables from other than customers	1,731,236	793,669
Allowance for doubtful accounts	(13,012)	(53,784)
Total loans and receivables	<u>5,116,913</u>	<u>4,142,447</u>
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥548,043 million and ¥366,506 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively)	12,377,315	10,775,078
Securities borrowed	3,529,797	5,264,360
Total collateralized agreements	<u>15,907,112</u>	<u>16,039,438</u>
Trading assets and private equity and debt investments:		
Trading assets (including securities pledged as collateral of ¥5,332,640 million and ¥5,587,555 million as of March 31, 2020 and March 31, 2021, respectively; including ¥12,407 million and ¥10,122 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively)	16,853,822	15,674,354
Private equity and debt investments (including ¥6,395 million and ¥3,599 million measured at fair value by applying the fair value option in March 31, 2020 and March 31, 2021, respectively)	44,278	63,825
Total trading assets and private equity and debt investments	<u>16,898,100</u>	<u>15,738,179</u>
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥397,114 million and ¥395,429 million as of March 31, 2020 and March 31, 2021, respectively)	440,512	464,449
Non-trading debt securities (including securities pledged as collateral of ¥— million and ¥9,427 million as of March 31, 2020 and March 31, 2021, respectively)	455,392	426,758
Investments in equity securities	112,175	126,649
Investments in and advances to affiliated companies	367,641	364,393
Other (including ¥144,756 million and ¥171,482 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively)	827,022	1,049,432
Total other assets	<u>2,202,742</u>	<u>2,431,681</u>
Total assets	<u>¥43,999,815</u>	<u>¥42,516,480</u>

The accompanying notes are an integral part of these consolidated financial statements.



**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**

	Millions of yen	
	March 31	
	2020	2021
<b>LIABILITIES AND EQUITY</b>		
Short-term borrowings (including ¥376,910 million and ¥634,714 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively) . . . . .	¥ 1,486,733	¥ 1,368,098
Payables and deposits:		
Payables to customers . . . . .	1,467,434	1,454,755
Payables to other than customers . . . . .	1,653,495	1,773,699
Deposits received at banks (including ¥14,392 million and ¥49,874 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively) . . . . .	1,276,153	1,342,464
Total payables and deposits . . . . .	<u>4,397,082</u>	<u>4,570,918</u>
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥111,609 million and ¥224,056 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively) . . . . .	16,349,182	13,360,429
Securities loaned (including ¥105,968 million and ¥128,886 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively) . . . . .	961,446	1,380,629
Other secured borrowings . . . . .	717,711	392,515
Total collateralized financing . . . . .	<u>18,028,339</u>	<u>15,133,573</u>
Trading liabilities . . . . .	8,546,284	9,473,261
Other liabilities (including ¥9,183 million and ¥44,708 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively) . . . . .	1,034,448	1,239,167
Long-term borrowings (including ¥3,707,643 million and ¥4,098,457 million measured at fair value by applying the fair value option as of March 31, 2020 and March 31, 2021, respectively) . . . . .	7,775,665	7,975,012
Total liabilities . . . . .	<u>41,268,551</u>	<u>39,760,029</u>
Commitments and contingencies (Note 21)		
Equity:		
Nomura Holdings, Inc. (“NHI”) shareholders’ equity:		
Common stock		
No par value shares;		
Authorized—6,000,000,000 shares as of March 31, 2020 and March 31, 2021		
Issued—3,493,562,601 shares as of March 31, 2020 and 3,233,562,601 shares as of March 31, 2021		
Outstanding—3,038,587,493 shares as of March 31, 2020 and 3,063,155,434 shares as of March 31, 2021 . . . . .	594,493	594,493
Additional paid-in capital . . . . .	683,232	696,122
Retained earnings . . . . .	1,645,451	1,533,713
Accumulated other comprehensive income . . . . .	(26,105)	(38,144)
Total NHI shareholders’ equity before treasury stock . . . . .	2,897,071	2,786,184
Common stock held in treasury, at cost—454,975,108 shares as of March 31, 2020 and 170,407,167 shares as of March 31, 2021 . . . . .	(243,604)	(91,246)
Total NHI shareholders’ equity . . . . .	<u>2,653,467</u>	<u>2,694,938</u>
Noncontrolling interests . . . . .	77,797	61,513
Total equity . . . . .	<u>2,731,264</u>	<u>2,756,451</u>
Total liabilities and equity . . . . .	<u>¥43,999,815</u>	<u>¥42,516,480</u>

The accompanying notes are an integral part of these consolidated financial statements.

The following table presents the classification of consolidated variable interest entities' ("VIEs") assets and liabilities included in the consolidated balance sheets above. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not typically have any recourse to Nomura beyond the assets held in the VIEs. See Note 6 "*Securizations and Variable Interest Entities*" for further information.

	<b>Billions of yen</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2021</b>
Cash and cash deposits .....	¥ 10	¥ 13
Trading assets and private equity and debt investments .....	1,172	984
Other assets .....	39	77
Total assets .....	<u>¥1,221</u>	<u>¥1,074</u>
Trading liabilities .....	¥ 19	¥ 2
Other liabilities .....	4	2
Borrowings .....	947	837
Total liabilities .....	<u>¥ 970</u>	<u>¥ 841</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Revenue:			
Commissions . . . . .	¥ 293,069	¥ 308,805	¥ 376,897
Fees from investment banking . . . . .	101,521	103,222	108,681
Asset management and portfolio service fees . . . . .	245,519	238,202	230,047
Net gain on trading . . . . .	342,964	356,609	310,040
Gain (loss) on private equity and debt investments . . . . .	1,007	(93)	12,734
Interest and dividends . . . . .	776,964	794,472	356,466
Gain (loss) on investments in equity securities . . . . .	(6,983)	(14,726)	14,053
Other . . . . .	81,057	165,991	208,317
Total revenue . . . . .	<u>1,835,118</u>	<u>1,952,482</u>	<u>1,617,235</u>
Interest expense . . . . .	718,348	664,653	215,363
Net revenue . . . . .	<u>1,116,770</u>	<u>1,287,829</u>	<u>1,401,872</u>
Non-interest expenses:			
Compensation and benefits . . . . .	497,065	479,420	507,906
Commissions and floor brokerage . . . . .	82,637	106,123	111,550
Information processing and communications . . . . .	166,865	170,317	178,835
Occupancy and related depreciation . . . . .	64,940	72,986	72,367
Business development expenses . . . . .	36,915	31,885	13,520
Other . . . . .	306,049	178,837	287,023
Total non-interest expenses . . . . .	<u>1,154,471</u>	<u>1,039,568</u>	<u>1,171,201</u>
Income (loss) before income taxes . . . . .	<u>(37,701)</u>	<u>248,261</u>	<u>230,671</u>
Income tax expense . . . . .	57,010	28,894	70,274
Net income (loss) . . . . .	<u>¥ (94,711)</u>	<u>¥ 219,367</u>	<u>¥ 160,397</u>
Less: Net income attributable to noncontrolling interests . . . . .	<u>5,731</u>	<u>2,369</u>	<u>7,281</u>
Net income (loss) attributable to NHI shareholders . . . . .	<u>¥ (100,442)</u>	<u>¥ 216,998</u>	<u>¥ 153,116</u>
		<b>Yen</b>	
Per share of common stock:			
Basic—			
Net income (loss) attributable to NHI shareholders per share . . . . .	<u>¥ (29.90)</u>	<u>¥ 67.76</u>	<u>¥ 50.11</u>
Diluted—			
Net income (loss) attributable to NHI shareholders per share . . . . .	<u>¥ (29.92)</u>	<u>¥ 66.20</u>	<u>¥ 48.63</u>

The accompanying notes are an integral part of these consolidated financial statements.

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Net income (loss) .....	¥ (94,711)	¥ 219,367	¥ 160,397
Other comprehensive income (loss):			
Change in cumulative translation adjustments:			
Change in cumulative translation adjustments .....	36,031	(45,000)	46,821
Deferred income taxes .....	(1,852)	591	(1,287)
Total .....	34,179	(44,409)	45,534
Defined benefit pension plans:			
Pension liability adjustment .....	(23,431)	7,843	20,720
Deferred income taxes .....	161	693	(1,626)
Total .....	(23,270)	8,536	19,094
Own credit adjustments:			
Own credit adjustments .....	25,135	48,295	(91,666)
Deferred income taxes .....	(4,988)	(9,779)	15,943
Total .....	20,147	38,516	(75,723)
Total other comprehensive income (loss) .....	31,056	2,643	(11,095)
Comprehensive income (loss) .....	(63,655)	222,010	149,302
Less: Comprehensive income attributable to noncontrolling interests ...	6,481	2,067	8,225
Comprehensive income (loss) attributable to NHI shareholders .....	¥ (70,136)	¥ 219,943	¥ 141,077

The accompanying notes are an integral part of these consolidated financial statements.

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Common stock			
Balance at beginning of year . . . . .	¥ 594,493	¥ 594,493	¥ 594,493
Balance at end of year . . . . .	<u>594,493</u>	<u>594,493</u>	<u>594,493</u>
Additional paid-in capital			
Balance at beginning of year . . . . .	675,280	687,761	683,232
Stock-based compensation awards . . . . .	12,481	(4,326)	11,775
Changes in ownership interests in subsidiaries . . . . .	—	(203)	—
Changes in an affiliated company's interests in its subsidiary . . . . .	—	—	1,115
Balance at end of year . . . . .	<u>687,761</u>	<u>683,232</u>	<u>696,122</u>
Retained earnings			
Balance at beginning of year . . . . .	1,696,890	1,486,825	1,645,451
Cumulative effect of change in accounting principle <sup>(1)</sup> . . . . .	1,564	5,592	(18,200)
Net income (loss) attributable to NHI shareholders . . . . .	(100,442)	216,998	153,116
Cash dividends . . . . .	(20,080)	(63,670)	(107,104)
Gain (loss) on sales of treasury stock . . . . .	(1,191)	(294)	(346)
Cancellation of treasury stock . . . . .	(89,916)	—	(139,204)
Balance at end of year . . . . .	<u>1,486,825</u>	<u>1,645,451</u>	<u>1,533,713</u>
Accumulated other comprehensive income (loss)			
Cumulative translation adjustments			
Balance at beginning of year . . . . .	(15,596)	17,833	(26,274)
Net change during the year . . . . .	33,429	(44,107)	44,590
Balance at end of year . . . . .	<u>17,833</u>	<u>(26,274)</u>	<u>18,316</u>
Defined benefit pension plans			
Balance at beginning of year . . . . .	(47,837)	(71,107)	(62,571)
Pension liability adjustment . . . . .	(23,270)	8,536	19,094
Balance at end of year . . . . .	<u>(71,107)</u>	<u>(62,571)</u>	<u>(43,477)</u>
Own credit adjustments			
Balance at beginning of year . . . . .	4,077	24,224	62,740
Own credit adjustments . . . . .	20,147	38,516	(75,723)
Balance at end of year . . . . .	<u>24,224</u>	<u>62,740</u>	<u>(12,983)</u>
Balance at end of year . . . . .	<u>(29,050)</u>	<u>(26,105)</u>	<u>(38,144)</u>

(1) Represents the adjustment to initially apply Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” for the year ended March 31, 2019, ASU 2016-02, “Leases” for the year ended March 31, 2020 and ASU 2016-13, “Measurement of Credit Losses on Financial Instruments” for the year ended March 31, 2021.

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)**

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Common stock held in treasury			
Balance at beginning of year . . . . .	(157,987)	(108,968)	(243,604)
Repurchases of common stock . . . . .	(51,714)	(150,009)	(11)
Sales of common stock . . . . .	0	0	0
Common stock issued to employees . . . . .	10,817	15,373	13,165
Cancellation of treasury stock . . . . .	89,916	—	139,204
Balance at end of year . . . . .	<u>(108,968)</u>	<u>(243,604)</u>	<u>(91,246)</u>
Total NHI shareholders' equity			
Balance at end of year . . . . .	<u>2,631,061</u>	<u>2,653,467</u>	<u>2,694,938</u>
Noncontrolling interests			
Balance at beginning of year . . . . .	50,504	49,732	77,797
Cash dividends . . . . .	(2,685)	(1,483)	(1,416)
Net income attributable to noncontrolling interests . . . . .	5,731	2,369	7,281
Accumulated other comprehensive income (loss) attributable to noncontrolling interests			
Cumulative translation adjustments . . . . .	750	(302)	944
Purchase/sale (disposition) of subsidiary shares, etc., net . . . . .	1,183	18,264	673
Other net change in noncontrolling interests . . . . .	(5,751)	9,217	(23,766)
Balance at end of year . . . . .	<u>49,732</u>	<u>77,797</u>	<u>61,513</u>
Total equity			
Balance at end of year . . . . .	<u>¥2,680,793</u>	<u>¥2,731,264</u>	<u>¥2,756,451</u>

The accompanying notes are an integral part of these consolidated financial statements.



**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Cash flows from operating activities:			
Net income (loss) .....	¥ (94,711)	¥ 219,367	¥ 160,397
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization .....	57,924	63,583	63,846
Impairment of goodwill .....	81,372	—	—
Stock-based compensation .....	21,814	12,694	28,251
(Gain) loss on investments in equity securities .....	6,983	14,726	(14,053)
(Gain) loss on investments in subsidiaries and affiliates .....	5,719	(72,841)	45,086
Equity in earnings of affiliates, net of dividends received .....	(19,043)	(20,342)	(15,716)
(Gain) Loss on disposal of office buildings, land, equipment and facilities .....	2,455	(3,957)	(64,730)
Deferred income taxes .....	21,565	(23,911)	(21,113)
Changes in operating assets and liabilities:			
Time deposits .....	21,832	(33,029)	43,560
Deposits with stock exchanges and other segregated cash .....	13,752	(97,424)	13,878
Trading assets and private equity and debt investments .....	925,384	(2,754,743)	1,468,357
Trading liabilities .....	(143,141)	428,997	777,741
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase .....	(3,274,866)	2,224,371	(1,453,871)
Securities borrowed, net of securities loaned .....	1,987,331	291,777	(1,242,489)
Other secured borrowings .....	1,198	301,019	(326,450)
Loans and receivables, net of allowance for doubtful accounts .....	157,599	(1,358,242)	1,145,429
Payables .....	(63,683)	788,007	(33,994)
Bonus accrual .....	(46,602)	16,202	15,840
Accrued income taxes, net .....	8,241	(2,787)	55,712
Other, net .....	(32,288)	(9,410)	20,089
Net cash provided by (used in) operating activities .....	(361,165)	(15,943)	665,770
Cash flows from investing activities:			
Payments for purchases of office buildings, land, equipment and facilities .....	(319,090)	(206,745)	(119,875)
Proceeds from sales of office buildings, land, equipment and facilities .....	262,908	209,197	49,642
Proceeds from sales of investments in equity securities .....	519	13,323	6,502
Decrease (increase) in loans receivable at banks, net .....	(74,048)	43,920	(83,412)
Decrease (increase) in non-trading debt securities, net .....	29,452	(2,359)	38,409
Business combinations or disposals, net .....	—	(2,484)	(11,152)
Decrease (increase) in investments in affiliated companies, net .....	(8,290)	160,799	(9,182)
Other, net .....	(3,954)	685	(9,958)
Net cash provided by (used in) investing activities .....	(112,503)	216,336	(139,026)
Cash flows from financing activities:			
Increase in long-term borrowings .....	2,142,212	2,364,260	2,067,725
Decrease in long-term borrowings .....	(1,625,516)	(2,402,621)	(2,068,695)
Increase (decrease) in short-term borrowings, net .....	85,900	656,205	(325,237)
Increase (decrease) in deposits received at banks, net .....	257,471	(93,260)	126,177
Proceeds from sales of common stock held in treasury .....	313	285	215
Payments for repurchases of common stock held in treasury .....	(51,714)	(150,009)	(11)
Payments for cash dividends .....	(47,475)	(58,416)	(76,358)
Contribution from noncontrolling interests .....	—	15,618	6,257
Net cash provided by (used in) financing activities .....	761,191	332,062	(269,927)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents .....	44,741	(27,277)	60,884
Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents .....	332,264	505,178	317,701
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year .....	2,354,868	2,687,132	3,192,310
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year .....	¥ 2,687,132	¥ 3,192,310	¥ 3,510,011
Supplemental information:			
Cash paid during the year for—			
Interest .....	¥ 700,855	¥ 677,160	¥ 222,024
Income tax payments, net .....	¥ 27,204	¥ 55,592	¥ 35,675

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**

The following table presents a reconciliation of *cash and cash equivalents*, and restricted cash and restricted cash equivalents reported in *deposits with stock exchanges and other segregated cash* within the consolidated balance sheets to the total of the same such amounts shown in the statements of cash flows above. Restricted cash and restricted cash equivalents are amounts where access, withdrawal or usage by Nomura is substantively prohibited by a third party entity outside of the Nomura group.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Cash and cash equivalents reported in <i>Cash and cash equivalents</i> . . . . .	¥2,686,659	¥3,191,889	¥3,509,754
Restricted cash and restricted cash equivalents reported in <i>Deposits with stock exchanges and other segregated cash</i> . . . . .	473	421	257
Total cash, cash equivalent, restricted cash and restricted cash equivalents . . . . .	¥2,687,132	¥3,192,310	¥3,510,011

Non-cash—

Total amount of Right- of use assets recognized for the years ended March 31, 2020 and March 31, 2021 were ¥18,026 million and ¥41,279 million respectively.

The accompanying notes are an integral part of these consolidated financial statements.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Summary of accounting policies:

##### Description of business—

Nomura Holdings, Inc. (“Company”) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government clients on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as “Nomura” within these consolidated financial statements.

Nomura operates its business through various divisions based upon the nature of specific products and services, its main client base and its management structure. Nomura reports operating results through three business segments: Retail, Asset Management, and Wholesale.

In its Retail segment, Nomura provides investment consultation services mainly to individual clients in Japan. In its Asset Management segment, Nomura develops and manages investment trusts, and provides investment advisory services. In its Wholesale segment, Nomura engages in the sales and trading of debt and equity securities, foreign exchange contracts and derivatives globally, and provides investment banking services such as the underwriting and distribution of debt and equity securities as well as mergers and acquisitions and financial advisory.

##### Basis of presentation—

The accounting and financial reporting policies of the Nomura conform to accounting principles generally accepted in the United States (“U.S. GAAP”) as applicable to broker-dealers.

These consolidated financial statements include the financial statements of the Company and other entities in which it has a controlling financial interest. Nomura initially determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity (“VIE”) under Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 810 “Consolidation” (“ASC 810”). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Nomura consolidates VIEs where Nomura is the primary beneficiary, which is where (1) Nomura has power to direct the activities of the VIE that is most significantly impact the VIE’s economic performance; and (2) through Nomura’s interest in the VIE, the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, provided that Nomura is not acting as a fiduciary for other interest holders.

For entities other than VIEs, Nomura is generally determined to have a controlling financial interest in an entity when it owns a majority of the voting interests.

Equity investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as a holding of 20 to 50 percent of the voting stock of a corporate entity, or at least 3 percent of a limited partnership) are accounted for under the equity method of accounting (“equity method investments”) and reported within *Other assets—Investments in and advances to affiliated companies* or at fair value by electing the fair value option permitted by ASC 825 “Financial Instruments” (“ASC 825”) and reported within *Trading assets, Private equity and debt investments or Other assets—Other*. Other financial investments are generally reported within *Trading assets, Equity investments* in which Nomura has neither control nor significant influence are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income.

Certain consolidated entities are investment companies under ASC 946 “Financial Services—Investment Companies” (“ASC 946”). Nomura carries all of their investments at fair value, with changes in fair value recognized through the consolidated statements of income.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's principal subsidiaries include Nomura Securities Co., Ltd. ("NSC"), Nomura Securities International, Inc. ("NSI"), Nomura International plc ("NIP") and Nomura Financial Products & Services, Inc. ("NFPS").

All material intercompany transactions and balances have been eliminated on consolidation.

#### Use of estimates—

Nomura uses accounting estimates to prepare these consolidated financial statements and they require difficult, subjective and complex judgments by management. Such estimates determined by management to be material include estimates regarding the fair value of financial instruments and the litigation provisions. Estimates, by their nature, are based on underlying assumptions which require management judgment and depend on the extent of available information. Actual results in future periods may differ from current estimates, which could have a material impact on these consolidated financial statements.

The COVID-19 pandemic has impacted some of the critical accounting estimates used in these consolidated financial statements during the years ended March 31, 2020 and 2021 and is expected to continue to impact these estimates in future periods. Assumptions around how long the COVID-19 pandemic will last and how long the economies and financial markets in the key jurisdictions in which Nomura and its clients operate will take to recover has, and will continue to, affect these estimates. The key assumptions and estimates impacted by COVID-19 include the volatility and dislocation in global financial markets for determination of fair value measurements.

Various references are made throughout the notes to these consolidated financial statements where critical accounting estimates based on management judgment have been made, the nature of the estimates, the underlying assumptions made by management used to derive those estimates and how the COVID-19 pandemic, has and is expected to continue to impact these estimates and therefore amounts reported in these consolidated financial statements.

#### Fair value of financial instruments—

A significant amount of Nomura's financial assets and financial liabilities are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income. Use of fair value is either specifically required under U.S. GAAP or Nomura makes an election to use fair value for certain eligible items under the fair value option.

Other financial assets and financial liabilities are carried at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition, such as to measure impairment.

In both cases, fair value is generally determined in accordance with ASC 820 "*Fair Value Measurements and Disclosures*" ("ASC 820") which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura's principal market, or in the absence of a principal market, the most advantageous market for the relevant financial asset or financial liability. See Note 2 "*Fair value measurements*" for further information regarding how Nomura estimates fair value for specific types of financial instruments used in the ordinary course of business.

The fair value of financial assets and financial liabilities of consolidated VIEs which meet the definition of collateralized financing entities are both measured using the more observable fair value of the financial assets and financial liabilities.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Allowance for current expected credit losses—

Management recognizes allowance for current expected credit losses on financial assets not carried at fair value and certain off-balance sheet financial instruments including unfunded loan commitments not carried at fair value in accordance with ASC 326, “*Financial Instruments — Credit Losses*” (“ASC 326”) which Nomura initially adopted on April 1, 2020. Prior to such date, allowances for credit losses were recognized for incurred losses rather than expected credit losses based on management’s estimate of probable losses incurred within these financial assets and off-balance sheet financial instruments.

Current expected credit losses are calculated over the expected life of the financial instruments in scope of the requirements on an individual or a portfolio basis, considering all relevant, reasonable supportable information available about the collectability of cash flows, including information about past events, current conditions and future forecasts. Accrued interest receivables are excluded from the amortized cost basis of financing receivables when calculating current expected credit losses.

The methodology used by Nomura to determine allowances for current expected credit losses in accordance with the CECL impairment model primarily depends on the nature of the financial instrument and whether certain practical expedients permitted by ASC 326 are applied by Nomura.

Allowances for current expected credit losses against recognized financial instruments are reported in the consolidated balance sheets within *Allowance for doubtful accounts* while allowances for current expected credit losses against off-balance sheet financial instruments are reported in the consolidated balance sheets within *Other liabilities*. All movements in the allowances are reported in the consolidated statements of income within *Other expenses*.

See Note 7 “*Financing receivables*” for further information including how allowance for current expected credit losses are calculated.

#### Transfers of financial assets—

Nomura accounts for the transfer of a financial asset as a sale when Nomura relinquishes control over the asset by meeting the following conditions: (a) the asset has been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the asset received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, if the holders of its beneficial interests have the right to pledge or exchange the beneficial interests held and (c) the transferor has not maintained effective control over the transferred asset.

In connection with its securitization activities, Nomura utilizes special purpose entities (“SPEs”) to securitize commercial and residential mortgage loans, government and corporate securities or other types of financial assets. Nomura’s involvement with SPEs includes structuring and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets and does not consolidate the SPE. Nomura may obtain or retain an interest in the financial assets, including residual interests in the SPEs dependent upon prevailing market conditions. Any such interests are accounted for at fair value and reported within *Trading assets* in the consolidated balance sheets with the change in fair value reported within *Revenue—Net gain on trading* in the consolidated statements of income.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Foreign currency translation—

The financial statements of the Company's subsidiaries are measured using their functional currency which is the currency of the primary economic environment in which the entity operates. All assets and liabilities of subsidiaries which have a functional currency other than Japanese Yen are translated into Japanese Yen at exchange rates in effect at the balance sheet date, and all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported within *Accumulated other comprehensive income (loss)* in NHI shareholders' equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date and the resulting translation gains or losses are credited or charged to the consolidated statements of income.

#### Revenue from services provided to clients—

Nomura earns revenue through fees and commissions from providing financial services to customers across all three business divisions. These services primarily include trade execution and clearing services, distribution of fund unit services, financial advisory services, underwriting and distribution services and asset management services.

Revenues are recognized when or as the customer obtains control of the service provided by Nomura which depends on when each of the key distinct substantive promises made by Nomura within the contract with the customer ("performance obligations") are satisfied. Such performance obligations are generally satisfied at a particularly point in time or, if certain criteria are met, over a period of time.

Revenues from providing distribution of fund units and clearing services are reported in the consolidated statements of income within *Revenue—Commissions*, revenues from asset management services are reported in *Revenue—Asset management and portfolio service fees* and revenues from financial advisory services, underwriting and distribution services are reported in *Revenue—Fees from investment banking*.

Costs to obtain or fulfill the underlying contract to provide services to a customer are deferred as assets if certain criteria are met. These deferred costs, which are reported in the consolidated balance sheets within *Other assets* are released to the consolidated statements of income when the related revenue from providing the service is also recognized or earlier if there is evidence that the costs are not recoverable and therefore impaired.

#### Trading assets and trading liabilities—

*Trading assets and Trading liabilities* primarily comprise debt securities, equity securities and derivatives which are recognized on the consolidated balance sheets on a trade date basis and loans which are recognized on the consolidated balance sheets on a settlement date basis. Trading assets and liabilities are carried at fair value and changes in fair value are generally reported within *Revenue—Net gain on trading* in the consolidated statements of income.

Certain trading liabilities are held to economically hedge the price risk of investments in equity securities held for operating purposes. Changes in fair value of these trading liabilities are reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income.

#### Collateralized agreements and collateralized financing—

*Collateralized agreements* consist of reverse repurchase agreements disclosed as *Securities purchased under agreements to resell* and securities borrowing transactions disclosed as *Securities borrowed*. *Collateralized financing* consists of repurchase agreements disclosed as *Securities sold under agreements to repurchase*, securities lending transactions disclosed as *Securities loaned* and certain other secured borrowings.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Reverse repurchase and repurchase agreements principally involve the buying or selling of securities under agreements with clients to resell or repurchase these securities to or from those clients, respectively. These transactions are generally accounted for as collateralized agreements or collateralized financing transactions and are recognized in the consolidated balance sheets at the amount for which the securities were originally acquired or sold. Certain reverse repurchase and repurchase agreements are carried at fair value through election of the fair value option.

Nomura also enters into Gensaki Repo transactions which are the standard type of repurchase agreement used in Japanese financial markets. Gensaki Repo transactions contain margin requirements, rights of security substitution, and certain restrictions on the client's right to sell or repledge the transferred securities. Gensaki Repo transactions are accounted for as collateralized agreements or collateralized financing transactions and are recognized on the consolidated balance sheets at the amount that the securities were originally acquired or sold.

Allowances for current expected credit losses recognized against reverse repurchase agreements in accordance with ASC 326 "*Credit Losses*" ("ASC 326") which Nomura initially adopted on April 1, 2020, are not significant due to an ongoing monitoring of the collaterals and our application of practical expedients permitted by ASC 326.

Reverse repurchase agreements and repurchase agreements (including Gensaki Repo transactions) accounted for as collateralized agreements and collateralized financing transactions, respectively, entered into with the same counterparty and documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 "*Balance Sheet—Offsetting*" ("ASC 210-20") are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

Securities borrowing and lending transactions are generally accounted for as collateralized agreements and collateralized financing transactions, respectively. These transactions are generally cash collateralized and are recognized on the consolidated balance sheets at the amount of cash collateral advanced or received. Allowances for current expected credit losses recognized against securities borrowing transactions are not significant due to an ongoing monitoring of the collaterals and the short contractual maturity of these transactions.

Securities borrowing and lending transactions accounted for as collateralized agreements and collateralized financing transactions, respectively, entered into with the same counterparty and documented under a master netting agreement are also offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met.

*Other secured borrowings* consist primarily of secured borrowings from financial institutions and central banks in the inter-bank money market, and are carried at contractual amounts due.

*Trading balances of secured borrowings* consist of liabilities related to transfers of financial assets that are accounted for as secured financing transactions rather than sales under ASC 860 "*Transfers and Servicing*" ("ASC 860") and are reported in the consolidated balance sheets within *Long-term borrowings*. The fair value option is generally elected for these transactions, which are carried at fair value on a recurring basis. See Note 7 "*Securitizations and Variable Interest Entities*" and Note 11 "*Borrowings*" for further information regarding these transactions.

All Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including collateral transferred under Gensaki Repo transactions, are reported parenthetically within *Trading assets as Securities pledged as collateral* in the consolidated balance sheets.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

See Note 5 “*Collateralized transactions*” for further information.

#### Derivatives—

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, for both trading and non-trading purposes. Freestanding financial instruments which meet the accounting definition of a derivatives are carried at fair value in the consolidated balance sheets and reported within *Trading assets or Trading liabilities* depending on whether fair value at the balance sheet date is positive or negative, respectively. Certain derivatives embedded in hybrid financial instruments such as structured notes and certificates of deposit are bifurcated from the host contract and are also carried at fair value in the consolidated balance sheets and reported within *Short-term borrowings or Long-term borrowings* depending on the maturity of the underlying host contract.

Changes in fair value are recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

Derivative assets and liabilities with the same counterparty documented under a legally enforceable master netting agreement and the related cash collateral receivables and payables are presented on a net basis in the consolidated balance sheets where the specific criteria defined by ASC 210-20 and ASC 815 “*Derivatives and Hedging*” (“ASC 815”) are met.

Exchange traded and centrally cleared OTC derivatives typically involve daily variation margin payments and receipts which reflect changes in the fair value of the related derivative. Such variation margin amounts are accounted for as either a partial settlement of the derivative or as a separate cash collateral receivable or payable depending on the legal form of the arrangement.

#### *Trading*

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value reported in the consolidated statements of income within *Revenue—Net gain on trading*.

#### *Non-trading*

In addition to its trading activities, Nomura uses derivative financial instruments for other than trading purposes such as to manage risk exposures arising from recognized assets and liabilities, forecasted transactions and firm commitments. Certain derivatives used for non-trading purposes are formally designated as fair value and net investment hedges under ASC 815.

Nomura designates certain derivative financial instruments as fair value hedges of interest rate risk and foreign exchange risk arising from specific financial liabilities and foreign currency denominated non-trading debt securities, respectively. These derivatives are effective in reducing the risk associated with the exposure being hedged and they are highly correlated with changes in the fair value of the underlying hedged items, both at inception and throughout the life of the hedging relationship. Changes in fair value of the hedging derivatives are reported together with those of the hedged financial assets and liabilities through the consolidated statements of income within *Interest expense* and *Revenue—Other*, respectively.

Derivative financial instruments designated as hedges of the net investment in foreign operations related to specific subsidiaries with non-Japanese Yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

changes in spot exchange rates. Changes in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate is excluded from the measurement of hedge effectiveness and are reported in the consolidated statements of income within *Revenue—Other*.

All other movements in fair value of highly effective hedging derivatives are reported through NHI shareholders' equity within *Accumulated other comprehensive income (loss)*.

See Note 3 “*Derivative instruments and hedging activities*” for further information.

#### **Loans receivable—**

Loans receivable are loans which management intends to hold for the foreseeable future. Loans receivable are either carried at fair value or at amortized cost. Interest earned on loans receivable is reported in the consolidated statements of income within *Revenue—Interest and dividends*.

##### *Loans receivable carried at fair value*

Certain loans which are risk managed on a fair value basis are carried at fair value through election of the fair value option. Nomura makes this election to mitigate volatility in the consolidated statements of income caused by the difference in measurement basis that would otherwise exist between the loans and the derivatives used to risk manage those loans. Changes in the fair value of loans receivable carried at fair value are reported in the consolidated statements of income within *Revenue—Net gain on trading*.

##### *Loans receivable carried at amortized cost*

Loans receivable which are not carried at fair value are carried at amortized cost. Amortized cost represents cost adjusted for deferred fees and direct costs, unamortized premiums or discounts on purchased loans and after deducting applicable allowances for current expected credit losses under ASC 326 which Nomura initially adopted from April 1, 2020. As of March 31, 2021, allowances for incurred credit losses reflected management's best estimate of probable losses expected for these loans receivable.

Loan origination fees, net of direct origination costs, are amortized to *Revenue—Interest and dividends* as an adjustment to yield over the life of the loan. Net unamortized deferred fees and costs were immaterial as of March 31, 2020 and March 31, 2021.

Modifications of loans receivable where the borrower is in financial difficulty and Nomura has granted a financial concession are typically accounted for as troubled debt restructurings (“TDRs”). Consistent with guidance issued by U.S. banking regulators in March 2020 as a result of the COVID-19 pandemic, certain modifications of loans receivable which met the above criteria were not accounted for TDRs nor the loan classified as impaired provided the borrower was current with payments prior to the COVID-19 pandemic, the nature of the concession was short-term and only permitted a payment delay, waiver of fees or extension of repayment terms. Such guidance has no longer been applied by Nomura since October 1, 2020.

See Note 7 “*Financing receivables*” for further information including how allowances for current expected credit losses under ASC 326 are determined and the impact of the COVID-19 pandemic on the approach to calculation of current expected credit losses during the year ended March 31, 2021.

#### **Other receivables—**

*Receivables from customers* include amounts receivable on client securities transactions, amounts receivable from customers for securities failed to deliver and receivables for commissions. *Receivables from other than*

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*customers* include amounts receivable from brokers and dealers for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥680,727 million and ¥nil as of March 31, 2020 and March 31, 2021, respectively.

These amounts are carried at contractual amounts due less any applicable allowance for current expected credit losses recognized under ASC 326 which Nomura initially adopted from April 1, 2020. As of March 31, 2021, the allowance for credit losses reflected management's best estimate of probable losses expected for these receivables.

See Note 7 "*Financing receivables*" for further information including how allowances for current expected credit losses under ASC 326 are determined and the impact of the COVID-19 pandemic on the approach to calculation of current expected credit losses during the year ended March 31, 2021.

#### **Loan commitments—**

Unfunded loan commitments written by Nomura are accounted for as either off-balance sheet instruments, or are carried at fair value on a recurring basis either as trading instruments or through election of the fair value option.

These loan commitments are generally accounted for in a manner consistent with the accounting for the loan receivable upon funding. Where the loan receivable will be classified as a trading asset or will be elected for the fair value option, the loan commitment is also generally held at fair value, with changes in fair value reported in the consolidated statements of income within *Revenue—Net gain on trading*. Loan commitment fees integral to the loan commitment are recognized as part of the fair value of the commitment.

For loan commitments where the loan will be held for the foreseeable future, Nomura recognizes allowances for current expected credit losses in accordance with ASC 326 which Nomura initially adopted from April 1, 2020. As of March 31, 2021, the allowance for incurred credit losses reflected management's best estimate of probable losses expected for these loan commitments.

Loan commitment fees are generally deferred and recognized over the term of the loan when funded as an adjustment to yield. If drawdown of the loan commitment is considered remote, loan commitment fees are recognized over the commitment period as service revenue.

See Note 7 "*Financing receivables*" for further information including how allowances for current expected credit losses under ASC 326 are determined and the impact of the COVID-19 pandemic on the approach to calculation of current expected credit losses during the year ended March 31, 2021.

#### **Payables and deposits—**

*Payables to customers* include amounts payable on client securities transactions and are generally measured at contractual amounts due.

*Payables to other than customers* include payables to brokers and dealers for securities failed to receive, cash collateral payable for derivative transactions, certain collateralized agreements and financing transactions and net payables arising from unsettled securities transactions. Amounts are measured at contractual amounts due. The net payable arising from unsettled securities transactions reported within *Payables to other than customers* was ¥nil and ¥205,211 million as of March 31, 2020 and March 31, 2021, respectively.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Deposits received at banks* represent amounts held on deposit within Nomura’s banking subsidiaries and are measured at contractual amounts due.

**Office buildings, land, equipment and facilities—**

Office buildings, land, equipment and facilities, owned and held for use by Nomura are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are expensed as incurred in the consolidated statements of income.

Leases and subleases entered into by Nomura as either lessor or lessee are classified as either operating or finance leases on inception date in accordance with ASC 842 “*Leases*” (“ASC842”) which Nomura adopted from April 1, 2019. On lease commencement date, Nomura as lessee recognizes right-of-use (“ROU”) assets and lease liabilities which are reported within *Other assets—Office buildings, land, equipment and facilities* and *Other liabilities*, respectively in the consolidated balance sheets.

Lease liabilities are initially measured at present value of the future minimum lease payments over the expected lease term. The future minimum lease payments are discounted using a relevant Nomura incremental borrowing rate as derived from information available at lease commencement date. The expected lease term is generally determined based on the contractual maturity of the lease, and adjusted for periods covered by options to extend or terminate the lease when Nomura is reasonably certain to exercise those options. ROU assets are initially measured at the amount of lease liabilities, and adjusted for any prepaid lease payments, initial direct costs incurred and any lease incentives received.

After lease commencement date, for operating leases Nomura as lessee recognizes lease expense over the lease term generally on a straight-line basis within *Occupancy and related depreciation* or *Information processing and communications* in the consolidated statements of income. While for finance leases, Nomura recognizes amortization charges of ROU assets over the lease term and interest expense on finance lease liabilities.

The following table presents a breakdown of owned and leased office buildings, land, equipment and facilities as of March 31, 2020 and 2021.

	<b>Millions of yen</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2021</b>
Land . . . . .	¥ 49,214	¥ 39,233
Office buildings . . . . .	71,468	76,725
Equipment and facilities . . . . .	36,279	59,614
Software . . . . .	111,031	103,385
Construction in progress . . . . .	1,738	407
Operating lease ROU assets . . . . .	170,782	185,085
Total . . . . .	¥440,512	¥464,449

Depreciation and amortization charges of owned assets are generally computed using the straight-line method and recognized over the estimated useful lives of each asset. The estimated useful life of an asset takes into consideration technological change, normal deterioration and actual physical usage by Nomura. Leasehold improvements are depreciated over the shorter of their useful life or the term of corresponding lease.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The estimated useful lives for significant asset classes are as follows:

Office buildings	3 to 50 years
Equipment and facilities	2 to 20 years
Software	3 to 10 years

Depreciation and amortization charges of depreciable assets are reported within *Non-interest expenses—Information processing and communications* in the amount of ¥45,818 million, ¥47,653 million, and ¥49,343 million, and in *Non-interest expenses—Occupancy and related depreciation* in the amount of ¥12,106 million, ¥15,930 million, and ¥14,503 million for the years ended March 31, 2019, 2020 and 2021, respectively.

As of March 31, 2021, Nomura has classified buildings with a carrying value of ¥12,311 million as being held for sale and reported within Other assets—Office buildings, land, equipment and facilities in the consolidated balance sheet. Held-for-sale assets are carried at the lower of the carrying amount and fair value less cost to sell. During the year ended March 31, 2021, no gain or loss associated with the sale of held-for-sale assets was recognized through earnings. The sale was subsequently completed during the quarter ended June 30, 2021 and no material gain or loss was recorded.

Long-lived assets, including ROU assets and software assets but excluding goodwill and indefinite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flows generated by the asset is less than the carrying amount of the asset, a loss is recognized to the extent that the carrying value exceeds its fair value.

See Note 8 “Leases” for further information.

#### **Investments in equity securities—**

Nomura holds minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations in order to promote existing and potential business relationships. These companies often have similar investments in Nomura. Such cross-holdings are a customary business practice in Japan and provide a way for companies to manage shareholder relationships.

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets—Investments in equity securities* in the consolidated balance sheets, with changes in fair value reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥74,755 million and ¥37,420 million, respectively, as of March 31, 2020 and ¥93,230 million and ¥33,419 million, respectively, as of March 31, 2021.

#### **Other non-trading debt and equity securities—**

Certain non-trading subsidiaries within Nomura hold debt securities and minority stakes in equity securities for non-trading purposes. Non-trading securities held by non-trading subsidiaries are carried at fair value and reported within *Other assets—Non-trading debt securities* and *Other assets—Other* in the consolidated balance sheets with changes in fair value reported within *Revenue—Other* in the consolidated statements of income. Realized gains and losses on non-trading securities are reported within *Revenue—Other* in the consolidated statements of income.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Short-term and long-term borrowings—

Short-term borrowings are defined as borrowings which are due on demand, which have a contractual maturity of one year or less at issuance date, or which have a longer contractual maturity but which contain features outside of Nomura's control that allows the investor to demand redemption within one year from original issuance date. Short-term and long-term borrowings primarily consist of commercial paper, bank borrowings, and certain structured notes issued by Nomura and SPEs consolidated by Nomura, and financial liabilities recognized in transfers of financial assets which are accounted for as financings rather than sales under ASC 860 ("secured financing transactions"). Of these financial liabilities, certain structured notes and secured financing transactions are accounted for at fair value on a recurring basis through election of the fair value option. Other short and long-term borrowings are carried at amortized cost.

Structured notes are debt securities which contain embedded features (often meeting the accounting definition of a derivative) that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variable(s) such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or more complex interest rate calculation. Structured borrowings are borrowings that have similar characteristics as structured notes.

All structured notes and certain structured borrowings issued by Nomura are carried at fair value on a recurring basis through election of the fair value option. This blanket election for structured notes and certain structured borrowings are made primarily to mitigate the volatility in the consolidated statements of income caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions and to generally simplify the accounting Nomura applies to these financial instruments.

Changes in the fair value of structured notes elected for the fair value option are reported within *Revenue—Net gain on trading* in the consolidated statements of income, except for those attributable to Nomura's own creditworthiness which are reported within *Other comprehensive income* in the consolidated balance sheets.

See Note 11 "*Borrowings*" for further information.

#### Income taxes—

Deferred tax assets and liabilities are recognized to reflect the expected future tax consequences of operating loss carryforwards, tax credit carryforwards and temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities based upon enacted tax laws and tax rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is established against deferred tax assets for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Deferred tax assets and deferred tax liabilities that relate to the same tax-paying component within a particular tax jurisdiction are offset in the consolidated balance sheets. Net deferred tax assets and net deferred tax liabilities are reported within *Other assets—Other* and *Other liabilities* in the consolidated balance sheets.

Nomura recognizes and measures unrecognized tax benefits based on Nomura's estimate of the likelihood, based on technical merits, that tax positions will be sustained upon examination based on the facts and circumstances and information available at the end of each period. Nomura adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. The reassessment of unrecognized tax benefits could have a material impact on Nomura's effective tax rate in the period in which it occurs.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura reports income tax-related interest and penalties within *Income tax expense* in the consolidated statements of income.

See Note 16 “*Income taxes*” for further information.

#### **Stock-based and other compensation awards—**

Stock-based awards issued by Nomura to senior management and other employees are classified as either equity or liability awards depending on the terms of the award.

Stock-based awards such as Stock Acquisition Rights (“SARs”) and Restricted Stock Units (“RSUs”) which are expected to be settled by the delivery of the Company’s common stock are classified as equity awards. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

Stock-based awards such as Notional Stock Units (“NSUs”) and Collared Notional Stock Units (“CSUs”) which are expected to be settled in cash are classified as liability awards. Other awards such as Notional Index Units (“NIUs”) which are linked to a world stock index quoted by Morgan Stanley Capital International and which are expected to be cash settled are also effectively classified as liability awards. Liability awards are remeasured to fair value at each balance sheet date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount.

For both equity and liability awards, fair value is determined either by using option pricing models, the market price of the Company’s common stock or the price of the third party index, as appropriate. Compensation cost is recognized in the consolidated statements of income over the requisite service period, which generally is equal to the contractual vesting period. Where an award has graded vesting, compensation expense is recognized using the accelerated recognition method.

Certain deferred compensation awards granted since May 2013 include “Full Career Retirement” (“FCR”) provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination or by claiming FCR during a pre-defined election window if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

See Note 14 “*Deferred compensation awards*” for further information.

#### **Earnings per share—**

The computation of basic earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities based on the most advantageous conversion rate or exercise price available to the investors, and assuming conversion of convertible debt under the if-converted method.

See Note 12 “*Earnings per share*” for further information.

#### **Cash and cash equivalents—**

Nomura defines cash and cash equivalents as cash on hand and demand deposits with banks.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Goodwill and intangible assets—

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment at a reporting unit level during the fourth quarter of each fiscal year, or more frequently during earlier interim periods if events or circumstances indicate there may be impairment. Nomura's reporting units are at the same level as or one level below its business segments.

Nomura tests goodwill of each separate reporting unit by initially qualitatively assessing whether events and circumstances indicate that it is more likely than not (i.e., greater than 50%) that a reporting unit's fair value is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the reporting unit is deemed not to be impaired and no further analysis is required. If it is more likely than not that fair value of the reporting unit is below its carrying value, a quantitative test is then performed. Following the adoption of ASU 350 "*Simplifying the Test for Goodwill Impairment*" ("ASU 350) effective from April 1, 2020, a goodwill impairment loss is now recognized through earnings as the excess of the carrying amount of a reporting unit, including goodwill, over its fair value but limited to the total amount of goodwill allocated to the reporting unit. Prior to such date, an impairment loss was only recognized if the estimated implied fair value of the goodwill is below its carrying value.

Intangible assets not subject to amortization ("indefinite-lived intangible assets") are tested for impairment on an individual asset basis during the fourth quarter of each fiscal year, or more frequently during earlier interim periods if events or circumstances indicate there may be impairment. Similar to goodwill, Nomura tests an indefinite-lived intangible asset by initially qualitatively assessing whether events or circumstances indicate that it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the intangible asset is deemed not to be impaired and no further analysis is required. If it is more likely than not that the fair value of the intangible asset is below its carrying value, the current estimated fair value of the intangible asset is compared with its carrying value. An impairment loss is recognized if the carrying value of the intangible asset exceeds its estimated fair value.

Intangible assets with finite lives ("finite-lived intangible assets") are amortized over their estimated useful lives and tested for impairment either individually or with other assets ("asset group") when events and circumstances indicate that the carrying value of the intangible asset (or asset group) may not be recoverable.

A finite-lived intangible asset is impaired when its carrying amount or the carrying amount of the asset group exceeds its fair value. An impairment loss is recognized only if the carrying amount of the intangible asset (or asset group) is not recoverable and exceeds its fair value.

For both goodwill and intangible assets, to the extent an impairment loss is recognized, the loss establishes a new cost basis for the asset which cannot be subsequently reversed.

See Note 10 "*Other assets—Other / Other liabilities*" for further information.

Nomura's equity method investments are tested in their entirety for other-than-temporary impairment when there is an indication of impairment. The underlying assets associated with the equity method investments, including goodwill, are not tested separately for impairment.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Restructuring costs—**

Costs associated with an exit activity are recognized at fair value in the period in which the liability is incurred. Such costs include one-time termination benefits provided to employees, costs to terminate certain contracts and costs to relocate employees. Termination benefits provided to employees as part of ongoing benefit arrangements are recognized as liabilities at the earlier of the date an appropriately detailed restructuring plan is approved by regional executive management or the terms of the involuntary terminations are communicated to employees potentially affected. Contractual termination benefits included in an employee's contract of employment that is triggered by the occurrence of a specific event are recognized during the period in which it is probable that Nomura has incurred a liability and the amount of the liability can be reasonably estimated. A one-time termination benefit is established by a plan of termination that applies to a specified termination event and is recognized when an appropriately detailed restructuring plan is approved by regional executive management and the terms of the involuntary terminations are communicated to those employees potentially affected by the restructuring.

See Note 15 "*Restructuring initiatives*" for further information.

**Employee benefit plans—**

Nomura provides certain eligible employees with various benefit plans, including pensions and other post-retirement benefits. These benefit plans are classified as either defined benefit plans or defined contribution plans.

Plan assets and benefit obligations, as well as the net periodic benefit cost of a defined benefit pension or post-retirement benefit plan, are recognized based on various actuarial assumptions such as discount rates, expected return on plan assets and future compensation levels at the balance sheet date. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and unrecognized prior service costs or credits are amortized to net periodic benefit cost on a straight-line basis over the average remaining service life of active employees expected to receive benefits. The overfunded or underfunded status of a plan is reported within *Other assets—Other* or *Other liabilities* in the consolidated balance sheets, and changes in funded status are reflected in net periodic benefit cost and *Other comprehensive income (loss)* on a net-of-tax basis in the consolidated statements of comprehensive income.

The net periodic pension and other benefit cost of defined contribution plans is recognized within *Compensation and benefits* in the consolidated statements of income when the employee renders service to Nomura, which generally coincides with when contributions to the plan are made.

See Note 13 "*Employee benefit plans*" for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

New accounting pronouncements adopted during the current year—

The following table presents a summary of new accounting pronouncements relevant to Nomura which have been adopted during the year ended March 31, 2021:

Pronouncement	Summary of new guidance	Adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-13, “ <i>Measurement of Credit Losses on Financial Instruments</i> ” <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Introduces a new model for recognition and measurement of credit losses against certain financial instruments such as loans, debt securities and receivables which are not carried at fair value with changes in fair value recognized through earnings. The model also applies to off balance sheet credit exposures such as written loan commitments, standby letters of credit and issued financial guarantees not accounted for as insurance, which are not carried at fair value through earnings.</li> <li>• The new model based on lifetime current expected credit losses (CECL) measurement, to be recognized at the time an in-scope instrument is originated, acquired or issued.</li> <li>• Replaces existing incurred credit losses model under current GAAP.</li> <li>• Permits electing the fair value option for certain financial instruments on adoption date.</li> <li>• Requires enhanced qualitative and quantitative disclosures around credit risk, the methodology used to estimate and monitor expected credit losses and changes in estimates of expected credit losses.</li> </ul>	Modified retrospective adoption from April 1, 2020.	<p>For financial instruments subject to CECL, ¥1,972 million increase in <i>Allowance for doubtful accounts</i>, ¥638 million increase in <i>Other liabilities</i>, ¥72 million increase of <i>Deferred tax assets</i> and cumulative effect adjustment to decrease <i>Retained earnings</i>, net of tax, of ¥2,538 million as of April 1, 2020.</p> <p>For financial instruments elected for the FVO, ¥9,774 million decrease in <i>Loans receivable</i>, ¥5,888 million increase in <i>Other liabilities</i> and cumulative effect adjustment to decrease <i>Retained earnings</i>, net of tax, of ¥15,662 million as of April 1, 2020.<sup>(2)</sup></p> <p>Allowances for credit losses as determined on adoption date under the new model increased as a result of the COVID-19 pandemic because of the increased credit risk caused by the impact of the pandemic on borrowers.</p> <p>See Note 7 “<i>Financing receivables</i>” for new disclosures related to this matter</p>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Adoption date and method of adoption	Effect on these consolidated statements
ASU 2019-12, “Simplifying the Accounting for Income Taxes”	<ul style="list-style-type: none"> <li>• Simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740 “Income Taxes”, such as the exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment and the exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary.</li> <li>• Requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income—based tax.</li> <li>• Makes other minor amendments for simplification and clarification of income taxes accounting.</li> </ul>	Modified retrospective adoption from April 1, 2020.	No material impact on adoption and no material impact expected in future reporting periods.
ASU 2017- 04 “Goodwill”	<ul style="list-style-type: none"> <li>• Simplifies the test for goodwill impairment by eliminating the existing requirement to measure an impairment loss by comparing the implied fair value of goodwill in a reporting unit to the actual carrying value of goodwill.</li> <li>• An impairment loss will be recognized if the carrying value of the reporting unit exceeds the estimated fair value of the reporting unit.</li> </ul>	Prospective adoption to goodwill tests performed from April 1, 2020.	No material impact expected on future goodwill impairment tests.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Adoption date and method of adoption	Effect on these consolidated statements
ASU 2020-04 “Reference rate reform”	<ul style="list-style-type: none"> <li>• Requires to consider income tax effects from any tax deductible goodwill on the carrying value of the reporting unit when measuring an impairment loss.</li> <li>• Does not impact when goodwill is tested for impairment or level at which goodwill is tested.</li> <li>• Provides temporary optional expedients and exceptions to the application of generally accepted accounting principles to certain contract and hedge relationships affected by reference rate reform.</li> <li>• Contract modifications solely related to the replacement of reference rate are eligible for relief from modification accounting requirements and accounted for as a continuation of the existing contract.</li> <li>• Allows various optional expedients and elections to allow hedging relationships affected by reference rate reform would continue uninterrupted during the reference rate transition if certain criteria are met.</li> </ul>	The expedients and exceptions provided by the ASU are permitted to be adopted any time until December 31, 2022.	No material expedients have been applied for the year ended March 31, 2021.  Nomura may apply certain of the optional expedients to relevant contract modification and hedge accounting relationship during the reference rate transition period and does not expect a material impact in future reporting periods.

(1) As subsequently amended by ASU 2018-19 “Codification Improvements to Topic 326, Financial Instruments—Credit Losses”, ASU 2019-04 “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments”, ASU 2019-05 “Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief”, ASU 2019-09 “Codification Improvements to Topic 326, Financial Instruments—Credit Losses” and ASU 2019-10 “Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.”

(2) Nomura elected the FVO for certain loans and loan commitments originated and acquired by the Wholesale division on April 1, 2020 as part of adoption of ASC 326 and as permitted by ASC 326. These loans and loan commitments were primarily elected for the FVO in order to actively risk manage them on a prospective basis through the COVID-19 global pandemic. Active risk management for this purpose has consisted of hedging these financial instruments and also potentially selling certain positions within the

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

portfolio if and when active markets and buyers return. The financial instruments elected for the FVO were selected primarily based on the activity of the borrower, internal credit rating and from a credit and market risk perspective. The cumulative effect adjustment to decrease *retained earnings*, net of tax, of ¥15,662 million reflected that the estimated fair value of the financial instruments was lower than their carrying value caused by the volatile credit markets and impact on credit spreads at such date as a result of the COVID-19 global pandemic. See Note 2, “*Fair Value of Financial Instruments*” for further information around the nature of this election and the subsequent performance of these financial instruments since the election.

**Future accounting developments—**

There are no new authoritative accounting pronouncements relevant to Nomura which will be adopted on or after April 1, 2021 which may have a material impact on these consolidated financial statements.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 2. Fair value measurements:

##### The fair value of financial instruments

A significant amount of Nomura's financial instruments are measured at fair value. Financial assets measured at fair value on a recurring basis are reported in the consolidated balance sheets within *Trading assets and private equity and debt investments, Loans and receivables, Collateralized agreements* and *Other assets*. Financial liabilities measured at fair value on a recurring basis are reported within *Trading liabilities, Short-term borrowings, Payables and deposits, Collateralized financing, Long-term borrowings* and *Other liabilities*.

Other financial assets and financial liabilities are measured at fair value on a nonrecurring basis, where the primary measurement basis is not fair value but where fair value is used in specific circumstances after initial recognition, such as to measure impairment.

In all cases, fair value is determined in accordance with ASC 820 "*Fair Value Measurements and Disclosures*" ("ASC 820") which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in the principal market for the relevant financial assets or financial liabilities, or in the absence of a principal market, the most advantageous market.

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e., a net financial asset) or transfer a net short position (i.e., a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

Financial assets measured at fair value also include investments in certain funds where, as a practical expedient, fair value is determined on the basis of net asset value per share ("NAV per share") if the NAV per share is calculated in accordance with certain industry standard principles.

Increases and decreases in the fair value of assets and liabilities will significantly impact Nomura's position, performance, liquidity and capital resources. As explained below, valuation techniques applied contain inherent uncertainties and Nomura is unable to predict the accurate impact of future developments in the market. The valuation of financial instruments is more difficult during periods of market stress as a result of greater volatility and reduced price transparency, which has been the case during the COVID-19 pandemic in 2020, and may therefore require the greater use of judgement in the determination of fair value. Where appropriate, Nomura uses economic hedging strategies to mitigate its risk, although these hedges are also subject to unpredictable movements in the market.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### **Valuation methodology for financial instruments carried at fair value on a recurring basis**

The fair value of financial instruments is based on quoted market prices including market indices, broker or dealer quotations or an estimation by management of the expected exit price under current market conditions. Various financial instruments, including cash instruments and over-the-counter (“OTC”) contracts, have bid and offer prices that are observable in the market. These are measured at the point within the bid-offer range which best represents Nomura’s estimate of fair value. Where quoted market prices or broker or dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value.

Where quoted prices are available in active markets, no valuation adjustments are taken to modify the fair value of assets or liabilities marked using such prices. Other instruments may be measured using valuation techniques, such as valuation pricing models incorporating observable valuation inputs, unobservable parameters or a combination of both. Valuation pricing models use valuation inputs which would be considered by market participants in valuing similar financial instruments.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized and realized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Valuation uncertainty results from a variety of factors, including the valuation technique or model selected, the quantitative assumptions used within the valuation model, the inputs into the model, as well as other factors. Valuation adjustments are used to reflect the assessment of this uncertainty. Common valuation adjustments include model reserves, credit adjustments, close-out adjustments, and other appropriate instrument-specific adjustments, such as those to reflect transfer or sale restrictions.

The level of adjustments is largely judgmental and is based on an assessment of the factors that management believe other market participants would use in determining the fair value of similar financial instruments. The type of adjustments taken, the methodology for the calculation of these adjustments, and the valuation inputs for these calculations are reassessed periodically to reflect current market practice and the availability of new information.

For example, the fair value of certain financial instruments includes adjustments for credit risk; both with regards to counterparty credit risk on positions held and Nomura’s own creditworthiness on positions issued. Credit risk on financial assets is significantly mitigated by credit enhancements such as collateral and netting arrangements. Any net credit exposure is measured using available and applicable valuation inputs for the relevant counterparty. The same approach is used to measure the credit exposure on Nomura’s financial liabilities as is used to measure counterparty credit risk on Nomura’s financial assets.

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The Valuation Model Validation Group (“VMVG”) within Nomura’s Risk Management Department reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about a model’s suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

As explained above, any changes in fixed income, equity, foreign exchange and commodity markets can impact Nomura’s estimates of fair value in the future, potentially affecting trading gains and losses. Where financial contracts have longer maturity dates, Nomura’s estimates of fair value may involve greater subjectivity due to the lack of transparent market data.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Fair value hierarchy

All financial instruments measured at fair value, including those measured at fair value using the fair value option, have been categorized into a three-level hierarchy (“fair value hierarchy”) based on the transparency of valuation inputs used by Nomura to estimate fair value. A financial instrument is classified in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the financial instrument. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the most transparent inputs and Level 3 representing the least transparent inputs:

##### Level 1:

Observable valuation inputs that reflect quoted prices (unadjusted) for identical financial instruments traded in active markets at the measurement date.

##### Level 2:

Valuation inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the financial instrument.

##### Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

The availability of valuation inputs observable in the market varies by product and can be affected by a variety of factors. Significant factors include, but are not restricted to the prevalence of similar products in the market, especially for customized products, how established the product is in the market, for example, whether it is a new product or is relatively mature, and the reliability of information provided in the market which would depend, for example, on the frequency and volume of current data. A period of significant change in the market may reduce the availability of observable data. Under such circumstances, financial instruments may be reclassified into a lower level in the fair value hierarchy.

Significant judgments used in determining the classification of financial instruments include the nature of the market in which the product would be traded, the underlying risks, the type and liquidity of market data inputs and the nature of observed transactions for similar instruments.

Where valuation models include the use of valuation inputs which are less observable or unobservable in the market, significant management judgment is used in establishing fair value. The valuations for Level 3 financial instruments, therefore, involve a greater degree of judgment than those valuations for Level 1 or Level 2 financial instruments and has become more prevalent during the COVID-19 pandemic.

Certain criteria management use to determine whether a market is active or inactive include the number of transactions, the frequency that pricing is updated by other market participants, the variability of price quotes among market participants, and the amount of publicly available information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the amounts of Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2020 and 2021 within the fair value hierarchy.

	Billions of yen				
	March 31, 2020				
	Level 1	Level 2	Level 3	Counterparty and	
Cash Netting <sup>(1)</sup>				Collateral Balance as of March 31, 2020	
<b>Assets:</b>					
Trading assets and private equity and debt investments <sup>(2)</sup>					
Equities <sup>(3)</sup>	¥1,193	¥ 908	¥ 14	¥ —	¥ 2,115
Private equity and debt investments <sup>(4)</sup>	—	7	31	—	38
Japanese government securities	1,826	—	—	—	1,826
Japanese agency and municipal securities	—	106	2	—	108
Foreign government, agency and municipal securities	3,257	2,000	8	—	5,265
Bank and corporate debt securities and loans for trading purposes	—	1,266	228	—	1,494
Commercial mortgage-backed securities ("CMBS")	—	0	1	—	1
Residential mortgage-backed securities ("RMBS")	—	3,626	62	—	3,688
Issued/Guaranteed by government sponsored entity	—	3,602	14	—	3,616
Other	—	24	48	—	72
Real estate-backed securities	—	—	94	—	94
Collateralized debt obligations ("CDOs") and other <sup>(5)</sup>	—	21	32	—	53
Investment trust funds and other	204	44	0	—	248
Total trading assets and private equity and debt investments	6,480	7,978	472	—	14,930
Derivative assets <sup>(6)</sup>					
Equity contracts	4	1,869	48	—	1,921
Interest rate contracts	55	13,551	23	—	13,629
Credit contracts	3	318	86	—	407
Foreign exchange contracts	0	5,183	41	—	5,224
Commodity contracts	9	0	—	—	9
Netting	—	—	—	(19,248)	(19,248)
Total derivative assets	71	20,921	198	(19,248)	1,942
Subtotal	¥6,551	¥28,899	¥670	¥(19,248)	¥ 16,872
Loans and receivables <sup>(7)</sup>	—	709	96	—	805
Collateralized agreements <sup>(8)</sup>	—	534	15	—	549
Other assets					
Non-trading debt securities	123	332	—	—	455
Other <sup>(2)(3)</sup>	252	146	168	—	566
Total	¥6,926	¥30,620	¥949	¥(19,248)	¥ 19,247
<b>Liabilities:</b>					
Trading liabilities					
Equities	¥1,412	¥ 152	¥ 0	¥ —	¥ 1,564
Japanese government securities	1,108	—	—	—	1,108
Japanese agency and municipal securities	—	0	—	—	0
Foreign government, agency and municipal securities	2,116	1,114	0	—	3,230
Bank and corporate debt securities	—	272	1	—	273
Residential mortgage-backed securities ("RMBS")	—	3	—	—	3
Collateralized debt obligations ("CDOs") and other <sup>(5)</sup>	—	1	1	—	2
Investment trust funds and other	409	148	0	—	557
Total trading liabilities	5,045	1,690	2	—	6,737
Derivative liabilities <sup>(6)</sup>					
Equity contracts	7	1,972	29	—	2,008
Interest rate contracts	18	13,125	77	—	13,220
Credit contracts	14	356	87	—	457
Foreign exchange contracts	0	5,071	34	—	5,105
Commodity contracts	5	1	—	—	6
Netting	—	—	—	(18,987)	(18,987)
Total derivative liabilities	44	20,525	227	(18,987)	1,809
Subtotal	¥5,089	¥22,215	¥229	¥(18,987)	¥ 8,546
Short-term borrowings <sup>(9)</sup>	—	348	29	—	377
Payables and deposits <sup>(10)</sup>	—	14	1	—	15
Collateralized financing <sup>(8)</sup>	—	247	—	—	247
Long-term borrowings <sup>(9)(11)(12)</sup>	2	3,291	409	—	3,702
Other liabilities <sup>(13)</sup>	170	129	0	—	299
Total	¥5,261	¥26,244	¥668	¥(18,987)	¥ 13,186

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen				
	March 31, 2021				
	Counterparty and			Cash Collateral Netting <sup>(1)</sup>	Balance as of March 31, 2021
Level 1	Level 2	Level 3			
Assets:					
Trading assets and private equity and debt investments <sup>(2)</sup>					
Equities <sup>(3)</sup>	¥2,338	¥ 968	¥ 16	¥ —	¥ 3,322
Private equity and debt investments <sup>(4)</sup>	—	—	58	—	58
Japanese government securities	1,637	—	—	—	1,637
Japanese agency and municipal securities	—	76	2	—	78
Foreign government, agency and municipal securities	2,838	1,987	12	—	4,837
Bank and corporate debt securities and loans for trading purposes	—	1,259	135	—	1,394
Commercial mortgage-backed securities (“CMBS”)	—	0	8	—	8
Residential mortgage-backed securities (“RMBS”)	—	2,387	6	—	2,393
Issued/Guaranteed by government sponsored entity	—	2,325	—	—	2,325
Other	—	62	6	—	68
Real estate-backed securities	—	0	106	—	106
Collateralized debt obligations (“CDOs”) and other <sup>(5)</sup>	—	36	23	—	59
Investment trust funds and other	573	29	0	—	602
Total trading assets and private equity and debt investments	7,386	6,742	366	—	14,494
Derivative assets <sup>(6)</sup>					
Equity contracts	9	1,318	75	—	1,402
Interest rate contracts	29	9,577	26	—	9,632
Credit contracts	4	427	24	—	455
Foreign exchange contracts	0	4,479	37	—	4,516
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(14,786)	(14,786)
Total derivative assets	43	15,801	162	(14,786)	1,220
Subtotal	¥7,429	¥22,543	¥528	¥(14,786)	¥ 15,714
Loans and receivables <sup>(7)</sup>	—	878	104	—	982
Collateralized agreements <sup>(8)</sup>	—	349	18	—	367
Other assets					
Non-trading debt securities	123	304	—	—	427
Other <sup>(2)(3)</sup>	353	173	185	—	711
Total	¥7,905	¥24,247	¥835	¥(14,786)	¥ 18,201
Liabilities:					
Trading liabilities					
Equities	¥2,341	¥ 20	¥ 0	¥ —	¥ 2,361
Japanese government securities	1,039	—	—	—	1,039
Japanese agency and municipal securities	—	1	—	—	1
Foreign government, agency and municipal securities	2,912	1,172	1	—	4,085
Bank and corporate debt securities	—	230	5	—	235
Residential mortgage-backed securities (“RMBS”)	—	0	—	—	0
Collateralized debt obligations (“CDOs”) and other <sup>(5)</sup>	—	0	1	—	1
Investment trust funds and other	243	13	0	—	256
Total trading liabilities	6,535	1,436	7	—	7,978
Derivative liabilities <sup>(6)</sup>					
Equity contracts	1	2,112	116	—	2,229
Interest rate contracts	21	8,948	69	—	9,038
Credit contracts	3	458	62	—	523
Foreign exchange contracts	—	4,380	22	—	4,402
Commodity contracts	0	0	—	—	0
Netting	—	—	—	(14,697)	(14,697)
Total derivative liabilities	25	15,898	269	(14,697)	1,495
Subtotal	¥6,560	¥17,334	¥276	¥(14,697)	¥ 9,473
Short-term borrowings <sup>(9)</sup>	—	¥ 532	¥103	¥ —	¥ 635
Payables and deposits <sup>(10)</sup>	—	49	1	—	50
Collateralized financing <sup>(8)</sup>	—	352	1	—	353
Long-term borrowings <sup>(9)(11)(12)</sup>	5	3,546	547	—	4,098
Other liabilities <sup>(13)</sup>	231	179	35	—	445
Total	¥6,796	¥21,992	¥963	¥(14,697)	¥ 15,054

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (2) Certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. As of March 31, 2020 and March 31, 2021, the fair values of these investments which are included in *Trading assets and private equity and debt investments* were ¥26 billion and ¥24 billion, respectively. As of March 31, 2020 and March 31, 2021, the fair values of these investments which are included in *Other assets—Others* were ¥6 billion and ¥4 billion, respectively.
- (3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (4) *Private equity and debt investments* are typically private non-traded financial instruments including ownership or other forms of junior capital (such as mezzanine loan). Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (5) Includes collateralized loan obligations (“CLOs”) and asset-backed securities (“ABS”) such as those secured on credit card loans, auto loans and student loans.
- (6) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (7) Includes loans for which the fair value option has been elected.
- (8) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
- (9) Includes structured notes for which the fair value option has been elected.
- (10) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
- (11) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
- (12) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
- (13) Includes loan commitments for which the fair value option has been elected.

#### Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

*Equities* and equity securities reported within *Other assets—Equities and equity securities* reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2020 and 2021, respectively. The fair value of unlisted equity securities is determined using the same methodology as private equity and debt investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable.

*Private equity and debt investments*—The determination of fair value of unlisted private equity and debt investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity and debt investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (“DCF”) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

rate discounted at a weighted average cost of capital (“WACC”). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (“EV/EBITDA”) ratios, Price/Earnings (“PE”) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. The liquidity discount includes considerations for various uncertainties in the model and inputs to valuation. Where possible these valuations are compared with the operating cash flows and financial performance of the investee or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity and debt investments are generally classified in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

*Government, agency and municipal securities*—The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

*Bank and corporate debt securities*—The fair value of bank and corporate debt securities is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

*Commercial mortgage-backed securities (“CMBS”) and Residential mortgage-backed securities (“RMBS”)*—The fair value of CMBS and RMBS are primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Real estate-backed securities*—The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or valuation techniques and are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as yields or loss severities.

*Collateralized debt obligations (“CDOs”) and other*—The fair value of CDOs is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used include market spread data for each credit rating, yields, prepayment rates, default probabilities and loss severities. CDOs are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are observable or market-corroborated. CDOs will be classified in Level 3 where one or more of the significant valuation inputs used in the DCF valuations are unobservable.

*Investment trust funds and other*—The fair value of investment trust funds is primarily determined using NAV per share. Publicly traded funds which are valued using a daily NAV per share are classified in Level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in Level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The fair value of certain other investments reported within *Investment trust funds and other* is determined using DCF valuation techniques. These investments are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as credit spreads of issuer and correlation.

*Derivatives—Equity contracts*—Nomura enters into both exchange-traded and OTC equity derivative transactions such as index and equity options, equity basket options and index and equity swaps. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded equity derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC equity derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, volatility or correlation valuation inputs are significant and unobservable.

*Derivatives—Interest rate contracts*—Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements, swaptions, caps and floors. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded interest rate derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

interest rate derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC interest rate derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange (“FX”) rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC interest rate derivatives are classified in Level 3 where interest rate, volatility or correlation valuation inputs are significant and unobservable.

*Derivatives—Credit contracts*—Nomura enters into OTC credit derivative transactions such as credit default swaps and credit options on single names, indices or baskets of assets. The fair value of OTC credit derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, credit spreads, recovery rates, default probabilities, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC credit derivatives are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC credit derivatives are classified in Level 3 where credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

*Derivatives—Foreign exchange contracts*—Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain foreign exchange derivatives are classified in Level 3 where interest rates, volatility or correlation valuation inputs are significant and unobservable.

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value.

*Loans*—The fair value of loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques as quoted prices are typically not available. The significant valuation inputs used are similar to those used in the valuation of corporate debt securities described above. Loans are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs are observable. Certain loans, however, are classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2 or credit spreads of the issuer used in DCF valuations are significant and unobservable.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Collateralized agreements and Collateralized financing*—The primary types of collateralized agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

*Non-trading debt securities*—These are debt securities held by certain non-trading subsidiaries in the group and are valued and classified in the fair value hierarchy using the same valuation techniques used for other debt securities classified as *Government, agency and municipal securities* and *Bank and corporate debt securities* described above.

*Short-term and long-term borrowings (“Structured notes”)*—Structured notes are debt securities issued by Nomura or by consolidated variable interest entities (“VIEs”) which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves, prepayment rates, default probabilities and loss severities. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura’s own creditworthiness. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as yields, prepayment rates, default probabilities, loss severities, volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

*Long-term borrowings (“Secured financing transactions”)*—Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 “*Transfer and Servicing*” (“ASC 860”) and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura’s own creditworthiness.

#### **Level 3 financial instruments**

The valuation of Level 3 financial assets and liabilities is dependent on certain significant valuation inputs which are unobservable. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, non-executable broker quotes or little publicly released information.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be measured using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered as an unobservable valuation input. Other techniques for determining an appropriate value for unobservable input may consider information such as consensus pricing data among certain market participants, historical trends, extrapolation from observable market data and other information Nomura would expect market participants to use in valuing similar instruments.

Use of reasonably possible alternative valuation input assumptions to value Level 3 financial instruments will significantly influence fair value determination. Ultimately, the uncertainties described above about input assumptions imply that the fair value of Level 3 financial instruments is a judgmental estimate. The specific valuation for each instrument is based on management's judgment of prevailing market conditions, in accordance with Nomura's established valuation policies and procedures.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Quantitative and qualitative information regarding significant unobservable inputs

The following tables present quantitative and qualitative information about the significant unobservable valuation inputs used by Nomura to measure the fair value of financial instruments classified in Level 3 as of March 31, 2020 and 2021. These financial instruments will also typically include observable valuation inputs (i.e., Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy. Changes in each of these significant unobservable valuation inputs used by Nomura will impact upon the fair value measurement of the financial instrument. The following tables also illustrate qualitatively how an increase in those significant unobservable valuation inputs might result in a higher or lower fair value measurement at the reporting date and the interrelationship between significant unobservable valuation inputs where more than one is used to determine fair value measurement of the financial instruments. The impact of the COVID-19 pandemic on financial markets has been considered in determining which valuation inputs are used to measure fair value.

March 31, 2020							
Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
Assets:							
Trading assets and private equity and debt investments							
Equities . . . . .	¥ 14	DCF	Liquidity discounts	75.0%	75.0%	Lower fair value	Not applicable
		Market multiples	Liquidity discounts	20.0%	20.0%	Lower fair value	Not applicable
Private equity and debt investments . . . . .	31	DCF	WACC	7.0 – 13.5%	10.0%	Lower fair value	No predictable interrelationship
			Growth rates	0.0 – 1.0%	0.6%	Higher fair value	
			Liquidity discounts	5.0 – 30.0%	9.9%	Lower fair value	
		Market multiples	EV/EBITDA ratios	1.0 – 11.0 x	8.9 x	Higher fair value	No predictable interrelationship
			PE Ratios	9.6 x	9.6 x	Higher fair value	
			Liquidity discounts	5.0 – 30.0%	9.8%	Lower fair value	
Foreign government, agency and municipal securities . . . . .	8	DCF	Credit spreads	0.0 – 1.4%	0.5%	Lower fair value	No predictable interrelationship
			Recovery rates	4.0 – 18.0%	10.8%	Higher fair value	
Bank and corporate debt securities and loans for trading purposes . . . . .	228	DCF	Credit spreads	0.0 – 17.9%	5.8%	Lower fair value	No predictable interrelationship
			Recovery rates	0.0 – 80.7%	43.8%	Higher fair value	
Residential mortgage backed securities (“RMBS”) . . . . .	62	DCF	Yields	0.0 – 30.8%	6.7%	Lower fair value	No predictable interrelationship
			Prepayment rates	7.1 – 15.0%	8.9%	Lower fair value	
			Loss severities	0.0 – 100.0%	40.6%	Lower fair value	
Real estate-backed securities . . . . .	94	DCF	Loss severities	0.0 – 8.1%	3.4%	Lower fair value	Not applicable
Collateralized debt obligations (“CDOs”) and other . . . . .	32	DCF	Yields	6.4 – 56.8%	21.6%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
			Prepayment rates	20.0%	20.0%	Lower fair value	
			Default probabilities	2.0%	2.0%	Lower fair value	
			Loss severities	0.0 – 100.0%	73.0%	Lower fair value	

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2020

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
Derivatives, net:							
Equity contracts . . .	¥ 19	Option models	Dividend yield Volatilities Correlations	0.0 – 18.7% 12.2 – 144.7% (0.85) – 0.97	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Interest rate contracts . . . . .	(54)	DCF/ Option models	Interest rates Volatilities Volatilities Correlations	(0.1) – 2.0% 8.8 – 13.8% 24.6 – 119.4 bp (1.00) – 0.98	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Credit contracts . . . .	(1)	DCF/ Option models	Credit spreads Recovery rates Volatilities Correlations	0.1 – 28.4% 0.0 – 105.4% 50.0 – 83.0% 0.16 – 0.82	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Foreign exchange contracts . . . . .	7	Option models	Interest rates Volatilities Volatilities Correlations	(0.1) – 0.8% 2.0 – 23.9% 19.2 – 105.7 bp (0.25) – 0.80	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Loans and receivables . . .	96	DCF	Credit spreads Recovery rates	0.0 – 20.5% 57.5 – 98.0%	4.2% 85.0%	Lower fair value Higher fair value	No predictable interrelationship
Collateralized agreements . . . . .	15	DCF	Repo rate	3.8 – 5.6%	4.9%	Lower fair value	Not applicable
Other assets							
Other <sup>(6)</sup> . . . . .	168	DCF	WACC Growth rates Liquidity discounts	10.1% 2.0% 10.0%	10.1% 2.0% 10.0%	Lower fair value Higher fair value Lower fair value	No predictable interrelationship
		Market multiples	EV/EBITDA ratios PE Ratios Price/Book ratios Liquidity discounts	3.9 – 10.3 x 6.3 – 20.7 x 0.3 – 1.3 x 10.0 – 40.0%	4.6 x 11.4 x 0.8 x 28.6%	Higher fair value Higher fair value Higher fair value Lower fair value	Generally changes in multiples result in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Liabilities:							
Short-term borrowings . .	29	DCF/ Option models	Volatilities Correlations	12.6 – 76.4% (0.72) – 0.94	— —	Higher fair value Higher fair value	No predictable interrelationship
Long-term borrowings . .	409	DCF/ Option models	Volatilities Volatilities Correlations	8.6 – 76.4% 30.0 – 103.2 bp (1.00) – 0.98	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2021

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
Assets:							
Trading assets and private equity and debt investments							
Equities . . . . .	¥ 16	DCF	Liquidity discounts	75.0%	75.0%	Lower fair value	Not applicable
Private equity and debt investments . . . . .							
	58	DCF	WACC	6.3 – 11.5%	8.4%	Lower fair value	No predictable interrelationship
			Growth rates	0.0 – 1.0%	0.5%	Higher fair value	
			Credit spreads	7.6 – 8.8%	8.1%	Lower fair value	
			Liquidity discounts	5.0 – 30.0%	12.8%	Lower fair value	
		Market multiples	EV/EBITDA ratios	1.9 – 10.8 x	6.5 x	Higher fair value	No predictable interrelationship
			PE Ratios	11.1 x	11.1 x	Higher fair value	
			Liquidity discounts	5.0 – 20.0%	12.2%	Lower fair value	
Foreign government, agency and municipal securities . . . . .							
	12	DCF	Credit spreads	0.0 – 1.5%	0.4%	Lower fair value	No predictable interrelationship
			Recovery rates	9.2 – 9.3%	9.2%	Higher fair value	
Bank and corporate debt securities and loans for trading purposes . . . . .							
	135	DCF	Credit spreads	0.0 – 23.1%	7.4%	Lower fair value	No predictable interrelationship
			Recovery rates	0.0 – 100.0%	73.3%	Higher fair value	
Commercial mortgage backed securities (“CMBS”) . . . . .							
	8	DCF	Yields	4.2 – 10.6%	5.0%	Lower fair value	No predictable interrelationship
			Loss severities	27.5 – 69.5%	50.3%	Lower fair value	
Residential mortgage backed securities (“RMBS”) . . . . .							
	6	DCF	Yields	0.0 – 14.3%	1.4%	Lower fair value	No predictable interrelationship
			Prepayment rates	6.4 – 15.0%	7.2%	Lower fair value	
			Loss severities	0.8 – 100.0%	5.8%	Lower fair value	
Real estate-backed securities . . . . .							
	106	DCF	Loss severities	0.0 – 18.6%	2.4%	Lower fair value	Not applicable
Collateralized debt obligations (“CDOs”) and other . . . . .							
	23	DCF	Yields	5.4 – 35.0%	11.0%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
			Prepayment rates	20.0%	20.0%	Lower fair value	
			Default probabilities	2.0%	2.0%	Lower fair value	
			Loss severities	77.0 – 100.0%	88.1%	Lower fair value	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2021

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
Derivatives, net:							
Equity contracts . . .	¥ (41)	Option models	Dividend yield	0.0 – 9.8%	—	Higher fair value	No predictable interrelationship
			Volatilities	4.0 – 102.0%	—	Higher fair value	
			Correlations	(0.80) – 0.98	—	Higher fair value	
Interest rate contracts . . . . .	(43)	DCF/ Option models	Interest rates	0.1 – 2.3%	—	Higher fair value	No predictable interrelationship
			Volatilities	9.6 – 13.1%	—	Higher fair value	
			Volatilities	24.9 – 94.0 bp	—	Higher fair value	
			Correlations	(1.00) – 0.98	—	Higher fair value	
Credit contracts . . . .	(38)	DCF/ Option models	Credit spreads	0.0 – 20.8%	—	Higher fair value	No predictable interrelationship
			Recovery rates	0.0 – 100.4%	—	Higher fair value	
			Volatilities	41.9 – 65.0%	—	Higher fair value	
			Correlations	0.29 – 0.72	—	Higher fair value	
Foreign exchange contracts . . . . .	15	Option models	Interest rates	0.1 – 2.1%	—	Higher fair value	No predictable interrelationship
			Volatilities	2.6 – 31.5%	—	Higher fair value	
			Volatilities	16.2 – 25.5 bp	—	Higher fair value	
			Correlations	(0.25) – 0.80	—	Higher fair value	
Loans and receivables . . .	104	DCF	Credit spreads	0.0 – 25.6%	6.6%	Lower fair value	No predictable interrelationship
			Recovery rates	26.4 – 100.0%	95.8%	Higher fair value	
Collateralized agreements . . . . .	18	DCF	Repo rate	2.8 – 5.8%	4.0%	Lower fair value	Not applicable
Other assets							
Other <sup>(6)</sup> . . . . .	185	DCF	WACC	9.2%	9.2%	Lower fair value	No predictable interrelationship
			Growth rates	2.0%	2.0%	Higher fair value	
			Liquidity discounts	10.0%	10.0%	Lower fair value	Generally changes in multiples result in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
		Market multiples	EV/EBITDA ratios	5.0 – 6.2 x	5.4 x	Higher fair value	
			PE Ratios	8.2 – 32.0 x	13.8 x	Higher fair value	
			Price/Book ratios	0.3 – 1.6 x	0.9 x	Higher fair value	
			Liquidity discounts	10.0 – 40.0%	30.6%	Lower fair value	
Liabilities:							
Trading Liabilities Bank and corporate debt							
sec . . . . .	5	DCF	Recovery rates	3.4 – 3.5%	3.4%	Higher fair value	Not applicable
Short-term borrowings . .	103	DCF/ Option models	Volatilities	13.8 – 82.3%	—	Higher fair value	No predictable interrelationship
			Correlations	(0.69) – 0.96	—	Higher fair value	
Long-term borrowings . .	547	DCF/ Option models	Volatilities	9.5 – 82.3%	—	Higher fair value	No predictable interrelationship
			Volatilities	29.6 – 77.0 bp	—	Higher fair value	
			Correlations	(1.00) – 0.98	—	Higher fair value	

- (1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
- (2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
- (3) The above table only considers the impact of an increase in each significant unobservable valuation input on the fair value measurement of the financial instrument. However, a decrease in the significant unobservable valuation input would have the opposite effect on the fair value measurement of the financial instrument. For example, if an increase in a significant unobservable valuation input would result in a lower fair value measurement, a decrease in the significant unobservable valuation input would result in a higher fair value measurement.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (4) The impact of an increase in the significant unobservable input on the fair value measurement for a derivative assumes Nomura is long risk to the input e.g., long volatility. Where Nomura is short such risk, the impact of an increase would have a converse effect on the fair value measurement of the derivative.
- (5) Consideration of the interrelationships between significant unobservable inputs is only relevant where more than one unobservable valuation input is used to determine the fair value measurement of the financial instrument.
- (6) Valuation technique(s) and unobservable valuation inputs in respect of equity securities reported within *Other assets* in the consolidated balance sheets.

#### Qualitative discussion of the ranges of significant unobservable inputs

The following comments present qualitative discussion about the significant unobservable valuation inputs used by Nomura for financial instruments classified in Level 3.

*Derivatives—Equity contracts*—The significant unobservable inputs are dividend yield, volatilities and correlations. The range of dividend yields varies as some companies do not pay any dividends, for example due to a lack of profits or as a policy during a growth period, and hence have a zero dividend yield while others may pay high dividends, for example to return money to investors. The range of volatilities is wide as the volatilities of shorter-dated equity derivatives or those based on single equity securities can be higher than those of longer-dated instruments or those based on indices. Correlations represent the relationships between one input and another (“pairs”) and can either be positive or negative amounts. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships throughout the range.

*Derivatives—Interest rate contracts*—The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is wide as volatilities can be higher when interest rates are at extremely low levels, and also because volatilities of shorter-dated interest rate derivatives are typically higher than those of longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range. All significant unobservable inputs are spread across the ranges.

*Derivatives—Credit contracts*—The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads reflects the different risk of default present within the portfolio. At the low end of the range, underlying reference names have a very limited risk of default whereas at the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong.

*Derivatives—Foreign exchange contracts*—The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is mainly due to the lower end of the range arising from

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currencies that trade in narrow ranges e.g. versus the U.S. Dollar while the higher end comes from currencies with a greater range of movement such as emerging market currencies. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

*Short-term borrowings and Long-term borrowings*—The significant unobservable inputs are yields, prepayment rates, default probabilities, loss severities, volatilities and correlations. The range of volatilities is wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

**Movements in Level 3 financial instruments**

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified in Level 3 for the years ended March 31, 2020 and 2021. Financial instruments classified in Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable valuation inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable valuation inputs.

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For the years ended March 31, 2020 and 2021, gains and losses related to Level 3 assets and liabilities did not have a material impact on Nomura's liquidity and capital resources management.

	Billions of yen									
	Year ended March 31, 2020									
	Balance as of April 1, 2019	Total gains (losses) recognized in net revenue <sup>(1)</sup>	Total gains (losses) recognized in other comprehensive income	Purchases / issues <sup>(2)</sup>	Sales / redemptions <sup>(2)</sup>	Settlements	Foreign exchange movements	Transfers into Level 3 <sup>(4)(5)</sup>	Transfers out of Level 3 <sup>(5)</sup>	Balance as of March 31, 2020
Assets:										
Trading assets and private equity and debt investments										
Equities	¥ 13	¥ (1)	¥—	¥ 8	¥ (4)	¥—	¥ 0	¥ 1	¥ (3)	¥ 14
Private equity and debt investments	26	1	—	8	(3)	—	(1)	—	—	31
Japanese agency and municipal securities	1	0	—	1	0	—	—	—	—	2
Foreign government, agency and municipal securities	5	0	—	27	(26)	—	0	5	(3)	8
Bank and corporate debt securities and loans for trading purposes	160	(2)	—	158	(154)	—	(7)	113	(40)	228
Commercial mortgage-backed securities ("CMBS")	2	(1)	—	1	(1)	—	—	0	0	1
Residential mortgage-backed securities ("RMBS")	3	(8)	—	93	(53)	—	0	28	(1)	62
Real estate-backed securities	69	4	—	197	(175)	—	(1)	—	—	94
Collateralized debt obligations ("CDOs") and other	19	(21)	—	184	(167)	—	(1)	25	(7)	32
Investment trust funds and other	1	0	—	13	(14)	—	0	0	0	0
Total trading assets and private equity and debt investments	299	(28)	—	690	(597)	—	(10)	172	(54)	472
Derivatives, net <sup>(3)</sup>										
Equity contracts	(8)	29	—	—	—	(6)	0	16	(12)	19
Interest rate contracts	(54)	9	—	—	—	(9)	0	(1)	1	(54)
Credit contracts	(8)	7	—	—	—	2	0	(12)	10	(1)
Foreign exchange contracts	20	(22)	—	—	—	8	(1)	0	2	7
Commodity contracts	0	0	—	—	—	0	0	—	—	—
Total derivatives, net	(50)	23	—	—	—	(5)	(1)	3	1	(29)
Subtotal	¥249	¥ (5)	¥—	¥690	¥(597)	¥ (5)	¥(11)	¥175	¥ (53)	¥443
Loans and receivables	¥129	¥ 0	¥—	¥163	¥(117)	¥—	¥ (3)	¥ 93	¥(169)	¥ 96
Collateralized agreements	33	0	—	—	(27)	—	(1)	10	—	15
Other assets										
Other	166	(31)	0	43	(7)	—	(3)	0	—	168
Total	¥577	¥(36)	¥ 0	¥896	¥(748)	¥ (5)	¥(18)	¥278	¥(222)	¥722
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ 0	¥—	¥ 0	¥ 0	¥—	¥ 0	¥ 0	¥ 0	¥ 0
Foreign government, agency and municipal securities	0	0	—	—	—	—	0	—	—	0
Bank and corporate debt securities	0	(1)	—	1	(1)	—	0	0	—	1
Collateralized debt obligations ("CDOs") and other	—	0	—	4	(3)	—	0	—	—	1
Investment trust funds and other	—	—	—	0	0	—	0	0	—	0
Total trading liabilities	¥ 0	¥ (1)	¥—	¥ 5	¥ (4)	¥—	¥ 0	¥ 0	¥ 0	¥ 2
Short-term borrowings	31	0	0	65	(58)	—	0	7	(16)	29
Payables and deposits	0	0	—	6	0	—	0	0	(5)	1
Long-term borrowings	535	6	0	254	(291)	—	(1)	56	(138)	409
Other liabilities	0	(8)	—	2	(10)	—	0	—	—	0
Total	¥566	¥ (3)	¥ 0	¥332	¥(363)	¥—	¥ (1)	¥ 63	¥(159)	¥441

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Billions of yen										
Year ended March 31, 2021										
	Balance as of April 1, 2020	Total gains (losses) recognized in net revenue <sup>(1)</sup>	Total gains (losses) recognized in other comprehensive income	Purchases / issues <sup>(2)</sup>	Sales / redemptions <sup>(2)</sup>	Settlements	Foreign exchange movements	Transfers into Level 3 <sup>(4)(5)</sup>	Transfers out of Level 3 <sup>(5)</sup>	Balance as of March 31, 2021
Assets:										
Trading assets and private equity and debt investments										
Equities	¥ 14	¥ 5	¥—	¥ 23	¥ (29)	¥—	¥ 1	¥ 2	¥ 0	¥ 16
Private equity and debt investments	31	11	—	19	(4)	—	1	—	—	58
Japanese agency and municipal securities	2	0	—	0	0	—	—	0	0	2
Foreign government, agency and municipal securities	8	1	—	21	(16)	—	0	5	(7)	12
Bank and corporate debt securities and loans for trading purposes	228	1	—	66	(165)	—	9	31	(35)	135
Commercial mortgage-backed securities (“CMBS”)	1	1	—	6	0	—	0	0	0	8
Residential mortgage-backed securities (“RMBS”)	62	0	—	12	(46)	—	1	—	(23)	6
Real estate-backed securities	94	(5)	—	170	(155)	—	2	—	0	106
Collateralized debt obligations (“CDOs”) and other	32	0	—	102	(104)	—	0	0	(7)	23
Investment trust funds and other	0	0	—	16	(16)	—	0	0	—	0
Total trading assets and private equity and debt investments	472	14	—	435	(535)	—	14	38	(72)	366
Derivatives, net <sup>(3)</sup>										
Equity contracts	19	(43)	—	—	—	(26)	0	20	(11)	(41)
Interest rate contracts	(54)	16	—	—	—	(6)	1	(3)	3	(43)
Credit contracts	(1)	(19)	—	—	—	(14)	(1)	(4)	1	(38)
Foreign exchange contracts	7	20	—	—	—	(15)	1	(2)	4	15
Total derivatives, net	(29)	(26)	—	—	—	(61)	1	11	(3)	(107)
Subtotal	¥443	¥(12)	¥—	¥435	¥(535)	¥(61)	¥ 15	¥ 49	¥(75)	¥ 259
Loans and receivables	¥ 96	¥ 2	¥—	¥ 42	¥ (69)	¥—	¥ 7	¥ 41	¥(15)	¥ 104
Collateralized agreements	15	(1)	—	—	(1)	—	0	5	—	18
Other assets										
Other	168	47	0	4	(39)	—	5	—	0	185
Total	¥722	¥ 36	¥ 0	¥481	¥(644)	¥(61)	¥ 27	¥ 95	¥(90)	¥ 566
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ 0	¥—	¥ 1	¥ (1)	¥—	¥ 0	¥ 0	¥ 0	¥ 0
Foreign government, agency and municipal securities	0	0	—	0	0	—	1	—	—	1
Bank and corporate debt securities	1	0	—	4	(1)	—	0	2	(1)	5
Collateralized debt obligations (“CDOs”) and other	1	1	—	11	(10)	—	0	—	—	1
Investment trust funds and other	0	0	—	0	0	—	0	—	—	0
Total trading liabilities	¥ 2	¥ 1	¥—	¥ 16	¥ (12)	¥—	¥ 1	¥ 2	¥ (1)	¥ 7
Short-term borrowings	29	(5)	0	220	(137)	—	0	13	(27)	103
Payables and deposits	1	0	0	0	0	—	—	1	(1)	1
Collateralized financing	—	(1)	—	—	—	—	0	—	—	1
Long-term borrowings	409	(35)	(1)	343	(284)	—	0	111	(68)	547
Other liabilities	0	(2)	—	33	0	—	0	1	(1)	35
Total	¥441	¥(42)	¥ (1)	¥612	¥(433)	¥—	¥ 1	¥128	¥(98)	¥ 694

(1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain on private equity and debt investments*, and also within *Gain (loss) on investments in equity securities*, *Revenue—Other* and *Non-interest expenses—Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

- (2) Amounts reported in *Purchases / issues* include increases in trading liabilities while *Sales / redemptions* include decreases in trading liabilities.
- (3) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (4) Amounts of gains and losses on these transfers which were recognized in the period when the *Transfers into Level 3* occurred were not significant for the years ended March 31, 2020 and 2021.
- (5) *Transfers into Level 3* indicate certain valuation inputs of a financial instrument become unobservable or significant. *Transfers out of Level 3* indicate certain valuation inputs of a financial instrument become observable or insignificant. See *Quantitative and qualitative information regarding significant unobservable inputs* above for the valuation inputs of each financial instruments.

**Unrealized gains and losses recognized for Level 3 financial instruments**

The following table presents the amounts of unrealized gains (losses) for the years ended March 31, 2020 and 2021, relating to those financial instruments which Nomura classified in Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date.

	Billions of yen	
	March 31	
	2020	2021
	Unrealized gains / (losses) <sup>(1)</sup>	
Assets:		
Trading assets and private equity and debt investments		
Equities . . . . .	¥ (2)	¥ 4
Private equity and debt investments . . . . .	1	12
Japanese agency and municipal securities . . . . .	0	0
Foreign government, agency and municipal securities . . . . .	(1)	1
Bank and corporate debt securities and loans for trading purposes . . . . .	(5)	(1)
Commercial mortgage-backed securities (“CMBS”) . . . . .	(1)	0
Residential mortgage-backed securities (“RMBS”) . . . . .	(7)	0
Real estate-backed securities . . . . .	0	(3)
Collateralized debt obligations (“CDOs”) and other . . . . .	(19)	(3)
Investment trust funds and other . . . . .	0	0
Total trading assets and private equity and debt investments . . . . .	(34)	10
Derivatives, net <sup>(2)</sup> . . . . .		
Equity contracts . . . . .	36	(66)
Interest rate contracts . . . . .	(19)	16
Credit contracts . . . . .	2	(21)
Foreign exchange contracts . . . . .	(24)	19
Total derivatives, net . . . . .	(5)	(52)
Subtotal . . . . .	¥(39)	¥(42)
Loans and receivables . . . . .	(1)	(3)
Collateralized agreements . . . . .	0	(1)
Other assets . . . . .		
Other . . . . .	(20)	41
Total . . . . .	¥(60)	¥ (5)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen	
	March 31	
	2020	2021
	<u>Unrealized gains / (losses)<sup>(1)</sup></u>	
Liabilities:		
Trading liabilities		
Equities	¥ 0	¥ 0
Foreign government, agency and municipal securities	0	0
Bank and corporate debt securities	(1)	0
Collateralized debt obligations (“CDOs”) and other	0	0
Total trading liabilities	<u>¥ (1)</u>	<u>¥ 0</u>
Short-term borrowings <sup>(3)</sup>	1	4
Payables and deposits <sup>(3)</sup>	0	0
Collateralized financing <sup>(3)</sup>	—	0
Long-term borrowings <sup>(3)</sup>	19	(17)
Other liabilities	—	5
Total	<u>¥ 19</u>	<u>¥ (8)</u>

- (1) Includes gains and losses reported within *Net gain on trading*, *Gain on private equity and debt investments*, and also within *Gain on investments in equity securities*, *Revenue—Other* and *Non-interest expenses—Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.
- (2) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (3) Includes changes in unrealized gains and losses in *Other comprehensive income (loss)* for recurring Level 3 fair value measurements held at the end of the reporting period. They were ¥2 billion and ¥0 billion for the years ended March 31, 2020 and 2021.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Investments in investment funds that calculate NAV per share**

In the normal course of business, Nomura invests in non-consolidated funds which meet the definition of investment companies or are similar in nature and which do not have readily determinable fair values. For certain of these investments, Nomura uses NAV per share as the basis for valuation as a practical expedient. Some of these investments are redeemable at different amounts from NAV per share.

The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2020 and 2021. Investments are presented by major category relevant to the nature of Nomura's business and risks.

Billions of yen				
March 31, 2020				
Fair value	Unfunded commitments <sup>(1)</sup>	Redemption frequency (if currently eligible) <sup>(2)</sup>	Redemption notice <sup>(3)</sup>	
Hedge funds . . . . .	¥ 2	¥ —	Monthly	Same day-90 days
Venture capital funds . . . . .	3	3	—	—
Private equity funds . . . . .	21	9	—	—
Real estate funds . . . . .	6	1	—	—
Total . . . . .	<u>¥ 32</u>	<u>¥ 13</u>		

Billions of yen				
March 31, 2021				
Fair value	Unfunded commitments <sup>(1)</sup>	Redemption frequency (if currently eligible) <sup>(2)</sup>	Redemption notice <sup>(3)</sup>	
Hedge funds . . . . .	¥ 2	¥ —	Monthly	Same day-30 days
Venture capital funds . . . . .	4	2	—	—
Private equity funds . . . . .	18	21	—	—
Real estate funds . . . . .	4	1	—	—
Total . . . . .	<u>¥ 28</u>	<u>¥ 24</u>		

- (1) The contractual amount of any unfunded commitments Nomura is required to make to the entities in which the investment is held.
- (2) The range in frequency with which Nomura can redeem investments.
- (3) The range in notice period required to be provided before redemption is possible.

*Hedge funds:*

These investments include funds of funds that invest in multiple asset classes. The fair values of these investments are determined using NAV per share. Although most of these funds can be redeemed within six months, certain funds cannot be redeemed within six months due to contractual, liquidity or gating issues. The redemption period is unknown for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

*Venture capital funds:*

These investments include primarily start-up funds. The fair values of these investments are determined using NAV per share. Most of these funds cannot be redeemed within six months. The redemption period is



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

unknown for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

#### *Private equity funds:*

These investments are made mainly in various sectors in Europe, U.S. and Japan. The fair values of these investments are determined using NAV per share. Redemption is restricted for most of these investments. Some of these investments contain restrictions against transfers of the investments to third parties.

#### *Real estate funds:*

These are investments in commercial and other types of real estate. The fair values of these investments are determined using NAV per share. Redemption is restricted for most of these investments. Some of these investments contain restrictions against transfers of the investments to third parties.

#### **Fair value option for financial assets and financial liabilities**

Nomura measures certain eligible financial assets and liabilities at fair value through the election of the fair value option permitted by ASC 815 “*Derivatives and Hedging*” and ASC 825 “*Financial Instruments*.” When Nomura elects the fair value option for an eligible item, changes in that item’s fair value are recognized through earnings. Election of the fair value option is generally irrevocable unless an event occurs that gives rise to a new basis of accounting for that instrument.

The financial assets and financial liabilities primarily elected for the fair value option by Nomura, and the reasons for the election, are as follows:

- Equity method investments reported within *Trading assets and private equity and debt investments* and *Other assets* held for capital appreciation or current income purposes which Nomura generally has an intention to exit rather than hold indefinitely. Nomura elects the fair value option to more appropriately represent the purpose of these investments in these consolidated financial statements.
- *Loans receivable and Receivables from customers* reported within *Loans and receivables* which are risk managed on a fair value basis and loan commitments related to loans receivable for which the fair value option will be elected upon funding. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between loans and the derivatives used to risk manage those instruments.
- Reverse repurchase and repurchase agreements reported within *Collateralized agreements* and *Collateralized financing* which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between the reverse repurchase and repurchase agreements and the derivatives used to risk manage those instruments.
- All structured notes issued on or after April 1, 2008 reported within *Short-term borrowings* or *Long-term borrowings*. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions. Nomura also elects the fair value option for certain notes issued by consolidated VIEs for the same purpose and for certain structured notes issued prior to April 1, 2008. Certain subsidiaries elect the fair value option for structured loans and straight bonds.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- Certain structured deposit issuances reported within *Deposits received at banks*. Nomura elects the fair value option for those structured deposits primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured deposits and the derivatives Nomura uses to risk manage those positions.
- Financial liabilities reported within *Long-term borrowings* recognized in transactions which are accounted for as secured financing transactions under ASC 860. Nomura elects the fair value option for these financial liabilities to mitigate volatility through earnings that otherwise would arise had this election not been made. Even though Nomura usually has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheets and continue to be carried at fair value, with changes in fair value recognized through earnings.
- Financial reinsurance contracts reported within *Other assets*. Nomura elects the fair value option to mitigate income volatility caused by the difference in measurement basis that would otherwise exist. Changes in the fair value of the reinsurance contracts carried at fair value are reported in the consolidated statements of income.

On April 1, 2020, Nomura also elected the fair value option for certain loans and loan commitments originated or purchased by the Wholesale division as part of its adoption of ASC 326. This election was made to allow these positions to be more appropriately risk managed on a prospective basis through the impact of the COVID-19 pandemic. Risk management for this purpose has included hedging these positions and also selling certain positions within the portfolio as and when active markets and buyers returned. These positions elected for the FVO were selected primarily based on the activity of the borrower, internal credit rating and from a credit and market risk perspective.

The impact of this election was to reduce the carrying value of recognized loans receivable as reported within *Loans and receivables* by ¥9,774 million as of April 1, 2020 as the fair value of these positions was below carrying value at such date. Similarly, a liability of JPY ¥5,888 million was recognized and reported within *Other liabilities* for loan commitments at such date as the fair value of these positions was negative. In both cases, fair value was below carrying value or negative primarily as a result of the volatile credit markets and impact of the COVID-19 pandemic on credit spreads at such date.

The total difference between carrying value and fair value of ¥15,662 million, net of tax, was recognized in opening *Retained earnings* as a cumulative effect adjustment on April 1, 2020. Subsequent changes in fair value after April 1, 2020 have been recognized in earnings and reported within *Net gain (loss) on trading*.

In March 2021, Nomura also elected the fair value option for certain claims receivable arising from the U.S. prime brokerage losses. This election was made as these receivables will be prospectively managed on a fair value basis. The receivables are reported within *Loans and receivables* and any subsequent changes in fair value recognized in earnings and reported within *Net gain (loss) on trading*.

Interest and dividends arising from financial instruments for which the fair value option has been elected are recognized within *Interest and dividends*, *Interest expense* or *Net gain on trading*.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents gains (losses) due to changes in fair value for financial instruments measured at fair value using the fair value option for the years ended March 31, 2019, 2020 and 2021.

	Billions of yen		
	Year ended March 31		
	2019	2020	2021
	Gains/(Losses) <sup>(1)</sup>		
Assets:			
Trading assets and private equity and debt investments <sup>(2)</sup>			
Trading assets	¥ 0	¥ 1	¥ 2
Private equity and debt investments	1	(1)	0
Loans and receivables	(2)	2	7
Collateralized agreements <sup>(3)</sup>	2	4	5
Other assets <sup>(2)</sup>	(26)	(16)	51
Total	<u>¥(25)</u>	<u>¥(10)</u>	<u>¥ 65</u>
Liabilities:			
Short-term borrowings <sup>(4)</sup>	¥ 28	¥ 64	¥ (83)
Payables and deposits	—	0	3
Collateralized financing <sup>(3)</sup>	0	(2)	9
Long-term borrowings <sup>(4)(5)</sup>	(38)	58	(194)
Other liabilities <sup>(6)</sup>	3	2	3
Total	<u>¥ (7)</u>	<u>¥122</u>	<u>¥(262)</u>

- (1) Includes gains and losses reported primarily within *Net gain on trading* and *Revenue—Other* in the consolidated statements of income.
- (2) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (3) Includes reverse repurchase and repurchase agreements.
- (4) Includes structured notes and other financial liabilities.
- (5) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.
- (6) Includes unfunded written loan commitments.

As of March 31, 2020 and 2021, Nomura held an economic interest of 39.19% and 39.27% in American Century Companies, Inc., respectively. The investment is measured at fair value on a recurring basis through election of the fair value option and is reported within *Other assets – Other* in the consolidated balance sheets.

There was no significant impact on financial assets for which the fair value option was elected attributable to instrument-specific credit risk.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques using a rate which incorporates observable changes in its credit spread.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents changes in the valuation adjustment for Nomura’s own creditworthiness recognized in other comprehensive income during the years pertaining to certain financial liabilities for which the fair value option has been elected recognized in other comprehensive income during the years and cumulatively, and amounts reclassified to earnings from accumulated other comprehensive income on early settlement of such financial liabilities during the years ended March 31, 2020 and 2021.

	<b>Billions of Yen</b>	
	<b>Year ended March 31</b>	
	<b>2020</b>	<b>2021</b>
Changes recognized as a credit (debit) to other comprehensive income . . . . .	¥49	¥(88)
Credit (debit) amounts reclassified to earnings . . . . .	(1)	(10)
Cumulative credit (debit) balance recognized in accumulated other comprehensive income . . . . .	80	(11)

As of March 31, 2020, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *Loans and receivables* for which the fair value option was elected was ¥8 billion less than the principal balance of such *Loans and receivables*. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *Long-term borrowings* for which the fair value option was elected was ¥27 billion less than the principal balance of such *Long-term borrowings*. There were no *Loans and receivables* for which the fair value option was elected that were 90 days or more past due.

As of March 31, 2021, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *Loans and receivables* for which the fair value option was elected was ¥219 billion less than the principal balance of such *Loans and receivables*. The significant portion of the principal balance is derived from receivables for the claim of the losses on the related hedges from default by the U.S. client. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *Long-term borrowings* for which the fair value option was elected was ¥45 billion less than the principal balance of such *Long-term borrowings*. There were no *Loans and receivables* for which the fair value option was elected that were 90 days or more past due.

**Investment by Investment companies**

Nomura carries all of investments by investment companies under ASC 946 “*Financial Services—Investment Companies*” (“ASC 946”) at fair value, with changes in fair value recognized through the consolidated statements of income.

**Concentrations of credit risk**

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura has credit risk concentrations on debt securities issued by the Japanese Government, U.S. Government, British Government (“U.K.”), Governments within the European Union (“EU”), their states and municipalities, and their agencies. These concentrations generally arise from taking trading positions and are reported within *Trading assets* in the consolidated balance sheets. Government, agency and municipal securities, including *Securities pledged as collateral*, represented 16% of total assets as of March 31, 2020 and 15% as of March 31, 2021.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present geographic allocations of Nomura’s trading assets related to government, agency and municipal securities as of March 31, 2020 and 2021. See Note 3 “*Derivative instruments and hedging activities*” for further information regarding the concentration of credit risk for derivatives.

	Billions of yen				
	March 31, 2020				
	Japan	U.S.	EU & U.K.	Other	Total <sup>(1)</sup>
Government, agency and municipal securities . . . . .	¥1,934	¥1,889	¥2,704	¥672	¥7,199

	Billions of yen				
	March 31, 2021				
	Japan	U.S.	EU & U.K.	Other	Total <sup>(1)</sup>
Government, agency and municipal securities . . . . .	¥1,715	¥1,888	¥2,329	¥620	¥6,552

(1) Other than above, there were ¥321 billion and ¥299 billion of government, agency and municipal securities reported within *Other assets—Non-trading debt securities* in the consolidated balance sheets as of March 31, 2020 and 2021, respectively. These securities are primarily Japanese government, agency and municipal securities.

**Estimated fair value of financial instruments not carried at fair value**

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheets since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortized cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within *Cash and cash equivalents, Time deposits, Deposits with stock exchanges and other segregated cash, Receivables from customers, Receivables from other than customers, Securities purchased under agreements to resell* and *Securities borrowed* and financial liabilities reported within *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned* and *Other secured borrowings* in the consolidated balance sheets.

The fair values of other financial instruments which are longer-term in nature or may contain more than minimal credit risk may be different to their carrying value. Financial assets of this type primarily include certain loans which are reported within *Loans receivable* while financial liabilities primarily include long-term borrowings which are reported within *Long-term borrowings*.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instrument of which a portion of the ending balance was carried at fair value as of March 31, 2020 and 2021.

	Billions of yen				
	March 31, 2020 <sup>(1)</sup>				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
Assets:					
Cash and cash equivalents	¥ 3,192	¥ 3,192	¥3,192	¥ —	¥ —
Time deposits	309	309	—	309	—
Deposits with stock exchanges and other segregated cash	374	374	—	374	—
Loans receivable <sup>(2)</sup>	2,848	2,842	—	2,201	641
Securities purchased under agreements to resell	12,377	12,377	—	12,362	15
Securities borrowed	3,530	3,529	—	3,529	—
Total	<u>¥22,630</u>	<u>¥22,623</u>	<u>¥3,192</u>	<u>¥18,775</u>	<u>¥ 656</u>

Liabilities:					
Short-term borrowings	¥ 1,487	¥ 1,487	¥ —	¥ 1,458	¥ 29
Deposits received at banks	1,276	1,276	—	1,275	1
Securities sold under agreements to repurchase	16,349	16,349	—	16,349	—
Securities loaned	961	962	—	962	—
Other secured borrowings	718	718	—	718	—
Long-term borrowings	7,776	7,733	2	7,263	468
Total	<u>¥28,567</u>	<u>¥28,525</u>	<u>¥ 2</u>	<u>¥28,025</u>	<u>¥ 498</u>

	Billions of yen				
	March 31, 2021 <sup>(1)</sup>				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
Assets:					
Cash and cash equivalents	¥ 3,510	¥ 3,510	¥3,510	¥ —	¥ —
Time deposits	281	281	—	281	—
Deposits with stock exchanges and other segregated cash	374	374	—	374	—
Loans receivable <sup>(2)</sup>	2,937	2,937	—	2,120	817
Securities purchased under agreements to resell	10,775	10,775	—	10,757	18
Securities borrowed	5,264	5,264	—	5,264	—
Total	<u>¥23,141</u>	<u>¥23,141</u>	<u>¥3,510</u>	<u>¥18,796</u>	<u>¥ 835</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen				
	March 31, 2021 <sup>(1)</sup>				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
Liabilities:					
Short-term borrowings	¥ 1,368	¥ 1,368	¥ —	¥ 1,265	¥ 103
Deposits received at banks	1,342	1,343	—	1,342	1
Securities sold under agreements to repurchase	13,360	13,360	—	13,360	0
Securities loaned	1,381	1,381	—	1,381	—
Other secured borrowings	393	393	—	393	—
Long-term borrowings	7,975	7,978	5	7,370	603
Total	¥25,819	¥25,823	¥ 5	¥25,111	¥ 707

(1) Includes financial instruments which are carried at fair value on a recurring basis.

(2) Carrying values are shown after deducting relevant allowances for credit losses.

**Assets and liabilities measured at fair value on a nonrecurring basis**

In addition to financial instruments carried at fair value on a recurring basis, Nomura also measures other financial and non-financial assets and liabilities at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition such as to measure impairment.

As of March 31, 2020, there were no significant amount of assets and liabilities which were measured at fair value on a nonrecurring basis.

As of March 31, 2021, the equity method investment in Nomura Real Estate Holdings, Inc., one of Nomura's affiliated companies, is measured at fair value on a nonrecurring basis. The investment that is reported within *Investments in and advances to affiliated companies* in the consolidated balance sheets was impaired by ¥47,661 million. The fair value used to measure the other than temporary impairment was the quoted market price as of March 31, 2021 which would be classified in Level 1 of the fair value hierarchy. See Note 20 "*Affiliated companies and other equity-method investees*" for further information.

**3. Derivative instruments and hedging activities:**

Nomura uses a variety of derivative financial instruments, including futures, forwards, options and swaps, for both trading and non-trading purposes.

*Derivatives used for trading purposes*

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet client needs, for trading purposes, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are client oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging clients' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives to assist its clients in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide clients with securities and other capital market products at competitive prices.

Futures and forward contracts are commitments to either purchase or sell securities, foreign exchange contracts or other capital market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are executed through exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to counterparty risks.

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign exchange exposures. Entering into swap agreements may involve the risk of credit losses in the event of counterparty default.

To the extent these derivative financial instruments are economically hedging financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments.

#### *Derivatives used for non-trading purposes*

Nomura's principal objectives in using derivatives for non-trading purposes are to manage interest rate risk, to modify interest rate risk profile of certain financial liabilities, to manage foreign exchange risk of certain foreign currency denominated debt securities, to manage net investment exposure to fluctuations in foreign exchange rates arising from certain foreign operations and to mitigate equity price risk arising from certain stock-based compensation awards given to employees. Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as that associated with derivatives used for trading purposes.

Nomura designates certain derivative financial instruments as fair value hedges of interest rate risk arising from specific financial liabilities and foreign currency risk arising from specific foreign currency denominated debt securities. These derivatives are effective in reducing the risk associated with the exposure being hedged

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

and are highly correlated with changes in the fair value and foreign currency rates of the underlying hedged items, both at inception and throughout the life of the hedging relationship. Changes in fair value of the hedging derivatives are reported together with those of the hedged liabilities and assets through the consolidated statements of income within *Interest expense* and *Revenue—Other*, respectively.

Derivative financial instruments designated as hedges of the net investment in foreign operations relate to specific subsidiaries with non-Japanese Yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates. Changes in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate are excluded from the measurement of hedge effectiveness and are reported in the consolidated statements of income within *Revenue—Other*. All other movements in fair value of highly effective hedging derivatives are reported through NHI shareholders' equity within *Accumulated other comprehensive income (loss)*.

**Concentrations of credit risk for derivatives**

The following tables present Nomura's significant concentration of exposures to credit risk in OTC derivatives with financial institutions including transactions cleared through central counterparties as of March 31, 2020 and 2021. The gross fair value of derivative assets represents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

Billions of yen				
March 31, 2020				
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions .....	¥17,711	¥(15,479)	¥(1,707)	¥525
Billions of yen				
March 31, 2021				
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions .....	¥13,474	¥(11,473)	¥(1,500)	¥501

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Derivative activities**

The following tables quantify the volume of Nomura's derivative activity as of March 31, 2020 and 2021 through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

	Billions of yen		
	March 31, 2020		
	Total Notional <sup>(1)</sup>	Derivative assets Fair value	Derivative liabilities Fair value <sup>(1)</sup>
Derivatives used for trading and non-trading purposes <sup>(2)(3)</sup> :			
Equity contracts	¥ 47,976	¥ 1,921	¥ 2,008
Interest rate contracts	2,522,172	13,590	13,214
Credit contracts	36,155	407	457
Foreign exchange contracts	267,313	5,224	5,104
Commodity contracts	601	9	6
Total	<u>¥2,874,217</u>	<u>¥21,151</u>	<u>¥20,789</u>
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,064	¥ 39	¥ 0
Foreign exchange contracts	115	—	1
Total	<u>¥ 1,179</u>	<u>¥ 39</u>	<u>¥ 1</u>
Total derivatives	<u>¥2,875,396</u>	<u>¥21,190</u>	<u>¥20,790</u>

	Billions of yen		
	March 31, 2021		
	Total Notional <sup>(1)</sup>	Derivative assets Fair value	Derivative liabilities Fair value <sup>(1)</sup>
Derivatives used for trading and non-trading purposes <sup>(2)(3)</sup> :			
Equity contracts	¥ 40,396	¥ 1,402	¥ 2,229
Interest rate contracts	2,524,407	9,617	9,023
Credit contracts	38,850	455	523
Foreign exchange contracts	351,662	4,511	4,402
Commodity contracts	334	1	0
Total	<u>¥2,955,649</u>	<u>¥15,986</u>	<u>¥16,177</u>
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,168	¥ 15	¥ 14
Foreign exchange contracts	130	5	—
Total	<u>¥ 1,298</u>	<u>¥ 20</u>	<u>¥ 14</u>
Total derivatives	<u>¥2,956,947</u>	<u>¥16,006</u>	<u>¥16,191</u>

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.

(2) Each derivative classification includes derivatives referencing multiple risk components. For example, certain interest rate contracts include complex derivatives referencing interest rate risk as well as foreign

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

- (3) As of March 31, 2020 and 2021, the amounts reported include derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. These amounts have not been separately presented since such amounts were not significant.

Changes in fair value are recognized either through earnings or other comprehensive income depending on the purpose for which the derivatives are used.

#### *Offsetting of derivatives*

Counterparty credit risk associated with derivative financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce the risk of loss, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. In certain cases, Nomura may agree for such collateral to be posted to a third-party custodian under a control agreement that enables Nomura to take control of such collateral in the event of counterparty default. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, OTC derivative transactions are typically documented under industry standard master netting agreements which mitigate Nomura's credit exposure to counterparties. A master netting agreement is a single agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default of the counterparty ("close-out and offsetting rights").

For certain OTC centrally-cleared and exchange-traded derivatives, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing party or exchange. Nomura generally seeks to obtain an external legal opinion in order to ascertain the enforceability of such close-out and offsetting rights within these agreements.

For certain counterparties and/ or in certain jurisdictions, Nomura may enter into derivative transactions which are not documented under a master netting agreement. Even when derivatives are documented under such agreements, Nomura may not have obtained, or may not be able to obtain evidence to determine with sufficient certainty that close-out and offsetting rights within such agreements are legally enforceable. This may be the case where the relevant local laws explicitly prohibit the enforceability of such close-out and offsetting rights, or where the local laws are complex, ambiguous or silent on the enforceability of such rights. This may include derivative transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, exchanges and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

Derivative assets and liabilities with the same counterparty and the related cash collateral receivables and payables documented under an enforceable master netting agreement are presented on a net basis on the consolidated balance sheets where the specific criteria defined by ASC 210-20 and ASC 815 are met.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents information about offsetting of derivatives and related cash collateral amounts on the consolidated balance sheets as of March 31, 2020 and 2021 by type of derivative contract, and additional amounts permitted to be offset legally by Nomura under enforceable master netting agreements, central clearing counterparties or exchange rules in the event of counterparty default but not offset on the consolidated balance sheets due to one or more of the criteria defined by ASC 210-20 and ASC 815 are not met. Derivative transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability of close-out and offsetting rights are not offset in the following table.

	<u>Billions of yen</u>		<u>Billions of yen</u>	
	<u>March 31, 2020</u>		<u>March 31, 2021</u>	
	<u>Derivative assets</u>	<u>Derivative liabilities<sup>(1)</sup></u>	<u>Derivative assets</u>	<u>Derivative liabilities<sup>(1)</sup></u>
Equity contracts				
OTC settled bilaterally . . . . .	¥ 869	¥ 875	¥ 904	¥ 1,439
Exchange-traded . . . . .	1,052	1,133	498	790
Interest rate contracts				
OTC settled bilaterally . . . . .	11,881	11,438	8,456	7,871
OTC centrally-cleared . . . . .	1,692	1,758	1,147	1,146
Exchange-traded . . . . .	56	18	29	20
Credit contracts				
OTC settled bilaterally . . . . .	278	311	169	251
OTC centrally-cleared . . . . .	126	132	282	269
Exchange-traded . . . . .	3	14	4	3
Foreign exchange contracts				
OTC settled bilaterally . . . . .	5,224	5,105	4,516	4,402
Commodity contracts				
OTC settled bilaterally . . . . .	1	1	0	0
Exchange-traded . . . . .	8	5	1	0
Total gross derivative balances <sup>(2)</sup> . . . . .	¥ 21,190	¥ 20,790	¥ 16,006	¥ 16,191
Less: Amounts offset in the consolidated balance sheets <sup>(3)</sup> . . . . .	(19,248)	(18,987)	(14,786)	(14,697)
Total net amounts reported on the face of the consolidated balance sheets <sup>(4)</sup> . . . . .	¥ 1,942	¥ 1,803	¥ 1,220	¥ 1,494

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen		Billions of yen	
	March 31, 2020		March 31, 2021	
	Derivative assets	Derivative liabilities <sup>(1)</sup>	Derivative assets	Derivative liabilities <sup>(1)</sup>
Less: Additional amounts not offset in the consolidated balance sheets <sup>(5)</sup>				
Financial instruments and non-cash collateral . . . . .	¥ (182)	¥ (125)	¥ (240)	¥ (310)
Net amount . . . . .	¥ 1,760	¥ 1,678	¥ 980	¥ 1,184

- (1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
- (2) Includes all gross derivative asset and liability balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. As of March 31, 2020, the gross balance of derivative assets and derivative liabilities which are not documented under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,013 billion and ¥1,046 billion, respectively. As of March 31, 2021, the gross balance of such derivative assets and derivative liabilities was ¥392 billion and ¥589 billion, respectively.
- (3) Represents amounts offset through counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 815. As of March 31, 2020, Nomura offset a total of ¥1,679 billion of cash collateral receivables against net derivative liabilities and ¥1,940 billion of cash collateral payables against net derivative assets. As of March 31, 2021, Nomura offset a total of ¥1,594 billion of cash collateral receivables against net derivative liabilities and ¥1,683 billion of cash collateral payables against net derivative assets.
- (4) Net derivative assets and net derivative liabilities are generally reported within *Trading assets and private equity investments—Trading assets* and *Trading liabilities*, respectively in the consolidated balance sheet. Bifurcated embedded derivatives are reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.
- (5) Represents amounts which are not permitted to be offset on the consolidated balance sheets in accordance with ASC 210-20 and ASC 815 but which provide Nomura with a legally enforceable right of offset in the event of counterparty default. Amounts relating to derivative and collateral agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded. As of March 31, 2020, a total of ¥374 billion of cash collateral receivables and ¥540 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives. As of March 31, 2021, a total of ¥283 billion of cash collateral receivables and ¥572 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives.

*Derivatives used for trading purposes*

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value recognized through the consolidated statements of income within *Revenue—Net gain on trading*.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents amounts included in the consolidated statements of income for the years ended March 31, 2019, 2020 and 2021 related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen					
	Year ended March 31					
	2019		2020		2021	
Derivatives used for trading and non-trading purposes <sup>(1)(2)</sup> :						
Equity contracts . . . . .	¥	(32)	¥	93	¥	26
Interest rate contracts . . . . .		104		(192)		254
Credit contracts . . . . .		(19)		(118)		(90)
Foreign exchange contracts . . . . .		(50)		57		(11)
Commodity contracts . . . . .		10		(1)		50
Total . . . . .	¥	13	¥	(161)	¥	229

- (1) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.
- (2) Includes net gains (losses) on derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. For the years ended March 31, 2019 and 2020, these amounts were not significant. For the year ended March 31, 2021, net losses for these non-trading derivatives were ¥3 billion.

*Fair value hedges*

Nomura issues Japanese Yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to a floating rate and applies fair value hedge accounting to these instruments.

The following table presents the carrying value of the hedged items that are currently designated in a hedging relationship and the related cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items as of March 31, 2020 and 2021.

Line items in the statement of financial position in which the hedged item is included:	Billions of yen			
	Carrying amount of the hedged liabilities		Cumulative gains/(losses) of fair value hedging adjustment included in the carrying amount of the hedged liabilities	
	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021
Long-term borrowings . . . . .	¥1,098	¥1,164	¥ (36)	¥ 2
Total . . . . .	¥1,098	¥1,164	¥ (36)	¥ 2

Hedging derivatives designated as fair value hedges are carried at fair value attributable to the hedged risk, which is recognized in the consolidated statements of income within *Interest expense* and *Revenue-Other*, respectively together with the change in fair value of the hedged items.



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents amounts included in the consolidated statements of income for the years ended March 31, 2019, 2020 and 2021 related to derivatives designated as fair value hedges by type of underlying derivative contract and the nature of the hedged item.

	Billions of yen		
	Year ended March 31		
	2019	2020	2021
Derivatives designated as hedging instruments:			
Interest rate contracts .....	¥ 6	¥ (26)	¥ 29
Total .....	¥ 6	¥ (26)	¥ 29

	Billions of yen		
	Year ended March 31		
	2019	2020	2021
Hedged items:			
Long-term borrowings .....	¥ (6)	¥ 26	¥ (29)
Total .....	¥ (6)	¥ 26	¥ (29)

*Net investment hedges*

Nomura designates certain foreign currency derivative contracts, as hedges of net investments in certain foreign operations with significant foreign exchange risks and applies hedge accounting to these instruments. Accordingly, foreign exchange gains (losses) arising from the derivative contracts and non-derivative financial products designated as hedges, except for the portion excluded from effectiveness assessment, are recognized through the consolidated statements of comprehensive income within *Other comprehensive income (loss)—Change in cumulative translation adjustments, net of tax*. This is offset by the foreign exchange adjustments arising from consolidation of the relevant foreign subsidiaries.

The following table presents gains (losses) from derivatives designated as net investment hedges included in the consolidated statements of comprehensive income for the years ended March 31, 2019, 2020 and 2021.

	Billions of yen		
	Year ended March 31		
	2019	2020	2021
Hedging instruments:			
Foreign exchange contracts .....	¥ 7	¥ 2	¥ (7)
Total .....	¥ 7	¥ 2	¥ (7)

The portion of gains (losses) representing the amount excluded from the assessment of hedge effectiveness are recognized within *Revenue—Other* in the consolidated statements of income. The amount of gains (losses) was not significant during the years ended March 31, 2019, 2020 and 2021.

*Derivatives containing credit risk related contingent features*

Nomura enters into certain OTC derivatives and other agreements containing credit-risk-related contingent features. These features would require Nomura to post additional collateral or settle the instrument upon occurrence of a credit event, the most common of which would be a downgrade in the Company's long-term credit rating.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2020, was ¥750 billion with related collateral pledged of ¥635 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2020, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥3 billion.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2021, was ¥727 billion with related collateral pledged of ¥583 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2021, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥2 billion.

#### Credit derivatives

Credit derivatives are derivative instruments in which one or more of their underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities that expose the seller of credit protection to potential loss from credit events specified in the contract.

Written credit derivatives are instruments or embedded features where Nomura assumes third party credit risk, either as guarantor in a guarantee-type contract, or as the party that provides credit protection in an option-type contract, credit default swap, or any other credit derivative contract.

Nomura enters into credit derivatives as part of its normal trading activities as both purchaser and/or seller of protection for credit risk mitigation, proprietary trading positions and for client transactions.

The most common type of credit derivatives used by Nomura are single-name credit default swaps where settlement of the derivative is based on the credit risk of a single third party. Nomura also writes credit derivatives linked to the performance of credit default indices and issues other credit risk related portfolio products.

Nomura would have to perform under a credit derivative contract if a credit event as defined in the respective contract occurs. Typical credit events include bankruptcy, failure to pay and restructuring of obligations of the reference asset.

Credit derivative contracts written by Nomura are either cash or physically settled. In cash-settled instruments, once payment is made upon an event of a default, the contract usually terminates with no further payments due. Nomura generally has no right to assume the reference assets of the counterparty in exchange for payment, nor does Nomura usually have any direct recourse to the actual issuers of the reference assets to recover the amount paid. In physically settled contracts, upon a default event, Nomura takes delivery of the reference asset in return for payment of the full notional amount of the contract.

Nomura actively monitors and manages its credit derivative exposures. Where protection is sold, risks may be mitigated by purchasing credit protection from other third parties either on identical underlying reference assets or on underlying reference assets with the same issuer which would be expected to behave in a correlated fashion. The most common form of recourse provision to enable Nomura to recover from third parties any amounts paid under a written credit derivative is therefore not through the derivative itself but rather through the purchase of separate credit derivative protection with identical or correlated underlyings.

Extent of these purchased credit protection contracts is quantified in the following tables under the column titled "Purchased Credit Protection." These amounts represent purchased credit protection with identical underlyings to the written credit derivative contracts which act as a hedge against Nomura's exposures. To the

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

extent Nomura is required to pay out under the written credit derivative, a similar amount would generally become due to Nomura under the purchased credit protection.

Credit derivatives have a stated notional amount which represents the maximum payment Nomura may be required to make under the written credit derivative contract. However, this is generally not a true representation of the amount Nomura will actually pay under these contracts as there are other factors that affect the likelihood and amount of any payment obligations under the contracts, including:

*Probability of default:* Nomura values credit derivatives by taking into account of the probability that the underlying reference asset will default and that Nomura will be required to make payments under the contract. Based on historical experience and Nomura’s assessment of the market, Nomura believes that the probability that all reference assets on which Nomura provides protection will default in a single period is remote. The notional amounts are therefore, significantly higher than Nomura’s actual exposures to these contracts as a whole.

*Recovery value on the underlying asset:* In the case of the occurrence of an event of default, Nomura’s liability on a written credit derivative contract is limited to the difference between the notional amount and the recovery value of the underlying reference asset under default. While the recovery value on a defaulted asset may be minimal in certain cases, this does reduce amounts paid on these contracts.

Nomura holds assets as collateral in relation to written credit derivatives. However, these amounts do not enable Nomura to recover any amounts paid under the credit derivative but rather mitigate the risk of economic loss arising from a counterparty defaulting against amounts due to Nomura under the contract. Collateral requirements are determined on a counterparty level rather than individual contract, and also generally cover all types of derivative contracts rather than just credit derivatives.

The following tables present information about Nomura’s written credit derivatives and purchased credit protection with identical underlyings as of March 31, 2020 and 2021.

	Billions of yen						
	March 31, 2020						
	Carrying value (Asset)/Liability <sup>(1)</sup>	Maximum potential payout/Notional					Notional Purchased credit protection
		Total	Years to maturity				
	Less than 1 year		1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default							
swaps . . . . .	¥ 96	¥ 8,018	¥2,323	¥2,238	¥2,552	¥ 905	¥ 5,836
Credit default indices . . . . .	18	8,064	721	2,455	4,179	709	6,364
Other credit risk related							
portfolio products . . . . .	65	357	39	130	175	13	274
Credit-risk related options and swaptions . . . . .	1	16	—	—	16	—	16
Total . . . . .	<u>¥180</u>	<u>¥16,455</u>	<u>¥3,083</u>	<u>¥4,823</u>	<u>¥6,922</u>	<u>¥1,627</u>	<u>¥12,490</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen						
	March 31, 2021						
	Carrying value (Asset)/Liability <sup>(1)</sup>	Maximum potential payout/Notional					Notional Purchased credit protection
		Total	Years to maturity				
	Less than 1 year		1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default swaps . . . . .	¥ (80)	¥ 7,035	¥1,318	¥2,297	¥2,642	¥ 778	¥ 5,452
Credit default indices . . . . .	(246)	10,235	1,271	4,065	3,989	910	7,737
Other credit risk related portfolio products . . . . .	10	396	73	180	131	12	280
Credit-risk related options and swaptions . . . . .	0	39	—	—	39	—	33
Total . . . . .	<u>¥(316)</u>	<u>¥17,705</u>	<u>¥2,662</u>	<u>¥6,542</u>	<u>¥6,801</u>	<u>¥1,700</u>	<u>¥13,502</u>

(1) Carrying value amounts are shown on a gross basis prior to cash collateral or counterparty netting. Asset balances represent positive fair value amounts caused by tightening of credit spreads of underlyings since inception of the credit derivative contracts.

The following tables present information about Nomura’s written credit derivatives by external credit rating of the underlying asset. Ratings are based on S&P Global Ratings (“S&P”), or if not rated by S&P, based on Moody’s Investors Service. If ratings from either of these agencies are not available, the ratings are based on Fitch Ratings Ltd. or Japan Credit Rating Agency, Ltd. For credit default indices, the rating is determined by taking the weighted average of the external credit ratings given for each of the underlying reference entities comprising the portfolio or index.

	Billions of yen						
	March 31, 2020						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other <sup>(1)</sup>	Total
Single-name credit default swaps . . . . .	¥122	¥1,683	¥1,935	¥2,643	¥1,198	¥ 437	¥ 8,018
Credit default indices . . . . .	24	153	2,211	4,027	1,318	331	8,064
Other credit risk related portfolio products . . . . .	—	—	2	191	73	91	357
Credit-risk related options and swaptions . . . . .	—	—	—	—	16	—	16
Total . . . . .	<u>¥146</u>	<u>¥1,836</u>	<u>¥4,148</u>	<u>¥6,861</u>	<u>¥2,605</u>	<u>¥ 859</u>	<u>¥16,455</u>

	Billions of yen						
	March 31, 2021						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other <sup>(1)</sup>	Total
Single-name credit default swaps . . . . .	¥198	¥1,218	¥1,887	¥2,098	¥ 753	¥ 881	¥ 7,035
Credit default indices . . . . .	114	128	1,880	6,294	1,415	404	10,235
Other credit risk related portfolio products . . . . .	—	—	4	237	58	97	396
Credit-risk related options and swaptions . . . . .	—	—	—	32	7	—	39
Total . . . . .	<u>¥312</u>	<u>¥1,346</u>	<u>¥3,771</u>	<u>¥8,661</u>	<u>¥2,233</u>	<u>¥1,382</u>	<u>¥17,705</u>

(1) “Other” includes credit derivatives where the credit rating of the underlying reference asset is below investment grade or where a rating is unavailable.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Derivatives entered into in contemplation of sales of financial assets**

Nomura enters into transactions which involve both the transfer of financial assets to a counterparty and contemporaneously enters into a separate agreement with the same counterparty through which Nomura retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These transactions primarily include sales of securities with bilateral OTC total return swaps or other derivative agreements which are in-substance total return swaps.

These transactions are accounted for as sales of the securities with the derivative accounted for separately if the criteria for derecognition of the securities under ASC 860 are met. Where the derecognition criteria are not met, the transfer and separate derivative are accounted for as a single collateralized financing transaction which is reported within *Long-term borrowings* in the consolidated balance sheets.

As of March 31, 2020 there were no outstanding sales with total return swap or in-substance total return swap transactions accounted for as sales rather than collateralized financing transactions.

For the year ended March 31, 2021, certain transactions which involve sales of securities and total return swaps were accounted for as sales. As of the date of transfer, the carrying amount of the securities and the amount of gross cash proceeds from the sales were ¥69,405 million and ¥69,535 million, respectively. As of March 31, 2021, the fair value of the securities derecognized by Nomura and the gross liability balances of the total return swaps arising from the transactions were ¥67,773 million and ¥1,539 million respectively.

**4. Revenue from services provided to customers**

**Revenues by types of service**

The following table presents revenue earned by Nomura from providing services to customers by relevant line item in Nomura's consolidated statement of income for the year ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Commissions .....	¥293,069	¥308,805	¥376,897
Fees from investment banking .....	101,521	103,222	108,681
Asset management and portfolio service fees .....	245,519	238,202	230,047
Other revenue .....	54,284	49,901	44,235
<b>Total .....</b>	<b>¥694,393</b>	<b>¥700,130</b>	<b>¥759,860</b>

Commissions represent revenue principally from trade execution, clearing services and distribution of fund units provided by both the Retail and Wholesale Divisions approximately equally across the divisions. The following table shows the breakdown of *Commissions* for the year ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Stock Brokerage Commissions .....	¥192,032	¥196,491	¥262,286
Commissions for distributing of investment trusts .....	56,649	66,664	68,794
Other .....	44,388	45,650	45,817
<b>Total .....</b>	<b>¥293,069</b>	<b>¥308,805</b>	<b>¥376,897</b>

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Fees from investment banking represent revenues from financial advisory, underwriting and distribution primarily from Wholesale followed by Retail. The following table shows the breakdown of *Fees from investment banking* for the year ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Equity underwriting and distribution . . . . .	¥ 30,046	¥ 13,958	¥ 30,647
Bond underwriting and distribution . . . . .	22,739	25,546	23,120
Financial advisory fees . . . . .	33,195	41,646	37,760
Other . . . . .	15,541	22,072	17,154
Total . . . . .	<u>¥101,521</u>	<u>¥103,222</u>	<u>¥108,681</u>

Asset management and portfolio service fees represent revenues from asset management services primarily from the Asset Management Division followed by Retail.

The following table shows the breakdown of *Asset management and portfolio service fees* for the year ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Asset management fees . . . . .	¥168,695	¥159,494	¥150,218
Administration fees . . . . .	60,983	62,619	63,215
Custodial fees . . . . .	15,841	16,089	16,614
Total . . . . .	<u>¥245,519</u>	<u>¥238,202</u>	<u>¥230,047</u>

The following table presents summary information regarding the key methodologies, assumptions and judgments used in recognizing revenue for each of the primary types of service provided to customers, including the nature of underlying performance obligations within each type of service and whether those performance obligations are satisfied at a point in time or over a period of time. For performance obligations recognized over time, information is also provided to explain the nature of the input or output method used to recognize revenue over time.

Type of service provided to customers	Overview of key services provided	Key revenue recognition policies, assumptions and judgments
Trade execution, clearing services and distribution of fund units	<ul style="list-style-type: none"> <li>• Buying and selling of securities on behalf of customers</li> <li>• Distribution of fund units</li> <li>• Clearing of securities and derivatives on behalf of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Trade execution and clearing commissions recognized at a point in time, namely trade date.</li> <li>• Distribution fees are recognized at a point in time when the fund units have been sold to third party investors.</li> <li>• Commissions recognized net of soft dollar credits provided to customers where Nomura is acting as agent in providing investment research and</li> </ul>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Type of service provided to customers	Overview of key services provided	Key revenue recognition policies, assumptions and judgments
Financial advisory services	<ul style="list-style-type: none"> <li>• Provision of financial advice to customers in connection with a specific forecasted transaction or transactions such as mergers and acquisitions</li> <li>• Provision of financial advice not in connection with a specific forecasted transaction or transactions such as general corporate intelligence and similar research</li> <li>• Issuance of fairness opinions</li> <li>• Structuring complex financial instruments for customers</li> </ul>	<p>similar services to the customer.</p> <ul style="list-style-type: none"> <li>• Fees contingent on the success of an underlying transaction are variable consideration recognized when the underlying transaction has been completed since only at such point is it probable that a significant reversal of revenue will not occur.</li> <li>• Retainer and milestone fees are recognized either over the period to which they relate or are deferred until consummation of the underlying transaction depending on whether the underlying performance obligation is satisfied at a point in time or over time.</li> <li>• Judgment is required to make this determination with factors influencing this determination including, but not limited to, whether the fee is in connection with an engagement designed to achieve a specific transaction or outcome for the customer (such as the purchase or sale of a business), the nature and extent of benefit to be provided to the customer prior to, and in addition to such specific transaction or outcome and the fee structure for the engagement.</li> <li>• Retainer and milestone fees recognized over time are normally recognized on a straight-line basis over the term of the contract based on time elapsed.</li> </ul>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Type of service provided to customers	Overview of key services provided	Key revenue recognition policies, assumptions and judgments
Underwriting and syndication services	<ul style="list-style-type: none"> <li>• Underwriting of debt, equity and other financial instruments on behalf of customers</li> <li>• Distributing securities on behalf of issuers</li> <li>• Arranging loan financing for customers</li> <li>• Syndicating loan financing on behalf of customer</li> </ul>	<ul style="list-style-type: none"> <li>• Underwriting and syndication revenues recognized at a point in time when the underlying transaction is complete.</li> <li>• Commitment fees where drawn down of the facility is deemed remote recognized on a straight-line basis over the life of the facility based on time elapsed.</li> <li>• Underwriting and syndication costs recognized either as a reduction of revenue or on a gross basis depending on whether Nomura is acting as principal or agent for such amounts.</li> </ul>
Asset management services	<ul style="list-style-type: none"> <li>• Management of funds, investment trusts and other investment vehicles</li> <li>• Provision of investment advisory services</li> <li>• Providing custodial and administrative services to customers</li> </ul>	<ul style="list-style-type: none"> <li>• Management fees earned by Nomura in connection with managing a fund, investment trust or other vehicle generally recognized on a straight-line basis based on time elapsed.</li> <li>• Performance-based fees are variable consideration recognized when the performance metric has been determined since only at such point is it probable that a significant reversal of revenue will not occur.</li> <li>• Custodial and administrative fees recognized on a straight-line basis over time based on time elapsed.</li> </ul>

Where revenue is recognized at a point on time, payments of fees are typically received at the same time as when the performance obligation is satisfied, or within several days or months after satisfying a performance obligation. In relation to revenue recognized over time, payments of fees are typically received every month, three months or six months.

The underlying contracts entered into by Nomura in order to provide the services described above typically do not have significant financing components within the contracts either provided to or from Nomura. If such components did not exist in a contract, Nomura has made an accounting policy permitted by ASC 606 “Revenue

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from *Contracts with Customers*” (“ASC 606”) not to adjust for the effects of a significant financing component where the financing is effectively for a period of one year or less. Such contracts also typically do not contain rights of return or similar features for the customer

**Customer contract balances**

When Nomura or the customer performs in accordance with the terms of a customer contract, a contract asset, customer contract receivable or contract liability is recognized in Nomura’s consolidated balance sheet.

A contract asset represents accrued revenue recognized by Nomura for completing or partially completing a performance obligation, namely a right of Nomura to receive consideration for providing the service to the customer, which is conditioned on something other than the passage of time. A customer contract receivable is an unconditional right of Nomura to receive consideration in exchange for providing the service. Both contract assets and customer contract receivables are reported in *Receivables from Customers* within Nomura’s consolidated balance sheet. A contract liability is any liability recognized in connection with a customer contract, including obligations to provide refunds and obligations to provide a service in the future for which consideration has already been received or is due to be received. Contract liabilities are reported in *Payables to Customers* within Nomura’s consolidated balance sheet.

The following table presents the balances of customer contract receivables, contract assets and contract liabilities in scope of ASC 606 as of March 31, 2020 and 2021. The amount of contract assets as of March 31, 2020 and 2021 were immaterial.

	Millions of yen	
	March 31, 2020	March 31, 2021
Customer contract receivables . . . . .	¥ 103,557	¥ 85,205
Contract liabilities <sup>(1)</sup> . . . . .	3,444	3,497

(1) Contract liabilities primarily rise from investment advisory services and recognized in connection with the term of the contract based on time elapsed.

The balance of contract liabilities as of March 31, 2019 were recognized as revenue for the year ended March 31, 2020. Nomura recognized ¥744 million of revenue from performance obligations satisfied in previous periods for the year ended March 31, 2020.

The balance of contract liabilities as of March 31, 2020 were recognized as revenue for the year ended March 31, 2021. Nomura recognized ¥1,565 million of revenue from performance obligations satisfied in previous periods for the year ended March 31, 2021.

**Transaction price allocated to the remaining performance obligations**

Nomura retained no significant transactions for which individual estimated contract period exceeds one year for the year ended March 31, 2020. Transaction price allocated to the remaining performance obligations is ¥1,187 million as of March 31, 2021.

As permitted by ASC 606, Nomura has chosen not to disclose information about remaining performance obligations that have original expected durations of one year or less as of March 31, 2020 and 2021. These amounts are not included in the above. In addition, considerations arising from contracts with customers do not comprise any significant amount that is not included in transaction price.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Customer contract costs

As permitted by ASC 340 “*Other Assets and Deferred Costs*,” Nomura has elected to expense all costs to obtain customer contracts where such amounts would be otherwise expensed within one year or less. As a result, the amount of deferred costs to obtain or fulfill customer contracts as of March 31, 2020 and 2021 were not significant.

#### 5. Collateralized transactions:

Nomura enters into collateralized transactions, including reverse repurchase agreements, repurchase agreements, securities borrowing transactions, securities lending transactions, other secured borrowings and similar transactions mainly to meet clients’ financing needs, finance trading inventory positions and obtain securities for settlements.

Reverse repurchase agreements, repurchase agreements, securities borrowing transactions and securities lending transactions are typically documented under industry standard master netting agreements which mitigate Nomura’s credit exposure to counterparties. For certain centrally-cleared reverse repurchase and repurchase agreements, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing counterparty. Nomura generally seeks to obtain an external legal opinion in order to ascertain the enforceability of such close-out and offsetting rights within these agreements.

For certain counterparties and/ or in certain jurisdictions, Nomura may enter into reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions which are not documented under a master netting agreement. Even when these transactions are documented under such agreements, Nomura may not have obtained, or may not be able to obtain evidence to determine with sufficient certainty that the close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws explicitly prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, agent banks and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

In all of these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In most cases, Nomura is permitted to sell or repledge these securities to third parties such as through repurchase agreements, securities lending transactions or to cover short positions. In repurchase and reverse repurchase agreements, the value of collateral typically exceeds the amount of cash transferred. Collateral is generally in the form of securities. Securities borrowing transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities lending transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities either received from or provided to the counterparty. Additional cash or securities are exchanged as necessary, to ensure that such transactions are adequately collateralized throughout the life of the transactions.

#### Offsetting of certain collateralized transactions

Reverse repurchase agreements and repurchase agreements, securities borrowing and lending transactions with the same counterparty documented under a master netting agreement are presented on a net basis on the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met. These criteria include

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requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

The following tables present information about offsetting of these transactions in the consolidated balance sheets as of March 31, 2020 and 2021, together with the extent to which master netting agreements entered into with counterparties and central clearing parties permit additional offsetting in the event of counterparty default. Transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following tables.

	Billions of yen			
	March 31, 2020			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance <sup>(1)</sup> . . . . .	¥ 32,425	¥ 3,508	¥ 36,397	¥ 1,252
Less: Amounts offset in the consolidated balance sheets <sup>(2)</sup> . . . . .	(20,048)	—	(20,048)	—
Total net amounts of reported on the face of the consolidated balance sheets <sup>(3)</sup> . . . . .	¥ 12,377	¥ 3,508	¥ 16,349	¥ 1,252
Less: Additional amounts not offset in the consolidated balance sheets <sup>(4)</sup>				
Financial instruments and non-cash collateral . . . . .	(10,507)	(2,381)	(8,980)	(1,067)
Cash collateral . . . . .	(5)	—	(40)	—
Net amount . . . . .	¥ 1,865	¥ 1,127	¥ 7,329	¥ 185

	Billions of yen			
	March 31, 2021			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance <sup>(1)</sup> . . . . .	¥ 31,568	¥ 5,241	¥ 34,154	¥ 1,781
Less: Amounts offset in the consolidated balance sheets <sup>(2)</sup> . . . . .	(20,793)	—	(20,794)	—
Total net amounts of reported on the face of the consolidated balance sheets <sup>(3)</sup> . . . . .	¥ 10,775	¥ 5,241	¥ 13,360	¥ 1,781
Less: Additional amounts not offset in the consolidated balance sheets <sup>(4)</sup>				
Financial instruments and non-cash collateral . . . . .	(9,390)	(3,211)	(9,448)	(1,488)
Cash collateral . . . . .	(1)	—	(1)	—
Net amount . . . . .	¥ 1,384	¥ 2,030	¥ 3,911	¥ 293

(1) Includes all recognized balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. Amounts include transactions carried at fair value through election of the fair value option. As of March 31, 2020, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥627 billion and ¥6,356 billion, respectively. As of March 31, 2020, the gross balance of securities borrowing transactions

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and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥998 billion and ¥138 billion, respectively. As of March 31, 2021, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥480 billion and ¥2,653 billion, respectively. As of March 31, 2021, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,947 billion and ¥213 billion, respectively.

- (2) Represents amounts offset through counterparty netting under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 210-20. Amounts offset include transactions carried at fair value through election of the fair value option.
- (3) Reverse repurchase agreements and securities borrowing transactions are reported within *Collateralized agreements—Securities purchased under agreements to resell* and *Collateralized agreements—Securities borrowed* in the consolidated balance sheets, respectively. Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported under securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets.
- (4) Represents amounts which are not permitted to be offset on the face of the balance sheet in accordance with ASC 210-20 but which provide Nomura with the right of offset in the event of counterparty default. Amounts relating to agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

**Maturity analysis of repurchase agreements and securities lending transactions**

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by remaining contractual maturity of the agreement as of March 31, 2021. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen					Total
	March 31, 2021					
	<u>Overnight and open<sup>(1)</sup></u>	<u>Up to 30 days</u>	<u>30 - 90 days</u>	<u>90 days - 1 year</u>	<u>Greater than 1 year</u>	
Repurchase agreements . . . . .	¥13,837	¥16,452	¥1,991	¥1,590	¥284	¥34,154
Securities lending transactions . . . . .	872	351	291	266	1	1,781
Total gross recognized liabilities <sup>(2)</sup> . . . . .	<u>¥14,709</u>	<u>¥16,803</u>	<u>¥2,282</u>	<u>¥1,856</u>	<u>¥285</u>	<u>¥35,935</u>

- (1) Open transactions do not have an explicit contractual maturity date and are terminable on demand by Nomura or the counterparty.
- (2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

**Securities transferred in repurchase agreements and securities lending transactions**

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by class of securities transferred by Nomura to counterparties as of March 31, 2021. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen		
	March 31, 2021		
	Repurchase agreements	Securities lending transactions	Total
Equities and convertible securities . . . . .	¥ 724	¥1,600	¥ 2,324
Japanese government, agency and municipal securities . . . . .	1,168	0	1,168
Foreign government, agency and municipal securities . . . . .	27,531	8	27,539
Bank and corporate debt securities . . . . .	1,926	117	2,043
Commercial mortgage-backed securities (“CMBS”) . . . . .	6	—	6
Residential mortgage-backed securities (“RMBS”) <sup>(1)</sup> . . . . .	2,532	—	2,532
Collateralized debt obligations (“CDOs”) and other . . . . .	223	—	223
Investment trust funds and other . . . . .	44	56	100
Total gross recognized liabilities <sup>(2)</sup> . . . . .	<u>¥34,154</u>	<u>¥1,781</u>	<u>¥35,935</u>

- (1) Includes ¥2,170 billion of U.S. government sponsored agency mortgage pass through securities and collateralized mortgage obligations.
- (2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

**Collateral received by Nomura**

The following table presents the fair value of securities received as collateral, securities borrowed with collateral and securities borrowed without collateral, which Nomura is permitted to sell or repledge, and the portion that has been sold or repledged as of March 31, 2020 and 2021.

	Billions of yen	
	March 31	
	2020	2021
The fair value of securities received as collateral, securities borrowed as collateral and securities borrowed without collateral where Nomura is permitted by contract or custom to sell or repledge the securities . . . . .	¥ 46,439	¥ 50,466
The portion of the above that has been sold (reported within <i>Trading liabilities</i> in the consolidated balance sheets) or repledged . . . . .	38,054	38,342

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Collateral pledged by Nomura**

Nomura pledges firm-owned securities to collateralize repurchase transactions, other secured financings and derivative transactions. Pledged securities that can be sold or repledged by the transferee, including Gensaki Repo transactions, are reported in parentheses as *Securities pledged as collateral* within *Trading assets* and *Non-trading debt securities* in the consolidated balance sheets.

The following table presents the carrying amounts of financial assets recognized in the consolidated balance sheets which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them by type of asset as of March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Trading assets:		
Equities and convertible securities	¥ 133,066	¥ 239,393
Government and government agency securities	1,183,457	1,064,164
Bank and corporate debt securities	59,734	32,262
Residential mortgage-backed securities (“RMBS”)	2,826,613	1,790,395
Collateralized debt obligations (“CDOs”) and other <sup>(1)</sup>	12,406	32,081
Investment trust funds and other	6,439	43,805
	<u>¥4,221,715</u>	<u>¥3,202,100</u>
Non-trading debt securities	29	115,659
Investments in and advances to affiliated companies	¥ 2,760	¥ 4,136

(1) Includes CLOs and ABS such as those secured on credit card loans, auto loans and student loans.

The following table presents the carrying amount of financial and non-financial assets recognized in the consolidated balance sheets, other than those disclosed above, which are subject to lien as of March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Loans and receivables	¥ 55,051	¥ 114,051
Trading assets and private equity and debt investments	1,393,517	1,344,361
Office buildings, land, equipment and facilities	5,258	5,076
Non-trading debt securities	149,991	1,047
Other	77	5,823
	<u>¥1,603,894</u>	<u>¥1,470,358</u>

Assets in the above table were primarily pledged for secured borrowings, including other secured borrowings, collateralized borrowings of consolidated VIEs, trading balances of secured borrowings, and derivative transactions. See Note 11 “*Borrowings*” for further information regarding trading balances of secured borrowings.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 6. Securitizations and Variable Interest Entities:

##### Securitizations

Nomura utilizes special purpose entities (“SPEs”) to securitize commercial and residential mortgage loans, government agency and corporate securities and other types of financial assets. Those SPEs are incorporated as stock companies, Tokumei kumiai (silent partnerships), Cayman special purpose companies (“SPCs”) or trust accounts. Nomura’s involvement with SPEs includes structuring SPEs, underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura accounts for the transfer of financial assets in accordance with ASC 860. This statement requires that Nomura accounts for the transfer of financial assets as a sale when Nomura relinquishes control over the assets. ASC 860 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests, and (c) the transferor has not maintained effective control over the transferred assets. Nomura may retain an interest in the financial assets, including residual interests in the SPEs. Any such interests are accounted for at fair value and reported within *Trading assets* in Nomura’s consolidated balance sheets, with the change in fair value reported within *Revenue-Net gain on trading*. Fair value for retained interests in securitized financial assets is determined by using observable prices; or in cases where observable prices are not available for certain retained interests, Nomura estimates fair value based on the present value of expected future cash flows using its best estimates of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. Nomura may also enter into derivative transactions in relation to the assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the years ended March 31, 2020 and 2021, Nomura received cash proceeds from SPEs in new securitizations of ¥202 billion and ¥297 billion, respectively. The associated gain on sale was ¥19 billion for the year ended March 31, 2021 and the amount was not significant for the year ended March 31, 2020. For the years ended March 31, 2020 and 2021, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,769 billion and ¥2,799 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥1,245 billion and ¥2,564 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥4,177 billion and ¥5,323 billion as of March 31, 2020 and 2021, respectively. Nomura’s retained interests were ¥163 billion and ¥160 billion as of March 31, 2020 and 2021, respectively. For the years ended March 31, 2020 and 2021, Nomura received cash flows of ¥24 billion and ¥27 billion, respectively, from the SPEs on the retained interests held in the SPEs.

Nomura does not provide financial support to SPEs beyond its contractual obligations as of March 31, 2020 and 2021.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the fair value of retained interests which Nomura has continuing involvement in SPEs and their classification in the fair value hierarchy, categorized by the type of transferred assets as of March 31, 2020 and 2021.

	Billions of yen					
	March 31, 2020					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities . . . . .	¥—	¥158	¥—	¥158	¥158	¥—
Bank and corporate debt securities . . . . .	—	—	—	—	—	—
CMBS and RMBS . . . . .	—	—	5	5	0	5
Total . . . . .	¥—	¥158	¥ 5	¥163	¥158	¥ 5

	Billions of yen					
	March 31, 2021					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities . . . . .	¥—	¥154	¥—	¥154	¥154	¥—
Bank and corporate debt securities . . . . .	—	—	—	—	—	—
CMBS and RMBS . . . . .	—	—	6	6	0	6
Total . . . . .	¥—	¥154	¥ 6	¥160	¥154	¥ 6

As of March 31, 2021, predominantly all of the retained interests held by Nomura were valued using observable prices. The initial fair value of these retained interests are mostly level 2 in the fair value hierarchy.

The following table presents the type and carrying value of financial assets included within *Trading assets* which have been transferred to SPEs but which do not meet the criteria for derecognition under ASC 860 as of March 31, 2020 and 2021. These transfers are accounted for as secured financing transactions and generally reported within *Long-term borrowings*. The assets are pledged as collateral of the associated liabilities and cannot be removed unilaterally by Nomura and the liabilities are non-recourse to Nomura.

	Billions of yen	
	March 31	
	2020	2021
Assets		
Trading assets		
Loans . . . . .	¥ 45	¥ 106
Liabilities		
Long-term borrowings . . . . .	¥ 45	¥ 106

**Variable Interest Entities (“VIEs”)**

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

If Nomura has an interest in a VIE that provides Nomura with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses that could be significant to the VIE, Nomura is the primary beneficiary of the VIE and must consolidate the entity, provided that Nomura does not meet separate tests confirming that it is acting as a fiduciary for other interest holders. Nomura's consolidated VIEs include those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura's aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary beneficiary.

The power to make the most significant decisions may take a number of different forms in different types of VIEs. For transactions such as securitizations, investment funds, and CDOs, Nomura considers collateral management and servicing to represent the power to make the most significant decisions. Accordingly, Nomura does not consolidate such types of VIEs for which it does not act as collateral manager or servicer unless Nomura has the right to replace the collateral manager or servicer or to require liquidation of the entity.

For many transactions, such as where VIEs are used for re-securitizations of residential mortgage-backed securities, there are no significant economic decisions made on an ongoing basis and no single investor has the unilateral ability to liquidate the VIE. In these cases, Nomura focuses its analysis on decisions made prior to the initial closing of the transaction, and considers factors such as the nature of the underlying assets held by the VIE, the involvement of third party investors in the design of the VIE, the size of initial third party investment and the amount and level of any subordination of beneficial interests issued by the VIE which will be held by Nomura and third party investors. Nomura has sponsored numerous re-securitization transactions and in many cases has determined that it is not the primary beneficiary on the basis that control over the most significant decisions relating to these entities are shared with third party investors. In some cases, however, Nomura has consolidated such VIEs, for example, where it was determined that third party investors were not involved in the design of the VIEs, including where the size of third party investment was not significant at inception of the transaction.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents the classification of consolidated VIEs' assets and liabilities in these consolidated financial statements as of March 31, 2020 and 2021. Most of these assets and liabilities are related to consolidated SPEs which securitize corporate convertible securities, mortgages and mortgage-backed securities. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not typically have any recourse to Nomura beyond the assets held in the VIEs.

	<b>Billions of yen</b>	
	<b>March 31</b>	
	<b>2020</b>	<b>2021</b>
<b>Consolidated VIE assets</b>		
Cash and cash equivalents . . . . .	¥ 10	¥ 13
Trading assets		
Equities . . . . .	645	524
Debt securities . . . . .	454	414
CMBS and RMBS . . . . .	43	20
Investment trust funds and other . . . . .	0	4
Derivatives . . . . .	19	1
Private equity and debt investments . . . . .	11	21
Office buildings, land, equipment and facilities . . . . .	15	51
Other . . . . .	24	26
<b>Total . . . . .</b>	<b>¥1,221</b>	<b>¥1,074</b>
<b>Consolidated VIE liabilities</b>		
Trading liabilities		
Derivatives . . . . .	19	2
Borrowings		
Short-term borrowings . . . . .	117	74
Long-term borrowings . . . . .	830	763
Other . . . . .	4	2
<b>Total . . . . .</b>	<b>¥ 970</b>	<b>¥ 841</b>

Nomura continuously reassesses its initial evaluation of whether it is the primary beneficiary of a VIE based on current facts and circumstances as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by Nomura and by other parties, and the variable interests owned by Nomura and other parties.

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura's variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests as of March 31, 2020 and 2021. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure. The risks associated with VIEs in which Nomura is involved are limited to the amount recorded in the consolidated balance sheets and the amount of commitments and financial guarantees.

	Billions of yen		
	March 31, 2020		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities . . . . .	¥ 35	¥—	¥ 35
Debt securities . . . . .	73	—	73
CMBS and RMBS . . . . .	3,631	—	3,631
Investment trust funds and other . . . . .	170	—	170
Private equity and debt investments . . . . .	11	—	11
Loans . . . . .	835	—	835
Other . . . . .	11	—	11
Commitments to extend credit and other guarantees . . . . .	—	—	84
Total . . . . .	<u>¥4,766</u>	<u>¥—</u>	<u>¥4,850</u>

	Billions of yen		
	March 31, 2021		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities . . . . .	¥ 30	¥—	¥ 30
Debt securities . . . . .	60	—	60
CMBS and RMBS . . . . .	2,362	—	2,362
Investment trust funds and other . . . . .	195	—	195
Private equity and debt investments . . . . .	3	—	3
Loans . . . . .	556	—	556
Other . . . . .	19	—	19
Commitments to extend credit and other guarantees . . . . .	—	—	110
Total . . . . .	<u>¥3,225</u>	<u>¥—</u>	<u>¥3,335</u>

**7. Financing receivables:**

In the normal course of business, Nomura extends financing to clients primarily in the form of loan receivables, loan commitments and collateralized agreements such as reverse repurchase agreements and securities borrowing transactions. These financing receivables are recognized as assets on Nomura's consolidated balance sheets at fair value or on amortized cost basis and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The carrying value of financing receivables measured on an amortized cost basis is adjusted for an allowance for current expected credit losses where appropriate. As of April 1, 2020 Nomura adopted new guidance for determination of such allowances defined by ASC 326 “*Financial Instruments—Credit Losses*” (“ASC 326”) which requires recognition of allowances based on current expected credit losses rather incurred credit losses as required by previous authoritative guidance. See Note 1 “Basis of accounting—New accounting pronouncements recently adopted” in these consolidated financial statements for guidance on the impact of the current expected credit loss (“CECL”) impairment model introduced by ASC 326 on Nomura on initial adoption.

#### *Collateralized agreements*

Collateralized agreements consist of reverse repurchase agreements reported as Securities purchased under agreements to resell and securities borrowing transactions reported as Securities borrowed in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers, or borrowing these securities with cash and non-cash collateral. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Except for those where we apply fair value options, reverse repurchase agreements are generally recognized in the consolidated balance sheets at the amount for which the securities were originally acquired with applicable accrued interest. Securities borrowing transactions are generally recognized in the consolidated balance sheets at the amount of cash collateral advanced. Allowances for current expected credit losses against collateralized agreements are not significant because of our application of practical expedients permitted by ASC 326 based on the collateralization requirements and ongoing monitoring of the collateral levels and the short expected life of the financial instruments.

#### *Loans receivable*

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and traditional unsecured loans mainly extended by Nomura Trust & Banking Co., Ltd. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. For unsecured commercial loans, Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high or good credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are margin loans provided to clients in connection with securities brokerage business in retail and wealth management services. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value (“LTV”) ratio. These clients are required and reasonably expected to continue to replenish the amount of collateral. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

loans is limited as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients except Loan at banks. Corporate loans include loans secured by real estate or securities, unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets as of March 31, 2020, and 2021 by portfolio segment.

	Millions of yen		
	March 31, 2020		
	Carried at amortized cost	Carried at fair value <sup>(1)</sup>	Total
Loans receivable			
Loans at banks . . . . .	¥ 521,715	¥ —	¥ 521,715
Short-term secured margin loans . . . . .	296,833	8,905	305,738
Inter-bank money market loans . . . . .	865	—	865
Corporate loans . . . . .	1,232,851	796,236	2,029,087
Total loans receivable . . . . .	<u>¥2,052,264</u>	<u>¥805,141</u>	<u>¥2,857,405</u>

	Millions of yen		
	March 31, 2021		
	Carried at amortized cost	Carried at fair value <sup>(1)</sup>	Total
Loans receivable			
Loans at banks . . . . .	¥ 605,200	¥ —	¥ 605,200
Short-term secured margin loans . . . . .	436,221	—	436,221
Inter-bank money market loans . . . . .	1,289	—	1,289
Corporate loans . . . . .	1,082,239	818,523	1,900,762
Total loans receivable . . . . .	<u>¥2,124,949</u>	<u>¥818,523</u>	<u>¥2,943,472</u>
Advances to affiliated companies . . . . .	1,000	—	1,000
Total . . . . .	<u>¥2,125,949</u>	<u>¥818,523</u>	<u>¥2,944,472</u>

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option.

There were no significant purchases nor sales of loans receivable during the year ended March 31, 2020. During the same period, there were no significant reclassifications of loans receivable to trading assets.

There were no significant purchases nor sales of loans receivable during the year ended March 31, 2021. During the same period, there were no significant reclassifications of loans receivable to trading assets.



**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Allowance for current expected credit losses*

Following adoption of ASC 326 on April 1, 2020, management has established an allowance for current expected credit losses using the CECL impairment model against the following types of financial instruments, including financing receivables, which are not measured at fair value on a recurring basis, to reflect the net amount Nomura expects to collect:

- Loans receivable and written unfunded loan commitments;
- Cash deposits;
- Collateralized agreements such as reverse repos and securities borrowing transactions;
- Customer contract assets and receivables; and
- Other receivables including margin receivables, security deposits, default fund contributions to central clearing counterparties and net investments in finance leases.

Current expected credit losses for an individual or portfolio of financial instrument are measured at each Nomura reporting date based on expected credit losses over the remaining expected life of the financial instruments that consider forecast of future economic conditions in addition to information about past events and current conditions. Key macroeconomic inputs to our weighted average forecasts of three years include GDP and credit spreads.

The risk of loss is considered, even when that risk of loss is remote. While management has based its estimate of the allowance for current expected credit losses on the best information available, future adjustments to the allowance may be necessary as a result of changes in the economic environment or variances between actual results and original assumptions.

Nomura has elected to exclude accrued interest receivable from the amortized cost basis of financial instruments used to measure expected credit losses. The amount of accrued interest receivable as of March 31, 2021 was not significant.

The methodology used by Nomura to determine allowances for current expected credit losses in accordance with the CECL impairment model primarily depends on the nature of the financial instrument and whether certain practical expedients permitted by ASC 326 are applied by Nomura.

Financial instruments subject to the CECL impairment model are charged off when Nomura has deemed the loan or receivable as uncollectible, namely management believes there is no reasonable expectation of collecting future contractual cash flows and all commercially reasonable means of recovering outstanding principle and interest balances have been exhausted.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table summarizes the methodology used for each significant type of financial instrument subject to the CECL impairment model and the key assumptions used which have impacted the measurement of current expected credit losses during the year ended March 31, 2021.

<u>Financial instrument</u>	<u>Methodology to determine current expected credit losses</u>
Loans, written loan commitments and certain deposits	<ul style="list-style-type: none"> <li>• Full loss rate model developed by Nomura’s Risk department</li> <li>• Measures expected credit losses based on probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) inputs.</li> <li>• PD inputs incorporate forward-looking scenarios used by Nomura for internal risk management and capital purposes.</li> <li>• Immediate reversion method used for periods beyond which reasonable and supportable forecast is not available.</li> <li>• For financial instruments which have defaulted or are probable of defaulting, expected credit losses measured using discounted cash flow analyses or, where the financial instrument is collateral dependent, based on any shortfall of fair value of the underlying collateral.</li> </ul>
Collateralized agreements, short-term secured margin loans and cash prime brokerage loans	<ul style="list-style-type: none"> <li>• For reverse repos and short-term secured margin loans and cash prime brokerage loans where frequent margining is required and the counterparty has ability to replenish margin, as permitted by a practical expedient provided by ASC 326 expected credit losses are limited to difference between carrying value of the reverse repo or margin loan and fair value of underlying collateral.</li> <li>• Securities borrowing transactions typically have very short expected lives and are collateralized and therefore expected credit losses are generally determined qualitatively to be insignificant based on historical experience and consistent monitoring of collateral.</li> </ul>
Customer contract assets and receivables	<ul style="list-style-type: none"> <li>• Expected credit losses typically based on ageing analysis where loss rates are applied to the carrying value based on historical experience, the current economic climate and specific information about the ability of the client to pay.</li> </ul>

Prior to adoption of ASC 326, allowances for credit losses recognized against financial instruments measured at amortized cost were based on amounts which reflected management’s best estimate of probable losses incurred. The allowance for doubtful accounts comprised two components, namely a specific component for financial instruments which have been individually evaluated for impairment; and a general component for financial instruments which, while not individually evaluated for impairment, have been collectively evaluated for impairment based on historical loss experience. The specific component of the allowance reflects probable losses incurred within financial instruments which have been individually evaluated for impairment. Impairment was measured by adjusting the carrying value of the financial instrument to either the present value of expected future cash flows discounted at the financial instrument’s effective interest rate, an observable market price, or the fair value of the collateral if the financial instrument is collateral dependent.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The general component of the allowance was for financial instruments not individually evaluated for impairment and includes judgment about collectability based on available information at the balance sheet date and the uncertainties inherent in those underlying assumptions. The allowance was based on historical loss experience adjusted for qualitative factors such as current economic conditions.

The following table presents changes in the allowance for doubtful accounts for the years ended March 31, 2019 and 2020. The allowance for doubtful accounts increased as of March 31, 2020 when compared to March 31, 2019 primarily as a result of specific impairments identified in March 2020 as a result of the COVID-19 pandemic.

	Millions of yen					
	Year ended March 31, 2019					
	Allowance for doubtful accounts				Allowance for receivables other than loans	Total allowance for doubtful accounts
Loans at banks	Short-term secured margin loans	Corporate loans	Subtotal			
Opening balance	¥1,140	¥—	¥ 417	¥ 1,557	¥ 1,957	¥ 3,514
Provision for credit losses	7	364	434	805	30	835
Charge-offs	(95)	—	(0)	(95)	(102)	(197)
Other <sup>(1)</sup>	—	6	17	23	(6)	17
Ending balance	¥1,052	¥370	¥ 868	¥ 2,290	¥ 1,879	¥ 4,169

	Millions of yen					
	Year ended March 31, 2020					
	Allowance for doubtful accounts				Allowance for receivables other than loans	Total allowance for doubtful accounts
Loans at banks	Short-term secured margin loans	Corporate loans	Subtotal			
Opening balance	¥1,052	¥370	¥ 868	¥ 2,290	¥ 1,879	¥ 4,169
Provision for credit losses	512	—	7,125	7,637	1,451	9,088
Charge-offs	—	—	—	—	(162)	(162)
Other <sup>(1)</sup>	—	(18)	(49)	(67)	(16)	(83)
Ending balance	¥1,564	¥352	¥ 7,944	¥ 9,860	¥ 3,152	¥13,012

(1) Includes the effect of foreign exchange movements.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in the allowance for the year ended March 31, 2021 as determined using the CECL impairment model defined by ASC 326. The allowance increased significantly during the year primarily as a result of credit losses arising in connection with the U.S. Prime brokerage event in March 2021. See Note 23. “U.S. Prime Brokerage Event” for further information on this event.

	Millions of yen					
	Year ended March 31, 2021					
	Allowance for doubtful accounts				Allowance against receivables other than loans <sup>(2)</sup>	Total allowance for doubtful accounts
Loans at banks	Short-term secured margin loans	Corporate loans	Subtotal			
Opening balance prior to CECL adoption . . . . .	¥1,564	¥ 352	¥ 7,944	¥ 9,860	¥ 3,152	¥13,012
Impact of CECL adoption <sup>(1)</sup> . . . . .	232	—	1,738	1,970	2	1,972
Opening balance after CECL adoption . . . . .	1,796	352	9,682	11,830	3,154	14,984
Provision for credit losses <sup>(3)</sup> . . . . .	(196)	—	38,211	38,015	1,060	39,075
Charge-offs . . . . .	(318)	(363)	(0)	(681)	(1,600)	(2,281)
Other <sup>(4)</sup> . . . . .	—	11	92	103	1,903	2,006
Ending balance . . . . .	¥1,282	¥ —	¥47,985	¥49,267	¥ 4,517	¥53,784

- (1) The balance recognized on April 1, 2020 on adoption of the CECL impairment model under ASC 326.
- (2) Includes collateralized agreements, customer contract assets and receivables and other receivables.
- (3) In March 2021, following the default by the U.S. client an additional allowance for doubtful accounts of ¥41,561 million was taken on the loans with the client. See Note 23. “U.S. Prime Brokerage Event” for further information on this event.
- (4) Includes the effect of foreign exchange movements and recoveries collected.

*Troubled debt restructurings*

In the ordinary course of business, Nomura may choose to restructure a loan classified as held for investment either because of financial difficulties of the borrower, or simply as a result of market conditions or relationship reasons. A troubled debt restructuring (“TDR”) occurs when Nomura (as lender) for economic or legal reasons related to the borrower’s financial difficulties grants a concession to the borrower that Nomura would not otherwise consider.

Expected credit losses for a loan being restructured under a TDR which only involve modification of the loan’s terms (rather than receipt of assets in full or partial settlement) is typically determined using a discounted cash flow analysis. Assets received in full or partial satisfaction of a loan in a TDR are recognized at fair value.

Discussions continue with various borrowers to modify the existing contractual terms of certain loans. These modifications where the borrower is deemed to be in financial difficulty and Nomura has, or expects to, grant a financial concession would typically be accounted for and reported as a TDR.

As of March 31, 2020, the amount of loans which were classified as impaired but against which no allowance for doubtful accounts had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment and the total unpaid principal balance were ¥14,678 million. The related allowance was ¥8,282 million.

The amounts of TDRs which occurred during the years ended March 31, 2020 and 2021 were not significant.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Nonaccrual and past due loans*

Loans are placed on a nonaccrual status if interest is deemed uncollectible. Nomura policy is to define interest as being uncollectible if the borrower is determined to be in financial difficulty or an interest or principal payment on the loans is 90 days or more past due.

Where a loan is placed on a nonaccrual status, any accrued but unpaid interest receivable reversed and no further accrual of interest is permitted. Interest income is subsequent recognized when a cash payment is received from the borrower using the cash basis method.

Loans are generally only returned to an accrual status if the loan is brought contractually current, i.e., all overdue principal and interest amounts are paid. In limited circumstances, a loan which has not been brought contractually current will also be returned to an accrual status if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time or there has been a sustained period of repayment performance by the borrower.

As of March 31, 2020, there were ¥14,658 million of loans which were placed on a nonaccrual status, primarily secured and unsecured corporate loans. The amount of loans which were 90 days past due was not significant.

As of March 31, 2021, there were ¥204,404 million of loans which were placed on a nonaccrual status, primarily secured corporate loans. Nomura uses, as a practical expedient, the fair value of the collateral when determining the allowance for doubtful accounts, for which repayment is expected to be provided substantially through the operation or sale of the collateral. Of the corporate loans on non-accrual status, these loans relate to U.S. client as of March 31, 2021 causing an increase of an allowance for doubtful accounts of ¥41,561 million to be recorded. The amount of loans which were 90 days past due was not significant.

*Credit quality indicators*

Nomura is exposed to credit risks deriving from a decline in the value of loans or a default caused by deterioration of creditworthiness or bankruptcy of the obligor. Nomura's risk management framework for such credit risks is based on a risk assessment through an internal rating process, in depth pre-financing credit analysis of each individual loan and continuous post-financing monitoring of obligor's creditworthiness.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present an analysis of each class of loans not carried at fair value using Nomura's internal ratings or equivalent credit quality indicators applied by subsidiaries by years of origination as of March 31, 2021.

	Millions of yen							
	March 31, 2021							
	2021	2020	2019	2018	2017	2016 or earlier	Revolving	Total
Secured loans at banks:								
AAA-BBB	¥ 54,179	¥115,003	¥ 17,106	¥ 12,450	¥ 4,240	¥ 17,634	¥ —	¥ 220,612
BB-CCC	75,680	115,131	3,864	2,324	—	5,484	—	202,483
CC-D	—	—	—	—	—	—	—	—
Others <sup>(1)</sup>	—	61,185	—	—	—	—	—	61,185
Total secured loans at banks	¥129,859	¥291,319	¥ 20,970	¥ 14,774	¥ 4,240	¥ 23,118	¥ —	¥ 484,280
Unsecured loans at banks:								
AAA-BBB	¥ 9,101	¥ 22,955	¥ 27,863	¥ 17,563	¥ 8,484	¥ 34,719	¥ —	¥ 120,685
BB-CCC	—	—	235	—	—	—	—	235
CC-D	—	—	—	—	—	—	—	—
Others <sup>(1)</sup>	—	—	—	—	—	—	—	—
Total unsecured loans at banks	¥ 9,101	¥ 22,955	¥ 28,098	¥ 17,563	¥ 8,484	¥ 34,719	¥ —	¥ 120,920
Short-term secured margin loans:								
AAA-BBB	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
BB-CCC	—	—	—	—	—	—	—	—
CC-D	—	—	—	—	—	—	—	—
Others <sup>(1)</sup>	170,514	141	—	—	—	—	265,566	436,221
Total short-term secured margin loans	¥170,514	¥ 141	¥ —	¥ —	¥ —	¥ —	¥265,566	¥ 436,221
Unsecured inter-bank money market loans:								
AAA-BBB	¥ 1,289	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,289
BB-CCC	—	—	—	—	—	—	—	—
CC-D	—	—	—	—	—	—	—	—
Others <sup>(1)</sup>	—	—	—	—	—	—	—	—
Total unsecured inter-bank money market loans	¥ 1,289	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,289
Secured corporate loans:								
AAA-BBB	¥ 33,965	¥261,182	¥ 45,880	¥ 9,817	¥ 6,406	¥ 27,672	¥ 97	¥ 385,019
BB-CCC	20,093	102,941	34,435	29,869	13,067	17,573	173,178	391,156
CC-D <sup>(2)</sup>	197,859	—	—	—	—	—	—	197,859
Others <sup>(1)</sup>	—	39	40	11	30	4,697	428	5,245
Total secured corporate loans	¥251,917	¥364,162	¥ 80,355	¥ 39,697	¥19,503	¥ 49,942	¥173,703	¥ 979,279
Unsecured corporate loans:								
AAA-BBB	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
BB-CCC	84	—	450	—	—	—	—	534
CC-D	—	—	—	—	—	—	—	—
Others <sup>(1)</sup>	1	191	8	97,212	—	5,014	—	102,426
Total unsecured corporate loans	¥ 85	¥ 191	¥ 458	¥ 97,212	¥ —	¥ 5,014	¥ —	¥ 102,960
Advances to affiliated companies								
AAA-BBB	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,000
BB-CCC	—	—	—	—	—	—	—	—
CC-D	—	—	—	—	—	—	—	—
Others <sup>(1)</sup>	—	—	—	—	—	—	—	—
Total advances to affiliated companies	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,000
Total	¥563,765	¥678,768	¥129,881	¥169,246	¥32,227	¥112,793	¥439,269	¥2,125,949

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

(2) Includes loans of ¥197,859 million in relation to the U.S. prime brokerage event.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents a definition of each of the internal ratings used in the Nomura Group.

<b>Rating Range</b>	<b>Definition</b>
AAA	Highest credit quality. An obligor or facility has extremely strong capacity to meet its financial commitments. 'AAA range' is the highest credit rating assigned by Nomura. Extremely low probability of default.
AA	Very high credit quality category. An obligor or facility has very strong capacity to meet its financial commitments. Very low probability of default but above that of 'AAA range.'
A	High credit quality category. An obligor or facility has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher-rated categories. Low probability of default but higher than that of 'AA range.'
BBB	Good credit quality category. An obligor or facility has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments. Medium probability of default but higher than that of 'A range.'
BB	Speculative credit quality category. An obligor or facility is less vulnerable in the near term than other lower-ratings. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the inadequate capacity to meet its financial commitments. Medium to high probability of default but higher than that of 'BBB range.'
B	Highly speculative credit quality category. An obligor or facility is more vulnerable than those rated 'BB range', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the issuer's or obligor's capacity or willingness to meet its financial commitments. High probability of default—more than that of 'BB range.'
CCC	Substantial credit risk. An obligor or facility is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Strong probability of default—more than that of 'B range.'
CC	An obligor or facility is currently highly vulnerable to nonpayment (default category).
C	An obligor or facility is currently extremely vulnerable to nonpayment (default category).
D	Failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations.

Nomura reviews internal ratings at least once a year by using available credit information of obligors including financial statements and other information. Internal ratings are also reviewed more frequently for high-risk obligors or problematic exposures and any significant credit event of obligors will trigger an immediate credit review process.



**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**8. Leases:**

**Nomura as lessor**

Nomura leases office buildings and aircrafts in Japan and overseas either as head lessor or through subleases. These leases and subleases are primarily classified as operating leases. The related assets are stated at cost, net of accumulated depreciation, except for land, which is stated at cost in the consolidated balance sheets and reported within *Other assets—Office buildings, land, equipment and facilities*.

The following table presents the types of assets which Nomura leases under operating leases:

	Millions of yen					
	March 31					
	2020			2021		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Real estate <sup>(1)</sup> .....	¥ 354	¥(285)	¥ 69	¥ 354	¥ (288)	¥ 66
Aircraft .....	16,071	(648)	15,423	39,736	(1,382)	38,354
Total .....	¥16,425	¥(933)	¥15,492	¥40,090	¥(1,670)	¥38,420

(1) Cost, accumulated depreciation and net carrying amounts include amounts relating to real estate utilized by Nomura.

Nomura recognized lease income of ¥2,292 million, ¥2,732 million and ¥1,878 million for the years ended March 31, 2019, 2020 and 2021, respectively. These are included in the consolidated statements of income within *Revenue—Other*.

The following table presents an analysis of future undiscounted lease payments to be received in connection with noncancellable operating leases entered into by Nomura as lessor over the remaining lease term as of March 31, 2021. Amounts in connection with finance leases were not significant.

	Millions of yen
	March 31, 2021
	Minimum lease payments to be received
<b>Years of receipt</b>	
Less than 1 year .....	¥ 3,057
1 to 2 years .....	3,019
2 to 3 years .....	2,992
3 to 4 years .....	2,992
4 to 5 years .....	2,992
More than 5 years .....	20,639
<b>Total</b> .....	¥35,691

**Nomura as lessee**

Nomura enters into leases of office space, residential facilities for employees, motor vehicles, equipment and technology assets in the ordinary course of business in both Japan and overseas as lessee. These

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

arrangements predominantly consist of operating leases. Separately Nomura subleases certain real estate and equipment through operating lease arrangements. The total carrying values of right-of-use (“ROU”) assets recognized in connection with operating leases as of March 31, 2020 and 2021 were ¥170,782 million and ¥185,085 million, respectively. The total carrying values of ROU asset recognized in connection with finance leases as of March 31, 2020 and 2021 were not significant. These lease assets are reported within *Other assets—Office buildings, land, equipment and facilities* in the consolidated balance sheets.

The following table presents income and expense amounts recognized through the consolidated statements of income for leases where Nomura is acting as lessee for the year ended March 31, 2020 and 2021. Amounts for finance lease cost, short-term lease cost, variable lease cost and net gains (losses) on qualifying sale and leaseback transactions were not significant to the consolidated statements of income for the years ended March 31, 2020 and 2021.

	<b>Millions of yen</b>	
	<b>Year ended March 31</b>	
	<b>2020</b>	<b>2021</b>
<b>Lease expense:</b>		
Operating lease costs .....	¥48,475	¥49,168
<b>Other income and expenses:</b>		
Gross sublease income <sup>(1)</sup> .....	¥ 5,377	¥ 4,638

(1) Gross sublease income represents income from subleases separate from lease payments made by Nomura on the head lease as lessee.

**Lease cash flow information**

Lease payments made in cash in connection with operating leases are classified as operating activity in the consolidated statements of cash flows. The initial recognition of ROU assets and lease liabilities on lease commencement date represents noncash transactions.

The following table presents cash payments made by Nomura as lessee which meet the definition of lease payments and therefore have been included in the measurement of operating lease liabilities recorded under operating cash flows and the total amount of ROU assets and lease liabilities recognized during the years ended March 31, 2020 and 2021.

	<b>Millions of yen</b>	
	<b>Year ended March 31</b>	
	<b>2020</b>	<b>2021</b>
Operating cash flows for operating leases .....	¥47,212	¥47,584
ROU assets recognized in connection with new operating leases .....	¥18,026	¥41,279

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Maturity analysis of lease liabilities**

The following table presents an analysis of future undiscounted lease payments under operating leases entered into by Nomura as lessee over the remaining lease term as of March 31, 2021 and also represents a reconciliation between total of such lease payments and the discounted carrying value of operating lease liabilities recognized in the consolidated balance sheets as of March 31, 2021. Finance lease liabilities were not significant as of March 31, 2021. These lease liabilities are reported within *Other liabilities* in the consolidated balance sheets.

	<u>Millions of yen</u> <u>March 31, 2021</u> <u>Operating leases</u>
<b>Years of payment</b>	
Less than 1 year .....	¥ 42,411
1 to 2 years .....	33,582
2 to 3 years .....	27,120
3 to 4 years .....	24,395
4 to 5 years .....	22,557
More than 5 years .....	<u>68,652</u>
Total undiscounted lease payments .....	¥218,717
Less: Impact of discounting .....	<u>(11,845)</u>
Lease liabilities as reported in the consolidated balance sheets .....	<u>¥206,872</u>

The following table presents the weighted-average discount rate used to measure lease liabilities and the weighted-average remaining lease term of operating leases as of March 31, 2020 and 2021.

	<u>Year ended March 31</u>	
	<u>2020</u>	<u>2021</u>
	<u>Operating leases</u>	<u>Operating leases</u>
Weighted-average discount rate used to measure lease liabilities .....	2.2%	1.4%
Weighted-average remaining lease term .....	7.7 years	7.6 years

**9. Business combinations:**

On April 1, 2020, Nomura acquired 100% of Greentech Capital, LLC (“Greentech”), a leading M&A advisory boutique in sustainable technology and infrastructure in the United States. The acquisition of Greentech comprises an initial cash payment and additional contingent payments based on future performance of the company. The transaction has been accounted for as a business combination under ASC 805 “Business combinations” and consideration for the purchase as used to determine goodwill was ¥12,389 million which includes the estimated fair value of contingent payments accounted for as contingent consideration on acquisition date. Changes in the fair value of contingent consideration are recognized in the consolidated statements of income until the contingency is resolved. Contingent payments linked to future employment of employees of Greentech are recognized in the consolidated statements of income as compensation expense over the relevant service period and when payment of those amounts becomes probable. The operating results and cash flows of Greentech was reflected to Nomura’s consolidated financial statements from April 1, 2020. The assets acquired and liabilities assumed as of the acquisition date were not material to Nomura’s consolidated balance sheet.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. Other assets—Other / Other liabilities:

The following table presents components of *Other assets—Other* and *Other liabilities* in the consolidated balance sheets as of March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Other assets—Other:		
Securities received as collateral . . . . .	¥ 290,269	¥ 399,975
Goodwill and other intangible assets . . . . .	17,783	29,040
Deferred tax assets net . . . . .	13,431	30,433
Investments in equity securities for other than operating purposes <sup>(1)</sup> . . . . .	141,855	270,246
Prepaid expenses . . . . .	16,262	18,741
Other . . . . .	347,422	300,997
Total . . . . .	¥ 827,022	¥1,049,432
Other liabilities:		
Obligation to return securities received as collateral . . . . .	¥ 290,269	¥ 399,975
Accrued income taxes . . . . .	16,362	60,275
Other accrued expenses and provisions . . . . .	396,560	424,961
Other <sup>(2)</sup> . . . . .	331,257	353,956
Total . . . . .	¥1,034,448	¥1,239,167

- (1) Includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments comprise of listed equity securities and unlisted equity securities of ¥32,545 million and ¥109,310 million respectively, as of March 31, 2020, and ¥30,912 million and ¥239,334 million respectively, as of March 31, 2021. In principle, these securities are carried at fair value, with changes in fair value recognized within *Revenue—Other* in the consolidated statements of income. It also includes equity securities without readily determinable fair value of ¥65,365 million as of March 31, 2021.
- (2) As a result of adopting ASU 2016-02 as of April 1, 2019, operating lease liabilities are presented through *Other liabilities—Other*. See Note 8 “Leases” for further information. It also includes a total liability of ¥62,889 million in respect of outstanding and unsettled investigations, lawsuits and other legal proceedings where loss is considered probable and the loss can be reasonably estimated. See Note 21 “Commitments, contingencies and guarantees” for further information.

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

Impairment testing of goodwill is inherently subjective and often requires management judgment to determine when to perform an impairment test, whether qualitatively the fair value of a reporting unit exceeds its carrying value and also to estimate the fair value of a reporting unit when a quantitative impairment test is required.

An annual goodwill impairment test was performed in the quarter ended March 31, 2021. Whilst determination of fair value of the reporting unit was more subjective because of the impact of the COVID-19 pandemic, the estimated fair value of the reporting unit is expected to exceed carrying value and therefore no impairment loss was recognized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in goodwill, which are reported in the consolidated balance sheets within *Other assets—Other* for the years ended March 31, 2020 and 2021.

	Millions of yen								
	Year ended March 31, 2020								
	Beginning of year			Changes during year			End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Acquisition	Impairment	Other <sup>(1)</sup>	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale . . .	¥92,814	¥(92,814)	¥—	¥ —	¥—	¥—	¥ 92,814	¥(92,814)	¥ —
Other . . . . .	474	—	474	—	—	(2)	472	—	472
Total . . . . .	¥93,288	¥(92,814)	¥474	¥ —	¥—	¥ (2)	¥ 93,286	¥(92,814)	¥ 472

	Millions of yen								
	Year ended March 31, 2021								
	Beginning of year			Changes during year			End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Acquisition <sup>(2)</sup>	Impairment	Other <sup>(1)</sup>	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale . . .	¥92,814	¥(92,814)	¥—	¥12,078	¥—	¥402	¥105,294	¥(92,814)	¥12,480
Other . . . . .	472	—	472	189	—	4	665	—	665
Total . . . . .	¥93,286	¥(92,814)	¥472	¥12,267	¥—	¥406	¥105,959	¥(92,814)	¥13,145

(1) Includes currency translation adjustments.

(2) For the year ended March 31, 2021, Nomura recognized goodwill as a result of acquiring 100% of the ownership interests in Greentech Capital, LLC which has been allocated in its entirety to the Wholesale division for segmental reporting and reporting unit purposes. See Note 9 “*Business Combination*” for further information.

During the quarter ended March 31, 2021, management considered but determined the COVID-19 pandemic did not indicate that certain finite-lived intangible assets were impaired. As a result, a formal impairment test over the relevant asset groups which include these intangible assets was not required.

The following table presents finite-lived intangible assets by type as of March 31, 2020 and 2021.

	Millions of yen					
	March 31, 2020			March 31, 2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships . . . . .	¥63,331	¥(55,342)	¥7,989	¥64,357	¥(57,680)	¥6,677
Other . . . . .	999	(373)	626	1,842	(1,234)	608
Total . . . . .	¥64,330	¥(55,715)	¥8,615	¥66,199	¥(58,914)	¥7,285

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amortization expenses for the years ended March 31, 2019, 2020 and 2021 were ¥2,504 million, ¥1,662 million and ¥2,296 million, respectively. Estimated amortization expenses for the next five years are shown below.

Year ending March 31	Millions of yen
	Estimated amortization expense
2022	¥6,021
2023	186
2024	182
2025	179
2026	179

The amounts of indefinite-lived intangibles, which primarily includes trademarks, were ¥8,696 million and ¥8,609 million as of March 31, 2020 and 2021, respectively.

An annual impairment test was performed in the quarter ended March 31, 2021 against these intangibles. Whilst determination of fair value of these intangibles was more subjective because of the impact of the COVID-19 pandemic, the estimated fair value of each intangible exceeded carrying value and therefore no impairment loss was recognized.

Nomura recognizes an obligation related to restoration of the existing rental buildings at the time of leaving, as Asset Retirement Obligations (“ARO”) on real estate leasehold contracts.

The following table presents changes in ARO, which are reported in the consolidated balance sheets within *Other liabilities—Other* for the years ended March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Balance at beginning of year	¥ 5,758	¥ 6,625
Liabilities incurred during the current period	979	1,846
Liabilities settled during the current period	(112)	(97)
Revision in estimated cash flows <sup>(1)</sup>	—	6,111
Balance at end of period	¥ 6,625	¥ 14,485

(1) During the fiscal year ended March 31, 2021, as a result of the rights conversion of the Tokyo Nihonbashi district redevelopment project, the estimate of future cash flows for the ARO associated with our properties has been changed.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Borrowings:

The following table presents short-term and long-term borrowings of Nomura as of March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Short-term borrowings <sup>(1)</sup> :		
Commercial paper .....	¥ 525,124	¥ 460,014
Bank borrowings .....	565,130	294,052
Other .....	396,479	614,032
Total .....	<u>¥1,486,733</u>	<u>¥1,368,098</u>
Long-term borrowings:		
Long-term borrowings from banks and other financial institutions <sup>(2)</sup> .....	¥2,929,313	¥2,878,676
Bonds and notes issued <sup>(3)</sup> :		
Fixed-rate obligations:		
Japanese yen denominated .....	832,589	583,148
Non-Japanese yen denominated .....	1,376,346	1,917,166
Floating-rate obligations:		
Japanese yen denominated .....	744,275	876,844
Non-Japanese yen denominated .....	242,612	327,595
Index / Equity-linked obligations:		
Japanese yen denominated .....	899,765	906,332
Non-Japanese yen denominated .....	696,041	361,916
	<u>4,791,628</u>	<u>4,973,001</u>
Subtotal .....	<u>7,720,941</u>	<u>7,851,677</u>
Trading balances of secured borrowings .....	54,724	123,335
Total .....	<u>¥7,775,665</u>	<u>¥7,975,012</u>

(1) Includes secured borrowings of ¥170,290 million as of March 31, 2020 and ¥55,569 million as of March 31, 2021.

(2) Includes secured borrowings of ¥72,543 million as of March 31, 2020 and ¥118,106 million as of March 31, 2021.

(3) Includes secured borrowings of ¥774,319 million as of March 31, 2020 and ¥788,618 million as of March 31, 2021.

*Trading balances of secured borrowings*

These are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These borrowings are part of Nomura's trading activities intended to generate profits from the distribution of financial products secured by those financial assets.



**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Long-term borrowings consisted of the following:

	Millions of yen	
	March 31	
	2020	2021
Debt issued by the Company . . . . .	¥2,873,634	¥3,003,810
Debt issued by subsidiaries—guaranteed by the Company . . . . .	2,541,554	2,398,932
Debt issued by subsidiaries—not guaranteed by the Company <sup>(1)</sup> . . . . .	2,360,477	2,572,270
Total . . . . .	¥7,775,665	¥7,975,012

(1) Includes trading balances of secured borrowings.

As of March 31, 2020, fixed-rate long-term borrowings mature between 2020 and 2067 at interest rates ranging from 0.00% to 24.40%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2020 and 2050 at interest rates ranging from 0.00% to 5.00%. Index / Equity-linked obligations mature between 2020 and 2050 at interest rates ranging from 0.00% to 39.90%.

As of March 31, 2021, fixed-rate long-term borrowings mature between 2021 and 2067 at interest rates ranging from 0.00% to 24.40%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2021 and 2051 at interest rates ranging from 0.00% to 8.01%. Index / Equity-linked obligations mature between 2021 and 2051 at interest rates ranging from 0.00% to 43.80%.

Certain borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the borrower at specified dates prior to maturity and include various equity-linked or other index-linked instruments.

Nomura enters into swap agreements to manage its exposure to interest rates and foreign exchange rates. Principally, debt securities and notes issued are effectively converted to LIBOR-based floating rate obligations through such swap agreements. The carrying value of the long-term borrowings includes adjustments to reflect fair value hedges.

Following table presents the effective weighted-average interest rates of borrowings, including the effect of fair value hedges as of March 31, 2020 and 2021.

	March 31	
	2020	2021
Short-term borrowings . . . . .	0.72%	0.58%
Long-term borrowings . . . . .	1.17%	0.82%
Fixed-rate obligations . . . . .	1.11%	0.96%
Floating-rate obligations . . . . .	1.37%	0.88%
Index / Equity-linked obligations . . . . .	0.80%	0.30%

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Maturities of long-term borrowings*

The following table presents the aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges and liabilities measured at fair value, as of March 31, 2021:

<u>Year ending March 31</u>	<u>Millions of yen</u>
2022 .....	¥ 463,710
2023 .....	779,485
2024 .....	671,945
2025 .....	1,027,469
2026 .....	1,347,842
2027 and thereafter .....	3,561,226
Subtotal .....	<u>7,851,677</u>
Trading balances of secured borrowings .....	<u>123,335</u>
Total .....	<u><u>¥7,975,012</u></u>

*Borrowing facilities*

As of March 31, 2020 and 2021, Nomura had unutilized borrowing facilities of ¥nil and ¥nil, respectively.

*Subordinated borrowings*

As of March 31, 2020 and 2021, subordinated borrowings were ¥318,200 million and ¥354,500 million, respectively.

**12. Earnings per share:**

Basic and diluted earnings per share (“EPS”) are presented on the face of the consolidated statements of income. Basic EPS is calculated by dividing net income (loss) attributable to NHI shareholders by the weighted average number of the Company’s common shares outstanding during the year. The calculation of diluted EPS is similar to basic EPS, except that the weighted average number of the Company’s common shares is adjusted to reflect all dilutive instruments where the Company’s common shares are potentially deliverable during the year. In addition, net income (loss) attributable to NHI shareholders is adjusted for any change in income or loss that would result from the assumed conversion of dilutive instruments issued by subsidiaries and affiliates.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents a reconciliation of the amounts and the numbers used in the calculation of net income (loss) attributable to NHI shareholders per share (basic and diluted) for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen except per share data presented in yen		
	Year ended March 31		
	2019	2020	2021
Basic—			
Net income (loss) attributable to NHI shareholders . . .	¥ (100,442)	¥ 216,998	¥ 153,116
Weighted average number of shares outstanding . . . . .	3,359,564,840	3,202,369,845	3,055,525,640
Net income (loss) attributable to NHI shareholders per share . . . . .	¥ (29.90)	¥ 67.76	¥ 50.11
Diluted—			
Net income (loss) attributable to NHI shareholders . . .	¥ (100,525)	¥ 216,890	¥ 153,064
Weighted average number of shares outstanding . . . . .	3,359,566,740	3,276,510,404	3,147,338,609
Net income (loss) attributable to NHI shareholders per share . . . . .	¥ (29.92)	¥ 66.20	¥ 48.63

Net income (loss) attributable to NHI shareholders was adjusted to reflect the decline in Nomura’s equity share of earnings of subsidiaries and affiliates for the years ended March 31, 2019, 2020 and 2021 arising from options to purchase common shares issued by subsidiaries and affiliates.

The weighted average number of shares used in the calculation of diluted EPS reflects the increase in potential issuance of the Company’s common shares arising from stock-based compensation plans by the Company and affiliates, which would have minimal impact on EPS for the years ended March 31, 2019, 2020 and 2021.

Antidilutive stock options and other stock-based compensation plans to purchase 104,496,000, 15,452,900 and 12,398,500 of the Company’s common shares were not included in the computation of diluted EPS for the years ended March 31, 2019, 2020 and 2021, respectively.

*Subsequent Events*

On May 17, 2021, the Company adopted a resolution to grant Restricted Stock Units (“RSUs”). See Note 14 “*Deferred compensation awards*” for further information.

**13. Employee benefit plans:**

Nomura provides various pension plans and other post-retirement benefits which cover certain eligible employees worldwide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society (“NSHIS”).

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Defined benefit pension plans—**

The Company and certain subsidiaries in Japan (“Japanese entities”) have contributory funded benefit pension plans for eligible employees. The benefits are paid as annuity payments subsequent to retirement or as lump-sum payments at the time of retirement based on a combination of years of service, age at retirement and employee’s choice. The benefits under the plans are calculated based upon position, years of service and reason for retirement. In addition to the plans described above, certain Japanese entities also have unfunded lump-sum payment plans. Under these plans, employees with at least two years of service are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon position, years of service and the reason for retirement. Nomura’s funding policy is to contribute annually the amount necessary to satisfy local funding standards. In December 2008, certain contributory funded benefit pension plans and unfunded lump-sum payment plans were amended and “Cash balance pension plans” were introduced. Participants receive an annual benefit in their cash balance pension plan accounts, which is computed based on compensation of the participants, adjusted for the changes in market interest rate.

In April 2020, certain Japanese entities amended their pension plans. Certain defined benefit pension plans and unfunded lump-sum payment plans were either closed for additional funding or abolished. Defined contribution pension plans and cash balance pension plans have replaced them for future contributions.

Certain overseas subsidiaries have various local defined benefit plans covering certain employees. Nomura recognized an asset for surplus pension benefits for these plans amounting to ¥13,949 million and ¥8,912 million as of March 31, 2020 and 2021, respectively.

*Net periodic benefit cost*

The following table presents the components of net periodic benefit cost for defined benefit plans of Japanese entities for the years ended March 31, 2019, 2020 and 2021. Nomura’s measurement date is March 31 for defined benefit plans of Japanese entities.

	<b>Millions of yen</b>		
	<b>Year ended March 31</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Service cost . . . . .	¥11,270	¥12,079	¥ 6,721
Interest cost . . . . .	2,180	1,766	1,786
Expected return on plan assets . . . . .	(6,068)	(6,038)	(5,826)
Amortization of net actuarial losses . . . . .	3,831	5,654	5,519
Amortization of prior service cost . . . . .	(1,059)	(1,137)	(1,521)
Net periodic benefit cost . . . . .	<b>¥10,154</b>	<b>¥12,324</b>	<b>¥ 6,679</b>

Prior service cost is amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized over the average remaining service period of active participants, which is 14 years.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Benefit obligations and funded status*

The following table presents a reconciliation of changes in projected benefit obligation (“PBO”) and the fair value of plan assets, as well as a summary of the funded status of Japanese entities’ plans as of, and for the years ended March 31, 2020 and 2021.

	Millions of yen	
	As of or for the year ended March 31	
	2020	2021
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of year	¥315,423	¥303,523
Service cost	12,079	6,721
Interest cost	1,766	1,786
Actuarial gain	(5,642)	(3,593)
Benefits paid	(13,301)	(12,656)
Amendments of pension benefit plans	(6,818)	—
Acquisition, divestitures and other	16	29
Projected benefit obligation at end of year	<u>¥303,523</u>	<u>¥295,810</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	¥232,885	¥225,744
Actual return on plan assets	(2,934)	19,126
Employer contributions	5,584	825
Benefits paid	(9,791)	(10,948)
Fair value of plan assets at end of year	<u>¥225,744</u>	<u>¥234,747</u>
Funded status at end of year	<u>(77,779)</u>	<u>(61,063)</u>
Amounts recognized in the consolidated balance sheets	<u>¥(77,779)</u>	<u>¥(61,063)</u>

The accumulated benefit obligation (“ABO”) was ¥303,523 million and ¥295,810 million as of March 31, 2020 and 2021, respectively.

In April 2020, defined contribution pension plans and cash balance pension plans were adopted for future contributions following the amendments of pension benefit plans. Certain contributory defined benefit pension plans were closed for additional funding and will be managed within the accumulated funds. Unfunded lump-sum payment plans were abolished and transferred to cash balance plans with the calculated amount of lump-sum retirement payment as of the amendment date.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the PBO, ABO and fair value of plan assets for Japanese entities' plans with ABO and PBO in excess of plan assets as of March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
<b>Plans with ABO in excess of plan assets:</b>		
PBO .....	¥77,779	¥61,063
ABO .....	77,779	61,063
Fair value of plan assets .....	—	—
<b>Plans with PBO in excess of plan assets:</b>		
PBO .....	¥77,779	¥61,063
ABO .....	77,779	61,063
Fair value of plan assets .....	—	—

The following table presents pre-tax amounts of Japanese entities' plans deferred in *Accumulated other comprehensive income (loss)* that have not yet been recognized as components of net periodic benefit cost during the year ended March 31, 2021.

	Millions of yen	
	For the year ended March 31, 2021	
Net actuarial loss .....	¥84,666	
Net prior service cost .....	(9,681)	
Total .....	<u>¥74,985</u>	

Pre-tax amounts of Japanese entities' plans in accumulated other comprehensive income which are expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows.

	Millions of yen	
	For the year ending March 31, 2022	
Net actuarial loss .....	¥ 3,955	
Net prior service cost .....	(1,626)	
Total .....	<u>¥ 2,329</u>	

*Assumptions*

The following table presents the weighted-average assumptions used to determine projected benefit obligations of Japanese entities' plans as of March 31, 2020 and 2021.

	March 31	
	2020	2021
Discount rate .....	0.6%	0.7%
Rate of increase in compensation levels .....	0.3%	0.3%
Interest crediting rate .....	3.0%	2.9%

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents the weighted-average assumptions used to determine the net periodic benefit cost of Japanese entities' plans as of March 31, 2019, 2020 and 2021.

	Year ended March 31		
	2019	2020	2021
Discount rate .....	0.8%	0.6%	0.6%
Rate of increase in compensation levels .....	1.7%	1.6%	0.3%
Expected long-term rate of return on plan assets .....	2.6%	2.6%	2.6%
Interest crediting rate .....	3.3%	3.3%	3.0%

Nomura generally determines the discount rates for its defined benefit plans by referencing indices for long-term, high-quality debt securities and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plans' liabilities.

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

*Plan assets*

Plan assets are managed with an objective to generate sufficient long-term value in order to enable future pension payouts. While targeting a long-term rate of return on plan assets, Nomura aims to minimize short-term volatility by managing the portfolio through diversifying risk. Based on this portfolio policy, the plan assets are invested diversely.

The plan assets of domestic plans target to invest 15% in equities (including private equity investments), 44% in debt securities, 25% in life insurance company general accounts, and 16% in other investments. Investment allocations are generally reviewed and revised at the time of the actual revaluation that takes place every five years or when there is a significant change in the portfolio assumptions.

For details of the levels of inputs used to measure the fair value of plan assets, see Note 2 "*Fair value measurements.*"



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present information about the fair value of plan assets of Japanese entities' plans as of March 31, 2020 and 2021 within the fair value hierarchy.

	Millions of yen			
	March 31, 2020			
	Level 1	Level 2	Level 3	Balance as of March 31, 2020
Pension plan assets:				
Private equity and pooled investments <sup>(1)</sup>	¥ —	¥ 1,901	¥23,465	¥ 25,366
Japanese government securities	23,464	—	—	23,464
Investment trust funds and other <sup>(2)(3)</sup>	—	22,027	41,616	63,643
Life insurance company general accounts	—	66,363	—	66,363
Other assets	—	40,508	—	40,508
Total	<u>¥23,464</u>	<u>¥130,799</u>	<u>¥65,081</u>	<u>¥219,344</u>

	Millions of yen			
	March 31, 2021			
	Level 1	Level 2	Level 3	Balance as of March 31, 2021
Pension plan assets:				
Private equity and pooled investments <sup>(1)</sup>	¥ —	¥ 614	¥33,384	¥ 33,998
Japanese government securities	21,047	—	—	21,047
Investment trust funds and other <sup>(2)(3)</sup>	—	24,581	36,335	60,916
Life insurance company general accounts	—	72,106	—	72,106
Other assets	—	35,857	—	35,857
Total	<u>¥21,047</u>	<u>¥133,158</u>	<u>¥69,719</u>	<u>¥223,924</u>

(1) Includes corporate type equity investments.

(2) Includes mainly debt investment funds. Hedge funds and real estate funds are also included.

(3) Certain assets that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. As of March 31, 2020 and 2021, the fair values of these assets were ¥6,401 million and ¥10,823 million, respectively.

The fair value of plan assets of non-Japanese entities' plans as of March 31, 2020 was ¥1,766 million, ¥1,522 million and ¥37,703 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively. The fair value of plan assets of non-Japanese entities' plans as of March 31, 2021 was ¥1,543 million, ¥2,192 million and ¥39,572 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

See Note 2 “Fair value measurements” for further information regarding how Nomura estimates fair value for specific types of financial instruments.

The following tables present information about plan assets of Japanese entities’ plans for which Nomura has utilized significant Level 3 valuation inputs to estimate fair value.

	Millions of yen			
	Year ended March 31, 2020			
	Balance as of April 1, 2019	Unrealized and realized gains / (loss)	Purchases / sales and other settlement	Balance as of March 31, 2020
Private equity and pooled investments . . . . .	¥ 3,823	¥(4,403)	¥24,045	¥23,465
Investment trust funds and other . . . . .	50,560	(3,262)	(5,682)	41,616
Total . . . . .	<u>¥54,383</u>	<u>¥(7,665)</u>	<u>¥18,363</u>	<u>¥65,081</u>

	Millions of yen			
	Year ended March 31, 2021			
	Balance as of April 1, 2020	Unrealized and realized gains / (loss)	Purchases / sales and other settlement	Balance as of March 31, 2021
Private equity and pooled investments . . . . .	¥23,465	¥11,225	¥(1,306)	¥33,384
Investment trust funds and other . . . . .	41,616	2,925	(8,206)	36,335
Total . . . . .	<u>¥65,081</u>	<u>¥14,150</u>	<u>¥(9,512)</u>	<u>¥69,719</u>

The fair value of Level 3 plan assets of non-Japanese entities’ plans, mainly consisting of annuities, was ¥37,703 million and ¥39,572 million as of March 31, 2020 and 2021, respectively. The amount of unrealized profit (loss) of Level 3 assets was ¥2,509 million and ¥(2,039) million as of March 31, 2020 and 2021, respectively. The amounts of gains and losses, purchases and sales other than above, transfers between Level 1 or Level 2 and Level 3 relating to these assets during the years ended March 31, 2020 and 2021 were not significant.

*Cash Flows*

Following the amendments of pension benefit plans in Japanese entities, certain contributory funded benefit pension plans were closed for additional funding and will be managed within the accumulated funds.

The following table presents the expected benefit payments of Japanese entities’ plans during the next five fiscal years and in aggregate for the five fiscal years thereafter.

Year ending March 31	Millions of yen
2022 . . . . .	¥13,659
2023 . . . . .	13,252
2024 . . . . .	13,953
2025 . . . . .	14,671
2026 . . . . .	14,098
2027-2031 . . . . .	63,079

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Defined contribution pension plans—

In addition to defined benefit pension plans, the Company, NSC and other Japanese and non-Japanese subsidiaries have defined contribution pension plans.

Nomura contributed ¥3,614 million, ¥3,585 million and ¥6,478 million to defined contribution pension plans for Japanese entities' plans for the years ended March 31, 2019, 2020 and 2021, respectively.

The contributions to overseas defined contribution pension plans were ¥9,293 million, ¥8,497 million and ¥8,035 million for the years ended March 31, 2019, 2020 and 2021, respectively.

#### Health care benefits—

The Company and certain subsidiaries provide certain health care benefits to both active and retired employees through NSHIS. The Company and certain subsidiaries also sponsor certain health care benefits to retired employees (“Special Plan”) and who participate in the Special Plan on a pay-all basis, i.e., by requiring a retiree contribution based on the estimated per capita cost of coverage. The Special Plan is a multi-employer post-retirement plan because it is jointly administered by NSHIS and the Japanese government, and the funded status of it is not computed separately. Therefore, although the Company and certain subsidiaries contribute some portion of the cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not reserve for future costs. The health care benefit costs, which are equivalent to the required contribution, amounted to ¥9,828 million, ¥9,308 million and ¥9,463 million for the years ended March 31, 2019, 2020 and 2021, respectively.

#### 14. Deferred compensation awards:

Nomura issues deferred compensation awards to senior management and employees, which are linked to the price of the Company's common stock, in order to retain and motivate key staff.

These stock-based compensation awards comprise Restricted Stock Unit (“RSU”) awards, Plan A and Plan B Stock Acquisition Right (“SAR”) awards, Notional Stock Unit (“NSU”) awards, and Collared Notional Stock Unit (“CSU”) awards. SAR Plan A awards are awards of stock options while RSU awards, SAR Plan B awards, NSU awards and CSU awards are analogous to awards of restricted common stock. The Company also issues other deferred compensation awards, namely Notional Indexed Unit (“NIU”) awards which are linked to a world stock index quoted by Morgan Stanley Capital International.

Certain deferred compensation awards include “Full Career Retirement” (“FCR”) provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination of employment if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

Unless indicated below, deferred compensation awards are generally reduced, forfeited or clawed back in the event of termination of employment, material restatements of financial statements, material conduct issues, material damage to Nomura's business or reputation, material downturns in the performance of the Nomura group and/or a material failure of risk management.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**RSU awards**

The Company introduced RSU awards in the fiscal year ended March 31, 2018, and granted the first RSU awards in May 2018. For each RSU award, one common stock of the Company is delivered. The awards generally have a graded vesting period over three years with an extending vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform within Nomura.

The grant date fair value per award is determined using the price of the Company's common stock.

The following table presents activity relating to RSU awards for the year ended March 31, 2021.

	<b>Outstanding (number of Nomura shares)</b>	<b>Weighted-average grant date fair value per share</b>	<b>Weighted-average remaining life until expiry (years)</b>
Outstanding as of March 31, 2020 .....	63,339,600	¥447	1.0
Granted .....	78,054,800	418	
Forfeited .....	(1,695,510)	431	
Delivered .....	<u>(24,411,160)</u>	<u>447</u>	
Outstanding as of March 31, 2021 .....	<u>115,287,730</u>	<u>¥427</u>	1.0

The weighted-average grant date fair value per award for the year ended March 31, 2020 and 2021 was ¥365 and ¥418, respectively.

The total intrinsic value of RSU awards vested during the year ended March 31, 2021 was ¥10,327 million. The total of 9,000,347 shares was delivered during the year ended March 31, 2021 and its intrinsic value was ¥10,360 million. The aggregate intrinsic value of RSU awards outstanding as of March 31, 2021 was ¥67,028 million.

As of March 31, 2021, total unrecognized compensation cost relating to RSU awards was ¥8,192 million which is expected to be recognized over a weighted average period of 1.8 years.

**SAR Plan A awards**

The Company issues SAR Plan A awards linked to the price of the Company's common stock pursuant to several stock option plans. These awards vest and are exercisable into the Company's common stock approximately two years after grant date and expire approximately seven years after grant date. The exercise price is generally not less than the fair value of the Company's common stock on grant date. These awards are subject to the above reduction and forfeiture provisions but are not subject to claw back.

The grant date fair value of SAR Plan A awards is estimated using a Black-Scholes option-pricing model and using the following assumptions:

- Expected volatilities based on historical volatility of the Company's common stock;
- Expected dividend yield based on the current dividend rate at the time of grant;
- Expected lives of the awards determined based on historical experience; and
- Expected risk-free interest rate based on Japanese Yen swap rate with a maturity equal to the expected lives of the options.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The weighted-average grant date fair value of SAR Plan A awards granted during the years ended March 31, 2019 was ¥79 per share. There was no SAR Plan A award granted during the year ended March 31, 2020 and 2021. The weighted-average assumptions used in each of these years were as follows.

	Year ended March 31		
	2019	2020	2021
Expected volatility . . . . .	33.30%	— %	— %
Expected dividends yield . . . . .	3.67%	— %	— %
Expected lives (in years) . . . . .	4.5	—	—
Risk-free interest rate . . . . .	0.10%	— %	— %

The following table presents activity relating to SAR Plan A awards for the year ended March 31, 2021.

	Outstanding (number of Nomura shares)	Weighted-average exercise price	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2020 . . . . .	15,452,900	¥704	3.1
Granted . . . . .	—	—	
Exercised . . . . .	(350,600)	586	
Forfeited . . . . .	(28,600)	653	
Expired . . . . .	<u>(2,675,200)</u>	<u>821</u>	
Outstanding as of March 31, 2021 . . . . .	<u>12,398,500</u>	<u>¥682</u>	2.6
Exercisable as of March 31, 2021 . . . . .	<u>12,398,500</u>	<u>¥682</u>	2.6

The total intrinsic value of SAR Plan A awards exercised during the years ended March 31, 2019, 2020 and 2021 was ¥241 million, ¥139 million and ¥29 million, respectively.

The aggregate intrinsic value of SAR Plan A awards outstanding and exercisable as of March 31, 2021 was both ¥19 million, respectively.

As of March 31, 2021, total unrecognized compensation cost relating to SAR Plan A awards was ¥nil. The total fair value of SAR Plan A awards which vested during the years ended March 31, 2019, 2020 and 2021 was ¥nil, respectively.

**SAR Plan B awards**

The Company issues SAR Plan B awards linked to the price of the Company's common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company's common stock, have an exercise price of ¥1 per share and graded vesting generally over three years with certain longer vesting or holding periods where required under local regulations.

The grant date fair value of SAR Plan B awards is determined using the price of the Company's common stock.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents activity relating to SAR Plan B awards for the year ended March 31, 2021. No new SAR Plan B awards have been granted since April 1, 2018.

	Outstanding (number of Nomura shares)	Weighted-average grant date fair value per share	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2020 .....	22,338,900	¥517	3.4
Granted .....	—	—	
Exercised .....	(8,966,200)	532	
Forfeited .....	(95,500)	474	
Expired .....	(310,100)	457	
Outstanding as of March 31, 2021 .....	<u>12,967,100</u>	<u>¥509</u>	2.7
Exercisable as of March 31, 2021 .....	<u>11,073,000</u>	<u>¥514</u>	2.1

The total intrinsic value of SAR Plan B awards exercised during the years ended March 31, 2019, 2020 and 2021 was ¥8,896 million, ¥7,640 million and ¥4,878 million, respectively.

The aggregate intrinsic value of SAR Plan B awards outstanding and exercisable as of March 31, 2021 was ¥7,526 million and ¥6,427 million, respectively.

As of March 31, 2021, total unrecognized compensation cost relating to SAR Plan B awards was ¥7 million which is expected to be recognized over a weighted average period of 1.3 years. The total fair value of SAR Plan B awards which vested during the years ended March 31, 2019, 2020 and 2021 was ¥10,757 million, ¥4,309 million and ¥1,784 million, respectively.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to RSU, SAR Plan A, and SAR Plan B awards for the years ended March 31, 2019, 2020 and 2021 was ¥21,814 million, ¥12,694 million and ¥28,251 million, respectively.

Cash received from the exercise of SAR Plan A and SAR Plan B awards during the year ended March 31, 2021 was ¥214 million and the tax benefit realized from exercise of these awards was ¥438 million.

Total related tax benefits recognized in the consolidated statements of income relating to RSU, SAR Plan A and SAR Plan B awards for the years ended March 31, 2019, 2020 and 2021 were ¥90 million, ¥13 million and ¥nil million, respectively. The dilutive effect of outstanding deferred compensation plans is included in the weighted average number of shares outstanding used in diluted EPS computations. See Note 12 “*Earnings per share*” for further information.

**NSU and CSU awards**

NSU and CSU awards are cash-settled awards linked to the price of the Company’s common stock. NSU awards replicate the key features of SAR Plan B awards described above but are settled in cash rather than exercisable into the Company’s common stock. CSU awards are similar to NSU awards but exposure to movements in the price of the Company’s common stock is subject to a cap and floor. Both types of award have graded vesting periods generally over three years with certain longer vesting periods where required by local regulations.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The fair value of NSU and CSU awards are determined using the price of the Company's common stock.

The following table presents activity related to NSU and CSU awards for the year ended March 31, 2021. No new CSU awards have been granted since April 1, 2018.

	NSUs		CSUs	
	Outstanding (number of units)	Stock price	Outstanding (number of units)	Stock price
Outstanding as of March 31, 2020	21,098,829	¥445	2,801,656	¥611
Granted	16,527,516	435 <sup>(1)</sup>	—	—
Vested	(17,470,375)	482 <sup>(2)</sup>	(934,256)	617 <sup>(2)</sup>
Forfeited	(204,008)	—	—	—
Outstanding as of March 31, 2021	<u>19,951,962</u>	<u>¥539<sup>(3)</sup></u>	<u>1,867,400</u>	<u>¥636<sup>(3)</sup></u>

- (1) Weighted-average price of the Company's common stock used to determine number of awards granted.
- (2) Weighted-average price of the Company's common stock used to determine the final cash settlement amount of the awards.
- (3) The price of the Company's common stock used to remeasure the fair value of the remaining outstanding unvested awards as of March 31, 2021.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NSU and CSU awards for the years ended March 31, 2019, 2020 and 2021 was ¥5,077 million, ¥4,639 million and ¥8,043 million, respectively.

Total unrecognized compensation cost relating to NSU awards, based on the fair value of these awards as of March 31, 2021, was ¥645 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.1 years. The total fair value of NSU awards which vested during the years ended March 31, 2019, 2020 and 2021 was ¥11,481 million, ¥9,980 million and ¥8,426 million, respectively.

Total unrecognized compensation cost relating to CSU awards, based on the fair value of these awards as of March 31, 2021, was ¥59 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.6 years. The total fair value of CSU awards which vested during the years ended March 31, 2019, 2020 and 2021 was ¥6,282 million, ¥3,445 million and ¥576 million, respectively.

**NIU awards**

In addition to the stock-based compensation awards described above, Nomura also grants NIU awards to senior management and employees. NIU awards are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International, with graded vesting periods generally over three years with certain longer vesting periods where required by local regulations.

The fair value of NIU awards is determined using the price of the index.



**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents activity relating to NIU awards for the year ended March 31, 2021. No new NIU awards have been granted since April 1, 2018.

	<u>Outstanding (number of units)</u>	<u>Index price<sup>(1)</sup></u>
Outstanding as of March 31, 2020 .....	839,954	\$5,339
Granted .....	—	—
Vested .....	(265,887)	5,814 <sup>(2)</sup>
Forfeited .....	—	—
Outstanding as of March 31, 2021 .....	<u>574,067</u>	<u>\$8,400<sup>(3)</sup></u>

- (1) The price of each unit is determined using 1/1000th of the index price.  
(2) Weighted-average index price used to determine the final cash settlement amount of the awards.  
(3) Index price used to remeasure the total fair value of the remaining outstanding unvested awards as of March 31, 2021.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NIU awards for the year ended March 31, 2019, 2020 and 2021 was ¥1,731 million, ¥237 million and ¥235 million, respectively.

Total unrecognized compensation cost relating to NIU awards, based on the fair value of these awards as of March 31, 2021, was ¥50 million which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.7 years. The total fair value of NIU awards which vested during the years ended March 31, 2019, 2020 and 2021 was ¥5,091 million, ¥2,795 million and ¥164 million, respectively.

Total tax benefits recognized in the consolidated statements of income for compensation expense relating to NSU, CSU and NIU awards for the years ended March 31, 2019, 2020 and 2021 were ¥220 million, ¥168 million and ¥205 million, respectively.

*Subsequent events*

On May 17, 2021, the Company passed a resolution to grant RSU awards to certain senior management and employees. Total of 64,439,400 RSU awards have been granted which generally have a graded vesting period from one to three years with an extending vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform within Nomura.

In June 2021, Nomura also granted NSU awards to senior management and employees in countries where RSU awards are less favorably treated from tax or other perspectives. These NSU awards have a total grant date fair value of ¥5 billion and vesting periods of up to seven years.

**15. Restructuring initiatives:**

Nomura continues to experience a major structural shift such as a breakdown of the traditional investment banking business model, advances in digitization, and demographic shifts due to the shrinking population and aging society in Japan. To respond to the changing environment created by these shifts, Nomura implemented various restructuring initiatives during the year ended March 31, 2019 to swiftly reengineer its business platforms and change its business approach in order to achieve sustainable growth in any business environment. In particular, Nomura has restructured its management reporting framework to eliminate the concept of regions to

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

minimize duplication between businesses and region, reduce the number of corporate functions, downscale unprofitable and low growth businesses and reduce its activities in EMEA. During the year ended March 31, 2021, this restructuring initiative is completed.

As a result of these initiatives, Nomura recognized ¥10,348 million of severance costs reported within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income during the year ended March 31, 2019 and within Nomura's Wholesale and Other segments. As of March 31, 2019, these costs were reported as liabilities within *Other liabilities* in the consolidated statements of financial position. Liabilities relating to these restructuring costs (including currency translation adjustments) were ¥507 million as of March 31, 2020 and ¥9,305 million were settled during the year ended March 31, 2020.

Nomura also recognized ¥4,390 million of branch consolidation costs reported within *Non-interest expenses—Occupancy and related depreciation* in the consolidated statements of income during the year ended March 31, 2020 and within Nomura's Retail and Other segments. As of March 31, 2020, ¥813 million were reported as liabilities within *Other liabilities*.

During the year ended March 31, 2021, no material costs associated with the restructuring initiative were recorded in the consolidated statement of income.

**16. Income taxes:**

The following table presents components of *Income tax expense* reported in the consolidated statements of income for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
<b>Current:</b>			
Domestic .....	¥26,725	¥ 42,099	¥ 73,534
Foreign .....	8,720	10,706	17,853
Subtotal .....	35,445	52,805	91,387
<b>Deferred:</b>			
Domestic .....	28,183	(23,512)	(19,567)
Foreign .....	(6,618)	(399)	(1,546)
Subtotal .....	21,565	(23,911)	(21,113)
<b>Total</b> .....	¥57,010	¥ 28,894	¥ 70,274

The income tax benefit recognized from operating losses for the years ended March 31, 2019, 2020 and 2021 was ¥246 million, ¥1,195 million and ¥97 million, respectively, which is included within deferred income tax expense above.

The Company and its wholly-owned domestic subsidiaries have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax.

The effective statutory tax rate applicable to Nomura in Japan was approximately 31% as of March 31, 2019, 2020 and 2021, respectively.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On March 27, 2020, the “Act to partially revise the Income Tax Act and Others” (Act No.8 of 2020) was enacted, effective for fiscal years beginning on or after April 1, 2022. As a result of the Act, the existing Consolidated Taxation system in Japan will be replaced with the Group Tax Sharing system. The Company does not expect any significant impact on its net deferred tax liabilities on adoption of the Act.

On December 22, 2017, the Tax Cuts and Jobs Act (“the Act”) was enacted in the United States which significantly changes U.S. income tax law, including reducing the U.S. federal corporate income tax rate to 21%, broadening the U.S. tax base, introducing a territorial tax system and one time repatriation tax on U.S. entities for previously deferred earnings of non-U.S. investees, allowing full expensing of certain property assets and imposing certain additional taxes on payments made from U.S. entities to foreign related parties. As a result, Nomura recognized a reduction of ¥2,776 million in deferred tax liabilities and deferred tax expense during the fiscal year ended March 31, 2018. As a result of finalizing calculations around the impact from changes in certain assumptions and interpretations made by Nomura, certain actions to be taken by Nomura and additional guidance released by the U.S. tax authorities and other bodies after April 1, 2018, Nomura did not make any material adjustments to this estimate during the fiscal year ended March 31, 2019.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income (loss) is affected by a number of items, including various tax credits, certain revenues not subject to income taxes, certain expenses not deductible for income tax purposes, changes in deferred tax valuation allowance and different enacted tax rates applicable to foreign subsidiaries.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents a reconciliation of the effective income tax rate reflected in the consolidated statements of income to Nomura's effective statutory tax rate for the years ended March 31, 2019, 2020 and 2021. The effective tax rate presented in the following table represents total income tax expense for the year as a percentage of *Income (loss) before income taxes*. For the years ended March 31, 2020 and 2021, where Nomura recognized *Income before income taxes* for the years, reconciling items which increase *Income tax expense* and therefore increase Nomura's effective tax rate are shown as positive amounts. Conversely, reconciling items which reduce *Income tax expense* and reduce Nomura's effective tax rate are shown as negative amounts. For the year ended March 31, 2019, Nomura recognized *Loss before income taxes* and consequently, reconciling items shown in the table which increase *Income tax expense* are presented as negative amounts and reconciling items which reduce *Income tax expense* are presented as positive amounts.

	Year ended March 31		
	2019	2020	2021
Nomura's effective statutory tax rate	31.0%	31.0%	31.0%
Impact of:			
Changes in deferred tax valuation allowances	(58.3)	(0.3)	8.7
Additional taxable income	(2.9)	0.6	0.7
Non-deductible expenses <sup>(1)</sup>	(110.3)	2.9	7.1
Non-taxable income <sup>(2)</sup>	16.8	(23.5)	(4.5)
Dividends from foreign subsidiaries	0.0	0.1	0.0
Tax effect of undistributed earnings of foreign subsidiaries	(2.8)	0.2	0.0
Different tax rate applicable to income (loss) of foreign subsidiaries	(19.8)	(0.9)	(4.0)
Effect of changes in foreign tax laws	0.5	(0.9)	1.1
Tax benefit recognized on the outside basis differences for investment in subsidiaries and affiliates <sup>(3)</sup>	5.4	(0.1)	(8.7)
Other	(10.8)	2.5	(0.9)
Effective tax rate	<u>(151.2)%</u>	<u>11.6%</u>	<u>30.5%</u>

- (1) *Non-deductible expenses* during the year ended March 31, 2019 includes approximately ¥21 billion relating to goodwill impairment losses (which increased Nomura's effective tax rate by 56.3%) and approximately ¥13 billion relating to litigation provisions and settlements (which increased Nomura's effective tax rate by 34.0%).
- (2) *Non-taxable income* during the year ended March 31, 2020 includes approximately ¥53 billion of the tax effect from non-taxable dividend income from affiliated Nomura companies, including deemed dividend (which decreased Nomura's effective tax rate by 21.2%).
- (3) *Tax benefit recognized on the outside basis differences for investment in subsidiaries and affiliates* during the year ended March 31, 2021 of approximately ¥21 billion (which decreased Nomura's effective tax rate by 9.1%) arises from the recognition of deferred tax assets from the decision and commitment of Nomura management to liquidate a certain wholly-owned subsidiary within Nomura in the foreseeable future. The valuation allowances of ¥3 billion have been recognized against these deferred tax assets, the impact of which are reported in *Changes in deferred tax valuation allowances* for the same period.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents the significant components of deferred tax assets and liabilities as of March 31, 2020 and 2021, before offsetting of amounts which relate to the same tax-paying component within a particular tax jurisdiction.

	Millions of yen	
	March 31	
	2020	2021
<b>Deferred tax assets</b>		
Depreciation, amortization and valuation of fixed assets . . . . .	¥ 19,932	¥ 22,770
Investments in subsidiaries and affiliates . . . . .	1,209	20,220
Valuation of financial instruments . . . . .	77,054	73,905
Accrued pension and severance costs . . . . .	24,356	19,947
Other accrued expenses and provisions . . . . .	51,566	60,280
Operating losses . . . . .	308,504	353,326
Lease liabilities . . . . .	47,680	52,251
Other . . . . .	9,394	15,011
Gross deferred tax assets . . . . .	539,695	617,710
Less—Valuation allowances . . . . .	(388,411)	(428,014)
Total deferred tax assets . . . . .	151,284	189,696
<b>Deferred tax liabilities</b>		
Investments in subsidiaries and affiliates . . . . .	89,630	85,636
Valuation of financial instruments . . . . .	52,780	40,807
Undistributed earnings of foreign subsidiaries . . . . .	2,423	2,486
Valuation of fixed assets . . . . .	9,497	23,521
Right-of-use assets . . . . .	47,438	51,671
Other . . . . .	2,992	5,546
Total deferred tax liabilities . . . . .	204,760	209,667
<b>Net deferred tax assets (liabilities)</b> . . . . .	<b>¥ (53,476)</b>	<b>¥ (19,971)</b>

After offsetting deferred tax assets and liabilities which relate to the same tax-paying component within a particular tax jurisdiction, net deferred tax assets reported within *Other assets—Other* in the consolidated balance sheets were ¥13,431 million and ¥30,433 million as of March 31, 2020 and 2021, respectively and net deferred tax liabilities reported within *Other liabilities* in the consolidated balance sheets were ¥66,907 million and ¥50,404 million as of March 31, 2020 and 2021, respectively.

As of March 31, 2021, no deferred tax liabilities have been recognized for undistributed earnings of foreign subsidiaries totaling ¥18,305 million which are not expected to be remitted in the foreseeable future. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in total valuation allowances established against deferred tax assets for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Balance at beginning of year . . . . .	¥422,280	¥444,916	¥388,411
Net change during the year . . . . .	22,636 <sup>(1)</sup>	(56,505) <sup>(2)</sup>	39,603 <sup>(3)</sup>
Balance at end of year . . . . .	<u>¥444,916</u>	<u>¥388,411</u>	<u>¥428,014</u>

- (1) Primarily includes an increase of ¥11,843 million of valuation allowances of certain foreign subsidiaries mainly due to an increase in valuation allowances related to operating loss carryforwards, partially offset by a decrease of valuation allowances related to accrued expenses and provisions, an increase of ¥6,265 million related to Japanese subsidiaries and the Company because of an increase in valuation allowances related to operating loss carryforwards recognized in the current year, an increase of ¥14,976 million of valuation allowances related to Japanese subsidiaries and the Company as a result of changes in the expected realization of deferred tax assets, and a reduction of ¥10,448 million of valuation allowances related to expiration of operating loss carryforwards. In total, ¥22,636 million of allowances increased for the year ended March 31, 2019.
- (2) Primarily includes a reduction of ¥59,330 million of valuation allowances of certain foreign subsidiaries mainly by expiration of loss carryforwards, an increase of ¥11,462 million of valuation allowances mainly due to a decrease of valuation of financial instruments, and a reduction of ¥8,637 million related to Japanese subsidiaries and the Company mainly by utilization of loss carryforwards. In total, ¥56,505 million of allowances decreased for the year ended March 31, 2020.
- (3) Primarily includes an increase of ¥48,883 million of valuation allowances of certain foreign subsidiaries mainly due to an increase in valuation allowances related to operating loss carryforwards, a reduction of ¥5,871 million of valuation allowances mainly due to an increase in valuation of financial instruments, and a reduction of ¥3,409 million of valuation allowances related to Japanese subsidiaries and the Company mainly due to an increase of valuation of financial instruments and a decrease of accrued pension and severance costs. In total, ¥39,603 million of allowances increased for the year ended March 31, 2021.

As of March 31, 2021, total operating loss carryforwards were ¥1,963,798 million, which included ¥596,946 million relating to the Company and domestic subsidiaries, ¥549,481 million relating to foreign subsidiaries in the United Kingdom, ¥536,563 million relating to foreign subsidiaries in the United States, ¥260,091 million relating to foreign subsidiaries in Hong Kong, and ¥20,717 million relating to foreign subsidiaries in other tax jurisdictions. Of this total amount, ¥1,001,867 million can be carried forward indefinitely, ¥846,194 million expires by March 31, 2030 and ¥115,737 million expires in later fiscal years.

In determining the amount of valuation allowances to be established as of March 31, 2021, Nomura considered all available positive and negative evidence around the likelihood that sufficient future taxable income will be generated to realize the deferred tax assets in the relevant tax jurisdiction of the Company, its domestic subsidiaries and foreign subsidiaries. In Japan and other tax jurisdictions where domestic and foreign subsidiaries have experienced cumulative operating losses in recent years, these losses provided the most verifiable negative evidence available and outweigh positive evidence.

While Nomura has considered certain future tax planning strategies as a potential source of future taxable income, no such strategies have been relied upon as positive evidence resulting in a reduction of valuation

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

allowances in any major tax jurisdiction in which Nomura operates as of March 31, 2019, 2020 and 2021. In addition, valuation allowances have not been reduced in any of these periods as a result of changing the weighting applied to positive or negative evidence in any of the major tax jurisdictions in which Nomura operates.

The determination of whether deferred tax assets will be realized, and therefore whether a valuation allowance is required, is inherently subjective and often requires management judgment around the future profitability of Nomura entities, an interpretation of tax rules by courts and regulatory authorities and tax examinations by taxing authorities, and the appropriate weighting of positive and negative evidence around the likelihood that sufficient future taxable income will be generated to realize deferred tax assets in the relevant tax jurisdiction. Although estimating future taxable income was increasingly subjective due to uncertainty in future profitability of Nomura as a result of the COVID-19 pandemic, it did not result in a significant impact on the determination of realization of deferred tax assets as of March 31, 2020.

Nomura’s unrecognized tax benefits were ¥4,367 million as of March 31, 2021. If recognized, these net benefits would favorably impact the effective tax rate in the future periods. The total amount of unrecognized tax benefits was not significant as of March 31, 2019 and 2020. There were also no significant movements of the gross amounts in unrecognized tax benefits and the amount of interest and penalties recognized due to unrecognized tax benefits during the years ended March 31, 2019, 2020 and 2021. Nomura is under regular examination by the Japanese National Tax Agency and other taxing authorities in the major jurisdictions in which Nomura operates. Nomura regularly assesses the likelihood of additional assessments in each tax jurisdiction and the impact on the consolidated financial statements. It is reasonably possible that there may be an increase or decrease in unrecognized tax benefits within 12 months of March 31, 2021 depending on the outcome of the examinations. Quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes. However, Nomura does not expect that any change in the gross balance of unrecognized tax benefits would have a material effect on its financial condition.

Nomura operates in multiple tax jurisdictions, and faces audits from various taxing authorities regarding many issues including, but not limited to, transfer pricing, the deductibility of certain expenses, foreign tax credits and other matters.

The table below presents information regarding the earliest year in which Nomura remains subject to examination in the major jurisdictions in which Nomura operates as of March 31, 2021. Under Hong Kong Special Administrative Region tax law, the statute of limitation does not apply if an entity incurs taxable losses and is therefore not included in the table.

<u>Jurisdiction</u>	<u>Year</u>
Japan .....	2016 <sup>(1)</sup>
United Kingdom .....	2016
United States .....	2018

(1) The earliest year in which Nomura remains subject to examination for transfer pricing issues is 2015.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Other comprehensive income (loss):

The following tables present changes in *Accumulated other comprehensive income (loss)* for the years ended March 31, 2020 and 2021.

	Millions of yen				
	For the year ended March 31, 2020				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments . . .	¥ 17,833	¥(44,730)	¥ 623	¥(44,107)	¥(26,274)
Pension liability adjustment <sup>(1)</sup> . . . . .	(71,107)	4,528	4,008	8,536	(62,571)
Own credit adjustments <sup>(2)</sup> . . . . .	24,224	39,517	(1,001)	38,516	62,740
Total . . . . .	<u>¥(29,050)</u>	<u>¥ (685)</u>	<u>¥ 3,630</u>	<u>¥ 2,945</u>	<u>¥(26,105)</u>

- (1) See Note 13 “*Employee benefit plans*” for further information.  
(2) See Note 2 “*Fair value measurements*” for further information.

	Millions of yen				
	For the year ended March 31, 2021				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments . . .	¥(26,274)	¥ 47,673	¥ (3,083)	¥ 44,590	¥ 18,316
Pension liability adjustment <sup>(1)</sup> . . . . .	(62,571)	16,140	2,954	19,094	(43,477)
Own credit adjustments <sup>(2)</sup> . . . . .	62,740	(65,741)	(9,982)	(75,723)	(12,983)
Total . . . . .	<u>¥(26,105)</u>	<u>¥ (1,928)</u>	<u>¥(10,111)</u>	<u>¥(12,039)</u>	<u>¥(38,144)</u>

- (1) See Note 13 “*Employee benefit plans*” for further information.  
(2) See Note 2 “*Fair value measurements*” for further information.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present significant reclassifications out of *Accumulated other comprehensive income (loss)* for the years ended March 31, 2020 and 2021.

			Millions of yen		
			For the year ended March 31		
			2020	2021	
			Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Cumulative translation adjustments:			¥ (886)	¥ 3,083	Revenue—Other /
			263	—	Non-interest expenses—
			<u>(623)</u>	<u>3,083</u>	Other
					Income tax expense
			<u>—</u>	<u>—</u>	Net income (loss)
			<u>¥ (623)</u>	<u>¥ 3,083</u>	Net income attributable to noncontrolling interests
				Net income (loss) attributable to NHI shareholders	

			Millions of yen		
			For the year ended March 31		
			2020	2021	
			Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Pension liability adjustment:			¥(5,792)	¥(4,167)	Non-interest expenses—
			1,784	1,213	Compensation and benefits /
			<u>(4,008)</u>	<u>(2,954)</u>	Revenue—Other
					Income tax expense
			<u>—</u>	<u>—</u>	Net income (loss)
			<u>¥(4,008)</u>	<u>¥(2,954)</u>	Net income attributable to noncontrolling interests
				Net income (loss) attributable to NHI shareholders	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Millions of yen		Affected line items in consolidated statements of income
	For the year ended March 31		
	2020	2021	
Own credit adjustments:			
	¥ 1,132	¥12,134	Revenue—Net gain on trading
	(131)	(2,152)	Income tax expense
	<u>1,001</u>	<u>9,982</u>	Net income (loss)
	—	—	Net income attributable to noncontrolling interests
	<u>¥ 1,001</u>	<u>¥ 9,982</u>	Net income (loss) attributable to NHI shareholders

**18. Shareholders' equity:**

The following table presents changes in shares of the Company's common stock outstanding for the years ended March 31, 2019, 2020 and 2021.

	Number of Shares		
	Year ended March 31		
	2019	2020	2021
Common stock outstanding at beginning of year . . . . .	3,392,937,486	3,310,800,799	3,038,587,493
Decrease of common stock by cancellation of treasury stock . . . . .	(150,000,000)	—	(260,000,000)
Common stock held in treasury:			
Repurchases of common stock . . . . .	(100,020,867)	(299,381,781)	(20,129)
Sales of common stock . . . . .	180	390	353
Common stock issued to employees . . . . .	17,894,000	27,168,085	24,587,717
Cancellation of treasury stock . . . . .	150,000,000	—	260,000,000
Other net change in treasury stock . . . . .	(10,000)	—	—
Common stock outstanding at end of year . . . . .	<u>3,310,800,799</u>	<u>3,038,587,493</u>	<u>3,063,155,434</u>

The amount available for dividends and acquisition of treasury stock is subject to restrictions imposed by the Companies Act. Additional paid-in capital and retained earnings include amounts which the Companies Act prohibits for the use of dividends and acquisition of treasury stock. As of March 31, 2019, 2020 and 2021, the amounts available for distributions were ¥1,209,861 million, ¥1,297,560 million and ¥1,232,753 million, respectively. These amounts are based on the amounts recorded in the Company's unconsolidated financial statements maintained in accordance with accounting principles and practices prevailing in Japan. U.S. GAAP adjustments incorporated in these consolidated financial statements but not recorded in the Company's unconsolidated financial statements have no effect on the determination of the amounts available for distributions under the Companies Act.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Dividends on the Company's common stock per share were ¥6.0 for the year ended March 31, 2019, ¥20.0 for the year ended March 31, 2020 and ¥35.0 for the year ended March 31, 2021.

On April 26, 2018, the board of directors approved a repurchase program of Nomura Holdings common stock in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 100,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥70,000 million and (c) the share buyback will run from May 16, 2018 to March 29, 2019. Under this repurchase program, the Company repurchased 100,000,000 shares of common stock at a cost of ¥51,703 million.

On June 18, 2019, the board of directors approved a repurchase program of Nomura Holdings common stock in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 300,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥150,000 million and (c) the share buyback will run from June 19, 2019 to March 31, 2020. Under this repurchase program, the Company repurchased 299,362,300 shares of common stock at a cost of ¥150,000 million.

During the year ended March 31, 2019, due to the cancellation of treasury stock on December 17, 2018, total number of issued shares and treasury stock decreased by 150,000,000 shares, respectively.

During the year ended March 31, 2021, due to the cancellation of treasury stock on December 1, 2020, total number of issued shares and treasury stock decreased by 260,000,000 shares, respectively.

In addition to the above, the change in common stock held in treasury includes the change in common stock issued to employees under stock-based compensation plans, common stock held by affiliated companies, common stock sold to enable shareholders to hold round lots of the 100 share minimum tradable quantity (adding-to-holdings requests) or common stock acquired to create round lots or eliminate odd lots.

#### **19. Regulatory requirements:**

In April 2011, the Company has been assigned as Final Designated Parent Company who must calculate a consolidated capital adequacy ratio and since then, our consolidated capital adequacy ratio has been calculated based on Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and Basel III and Nomura has calculated a Basel III-based consolidated capital adequacy ratio since March 2013.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, Nomura's consolidated capital adequacy ratio is calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital, total capital, credit risk-weighted assets, market risk and operational risk. As of March 31, 2020 and March 31, 2021, the Company was in compliance with common equity Tier1 capital ratio, Tier 1 capital ratio and consolidated capital adequacy ratio requirements set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. The required level (including applicable minimum consolidated capital buffer) as of March 31, 2021 was 7.52% for the common equity Tier 1 capital ratio, 9.02% for the Tier 1 capital ratio and 11.02% for the consolidated capital adequacy ratio.

Under the Financial Instruments and Exchange Act ("FIEA"), NSC and NFPS are subject to the capital adequacy rules of the FSA. These rules requires the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders' equity, net unrealized gains and losses on securities held,

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

reserves and subordinated debt) less illiquid assets. Business risks are divided into three categories: (1) market risks, (2) counterparty risks, and (3) basic risks. Under these rules, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. As of March 31, 2020 and 2021, the capital adequacy ratio of NSC exceeded 120%. Also, as of March 31, 2020 and 2021, the capital adequacy ratio of NFPS also exceeded 120%.

In connection with providing brokerage, clearing, asset management and wealth management services to clients, Nomura maintains segregated accounts to hold financial assets such as cash and securities on behalf of its clients. These accounts are typically governed by stringent statutory or regulatory rules in the relevant jurisdiction where the accounts are maintained in order to protect the clients from loss.

As of March 31, 2020 and 2021, the total amount of segregated client cash recognized as an asset in *Deposits with stock exchanges and other segregated cash* in the consolidated balance sheets was ¥112,245 million and ¥92,477 million, respectively. As of March 31, 2020 and 2021, the total amount of segregated securities recognized as assets in *Trading assets* and *Collateralized agreements* in the consolidated balance sheets was ¥901,180 million and ¥1,080,260 million, respectively.

In the U.S., Nomura Securities International, Inc. (“NSI”) is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a futures commission merchant with the Commodity Futures Trading Commission (“CFTC”). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority (“FINRA”) and the Chicago Mercantile Exchange Group. NSI is subject to the SEC’s Uniform Net Capital Rule (“Rule 15c3-1”) and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. (“NGFP”) is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC (“ILLC”) is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2020 and 2021, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc (“NEHS”) is subject to consolidated regulatory supervision by the Prudential Regulation Authority (“U.K. PRA”). The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive and the Capital Requirements Regulation which came into effect on January 1, 2014. Nomura International plc (“NIP”), the most significant of NEHS’ subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated by the U.K. PRA and has minimum capital adequacy requirements imposed on it on a standalone basis. In addition, Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the U.K. PRA on a standalone basis and Nomura Financial Products Europe GmbH (“NFPE”), a Nomura subsidiary domiciled in Germany, is

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

regulated by the German regulator (“BaFin”). As of March 31, 2020 and 2021, NEHS, NIP, NBI and NFPE were in compliance with relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Singapore Ltd (“NSL”) are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing and clearing in securities and futures contracts, advising on securities, futures contracts and corporate finance and wealth management. Activities of NIHK, including its branch in Taiwan, are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit (“ACU”) license governed by the Monetary Authority of Singapore (“MAS”). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. NIHK and NSL have been compliant with relevant regulatory capital related requirements.

#### 20. Affiliated companies and other equity-method investees:

Nomura’s significant affiliated companies and other equity-method investees include Nomura Research Institute, Ltd. (“NRI”) and Nomura Real Estate Holdings, Inc. (“NREH”).

##### NRI

NRI develops and manages computer systems and provides research services and management consulting services. One of the major clients of NRI is Nomura.

Nomura has tendered to the self-tender offer made by NRI. Upon the settlement on August 21, 2019, Nomura has sold 101,889,300 ordinary shares it held at ¥159,966 million to NRI. NRI remains an equity method affiliate of NHI. As a result of the transaction, a gain of ¥73,293 million was recognized in earnings within *Revenue—Other* during the year ending March 31, 2020.

As of March 31, 2020, Nomura’s ownership of NRI was 28.8% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥61,310 million.

As of March 31, 2021, Nomura’s ownership of NRI was 28.6% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥60,572 million.

##### NREH

NREH is the holding company of the Nomura Real Estate Group which is primarily involved in the residential property development, leasing, investment management as well as other real estate-related activities.

Nomura recognized an impairment loss of ¥47,661 million against its investment in NREH during the year ended March 31, 2021. Considering the period and extent to which the share price was below carrying value, Nomura determined the impairment was other-than-temporary and therefore an impairment loss was recognized. The loss was classified within *Non-interest expenses—Other* in the consolidated statements of income.

As of March 31, 2020, Nomura’s ownership of NREH was 35.9% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥11,012 million.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

As of March 31, 2021, Nomura's ownership of NREH was 36.1% and the difference between the carrying amount of the equity method investment and the underlying equity in net assets was ¥37,140 million as a result of an excess of the underlying equity in net assets over fair value of the investment.

**Summary financial information—**

The following tables present summarized financial information for significant affiliated companies of Nomura (including those elected for the fair value option) as of March 31, 2020 and 2021, and for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Total assets .....	¥2,559,985	¥2,769,294
Total liabilities .....	1,669,132	1,788,704

	Millions of yen		
	Year ended March 31		
	2019	2020	2021 <sup>(1)</sup>
Net revenues .....	¥963,824	¥1,017,860	¥909,616
Non-interest expenses .....	794,264	791,403	737,200
Net income attributable to the companies .....	122,440	155,567	124,163

The following tables present a summary of balances and transactions with affiliated companies and other equity-method investees as of March 31, 2020 and 2021, and for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Investments in affiliated companies .....	¥ 367,641	¥ 363,393
Advances to affiliated companies .....	—	1,000
Other receivables from affiliated companies <sup>(1)</sup> .....	25,074	21,817
Other payables to affiliated companies <sup>(1)</sup> .....	27,648	26,344

(1) As a result of adopting ASU 2016-02 as of April 1, 2019, ROU assets and operating lease liabilities are included by ¥23,733mil and ¥20,793mil as of March 31, 2020 and 2021 respectively.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Revenues .....	¥ 1,986	¥ 3,833	¥ 2,240
Non-interest expenses .....	44,073	46,335	50,753
Purchase of software, securities and tangible assets .....	13,515	17,716	14,407



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the aggregate carrying amount and fair value of investments in affiliated companies and other equity-method investees for which a quoted market price is available as of March 31, 2020 and 2021.

	Millions of yen	
	March 31	
	2020	2021
Carrying amount	¥ 357,751	¥ 340,909
Fair value	511,667	768,389

The following table presents equity in earnings of equity-method investees, including those above and dividends from equity-method investees for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Equity in earnings of equity-method investees <sup>(1)</sup>	¥ 32,014	¥ 32,109	¥ 26,812
Dividends from equity-method investees	12,971	11,767	11,096

(1) Equity in earnings of equity-method investees is reported within *Revenue-Other* in the consolidated statements of income.

**21. Commitments, contingencies and guarantees:**

**Commitments—**

*Credit and investment commitments*

In connection with its banking and financing activities, Nomura provides commitments to extend credit which generally have fixed expiration dates. In connection with its investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite securities that may be issued by the clients. As a member of certain central clearing counterparties, Nomura is committed to provide liquidity facilities through entering into reverse repo transactions backed by government and government agency debt securities with those counterparties in a situation where a default of another clearing member occurs. The outstanding commitments under these agreements are included below in commitments to extend credit.

Nomura has commitments to invest in various partnerships and other entities and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest.

The following table presents a summary of the key types of outstanding commitments provided by Nomura as of March 31, 2020 and 2021.

	Millions of yen	
	March 31, 2020	March 31, 2021
Commitments to extend credit		
Liquidity facilities to central clearing counterparties	¥1,288,774	¥1,400,076
Other commitments to extend credit	958,659	901,867
Total	¥2,247,433	¥2,301,943
Commitments to invest	¥ 15,278	¥ 136,367

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2021, these commitments had the following maturities:

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit					
Liquidity facilities to central clearing counterparties . . . . .	¥1,400,076	¥1,400,076	¥ —	¥ —	¥ —
Other commitments to extend credit . . . . .	901,867	106,684	198,334	204,430	392,419
Total . . . . .	<u>¥2,301,943</u>	<u>¥1,506,760</u>	<u>¥198,334</u>	<u>¥204,430</u>	<u>¥392,419</u>
Commitments to invest . . . . .	¥ 136,367	¥ 111,576	¥ 2,339	¥ 4,338	¥ 18,114

The contractual amounts of these commitments to extend credit represent the amounts at risk but only if the contracts are fully drawn upon, should the counterparties default, and assuming the value of any existing collateral becomes worthless. The total contractual amount of these commitments may not represent future cash requirements since the commitments may expire without being drawn upon. The credit risk associated with these commitments varies depending on the clients' creditworthiness and the value of collateral held. Nomura evaluates each client's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Nomura upon extension of credit, is based on credit evaluation of the counterparty.

*Other commitments*

Purchase obligations for goods or services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements amounted to ¥126,949 million as of March 31, 2020 and ¥121,604 million as of March 31, 2021.

As of March 31, 2021, these purchase obligations had the following maturities:

	Millions of yen						
	Total	Years of payment					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Purchase obligations . . . . .	¥121,604	¥30,120	¥15,511	¥10,856	¥1,578	¥63,071	¥468

Above table includes the commitment to purchase parts of the redeveloped real estate in Tokyo Nihonbashi district from the redevelopment association.

Nomura has commitments under resale and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amounted to ¥1,969 billion for resale agreements and ¥677 billion for repurchase agreements as of March 31, 2020 and ¥1,725 billion for resale agreements and ¥1,533 billion for repurchase agreements as of March 31, 2021.

In Japan, there is a market in which participants lend and borrow debt and equity securities without collateral to and from financial institutions. Under these arrangements, Nomura had obligations to return debt and equity securities borrowed without collateral of ¥928 billion and ¥824 billion as of March 31, 2020 and 2021, respectively.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As a member of various securities clearing houses and exchanges, Nomura may be required to assume a certain share of the financial obligations of another member who may default on its obligations to the clearing house or the exchange. These guarantees are generally required under the membership agreements. To mitigate these risks, exchanges and clearing houses often require members to post collateral. The potential for Nomura to make payments under such guarantees is deemed remote.

#### Contingencies—

##### *Investigations, lawsuits and other legal proceedings*

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fines, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.

The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 “*Contingencies*” (“ASC 450”), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable. As of March 31, 2021, a total liability of ¥62,889 million has been recognized and reported within *Other liabilities* in respect of outstanding and unsettled investigations, lawsuits and other legal proceedings where loss is considered probable and the loss can be reasonably estimated. Total expenses recognized through earnings during the year ended March 31, 2021 in connection with these matters was ¥41,131 million, which has been reported within *Non-interest expenses—Other*.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company’s financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

For certain of the significant actions and proceedings, the Company is currently able to estimate the amount of reasonably possible loss, or range of reasonably possible losses, in excess of amounts recognized as a liability (if any) against such cases. These estimates are based on current information available as of the date of these consolidated financial statements and include, but are not limited to, the specific amount of damages or claims against Nomura in each case. As of June 25, 2021, for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognized as a liability (if any) against these cases is approximately ¥48 billion.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; (vi) there are novel or unsettled legal theories underlying the claims and/or (vii) a judgment has been made against Nomura but detailed reasons for the basis for the judgment and how the amount of the judgment has been determined have not yet been received.

Nomura will continue to cooperate with regulatory investigations and to vigorously defend its position in the ongoing actions and proceedings set out below, as appropriate.

In January 2008, Nomura International plc (“NIP”) was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 (“Tax Notice”). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court’s decisions in favor of the local tax authorities.

Similar claims have been made by the tax authorities against IBJ Nomura Financial Products (UK) PLC (“IBJN”) a group company which has been in members’ voluntary liquidation since 2000. An Italian Supreme Court judgment in June 2019 confirmed that tax credit refunds of approximately EUR 38 million, plus interest, were payable by IBJN to the Italian tax authorities.

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, “Fairfield Funds”), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) (“BLMIS”). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the United States Bankruptcy Court for the Southern District of New York. The second suit was brought by the Trustee for the liquidation of BLMIS (“Madoff Trustee”). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the United States Bankruptcy Court for the Southern District of New York. Both actions seek to recover approximately \$35 million.

Certain of the Company’s subsidiaries in the U.S. securitized residential mortgage loans in the form of residential mortgage-backed securities (“RMBS”). These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators (“originators”). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower’s credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator’s guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

With respect to certain of the RMBS issued from 2005 to 2007, the relevant subsidiaries received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The total original principal amount of loans for which repurchase claims were received by the relevant subsidiaries within six years of each securitization is \$3,203 million. The relevant subsidiaries summarily rejected any demand for repurchase received after the expiration of the statute of limitations applicable to breach of representation claims. For those claims received within six years, the relevant subsidiaries reviewed each claim received, and rejected those claims believed to be without merit or agreed to repurchase certain loans for those claims that the relevant subsidiaries determined to have merit. In several instances, following the rejection of repurchase demands, investors instituted actions through the trustee alleging breach of contract from 2011 to 2014. The breach of contract claims that were brought within the six-year statute of limitations for breach of contract actions have survived motions to dismiss and the claims are now in the expert discovery phase of litigation in the Supreme Court of the State of New York. These claims involve substantial legal, as well as factual, uncertainty and the Company cannot provide an estimate of probable loss or reasonably possible loss at this time.

A monoline insurer, Ambac Assurance Corp (“Ambac”), brought an action in April 2013 against Nomura Credit & Capital, Inc. (“NCCI”) and Nomura Holding America Inc. (“NHA”) alleging breach of contract with respect to representations concerning specific loan characteristics and fraud in the inducement of the insurance contract based on misrepresentations concerning the loans for two trusts insured by Ambac. The court dismissed all claims against NHA, and the claims against NCCI are continuing in the Supreme Court of the State of New York and are now in the expert discovery phase of litigation.

In November 2011, NIP was served with a claim filed by the Madoff Trustee in the United States Bankruptcy Court for the Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from the BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The amount that the Madoff Trustee is currently seeking to recover from NIP is approximately \$21 million.

In March 2013, Banca Monte dei Paschi di Siena SpA (“MPS”) issued a claim in the Italian Courts against (1) two former directors of MPS and (2) NIP. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (“Transactions”) and that NIP acted fraudulently and was jointly liable for the unlawful conduct of MPS’s former directors. MPS claimed damages of not less than EUR 1.1 billion.

In March 2013, NIP commenced a claim against MPS in the English Courts. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its defence and counterclaim to these proceedings in March 2014. MPS alleged in its counterclaim that NIP was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

On September 23, 2015, NIP entered into a settlement agreement with MPS to terminate the Transactions. NIP believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, NIP considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and NIP in Italy and England,

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and NIP applied to the Italian Courts to discontinue the proceedings brought by MPS against NIP. These proceedings have since been discontinued.

In April 2013, an investigation was commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor was seeking to indict MPS, three individuals from MPS's former management, NIP and two former NIP employees for, among others, the offences of false accounting and market manipulation in relation to MPS's previous accounts. The preliminary hearing at which the Milan criminal court considered whether or not to grant the indictment concluded on October 1, 2016, the Judge ordering the trial of all individuals and banks involved except for MPS (which entered into a plea bargaining agreement with the Public Prosecutor). The trial commenced in December 2016. As part of these proceedings, a number of civil claimants have been permitted to bring damages claims against a number of entities and individuals, including NIP.

On November 8, 2019, the court delivered its oral verdict, finding two former employees of NIP guilty of false accounting, market manipulation and obstructing the supervisory activities of CONSOB and that NIP had breached Italian corporate liability legislation. In so doing, it imposed a fine of EUR 3.45 million on NIP as well as ordering confiscation of EUR 88 million. On May 12, 2020, the court issued the detailed reasoning for the verdict (including the rationale for the penalties imposed). NIP has appealed the decision to the Milan Court of Appeal. The penalties will not be enforceable until all appeals have been concluded.

In addition, NIP is involved in a number of separate civil or administrative matters relating to the Transactions including those described further below.

In July 2013, a claim was issued against former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim were similar to those on which the MPS claim was founded and the level of damages sought by FMPS was not less than EUR 315.2 million. In September 2020, NIP, without admitting any wrongdoing, entered into a settlement agreement with FMPS pursuant to which FMPS waived its claim against NIP. NIP and FMPS have applied to the court to discontinue the proceedings brought against NIP.

In January 2018, a claim before the Italian Courts brought by two claimants, Alken Fund Sicav (on behalf of two Luxembourg investment funds Alken Fund European Opportunities and Alken Fund Absolute Return Europe) and Alken Luxembourg S.A (the funds' management company) was served on NIP. The claim is made against NIP, MPS, four MPS former directors and a member of MPS's internal audit board, and seeks monetary damages of approximately EUR 434 million on the basis of allegations similar to those made in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

In May 2019, a claim before the Italian Courts brought by York Global Finance Offshore BDH (Luxembourg) Sàrl and a number of seemingly related funds was served on NIP. The claim is made against NIP, MPS, two MPS former directors and a member of MPS's internal audit board, and seeks monetary damages of approximately EUR 186.7 million on grounds similar to those in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

Additionally, NIP was served by the Commissione Nazionale per le Società e la Borsa ("CONSOB", the Italian financial regulatory authority) with a notice commencing administrative sanction proceedings for market



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

manipulation in connection with the Transactions. In relation to the Transactions, the notice named MPS, three individuals from MPS's former management and two former NIP employees as defendants, whereas NIP was named only in its capacity as vicariously liable to pay any fines imposed on the former NIP employees. On May 22, 2018 CONSOB issued its decision in which it levied EUR 100,000 fines in relation to each of the two former NIP employees. In addition, CONSOB decided that the two employees did not meet the necessary Italian law integrity requirements to perform certain senior corporate functions, for a period of three months and six months respectively. NIP was vicariously liable to pay the fines imposed on its former employees. NIP paid the fines and appealed the decision to the Milan Court of Appeal. In December 2020, the Court of Appeal annulled the CONSOB decision against NIP. CONSOB has appealed the Court of Appeal's decision to the Italian Supreme Court.

In June 2016 and August 2016, Nomura International (Hong Kong) Limited ("NIHK") and Nomura Special Investments Singapore Pte Limited ("NSIS") were respectively served with a complaint filed in the Taipei District Court against NIHK, NSIS and certain individuals by Cathay United Bank, Co., Ltd., Taiwan Cooperative Bank Ltd., Chang Hwa Commercial Bank Ltd., Taiwan Business Bank Ltd., KGI Bank and Hwatai Bank Ltd. (collectively, "Syndicate Banks"). The Syndicate Banks' complaint relates to a \$60 million syndicated term loan to a subsidiary of Ultrasonic AG that was arranged by NIHK, and made by the Syndicate Banks together with NSIS. The Syndicate Banks' allegations in the complaint include allegations that NIHK failed to comply with its fiduciary duties to the lenders as the arranger of the loan and the Syndicate Banks seek to recover approximately \$48 million in damages and interest.

In March 2017, certain subsidiaries of American International Group, Inc. ("AIG") commenced proceedings in the District Court of Harris County, Texas against certain entities and individuals, including Nomura Securities International, Inc. ("NSI"), in connection with a 2012 offering of \$750 million of certain project finance notes, of which \$92 million allegedly were purchased by AIG. AIG alleges violations of the Texas Securities Act based on material misrepresentations and omissions in connection with the marketing, offering, issuance and sale of the notes and seeks rescission of the purchases or compensatory damages.

On May 20, 2021, NIP and the Company were named as addressees in a decision issued by the European Commission in which NIP, the Company and various other third party banks have been found to have infringed EU competition law in connection with their activity in the primary and secondary markets for European Government Bonds ("EGB"). The European Commission found that the infringement consisted of anticompetitive agreements and/or concerted practices in the EGB sector in breach of EU competition law and fined NIP and the Company approximately EUR 129.6 million.

NIP and NSI have been served with a class action complaint filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law in relation to the alleged manipulation of the primary and secondary markets for EGB. NIP and NSI are also defendants in a separate class action complaint filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law relating to the alleged manipulation of the secondary trading market for supranational, sub-sovereign and agency bonds. Additionally, NIP and NSI are defendants in a similar class action complaint filed in the Toronto Registry Office of the Federal Court of Canada alleging violations of Canadian competition law.

Nomura is responding to requests from governmental authorities in relation to swap trading related to bond issuances. On February 1, 2021, the U.S. Commodity Futures Trading Commission filed a civil enforcement action against a Nomura employee and charged him with violating the anti-fraud, price manipulation and false statements provisions of the Commodity Exchange Act in relation to a 2015 interest rate swap transaction.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In September 2017 and November 2017, NIHK and NSIS were respectively served with a complaint filed in the Taipei District Court against NIHK, NSIS, China Firsttextile (Holdings) Limited (“FT”) and certain individuals by First Commercial Bank, Ltd., Land Bank of Taiwan Co., Ltd., Chang Hwa Commercial Bank Ltd., Taishin International Bank, E.Sun Commercial Bank, Ltd., CTBC Bank Co., Ltd., Hwatai Bank, Ltd. and Bank of Taiwan (collectively, “FT Syndicate Banks”). The FT Syndicate Banks’ complaint relates to a \$100 million syndicated term loan facility to borrower FT that was arranged by NIHK, and made by the FT Syndicate Banks together with NSIS. The FT Syndicate Banks’ allegations in the complaint include tort claims under Taiwan law against the defendants. The FT Syndicate Banks seek to recover approximately \$68 million in damages and interest.

In July 2018, a former Italian counterparty filed a claim against NIP in the Civil Court of Rome relating to a derivative transaction entered into by the parties in 2006, and terminated in 2009. The claim alleged that payments by the counterparty to NIP of approximately EUR 165 million were made in breach of Italian insolvency law, and sought reimbursement of those payments. In March 2021, NIP, without admitting any wrongdoing, entered into a settlement agreement with the counterparty pursuant to which the proceedings have been discontinued.

In August 2017, the Cologne public prosecutor in Germany notified NIP that it is investigating possible tax fraud by individuals who worked for the Nomura Group in relation to the historic planning and execution of trading strategies around dividend record dates in certain German equities (known as “cum/ex” trading) and in relation to filings of tax reclaims in 2007 to 2012. During the fiscal year ended March 31, 2020, Nomura Group became aware that certain of those individuals would be the subject of investigative proceedings in Germany. NIP and another entity in the Nomura Group are cooperating with the investigation, including by disclosing to the public prosecutor certain documents and trading data. If the investigation involving Nomura Group entities and former individuals proceeds to trial, the individuals could face criminal sanctions and Nomura Group entities could face administrative sanctions such as administrative fines or profit confiscation orders.

In June 2020, NIP issued a claim against a current Italian counterparty in the courts of England and Wales. The claim seeks declarations that the terms of a derivative transaction entered into in 2005 are binding. The counterparty filed and served its defense and counterclaim to these proceedings in January 2021 which seeks, amongst other things, restitution of sums paid under the transaction. Separately, in June 2020, the counterparty filed an interim injunction application against NIP in the Tribunal of Palermo relating to payments due by it in relation to the same transaction. This application was dismissed at first instance but the counterparty is currently appealing that decision.

#### **Guarantees—**

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

The following table presents information on Nomura’s derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen			
	March 31			
	2020		2021	
	Carrying value	Maximum potential payout / Notional total	Carrying value	Maximum potential payout / Notional total
Derivative contracts <sup>(1)(2)</sup> . . . . .	¥7,197,647	¥279,734,884	¥5,207,911	¥322,635,226
Standby letters of credit and other guarantees <sup>(3)(4)</sup> . . . . .	—	2,351	—	206,072

- (1) Credit derivatives are disclosed in Note 3 “*Derivative instruments and hedging activities*” and are excluded from derivative contracts.
- (2) Derivative contracts primarily consist of equity, interest rate and foreign exchange contracts.
- (3) The amounts of collaterals held in connection with standby letters of credit and other guarantees as of March 31, 2020 was ¥nil million.
- (4) As of March 31, 2021, primarily related to a certain sponsored repo program where Nomura guarantees to a 3rd party clearinghouse the payment of its clients’ obligations. Our exposure under this guarantee is minimized through effectively obtaining collaterals whose amount is approximately equal to the maximum potential payout of the guarantee.

The following table presents maturity information on Nomura’s derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees as of March 31, 2021.

	Millions of yen					
	Maximum potential payout/Notional					
	Carrying value	Total	Years to Maturity			
Less than 1 year			1 to 3 years	3 to 5 years	More than 5 years	
Derivative contracts . . . . .	¥5,207,911	¥322,635,226	¥88,433,903	¥73,065,497	¥49,763,383	¥111,372,443
Standby letters of credit and other guarantees . . . . .	—	206,072	174,864	11,722	281	19,205

**22. Segment and geographic information:**

**Operating segments—**

Nomura’s operating management and management reporting are prepared based on the Retail, the Asset Management, and the Wholesale segments. Nomura structures its business segments based upon the nature of its main products and services, its client base and its management structure. The operating results of the Merchant Banking division are included in “*Other.*”

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The accounting policies for segment information follow U.S. GAAP, except for a part of the impact of unrealized gains/losses on certain investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income (loss) before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in “*Other*,” based upon Nomura’s allocation methodologies as used by management to assess each segment’s performance.

Business segments’ results are shown in the following tables. *Net interest revenue* is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments’ information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				
	Retail	Asset Management	Wholesale <sup>(1)</sup>	Other (Incl. elimination)	Total
Year ended March 31, 2019					
Non-interest revenue	¥331,743	¥ 89,607	¥ 496,484	¥147,524	¥1,065,358
Net interest revenue	7,737	8,238	58,904	(16,263)	58,616
Net revenue	339,480	97,845	555,388	131,261	1,123,974
Non-interest expenses	289,990	63,660	666,787	134,034	1,154,471
Income (loss) before income taxes	¥ 49,490	¥ 34,185	¥(111,399)	¥ (2,773)	¥ (30,497)
Year ended March 31, 2020					
Non-interest revenue	¥329,983	¥ 85,190	¥ 506,203	¥257,961	¥1,179,337
Net interest revenue	6,376	7,415	142,416	(26,388)	129,819
Net revenue	336,359	92,605	648,619	231,573	1,309,156
Non-interest expenses	286,926	63,833	556,399	132,410	1,039,568
Income (loss) before income taxes	¥ 49,433	¥ 28,772	¥ 92,220	¥ 99,163	¥ 269,588
Year ended March 31, 2021					
Non-interest revenue	¥366,271	¥126,874	¥ 524,019	¥232,060	¥1,249,224
Net interest revenue	2,538	7,900	167,337	(36,672)	141,103
Net revenue	368,809	134,774	691,356	195,388	1,390,327
Non-interest expenses	276,480	60,529	627,051	207,141	1,171,201
Income (loss) before income taxes	¥ 92,329	¥ 74,245	¥ 64,305	¥(11,753)	¥ 219,126

(1) *Non-interest revenue* and *Non-interest expense* for the year ended March 31, 2021 include losses arising from the U.S. Prime Brokerage Event. See Note.23 “*Loss Arising from U.S. Prime Brokerage Event.*”

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in “*Other*.”

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the major components of *Income (loss) before income taxes* in “Other” for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Net gain (loss) related to economic hedging transactions . . . . .	¥ 1,800	¥ 17,548	¥ (11,450)
Realized gain on investments in equity securities held for operating purposes . . . . .	221	6,601	1,731
Equity in earnings of affiliates <sup>(1)</sup> . . . . .	32,532	34,990	(16,410)
Corporate items . . . . .	(35,996)	(22,240)	4,956
Other <sup>(2)(3)(4)</sup> . . . . .	(1,330)	62,264	9,420
Total . . . . .	¥ (2,773)	¥ 99,163	¥ (11,753)

- (1) Includes an impairment loss of ¥47,661 million on Nomura’s investment in Nomura Real Estate holdings, Inc. for the year ended March 31, 2021. Considering the period and extent to which the share price was below carrying value, Nomura determined the impairment was other-than-temporary and therefore the impairment loss was recognized. The loss was classified within *Non-interest expenses—Other* in the consolidated statements of income.
- (2) The income before income taxes for the year ended March 31, 2021 includes a gain of ¥ 71,075 million which represents the difference between the fair value of the assets acquired and the carrying value of the assets transferred by Nomura as a result of the rights conversion of the Tokyo Nihonbashi district redevelopment project.
- (3) Includes gain of ¥73,293 million from the partial sale of Nomura’s investment in ordinary shares of Nomura Research Institute, Ltd. for the year ended March 31, 2020.
- (4) Includes the impact of Nomura’s own creditworthiness.

The table below presents reconciliations of the combined business segments’ results included in the preceding table to Nomura’s reported *Net revenue*, *Non-interest expenses* and *Income (loss) before income taxes* in the consolidated statements of income for the years ended March 31, 2019, 2020 and 2021.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021
Net revenue . . . . .	¥1,123,974	¥1,309,156	¥1,390,327
Unrealized gain (loss) on investments in equity securities held for operating purposes . . . . .	(7,204)	(21,327)	11,545
Consolidated net revenue . . . . .	¥1,116,770	¥1,287,829	¥1,401,872
Non-interest expenses . . . . .	¥1,154,471	¥1,039,568	¥1,171,201
Unrealized gain (loss) on investments in equity securities held for operating purposes . . . . .	—	—	—
Consolidated non-interest expenses . . . . .	¥1,154,471	¥1,039,568	¥1,171,201
Income (loss) before income taxes . . . . .	¥ (30,497)	¥ 269,588	¥ 219,126
Unrealized gain (loss) on investments in equity securities held for operating purposes . . . . .	(7,204)	(21,327)	11,545
Consolidated income (loss) before income taxes . . . . .	¥ (37,701)	¥ 248,261	¥ 230,671

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Subsequent events

Effective for the first quarter of the year ending March 31, 2022, we combined our Asset Management Division and Merchant Banking Division to form a new operating segment called the Investment Management Division. This change is consistent with the updated organizational structure of our businesses and how the chief operating decision maker will assess operating performance going forward. As a result of this change in segment reporting, Nomura will have the following three operating segments: Retail, Wholesale and Investment Management.

**Geographic information—**

Nomura’s identifiable assets, revenues and expenses are generally allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding global nature of Nomura’s activities and services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

The tables below present a geographic allocation of *Net revenue* and *Income (loss) before income taxes* from operations by geographic areas for the years ended March 31, 2019, 2020 and 2021 and Long-lived assets associated with Nomura’s operations as of March 31, 2019, 2020 and 2021. *Net revenue* in “Americas” and “Europe” substantially represents Nomura’s operations in the U.S. and the U.K., respectively. *Net revenue* and Long-lived assets have been allocated based on transactions with external customers while *Income (loss) before income taxes* has been allocated based on the inclusion of intersegment transactions.

	Millions of yen		
	Year ended March 31		
	2019	2020	2021 <sup>(2)</sup>
<b>Net revenue<sup>(1)</sup>:</b>			
Americas .....	¥ 169,581	¥ 229,265	¥ 226,741
Europe .....	131,175	115,483	142,941
Asia and Oceania .....	47,977	42,571	66,985
Subtotal .....	348,733	387,319	436,667
Japan .....	768,037	900,510	965,205
Consolidated .....	¥1,116,770	¥1,287,829	¥1,401,872
<b>Income (loss) before income taxes:</b>			
Americas .....	¥ (114,081)	¥ 7,354	¥ (76,963)
Europe .....	(56,851)	(14,067)	14,283
Asia and Oceania .....	5,014	19,817	49,205
Subtotal .....	(165,918)	13,104	(13,475)
Japan .....	128,217	235,157	244,146
Consolidated .....	¥ (37,701)	¥ 248,261	¥ 230,671

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

	March 31		
	2019	2020	2021
<b>Long-lived assets:</b>			
Americas . . . . .	¥ 50,829	¥ 84,904	¥ 98,611
Europe . . . . .	56,821	52,179	65,165
Asia and Oceania . . . . .	9,588	29,618	26,690
Subtotal . . . . .	117,238	166,701	190,466
Japan . . . . .	252,420	292,212	303,355
Consolidated . . . . .	<u>¥369,658</u>	<u>¥458,913</u>	<u>¥493,821</u>

- (1) There is no revenue derived from transactions with a single major external customer.  
(2) Includes losses arising from the U.S. Prime Brokerage Event. See Note. 23 “Loss Arising from U.S. Prime Brokerage Event.”

**23. U.S. Prime Brokerage Event**

An event had occurred at Nomura’s subsidiaries, including U.S. subsidiary Nomura Global Financial Products Inc., with a U.S. client, resulting in losses of ¥245,749 million (approximately \$2,317 million) in its consolidated statements of income for the year ended March 31, 2021. The losses were caused by the U.S. client’s default on margin calls against prime brokerage transactions. The losses arose primarily through liquidation of the hedges we held against the transactions and also through recognition of additional allowances for credit losses against our loan to the client. The losses are reported within *Net gain on trading* in the amount of ¥(204,188) million and in *Non-interest expenses—Other* in the amount of ¥41,561 million in the consolidated statements of income.

**Subsequent events**

Nomura has completed the unwinding of all its positions related to this event as of May 17, 2021. The losses arising from transactions with a U.S. client on and after April 1, 2021 are approximately ¥65 billion (approximately \$600 million.)

**24. Subsequent events:**

**Sale of part of Nomura Research Institute shares**

NHI sold 14,105,000 ordinary shares of Nomura Research Institute, Ltd. (“NRI”) in response to its own share repurchase through off-floor trading (ToSTNeT-3) announced on June 21, 2021. As a result, Nomura is expected to recognize a pre-tax gain of approximately ¥36 billion during the first quarter of the fiscal year ending March 31, 2022. NRI is expected to remain as an equity-method affiliate of Nomura after the share repurchase.

**25. Supplementary subsidiary guarantee information required under SEC rules:**

The Company provides several guarantees of debts of its subsidiaries.

The Company has fully and unconditionally guaranteed the securities issued by Nomura America Finance LLC (“NAFL”), which is an indirect, wholly owned finance subsidiary of the Company. NAFL operates as a special purpose entity. It was formed for the purpose of issuing debt securities to repay existing credit facilities, refinance indebtedness, and for acquisition purposes. The guarantee will remain in effect until the entire principal, if any, of, and interest and premium, if any, on, the securities has been paid in full or discharged in accordance with the provisions of the indenture, or otherwise fully defeased by the Company.

## INDEX OF EXHIBITS

Exhibit Number	Description
1.1	Articles of Incorporation of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.2	Share Handling Regulations of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.3	Regulations of the Board of Directors of Nomura Holdings, Inc. (English translation)
1.4	Regulations of the Nomination Committee of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee of Nomura Holdings, Inc. (English translation)
1.6	Regulations of the Compensation Committee of Nomura Holdings, Inc. (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among Nomura Holdings, Inc., The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
2.2	Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (filed on June 25, 2019 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
4.1	Form of Limitation of Liability Agreement <sup>(1)</sup>
8.1	Subsidiaries of Nomura Holdings, Inc.—See Item 4.C. “ <i>Organizational Structure</i> ” in this annual report.
11.1	Nomura Group Code of Conduct 2021 (English translation)
11.2	Nomura Group Code of Ethics for Financial Professionals (English translation) (filed on June 30, 2020 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
17.1	Subsidiary Issuer of Registered Guaranteed Securities
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the Company’s Annual Report on Form 20-F for the year ended March 31, 2021, has been formatted in Inline XBRL

(1) The Company has entered into Limitation of Liability Agreements substantially in the form of this exhibit with all of its outside directors and director Shoji Ogawa.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% or our total assets. We will furnish a copy of any such instrument to the SEC upon request.



## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NOMURA HOLDINGS, INC.

By: /s/ KENTARO OKUDA \_\_\_\_\_

Name: Kentaro Okuda

Title: Representative Executive Officer,  
President and Group Chief Executive  
Officer

Date: June 25, 2021

(Translation)

**REGULATIONS OF THE BOARD OF DIRECTORS**  
**OF**  
**NOMURA HOLDINGS, INC.**  
(Nomura Horudingusu Kabushiki Kaisha)

Article 1. (Purpose)

1. Pursuant to the “Regulations of the Organization”, these Regulations of the Board of Directors (the “Regulations”) shall provide for necessary matters with respect to the operation of the Board of Directors.

2. All matters concerning the Board of Directors shall, except as otherwise provided for by laws or ordinances or by the Articles of Incorporation, be governed by the provisions of these Regulations.

Article 2. (Constitution)

The Board of Directors shall consist of all Directors of the Company.

Article 3. (Holding of Meetings)

Meetings of the Board of Directors shall be held not less frequently than quarterly.

Article 4. (Place of Holding of Meetings)

Meetings of the Board of Directors shall be held at the head office of the Company; provided, however, that, if necessary, the meetings may be held at any other place or by telephone or other means at two or more places.

Article 5. (Convocation of Meetings)

1. A Director designated by the Board of Directors shall convene a meeting of the Board of Directors unless otherwise provided for by laws or ordinances. However, when such Director is unable so to act, one of the other Directors shall take his place in accordance with the order of priority predetermined by a resolution of the Board of Directors.

2. Directors may, if necessary, request the convocation of or convene a meeting of the Board of Directors, in accordance with laws or ordinances.

3. Any Director who is a member of the Nomination Committee, the Audit Committee or the Compensation Committee and appointed by such committee may convene a meeting of the Board of Directors.

4. Executive Officers may, if necessary, request the convocation of or convene a meeting of the Board of Directors, in accordance with laws or ordinances.

Article 6. (Convocation Notices)

1. Notice of a meeting of the Board of Directors shall be given to each Director at least two (2) days prior to the date set for such meeting.

2. With the consent of all Directors, a meeting of the Board of Directors may be held without following the convocation procedure provided for in the foregoing paragraph.

Article 7. (Agenda)

The agenda of a meeting of the Board of Directors shall be notified in advance to each Director; provided, however, that in an unavoidable case, the foregoing shall not be applied.

Article 8. (Chairman of Meetings)

A Director designated by the Board of Directors shall act as chairman of meetings of the Board of Directors. However, when such Director is unable so to act, one of the other Directors shall take his place in accordance with the order of priority predetermined by a resolution of the Board of Directors.

Article 9. (Resolutions)

1. The resolution of a meeting of the Board of Directors shall be adopted by an affirmative vote of a majority of the Directors present which Directors present shall constitute a majority of all Directors then in office who are entitled to participate in the voting.

2. No director who has a special interest in any matter requiring a resolution shall be entitled to participate in the voting on such matter.

3. In case Directors make a proposition with regard to any of the matters set forth in the following Article and all Directors entitled to participate in the voting on such proposition indicate their intention of consent thereto in writing or in electronic records, a resolution for adopting the proposition by the Board of Directors shall be deemed to have been carried.

Article 10. (Matters Requiring Resolutions)

The following matters shall be referred to meetings of the Board of Directors:

- (1) Matters concerning meetings of shareholders:
  - a. Convocation of meetings of shareholders; and
  - b. Determination of the agenda (excluding the agenda concerning the election and removal of Directors and the accounting auditors and the non-retention of the accounting auditors) to be submitted to meetings of shareholders.
- (2) Matters concerning officers:
  - a. Appointment and removal of the Chairman of the Board of Directors;
  - b. Appointment and removal of the Directors to constitute each of the Nomination Committee, the Audit Committee and the Compensation Committee;
  - c. Appointment and removal of the Chairman of each of the Nomination Committee, the Audit Committee and the Compensation Committee;
  - d. Election and removal of Executive Officers;
  - e. Appointment and removal of representative executive officers;
  - f. Appointment and removal of the titled Executive Officers;
  - g. Appointment, removal and delegate of the Group CEO, Group COO, Group Co-COO and the Chief Financial Officer (CFO);
  - h. Determination of matters concerning allocation of functions of Executive Officers, relationships of their directions, other relationships between or among the Executive Officers and the delegation of Executive Officers in employees' positions;
  - i. Appointment of a person authorized to convene and chair meetings of shareholders;
  - j. Appointment of a person authorized to convene and chair meetings of the Board of Directors;

- k. Approval of a Director's or Executive Officer's engaging in a competitive transaction;
  - l. Approval of transactions with the Company by Directors or Executive Officers involving conflicts of interest; and
  - m. Appointment of information recipients of the Compliance Hotline.
- (3) Matters concerning Nomura Group:
- a. Planning of the fundamental management policy of Nomura Group;
  - b. Appointment of Division Heads
  - c. Appointment of Business Division Heads, Corporate Heads, and Internal Audit Head, however, if a person other than Executive Officer is appointed; the foregoing shall not be applied.
- (4) Establishment, amendment and abolition of important regulations:
- a. Regulations of the Organization (excluding amendments concerning "Chapter V Organization and Allocation of Duties", "Chapter VI Employees and Lines of Authority" and the annex "Organization Chart");
  - b. Regulations of the Board of Directors;
  - c. Regulations of the Nomination Committee;
  - d. Regulations of the Audit Committee;
  - e. Regulations of the Compensation Committee;
  - f. Regulations of the Executive Management Board;
  - g. Regulations of the Internal Controls Committee;
  - h. Share Handling Regulations; and
  - i. Nomura Group Code of Conduct
- (5) Matters concerning shares and financing:
- a. Determination of a share registrar;
  - b. Approval of financial statements, business reports and their annex specifications;
  - c. Determination of the surplus policy and its distribution; and
  - d. Approval of disclosure for financial statements, etc.
- (6) Matters prescribed by laws or ordinances as frameworks to secure proper operations.
- (7) Corporate Governance Guidelines
- (8) Any other matters prescribed by laws or ordinances to be determined by the Board of Directors.

2. Determination of the execution of business, except for matters set forth in the preceding paragraph, shall be delegated to the Executive Officers.

#### Article 11. (Matters to be Reported)

1. Each member appointed by the Nomination Committee, the Audit Committee or the Compensation Committee shall report to the Board of Directors on the status of execution of the function in such committee without delay.

2. Executive Officers shall report to the Board of Directors the status of execution of business of the Company not less frequently than quarterly.

3. Directors or Executive Officers who engaged in a competitive transaction or who had a transaction with the Company involving a conflict of interest must report, without delay, the important facts with respect thereto at a meeting of the Board of Directors.

Article 12. (Attendance of Persons Other Than Directors)

1. The Board of Directors may ask persons other than Directors to attend a meeting of the Board of Directors, to report on the relevant matters and to express their opinions thereat whenever necessary.

2. The Executive Officers, Senior Managing Directors or employees attending a meeting of the Board of Directors pursuant to the foregoing paragraph shall explain to the Board of Directors matters demanded by the Board of Directors.

Article 13. (Minutes of Meetings)

1. The substance of proceedings at a meeting of the Board of Directors, the results thereof and other matters prescribed by laws or ordinances shall be recorded in minutes (including electronic records; the same applies hereinafter) of the meeting, and the Directors present shall affix their signatures or their names and seals (including electronic signatures; the same applies hereinafter) thereto.

2. In case a resolution by the Board of Directors shall be deemed to have been carried pursuant to the provision of Article 9, Paragraph 3, the particulars of the proposition and other matters prescribed by laws or ordinances shall be recorded in minutes, and all the Directors shall affix their signatures or their names and seals thereto.

3. The minutes of a meeting of the Board of Directors shall be kept at the head office of the Company for ten (10) years from the day on which the meeting was held.

4. The minutes of meetings of the Board of Directors shall not be offered to perusal or permitted to be reproduced, except to the shareholders or creditors who have complied with formalities prescribed by laws or ordinances.

Article 14. (Notices to Absent Directors)

Resolutions made at a meeting of the Board of Directors shall be notified to Directors who were absent from such meeting.

Article 15. (Omission of Reports to the Board of Directors)

1. Notwithstanding the provisions of these Regulations, if any matter prescribed by laws or ordinances or these Regulations to be reported to the Board of Directors (excluding any report on the status of execution of business of the Company that shall be given by Executive Officers to the Board of Directors not less frequently than quarterly) is notified to all the Directors, such matter shall not be required to be reported at a meeting of the Board of Directors.

2. In the case of the foregoing paragraph, the substance of the matter not required to be reported at a meeting of the Board of Directors and other matters prescribed by laws or ordinances shall be recorded in minutes, and all the Directors shall affix their signatures or their names and seals thereto.

*Supplementary Provision*

These Regulations shall come into force as from October 1, 2001.

*Dates of Amendments*

May 1, 2002  
August 1, 2003  
April 1, 2005  
May 1, 2006  
May 15, 2007  
October 28, 2008  
June 28, 2011  
April 1, 2018  
December 3, 2019

April 1, 2003  
April 1, 2004  
October 1, 2005  
June 28, 2006  
April 1, 2008  
June 25, 2009  
September 30, 2015  
April 1, 2019  
April 1, 2020

June 26, 2003  
April 28, 2004  
April 1, 2006  
April 1, 2007  
October 1, 2008  
April 1, 2010  
April 1, 2016  
May 1, 2019  
April 24, 2020

(Translation)

**REGULATIONS OF THE AUDIT COMMITTEE  
OF  
NOMURA HOLDINGS, INC.**  
(Nomura Horudingusu Kabushiki Kaisha)

Article 1. (Purpose)

1. Pursuant to the “Regulations of the Organization”, these Regulations shall provide for necessary matters with respect to the operation of the Audit Committee.

2. The purpose of the Audit Committee is to promote lawful, proper and efficient business operations of the Nomura Group through performing its functions.

3. All matters concerning the Audit Committee shall, except as otherwise provided for by laws or ordinances or by the Articles of Incorporation, be governed by the provisions of these Regulations.

Article 2. (Constitution)

1. The Audit Committee shall consist of Directors appointed by the resolution of the Board of Directors (hereinafter, referred to as the “Member Directors”).

2. The Audit Committee shall consist of three or more Member Directors; provided, however, that the majority of the Member Directors shall be outside Directors.

3. The Member Directors shall not currently assume the position of Executive Officers, Senior Managing Directors, employees or executive directors of the Company or its subsidiaries.

4. The Board of Directors shall, by its resolution, appoint the Chairman of the Audit Committee.

5. The Board of Directors may, by adopting a resolution, appoint a Full-Time Member Director from among the Member Directors.

6. Directors specially appointed by the Board of Directors (hereinafter referred to as the “Audit Mission Directors”) shall attend meetings of the Audit Committee; provided, however, that the Audit Mission Directors may not attend the meeting in case the Audit Committee instructs the Audit Mission Directors not to attend the meeting.

7. In accordance with applicable provisions of the Sarbanes-Oxley Act of 2002 and its related SEC and NYSE rules, all Member Directors shall be independent and, in principle, at least one Member Director shall be a financial expert.

Article 3. (Holding of Meetings)

A meeting of the Audit Committee shall be held not less frequently than quarterly.

Article 4. (Place of Holding of Meetings)

Meetings of the Audit Committee shall be held at the head office of the Company; provided, however, that, if necessary, the meetings may be held at any other place or by telephone or other means at two or more places.



Article 5. (Convocation of Meetings)

Meetings of the Audit Committee shall be convened by the Chairman of the Audit Committee. However, any other Member Directors may convene a meeting of the Audit Committee.

Article 6. (Convocation Notices)

1. Any Member Director who is going to convene a meeting of the Audit Committee shall give notice thereof to each Member Director at least two (2) days prior to the date set for such meeting.

2. With the consent of all Member Directors, a meeting of the Audit Committee may be held without following the convocation procedure provided for in the foregoing paragraph.

Article 7. (Agenda)

The agenda of a meeting of the Audit Committee shall be notified in advance to each Member Director; provided, however, that in an unavoidable case, the foregoing shall not be applied.

Article 8. (Chairman of Meetings)

The Chairman of the Audit Committee shall act as a chairman of meetings of the Audit Committee. If the Chairman of the Audit Committee is unable to act, another Member Director shall be designated as a chairman upon consultation among the other Member Directors.

Article 9. (Resolutions)

1. The resolution of a meeting of the Audit Committee shall be adopted by an affirmative vote of a majority of the Member Directors present which Member Directors present shall constitute a majority of all Member Directors who are then in office and entitled to participate in the voting.

2. No Member Director who has a special interest in any matter requiring a resolution shall be entitled to participate in the voting on such matter.

Article 10. (Matters Requiring Resolutions)

The following matters shall be referred to meetings of the Audit Committee:

- (1) Establishment, amendment and abolition of the Code of Auditing Standards for the Audit Committee;
- (2) Matters concerning the fundamental policy and performing plans of audits;
- (3) Matters concerning the assignment of duties among Member Directors;
- (4) Appointment of a Member Director to perform specific functions in accordance with the laws and ordinances, and internal regulations, etc.;
- (5) Preparation of an audit report;
- (6) Policy on dismissal or non-reappointment of the independent auditor;
- (7) Determine whether to reappoint the independent auditor;
- (8) Particulars of proposals concerning the election and dismissal of the independent auditor and the non-retention of the independent auditor to be submitted to a general meeting of shareholders;
- (9) Particulars of proposals concerning the election and dismissal of the SEC independent auditor (which audits the Company's consolidated financial statements filed with the SEC) and the non-retention of the SEC independent auditor to be submitted to the Board of Directors.
- (10) Consent regarding fees to the independent auditor;

- (11) Matters concerning pre-approval of fees to and services provided by the SEC independent auditor and matters concerning ensuring of independence of the SEC independent auditor;
- (12) Matters concerning whistle-blowing procedures concerning accounting or auditing matters;
- (13) Matters concerning the annual audit plan of the independent auditor (including principal auditing matters and allocation of auditors);
- (14) Establishment, amendment and abolition of the Nomura Group Internal Audit Charter;
- (15) Matters regarding the annual internal audit plan of the Nomura Group (including amendments to the annual plan);
- (16) Matters regarding the budget relating to internal audits within the Nomura Group;
- (17) Establishment, amendment and abolition of the Company's Internal Audit Charter, and matters concerning the annual plan (including amendments to the annual plan) and the budget relating to internal audit;
- (18) Consent regarding the appointment and dismissal of the Internal Audit Head; and
- (19) In addition to the foregoing items, matters concerning the execution by Member Directors of their duties.

#### Article 11. (Matters to be Reported)

1. Each Member Director shall report at a meeting of the Audit Committee the method, process and result of the audit performed by the Member Director.

2. In the event that a Member Director receives any important report, opinion or document from any director, the independent auditor or other person, the Member Director shall report to that effect at a meeting of the Audit Committee.

3. In the event that any of Directors, Executive Officers or Senior Managing Directors find any fact that should cause the Company to incur a great loss, it shall be reported to a Member Director immediately.

#### Article 12. (Reporting Obligations and Powers Concerning Request for Stopping Unlawful Act)

1. In case Member Directors consider that an Executive Officer, Senior Managing Director or Director does or threatens to do illegal activities or finds a fact in violation of laws or ordinances or the Articles of Incorporation or a significantly unreasonable fact, they shall report the same at a meeting of the Board of Directors without delay.

2. In case an Executive Officer, Senior Managing Director or Director does or threatens to do an act not falling within the scope of the object of the Company or any other act in violation of laws, ordinances or the Articles of Incorporation and there exist fears that serious damages may accrue to the Company due thereto, Member Directors may request the Executive Officers, Senior Managing Directors or Directors to stop the act.

#### Article 13. (Powers Concerning Investigation)

1. The Member Directors appointed by the Audit Committee have powers prescribed in the following items:
  - a. Powers to request other Directors, Executive Officers, Senior Managing Directors and employees to make report on the matters concerning the execution of their duties;
  - b. Powers to investigate the conditions of the business and property of the Company;
  - c. Powers to request for the Company or its subsidiaries to make report on the status of operation of its business or investigate the conditions of the business and property of the Company or its subsidiaries, whenever it is necessary to exercise powers of the Audit Committee; and
  - d. Any other powers concerning audits deemed to be necessary by the Audit Committee.

2. The Member Directors prescribed in the preceding paragraph shall observe the resolution of the Audit Committee with respect to the matters concerning request and receipt of the report or investigation under the provision of each item in the preceding paragraph.

#### Article 14. (Duties of Audit Mission Director)

1. Audit Mission Directors shall supplement the audit by the Audit Committee and, for the Board of Directors' effective oversight of the business execution by Directors and Executive Officers, perform the following functions:

- a. Attendance at meetings of the Group Management Board, the Group Integrated Risk Management Committee, the Internal Controls Committee, Nomura Group Conduct Committee and other important committees;
- b. Hearing of report on the execution of the business from Executive Officers, Senior Managing Directors and employees;
- c. Inspection and investigation of minutes of the meetings prescribed in item (a) above, documents circulated for obtaining approval and other documents relating to the execution of the business; and
- d. Inspection of the Company or its subsidiaries.

2. The Audit Committee or Member Directors appointed by the Audit Committee may give Audit Mission Directors necessary instructions when the Audit Mission Directors perform the functions prescribed in each item in the preceding paragraph.

3. Audit Mission Directors shall make report to the Audit Committee on the state of performance of their functions prescribed in each item in the paragraph 1; provided, however, that the Audit Mission Directors shall not be precluded from reporting to the Board of Directors.

#### Article 15. (Attendance of Persons Other Than Member Directors)

1. The Audit Committee may ask persons other than Member Directors to attend a meeting of the Audit Committee, to report on the relevant matters and to express their opinions thereat whenever necessary.

2. The Directors, Executive Officers, Senior Managing Directors, employees or independent auditors attending pursuant to the preceding paragraph shall explain to the Audit Committee matters demanded by the Audit Committee.

#### Article 16. (Receipt of Financial Statements, etc.)

The Audit Committee or a Member Director appointed by the Audit Committee shall receive financial statements, business reports and their annex specifications from an Executive Officers engaged in the business concerning such financial statements, business reports and their annex specifications (hereinafter referred to as the "Designated Executive Officer") and audit reports from the independent auditor.

#### Article 17. (Preparation of Audit Report)

1. The Audit Committee shall prepare audit reports and a Member Director appointed by the Audit Committee shall, within the legal term, deliver an audit report regarding financial statements to the Designated Executive Officer and independent auditor and deliver an audit report regarding business reports and their annex specifications to the Designated Executive Officer.

2. The audit report to be prepared by the Audit Committee pursuant to the provision of the preceding paragraph shall state the matters prescribed in the relevant laws and regulations and others.

3. In the case of the foregoing paragraph, any Member Director's opinion may be stated in the audit report.

4. The foregoing three paragraphs shall apply mutatis mutandis to cases where the Company prepares its Temporary Financial Statements or Consolidated Financial Statements.

Article 18. (Report from the SEC Independent Auditor)

The Audit Committee shall oversee the work of the SEC Independent Auditor engaged and receive report from the SEC independent auditor on the audit report of the Company's consolidated financial statements filed with the SEC (including resolution of disagreements between Executive Officers and the SEC independent auditor regarding the relevant financial reporting).

Article 19. (Pre-approval of Fees to and Services Provided by the SEC Independent Auditor)

The Audit Committee or a Member Director appointed by the Audit Committee shall pre-approve the fees, etc., and services to be provided by the SEC independent auditor in accordance with the determination regarding matters prescribed in Article 10, Item (11).

Article 20. (Engagement of Outside Advisers)

The Audit Committee or the Member Director appointed by the Audit Committee may engage attorneys, certified public accountants, consultants or other outside advisers at the Company's expenses without pre-approval by the Board of Directors, Executive Officers or Senior Managing Directors in case such engagement is deemed to be necessary for audits.

Article 21. (Minutes of Meetings)

1. The substance of proceedings at a meeting of the Audit Committee, the results thereof and other matters prescribed by laws or ordinances shall be recorded in minutes (including electronic records; the same applies hereinafter) of the meeting, and the Member Directors present shall affix their signature or their names and seals (including electronic signatures; the same applies hereinafter) thereto.

2. The minutes of the meeting of the Audit Committee shall be kept at the head office of the Company for ten (10) years from the day on which the meeting was held.

3. The minutes of meetings of the Audit Committee shall not be offered to perusal or permitted to be reproduced, except to the shareholders or creditors who have complied with formalities prescribed by laws or ordinances.

4. Any Director may peruse or reproduce the minutes of meetings of the Audit Committee.

Article 22. (Notices to Absent Member Directors)

Resolutions made at a meeting of the Audit Committee shall be notified to Member Directors who were absent from such meeting.

Article 23. (Report to the Board of Directors)

The Member Director appointed by the Audit Committee shall report to the Board of Directors on the status of execution of the function in Audit Committee without delay; provided, however, that, if the matter is reported to all Directors by the Member Director so appointed, it shall not be reported at a meeting of the Board of Directors.

Article 24. (Omission of Report to the Audit Committee)

1. Notwithstanding the provisions of these Regulations, if any matter prescribed by laws or ordinances or these Regulations to be reported to the Audit Committee is reported by Directors, Executive Officers, Senior Managing Directors or independent auditors to all Member Directors, such any matter shall not be required to be reported at a meeting of the Audit Committee.

2. In the case of the foregoing paragraph, the substance of the matter not required to be reported at a meeting of the Audit Committee and other matters prescribed by laws or ordinances shall be recorded in minutes, and all the Member Directors shall affix their signatures or their names and seals thereto.

Article 25. (Lawsuits)

The Audit Committee shall appoint a Member Director who shall represent the Company with respect to lawsuits between the Company and its Directors or Executive Officers or shareholder derivative actions prescribed in the Corporation Law.

Article 26. (Amendment/Abolition)

Any amendment to/abolition of these regulations shall be by a resolution of the Board of Directors.

*Supplementary Provision*

These Regulations shall come into force as from June 26, 2003.

*Date of Amendments*

April 28, 2004	May 1, 2005	April 1, 2006
May 1, 2006	June 28, 2006	March 2, 2007
April 1, 2008	October 28, 2008	May 15, 2009
September 30, 2015	June 24, 2019	April 1, 2020
April 1, 2021		

(Translation)

## LIMITATION OF LIABILITY AGREEMENT

NOMURA HOLDINGS, INC. (hereinafter, the “Company”) and \_\_\_\_\_ (hereinafter, the “Director”) hereby agree to enter into this limitation of liability agreement (hereinafter, the “Agreement”) in accordance with Article 427, Paragraph 1 of the Companies Act and Article 33, Paragraph 2 of the Articles of Incorporation of the Company.

### Article 1

On or after the date that this Agreement is entered into, in the event that the Director, in good faith and without gross negligence in performing his or her duties as a director of the Company, incurs liability to compensate the Company under Article 423, Paragraph 1 of the Companies Act (hereinafter, the “Relevant Liability”), the Company shall limit the Director’s Relevant Liability to the higher of ¥20 million or the total sum of any of the following items:

- (1) the total amount of remuneration, bonus or other consideration received, or economic benefit accrued by, the Director while in office as a director of the Company for the performance of his or her duties as a director, in the fiscal year in which the facts causing the Relevant Liability arose; or in any prior fiscal year, whichever is the highest amount, multiplied by two (2);
- (2) the total amount of retirement bonus or other economic benefit of a similar nature received by the Director from the Company divided by the number of years served as a director (hereinafter, “Years of Service”), or two (2) where the Years of Service is less than two (2) years, multiplied by 2 (two); or
- (3) depending on the classification in items (a) and (b) below, each amount set forth below:
  - (a) In the event that, following his or her appointment to office, the Director exercises Company share options (only in cases listed in the items in Article 238, Paragraph 3 of the Companies Act, excluding those which may have been received by the Director from the Company as compensation for the execution of duty) if any (hereinafter, the “Relevant Share Options”): the amount calculated by multiplying (i) the current per share price of the Company’s share at the time of exercise of the Relevant Share Options, less the amount per share that is the purpose of the Relevant Share Option out of the aggregate sum of the amount provided for in Article 236, Paragraph 1, Item 2 of the Companies Act and the paid-in price as provided for in Article 238, Paragraph 1, Item 3 of the Companies Act (if the amount so calculated is zero or less, then zero), by (ii) the number of shares of the Company delivered to the Director upon exercise of the Relevant Share Options; or
  - (b) In the event that, following his or her appointment to office, the Director transfers Relevant Share Options: the amount calculated by multiplying the transfer price of Relevant Share Options less the paid-in price as provided for in Article 238, Paragraph 1, Item 3 of the Companies Act, by the number of the Relevant Share Options.

### Article 2

The Company may request the Director to provide any information necessary for determining whether or not a Relevant Liability exists and the amount up to which any such Relevant Liability may be limited.

### Article 3

1. In the event that a limitation of the Director’s Relevant Liability is applied pursuant to Article 1 of this Agreement, the Director shall not receive any amount of retirement bonus or other economic benefit of a similar nature from the Company, or exercise or transfer Relevant Share Options without the approval of the general meeting of shareholders of the Company.

2. In the event that the Director possesses share option certificates representing Relevant Share Options where a limitation of the Director's Relevant Liability has been applied pursuant to Article 1 of this Agreement, the Director shall be required to deposit such share option certificates with the Company without delay and shall not be permitted to demand the return of the such certificate until after the approval of the general meeting of shareholders of the Company has been obtained for such transfer.

**Article 4**

This Agreement shall become effective on the date that it is entered into and shall continue to be in effect until the Director loses the position of director of the Company. Further, even if the loss of the position of director of the Company is a formality due to the expiration of a term of office or other reason, when there is an immediate reappointment and acceptance of office of director of the Company, and the position of director of the Company continues to be held, this Agreement shall continue to be in effect, and the same shall apply thereafter.

In the event that the Director becomes an executive director or manager of the Company, or otherwise becomes an employee of the Company, this Agreement shall be of no effect from such time onwards.

Even if this Agreement is terminated, regarding acts that the Director carried out as a director of the Company during the effective term of this Agreement, this Agreement shall apply.

**Article 5**

Any matters not covered under this Agreement shall be resolved through mutual consultation between the Company and the Director.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate by placing their signatures or affixing their names and seals thereon, with each party retaining a counterpart hereof.

[DATE]

NOMURA HOLDINGS, INC.

\_\_\_\_\_

DIRECTOR

\_\_\_\_\_



(Translation)



F O O S

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T S U O M O S

**C O D E**

**of**



**CONDUCT**

Corporate Slogan

# Delivering a Better Tomorrow

Nomura Group Corporate Philosophy

## Mission Contributing to Society

We help to enrich society through our expertise in capital markets

## Vision Trusted Partner

As a leading financial institution, we aim to be the most trusted partner for our clients

## Values Entrepreneurial Leadership

With passion and courage, we continually innovate to meet the needs of our stakeholders

## Teamwork

To build our values and 'Deliver Together', we promote diversity and collaboration across divisions and regions

## Integrity

Personal integrity is paramount to us. We act honestly, fairly and openly



Message from the Group CEO

## Working with pride and integrity

Kentaro Okuda  
President and Group CEO

03  
CODE of CONDUCT 2021

Nomura's management vision is to achieve sustainable growth by helping resolve social issues. We believe that the sustainable development of society as a whole will help enhance our corporate value.

Our business is built on the trust of our clients and all stakeholders. The trust our clients place in each employee represents trust placed in the overall group. Therefore, if one person does something that undermines the trust of our clients, the entire group loses trust.

The Code of Conduct serves as our guide for ethical decision-making and proper conduct as we work to build trust. If you are ever unsure of what to do, always consider whether your decision or action is something you could proudly share with your family and close friends.

It is important that we think about how we can contribute to the organization and the people in our team, and be proactive. A critical part of this is speaking up when something is not right, and creating an environment that supports people who speak up. I believe that a diverse organization is crucial to such an environment.

As a member of Nomura Group, we have a responsibility to do more than just comply with rules and regulations. Let us all work together to build a firm where our people conduct themselves with integrity at all times and take pride in everything they do.

04  
NOMURA



Message	<b>Introduction</b>	Clients	Our People	Society
Message from the Group CEO				<b>→ 03</b>
<b>Introduction</b>				
What does the Code mean?				<b>→ 07</b>
How do we implement the Code?				<b>→ 09</b>
Five questions to ask when in doubt				<b>→ 11</b>
Our Code of Conduct				<b>→ 13</b>
<b>Key points</b>				
Conduct for Clients				<b>→ 15</b>
Conduct for Our People				<b>→ 29</b>
Conduct for Society				<b>→ 43</b>
The following notes are inserted for easy reference:				
<b>✓</b> Good Example <b>i</b> For Reference <b>QA</b> Q&A				
<b>06</b> <b>NOMURA</b>				

## What does the Code mean?

This Code of Conduct sets out guidelines for Nomura Group directors, officers and employees to translate the Nomura Group Corporate Philosophy into actions. We reflect on our actions to ensure that they are in line with the Code. We promise clients and other stakeholders that we will uphold the highest standards of ethics and integrity under the Code. We carry out all of our business activities based on the Code.

The Code is the pillar that supports Nomura Group.



QA

- Q** How does the Code of Conduct differ from our Founder's Principles, and the Corporate Philosophy?
- A** Our Corporate Philosophy, which is deeply ingrained in our Founder's Principles, defines our mission, maps out our vision to achieve that mission, and clarifies the unchanging values that underpin everything we do. This Code is established as a guideline for each of us to translate the values embodied in our Corporate Philosophy into actions.
- Q** Is the Code of Conduct different from other internal rules and regulations?
- A** The Code underpins other internal rules and regulations, which set forth specific policies and procedures for ensuring that Nomura Group's corporate activities and our conduct are in line with the Code.
- Q** Who does the Code apply to?
- A** The Code applies to all Nomura Group directors, officers and employees.



## How do we implement the Code?

**Employees** Employees have a responsibility to follow the Code as a member of Nomura Group.

By putting the Code into practice, meet the trust and expectations of our clients and contribute to ensuring market integrity.

**Managers** In addition, all managers have the following responsibilities.

<b>Lead by example</b>	Managers are expected to lead their team in the right direction by adhering to the Code.
<b>Embed the Code</b>	Managers are expected to properly explain the content of the Code to their team and ensure each team member fully understands.
<b>Provide an open environment</b>	Managers should respect each member of their team and listen closely to their ideas to encourage an environment of open discussion.
<b>Help your people grow</b>	Managers should acknowledge the differences of each individual in their team and provide guidance and development opportunities as necessary.
<b>Evaluate fairly</b>	When evaluating their team members, managers should take into account each person's skill-set, attitude, awareness of compliance, and leadership.

### If the Code is violated:

We may take disciplinary or preventive action to address any violation or potential violation of the Code which infringes on the trust placed in us by the market and our clients, or damages the reputation of Nomura Group.

In such cases, managers may also be held accountable.



## Five questions to ask when in doubt

If you are unsure how to act, go back to the basics and ask yourself the following questions.



If in doubt, talk to your manager or compliance officer.

**Q** What should I do if the answer is NO?

**A** Do not proceed. Check what the problems are and make improvements until you are able to answer YES to all the questions. If you are still unsure, consult with your manager or compliance officer.

**Q** What should I do if I find myself caught between the company and the client?

**A** Always prioritize the client's best interests over your own interests or the company's short-term gains. Then see if you can really answer YES to all the questions.

## Our Code of Conduct

The Code of Conduct is based on the following three foundations: our Clients, Our People, and Society. The Code has been put in place to help us translate our values into actions. The following pages describe each item in detail.



**CONDUCT for CLIENTS**  
→ 15



**CONDUCT for OUR PEOPLE**  
→ 29



**CONDUCT for SOCIETY**  
→ 43

### Entrepreneurial Leadership

- 01 Pursue the best interests of our clients → 17
- 02 Continually enhance our expertise and capabilities → 19

### Teamwork

- 03 Leverage our collective strength → 21

### Integrity

- 04 Be the most trusted partner for our clients → 23
- 05 Uphold the highest standards of compliance → 25
- 06 Handle information properly → 27

- 07 Be passionate about achieving more → 31
- 08 Develop our people → 32

- 09 Collaborate as one team → 33
- 10 Create a comfortable work environment → 34

- 11 Never pursue self-interests → 35
- 12 Control gifts and entertainment → 36
- 13 Be disciplined → 37
- 14 Learn from mistakes → 39
- 15 Speak up → 41

- 16 Move towards the future → 45

- 17 Contribute to a sustainable society → 47

- 18 Respect diversity and individual rights → 49
- 19 Disclose information appropriately → 50



15  
CODE of CONDUCT 2021

We always place our clients at the heart of everything we do.

To continue to be the most trusted partner for our clients, we collaborate with our team members and provide high quality services.

## CONDUCT for CLIENTS

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16  
NOMURA

## 01 Pursue the best interests of our clients

We strive to meet our clients' expectations by understanding their needs and proposing suitable products and services.

### To pursue the best interests of our clients:



- We serve clients with respect, and understand their needs and interests
- We provide thorough explanation considering the client's understanding and experience
- We strive to provide proposals that exceed client expectations
- Whether or not you have opportunities to directly serve our clients, always keep in mind how our businesses can affect them.

### What does the best interests of our clients actually mean?



Acting in the best interests of our clients means providing the optimal solution to meet the client's needs. Best interests does not necessarily mean maximizing economic interests, but rather developing and providing products and services from the client's perspective.

Furthermore, pursuing the best interests of the client also means to advise when you think something they asked you is not in their best interests.

02

## Continually enhance our expertise and capabilities

We enhance our expertise and capabilities to put forward the best proposals to our clients.

We properly assess the risks our clients are exposed to and take appropriate actions in a timely manner.

### To serve our clients with expertise:



- We stay on top of the latest trends in financial and capital markets around the world
- We enhance our ability to identify risks our clients are exposed to
- We build our knowledge of both financial and other fields

### "Unknown" risk



There have been many cases where unexpected events have resulted in severe losses. These include events that you thought would never occur because they hadn't occurred in the past, or those that very rarely occur. It is important to recognize that some risks can be easily identified, while others are rare but can cause significant loss once they become apparent.

### 03 Leverage our collective strength

We provide optimal solutions to our clients by making full use of our collective strength.

We work together across countries and regions to deliver our competitive edge.

#### To leverage our collective strength:



- We understand the functions and roles of each division and department
- We stay up to date on the wide range of businesses and services we offer
- We proactively collaborate across various functions



**Q** A client asked me if we could trade using a new transaction method. I am thinking of saying that we can't handle it since I am unsure how to respond.

**A** Nomura Group has various functions. You should first consult with those around you, your manager, or relevant departments in the company. You should also try to take an interest in the activities of other departments and develop internal networks.

## 04 Be the most trusted partner for our clients

We will always place our clients at the heart of everything we do, deal with them with integrity, and build long-term relationships of trust.

### To continue to be the most trusted partner for our clients:



- We will propose products and services appropriate for each client
- We will provide information in accordance with the client's investment experience
- We will improve the quality of our operations and avoid causing inconvenience to our clients due to errors in administrative procedures
- We will keep our clients informed and remain direct and prompt even in difficult communications
- We will let clients know our concerns if something they propose will not be beneficial for them

### What does "for the client" mean?



Just because it is not against the law does not mean we can do anything that our clients request. Activities that undermine market integrity, and behavior that deviates from social norms are ultimately not beneficial for our clients.

You should not be driven by immediate profits and should ask yourself if your actions will help build long-term relationships of trust with clients. Then, you should go back to "Nomura Five YES" and check if what you are about to do is appropriate.



CONDUCT for **CLIENTS**

**05** Uphold the highest standards of compliance

We strictly comply with applicable laws and regulations.

In addition, we work with the highest level of compliance awareness to protect our clients and ensure market integrity.

**The following are examples of acts that are strictly prohibited**

**Violation of the Duty of Explanation**

Clients may make wrong investment decisions if we fail to properly explain the nature and risks of financial products and services.

**Conflict of Interest**

As a global investment bank, we act as an intermediary between the markets and our clients. We carefully manage potential conflicts of interest to ensure our clients are not adversely affected.



**We work to protect our clients' interests at all times.  
We act with integrity towards all our clients.**

**Insider Trading**

If someone enters into a transaction using material non-public information ("MNPI") not known to others, that person will have an unfair advantage over other investors. We are committed to protecting market integrity. The use of MNPI for the benefit of a specific investor is unfair.

**Market Manipulation**

If transactions intended to artificially change or peg prices are executed, investor decisions will be adversely affected and this will impede the fair operation of the markets.



**Such conduct undermines market integrity and will lead to a loss of investor trust in the market. Given our role as a gatekeeper for capital markets, we do not tolerate such activities and work to prevent them. We must also act in accordance with principles of fair dealing and good faith.**

**Money Laundering**

If proper client verification is not carried out prior to a transaction and fraudulent activities occur, we will be unable to prevent proceeds of financial crime from entering into capital markets and terrorism funding.

**Organized Crime**

If we fail to prevent transactions with criminal organizations or their members, this can result in financing their illegal activities.



**Such conduct undermines the development of a sound economy. This will enable organized crime and allow terrorists to expand their sources of funding. We must maintain robust controls to prevent these activities.**

CONDUCT for CLIENTS

**06** Handle information properly

We strictly manage entrusted client information and only use it in accordance with our client's understanding.

We strictly control and manage material non-public information to protect market integrity, and will never use it improperly.

We properly manage internal information to protect the credibility of Nomura Group.

**Handling of Nomura Group information**

Details regarding Nomura's business operations and other company information must not be shared with outside parties, including former employees. If you receive requests for client information from outside parties, promptly report to your manager. If you are contacted by the media, do not respond based on your own judgment. Promptly contact your regional Corporate Communications Department and follow their instructions.



**Q** I believe it will benefit our clients if we promptly communicate information that is to their advantage. If it's not prohibited by law such as insider information, there's no issue, right?

**A** We must always consider market integrity and fairness. Please talk to your manager or contact Compliance if you are not sure.

**Q** Can I freely post on my personal social media accounts if I do not mention my name or where I work?

**A** You should exercise good judgment when posting on social media or on the Internet. Do not post any information about the company's business, market information, or anything that may damage Nomura's reputation or adversely affect our clients. When posting for business purposes, you must obtain the approval of your manager. Inappropriate posts may cause concern or distrust among clients. Even if your name is not specified, the poster, the individual or the company may be identified. This applies even after you leave the duties.



# CONDUCT

## for

# OUR PEOPLE

23  
CODE of CONDUCT 2021

We adapt to change.

We are disciplined in everything we do.

We strive to become better, and be the most trusted partners for our clients.

## CONDUCT for OUR PEOPLE

- 07 Be passionate about achieving more → 31
- 08 Develop our people → 32
- 09 Collaborate as one team → 33
- 10 Create a comfortable work environment → 34
- 11 Never pursue self-interests → 35
- 12 Control gifts and entertainment → 36
- 13 Be disciplined → 37
- 14 Learn from mistakes → 39
- 15 Speak up → 41

CONDUCT for OUR PEOPLE

**07** Be passionate about achieving more

We don't shy away from change and always move forward.

**To keep growing:**

- We strive to develop our skills
- We actively improve processes and utilize new technologies
- We listen to others and respect their views

QA

**Q** I want to try something new, but I'm worried about making mistakes because I don't have much experience.

**A** Nomura supports people who take on challenges. Challenges help us learn and provide critical opportunities for growth. Share your ideas with your manager. Managers should motivate their team and support them in taking on new challenges.

**08** Develop our people

We strive to develop talent to ensure all our people can realize their full potential.

**To develop talent:**

- We help our colleagues grow and maximize their potential by focusing on their individual needs
- We appreciate the support of our colleagues and work to develop our own abilities

QA

**Q** It's not easy to correct members of my team because they might say it's harassment.

**A** If you notice someone doing something wrong, you should talk to them about it. If your point is valid and delivered in a respectful manner, Nomura will support your actions. If you are not sure how to talk to them, seek advice from your manager.

CONDUCT for OUR PEOPLE

## 09 Collaborate as one team

We respect diverse views and work together as a team.

### To maximize teamwork:



- We communicate effectively and get to know each other better
- We share information, knowledge, expertise and concerns within the team
- We share the same goals and work together to achieve them

## 10 Create a comfortable work environment

We respect each other and foster a positive environment where everyone can contribute and have an active role.

We hold ourselves to a higher standard and do not engage in behavior that can be perceived as harassment.

### To create a comfortable work environment:



- We accept flexible working styles
- Managers should be sensitive to the needs of their team members
- We are open to each other's values, viewpoints and ideas that are different from our own to create an open environment in which everyone feels comfortable expressing their views
- We think of others and consider the impact of what we say or do

CONDUCT for OUR PEOPLE

## 11 Never pursue self-interests

We do not use information obtained in the course of our business or take advantage of our position at Nomura to gain any improper personal benefit.

When trading securities using our personal account, we comply with applicable laws and regulations as well as rules set by Nomura Group companies.

## 12 Control gifts and entertainment

We do not offer or accept cash (including facilitation payments), cash equivalents, inappropriate gifts or excessive business entertainment from public officials and business counterparts.

**Q** A client offered me a gift certificate. Can I accept it?

**A** You must not accept cash or cash equivalents from clients. However there may be exceptional circumstances where you may be allowed to accept. Please refer to internal guidelines for details.

## 13 Be disciplined

We show humility and take responsibility for our own actions.

We do not engage in behavior that may undermine the trust society places in us.

### Our behavior:

- We are humble in how we interact with others and strive to form good relationships
- We are considerate of others and mindful of the impact of our words and actions
- We are aware that socially unacceptable behaviors reflect badly on us as individuals as well as the firm

**Q** I don't think it should matter how I behave outside the office.

**A** Be mindful of the fact that someone may always be watching. What you say or do reflects on the company. You should always act responsibly and exercise common sense.



## 14 Learn from mistakes

We recognize our past mistakes and work to never repeat them.

We learn from others' mistakes and use them as an opportunity to reexamine ourselves.

## Always remember

Nomura Group has caused several scandals in the past.

We know how easy it is to lose society's trust and how difficult it is to restore it.

We have also learned a lot from our past mistakes.

Every year on **August 3\***, we all take time to reflect on the lessons learned and renew our pledge to never repeat our past mistakes.

\*Nomura Founding Principles and Corporate Ethics Day



CONDUCT for OUR PEOPLE

## 15 Speak up

We will promptly report any suspicious behavior or violation of the Code of Conduct to a manager, Compliance or the Nomura Group Compliance Hotline.

### We speak up:



- To help protect our clients, our people and the firm
- When we see something suspicious
- When we see misconduct
- To create an open environment where everyone feels comfortable voicing their concerns and seriously listen to those who speak up

### Nomura Group Compliance Hotline



We have established the Compliance Hotline to enable employees to anonymously raise issues or concerns. All information received through the Hotline is treated as strictly confidential.

We carefully investigate all reports, and take corrective actions as necessary. You will not be subject to any adverse treatment for reports made in good faith.

The information you provide may help us detect and correct misconduct early, and make Nomura a better company. Don't hesitate to speak up.



Whistleblowing  
Compliance  
Management  
System



We have a responsibility to the communities where we live and work.

We will proactively contribute to the creation of a truly enriched society.

**CONDUCT for SOCIETY**

- 16 Move towards the future → 45
- 17 Contribute to a sustainable society → 47
- 18 Respect diversity and individual rights → 49
- 19 Disclose information appropriately → 50

CONDUCT for **SOCIETY**

## 16 Move towards the future

We play an important role in creating financial systems that contribute to creating a sustainable society. We continue to actively address environmental and social issues, such as climate change and social inequality, create new types of financial services and strive to achieve a truly enriched society together with our stakeholders and commit to build a robust operating platform to drive sustainability.

### To ensure a truly enriched society:



- ❑ We consider what kind of services we should provide to our clients as people increasingly live beyond 100
- ❑ We contribute to revitalizing local economies
- ❑ We are committed to our core business while keeping in mind the goal of "SDGs\*" and the creation of a financial cycle that will lead to the resolution of environmental and social issues
- ❑ We engage in dialogue and collaboration with clients and other stakeholders
- ❑ We will make further use of digital tools and data, to provide products and services that meet our clients' needs

QA

**Q** What exactly does Nomura Group mean by creation of "a truly enriched society" ?

**A** We believe that we can realize "a truly enriched society" by constantly making efforts to develop and provide high quality products and services. For example, when we develop new products, we consider whether they will contribute to the sustainable development of society and capital markets, and whether they will meet our clients' needs. We believe that a truly enriched society will be created through our commitment in help solving social issues.

\*SDGs: Sustainable Development Goals  
SDGs are a set of global goals adopted towards realizing a better and more sustainable world by 2030

CONDUCT for **SOCIETY**

**17** Contribute to a sustainable society

We respect different cultures and customs and conduct our business in harmony with the countries and regions where we operate.

We are aware of our responsibility towards society and actively and continuously engage in a wide range of activities to contribute to the society and protect the environment, such as reducing the environmental impact of our business activities.

**What each of us can do now to contribute to society:**



- Adhere to laws on environment and make daily efforts to use resources effectively and reduce electricity consumption
- Provide opportunities for a wide range of people to learn about finance and economy, knowledge on building assets and contribute to the formation of a sound capital market
- Proactively join social volunteering activities

**Nomura's view on ESG\***



A rich natural environment and healthy social environment are the foundation of economic and business development and people's lives. Without such a foundation, it is not possible to fulfill Nomura's mission to contribute to creating an enriched society.

We recognize that the protection of the global environment and the promotion of diverse initiatives are essential for the development of both the economy and society. As such, we constantly work to enhance our products and services, further expand our business globally and strengthen our corporate governance framework.

These initiatives are important to improve our corporate value. We will continually strive to fulfill our mission while building a sustainable business foundation.

\*ESG: Environment, Social, Governance - Three perspectives required for a company's long-term growth

## 18 Respect diversity and individual rights

We promote equal opportunity and do not discriminate on grounds such as nationality, race, sex, gender identity, sexual orientation, creed, social status, or existence of or nonexistence of disability.

We respect differences in values and are always sincere.

## 19 Disclose information appropriately

We retain accurate records and proactively ensure the fair, timely and appropriate disclosure of Nomura Group information including financial statements.

This will enable us to be properly evaluated and trusted by society.

### To disclose information properly:



- We never falsify, intentionally conceal or maliciously destroy operational and financial information and retain it for a specified period

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C O D E

o f

CONDUCT



### Certification

I, Kentaro Okuda, certify that:

1. I have reviewed this annual report on Form 20-F of Nomura Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 25, 2021

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Kentaro Okuda  
Representative Executive Officer,  
President and Group Chief Executive Officer

### Certification

I, Takumi Kitamura, certify that:

1. I have reviewed this annual report on Form 20-F of Nomura Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 25, 2021

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Takumi Kitamura  
Chief Financial Officer

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of Nomura Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2021

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Kentaro Okuda  
Representative Executive Officer,  
President and Group Chief Executive Officer

**Certification**

Pursuant to 18 U.S.C. §1350, the undersigned officer of Nomura Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2021

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Takumi Kitamura  
Chief Financial Officer

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements (Form F-3 No. 333-229191 and Form S-8 No. 333-210471, No. 333-214267, No. 333-221128, No. 333-228585, No. 333-228586, No.333-231683, No.333-239996 and No. 333-256408) and related Prospectuses of Nomura Holdings, Inc. of our reports dated June 25, 2021, with respect to the consolidated financial statements of Nomura Holdings, Inc. and the effectiveness of internal control over financial reporting of Nomura Holdings, Inc., included in this Annual Report (Form 20-F) for the year ended March 31, 2021.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan  
June 25, 2021

## Exhibit 17.1

### Subsidiary Issuer of Registered Guaranteed Securities

Nomura Holdings, Inc. (“NHI”) fully and unconditionally guarantees certain securities issued by its indirect, wholly owned finance subsidiary, Nomura America Finance LLC (“NAFL”). The securities issued by NAFL and guaranteed by NHI that are subject to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are as follows:

- Senior Global Medium-Term Notes, Series A, Callable Leveraged Steepener Notes due November 24, 2025
- Senior Global Medium-Term Notes, Series A, Fixed to Floating Rate Notes due June 29, 2021
- Senior Global Medium-Term Notes, Series A, Callable Leveraged Steepener Notes due December 31, 2033
- Senior Global Medium-Term Notes, Series A, Callable Leveraged Steepener Notes due February 28, 2034
- Senior Global Medium-Term Notes, Series A, Callable Leveraged Steepener Notes due May 30, 2034
- Senior Global Medium-Term Notes, Series A, Callable Contingent Coupon Trigger Notes Linked to Russell 2000® Index due July 16, 2024
- Senior Global Medium-Term Notes, Series A, Callable Leveraged Steepener Notes due July 29, 2034
- Senior Global Medium-Term Notes, Series A, CPI-Linked Notes due December 24, 2024
- Senior Global Medium-Term Notes, Series A, Callable Leveraged Steepener Notes due December 24, 2034
- Senior Global Medium-Term Notes, Series A, Contingent Coupon Trigger Notes Linked to Russell 2000® Index due February 18, 2025
- Senior Global Medium-Term Notes, Series A, 3.00% Fixed to Floating Rate Notes due August 21, 2025