

NOMURA

Japan at the Crossroads of Economic Revival and the Role of Nomura Group

Junichi Ujii
Chairman

Nomura Holdings, Inc.
May 29, 2003

1. This document is produced by Nomura Holdings, Inc. ("Nomura"). Copyright 2003 Nomura Holdings, Inc. All rights reserved.

2. Nothing in this document shall be considered as an offer to sell or solicitation of an offer to buy any security, commodity or other instrument, including securities issued by Nomura or any affiliate thereof. Offers to sell, sales, solicitations to buy, or purchases of any securities issued by Nomura or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials or a prospectus prepared and distributed according to the laws, regulations, rules and market practices of the jurisdictions in which such offers or sales may be made.

3. No part of this document shall be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Nomura.

4. The information and opinions contained in this document have been obtained from sources believed to be reliable, but no representations or warranty, express or implied, are made that such information is accurate or complete and no responsibility or liability can be accepted by Nomura for errors or omissions or for any losses arising from the use of this information.

5. This document contains statements that may constitute, and from time to time our management may make "forward-looking statements" within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Any such statements must be read in the context of the offering materials pursuant to which any securities may be offered or sold in the United States. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Important factors that could cause actual results to differ from those in specific forward-looking statements include, without limitation, economic and market conditions, political events and investor sentiments, liquidity of secondary markets, level and volatility of interest rates, currency exchange rates, security valuations, competitive conditions and size, and the number and timing of transactions.

6. The consolidated financial information in this document is unaudited.

Outline of Presentation

I Japan at the Crossroads of Economic Revival

- Action by the Government
- Acceleration of Corporate Restructuring
- Shift of Individual Financial Assets

II The Role of Nomura Group for Economic Revival

- Strengthening Financial Ties between Corporates & Individuals
- Providing Solutions via Capital Markets
- Diverse Product Supply

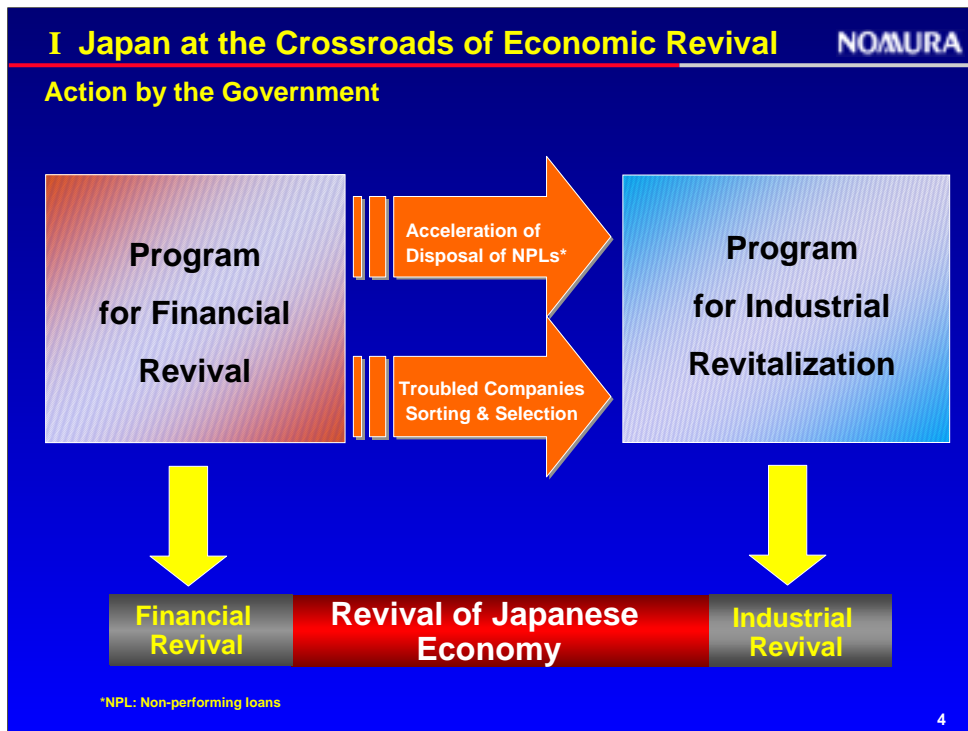
1. This document is produced by Nomura Holdings, Inc. ("Nomura"). Copyright 2003 Nomura Holdings, Inc. All rights reserved.
2. Nothing in this document shall be considered as an offer to sell or solicitation of an offer to buy any security, commodity or other instrument, including securities issued by Nomura or any affiliate thereof. Offers to sell, sales, solicitations to buy, or purchases of any securities issued by Nomura or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials or a prospectus prepared and distributed according to the laws, regulations, rules and market practices of the jurisdictions in which such offers or sales may be made.
3. No part of this document shall be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Nomura.
4. The information and opinions contained in this document have been obtained from sources believed to be reliable, but no representations or warranty, express or implied, are made that such information is accurate or complete and no responsibility or liability can be accepted by Nomura for errors or omissions or for any losses arising from the use of this information.
5. This document contains statements that may constitute, and from time to time our management may make "forward-looking statements" within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Any such statements must be read in the context of the offering materials pursuant to which any securities may be offered or sold in the United States. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Important factors that could cause actual results to differ from those in specific forward-looking statements include, without limitation, economic and market conditions, political events and investor sentiments, liquidity of secondary markets, level and volatility of interest rates, currency exchange rates, security valuations, competitive conditions and size, and the number and timing of transactions.
6. The consolidated financial information in this document is unaudited.

Today, I will talk about Japan at the crossroads of economic revival and the role of Nomura Group.

I Japan at the Crossroads of Economic Revival

- Action by the Government
- Acceleration of Corporate Restructuring
- Shift of Individual Financial Assets

I will discuss Japan at the crossroads of economic revival covering three topics: action by government, acceleration of corporate restructuring, and the shift of individual financial assets.



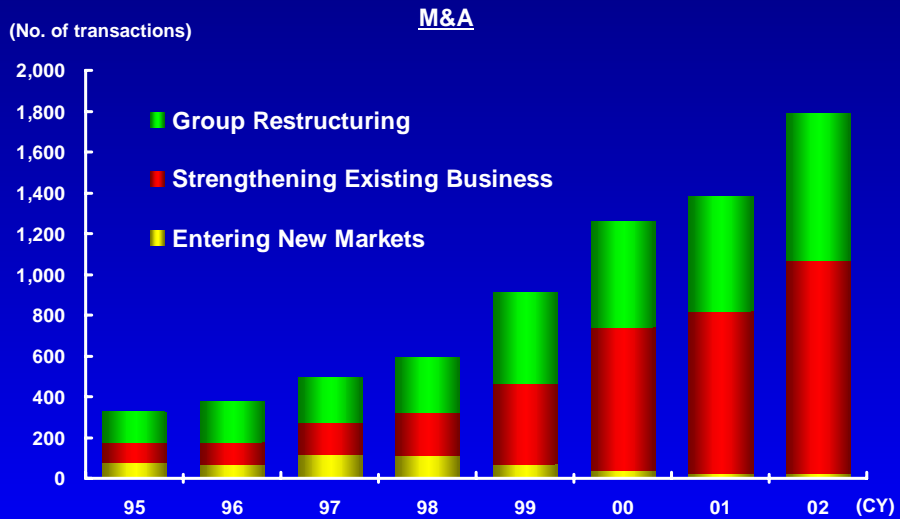
Let me start with action by government.

For a while now, the Japanese economy has been in a downturn, and recently the fall in share prices has stood out. At present we cannot see many bright prospects from the macro-economic statistics available to us. However, we are now beginning to see signs of economic revival in industry and at the company level. Before going into those details, I would like to point out that the Government is now trying to take action to tackle various economic problems.

For example, in addition to the Program for Financial Revival, which started last September, the Government has formulated another plan for corporate revival. In order to carry out the plan, the government set up the Industrial Revitalization Corporation this April.

The government's idea of integrating plans for financial revival and corporate revival is a step forward in the right direction.

Acceleration of Corporate Restructuring (1)

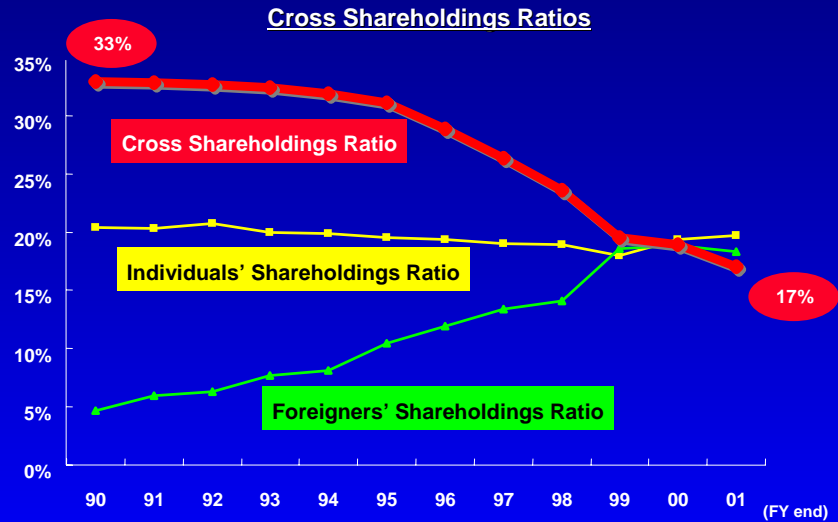


Note: Calculated on a calendar year basis excluding financial institutions
Source: Nomura Securities Financial Research Center

5

As I mentioned, changes have been taking place at the company level. This graph shows the number of M&A transactions among Japanese corporations. In global terms, the number of M&A transactions has continued to lag, but Japan is an exception. As for the type of transactions, the majority is aimed at group restructuring and strengthening existing business.

Acceleration of Corporate Restructuring (2)

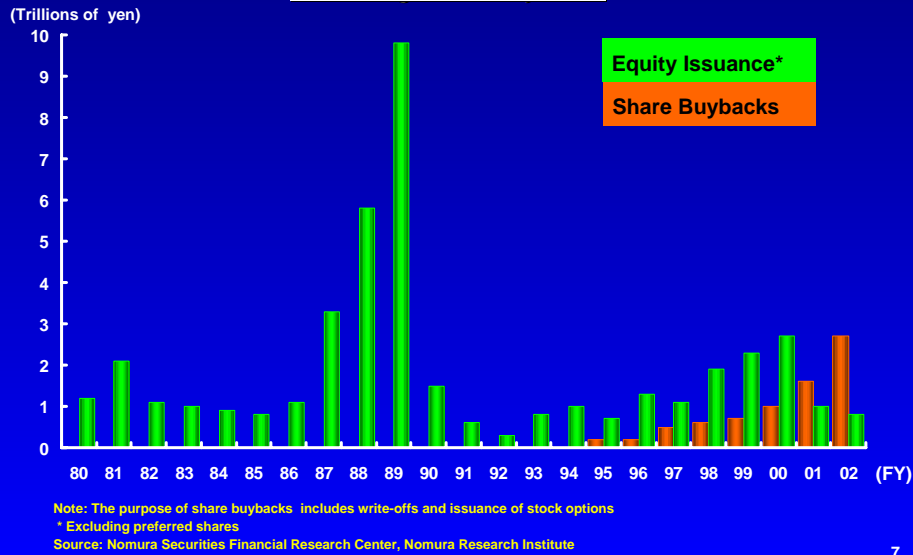


Note: The cross shareholdings ratio is the proportion of shares in listed companies (excluding affiliates) held in relation to their market value
 Source: Nomura Financial Research Center

The traditional structure of cross shareholdings is being unwound. The cross shareholdings ratio fell from 33% in fiscal year 1990 to 17% in fiscal year 2001, as the red line shows. On the other hand, the foreign institutional investors' shareholding ratio rose to 18% in 2001. By unwinding cross-shareholding positions, corporate management will become more aware of pressure from shareholders.

Acceleration of Corporate Restructuring (3)

Increasing Share Buybacks

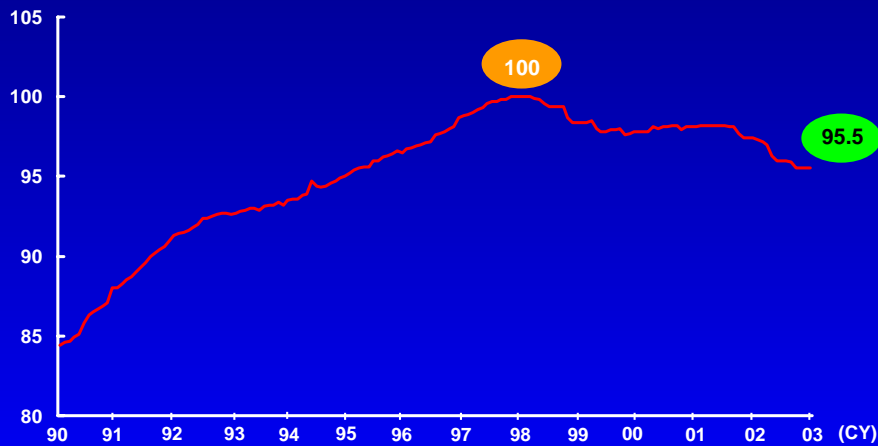


This graph shows the trend of equity issuance and share buybacks among Japanese corporations. The total amount of share buybacks implemented in fiscal year 2002 was 2.7 trillion yen, a year-on-year increase of nearly 70%. Recently, share buybacks have overtaken equity finance in terms of volume.

These buybacks are carried out partly to unwind cross shareholdings.

Acceleration of Corporate Restructuring (4)

Transition of Nominal Wages in Japan

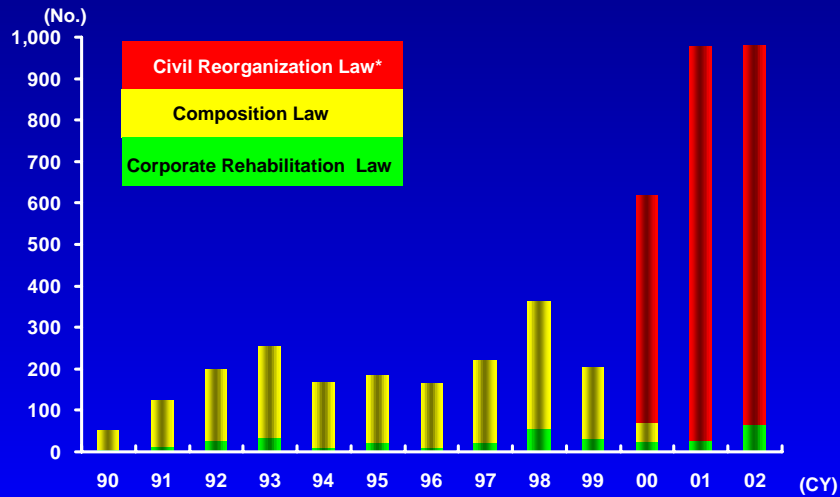


Note: Companies larger than 30 employees targeted, 12-month moving average
Source: Nomura, based on data from Ministry of Health, Labour and Welfare

Cost restructuring is also gathering pace. This graph shows the transition of nominal wages in Japan, which peaked in 1998 and have fallen 4.5% since. This points to how Japanese companies have altered their traditional seniority-based remuneration systems and begun restructuring.

Acceleration of Corporate Restructuring (5)

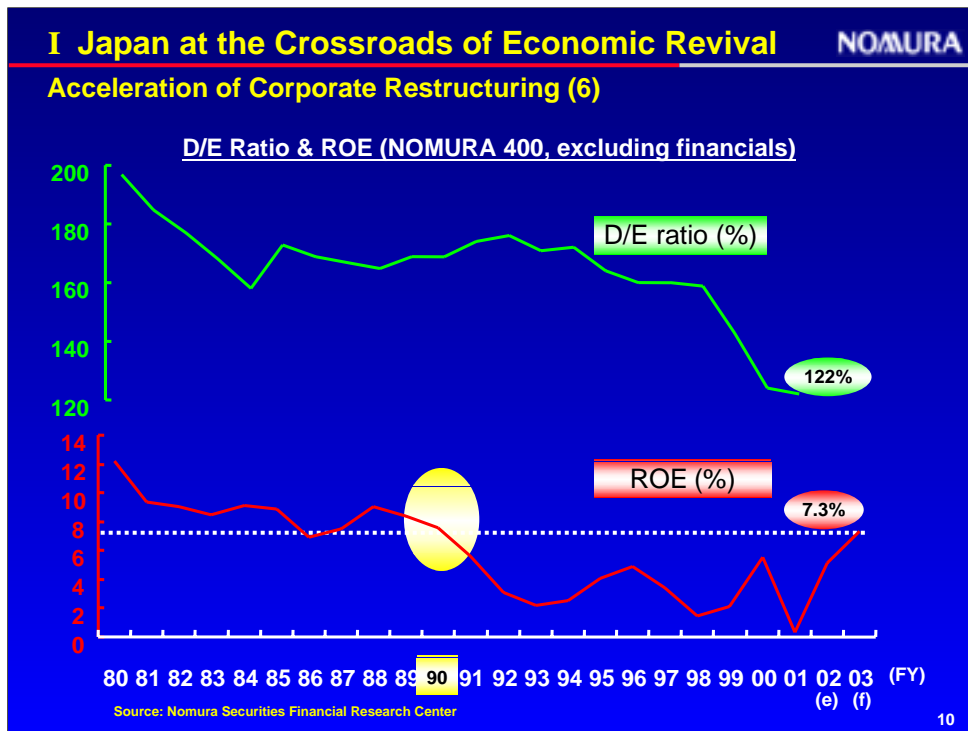
Increase in Rehabilitation-type Bankruptcy Procedures



* Civil Reorganization Law was enacted in April 2000

Source: Teikoku Databank, Ltd., Bankruptcy Reports

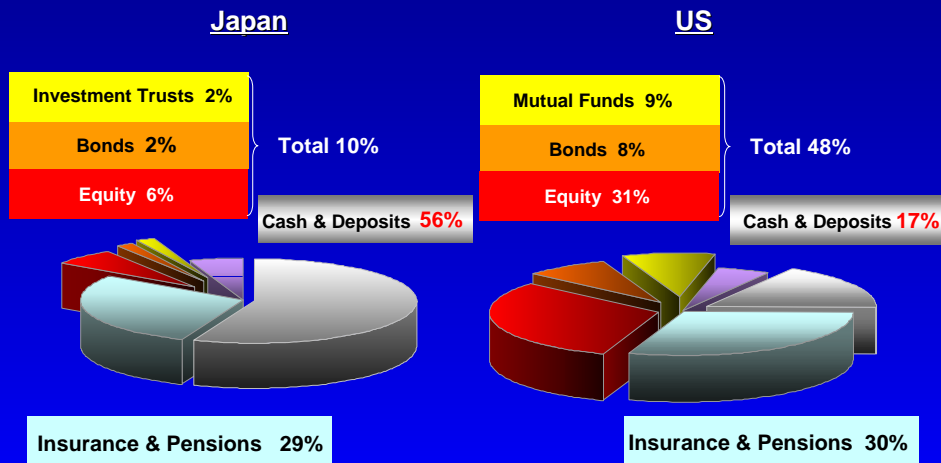
This graph looks at rehabilitation-type bankruptcy procedures, such as corporate rehabilitation represented by the green bars, and recently introduced civil reorganization procedures shown by the red bars. The Civil Reorganization Law enacted in April 2000 has similar provisions to Chapter 11 of the US Bankruptcy Act and, as you can see from the red bars, has brought about a rapid increase to the figures. We can see that this law has boosted movements to reorganize companies through reconstructive procedures rather than act as a catalyst to wipe out companies via bankruptcy or liquidation-type measures.



Japanese companies are also improving the state of their balance sheets. This graph shows the debt/equity ratio and ROE using the Nomura 400 index excluding financials. We can clearly see the effect of compressing balance sheets and reducing interest-bearing debt since the bursting of the economic bubble. Since 1980, the debt/equity ratio has fallen from 200% to 122%. Furthermore, owing to restructuring measures, ROE is expected to reach 7.3% in 2003, which is almost the same level as in 1990 when the stock price was at an historically high level.

Shift of Individual Financial Assets (1)

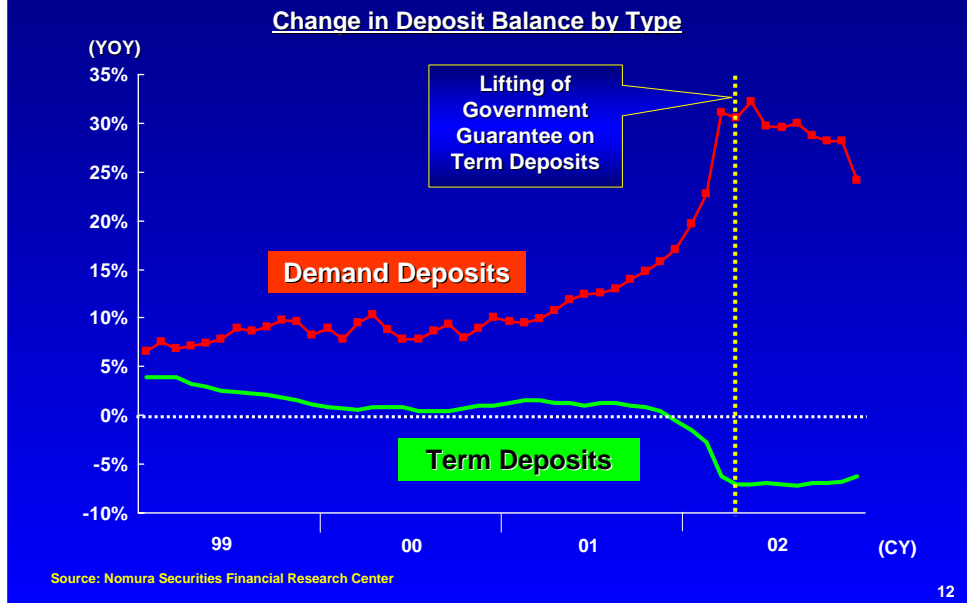
Breakdown of Individual Financial Assets (2002)



Source: Bank of Japan, Flow of Funds Accounts; Federal Reserve Bank, Flow of Funds Accounts of the United States

It is well known that Japanese individual financial assets are concentrated in low-risk financial products like cash and deposits. This situation has not changed that much for the last few years. If you look at the statistics for 2002, the percentage of individual financial assets invested in securities products was 48% in the US, but only 10% in Japan.

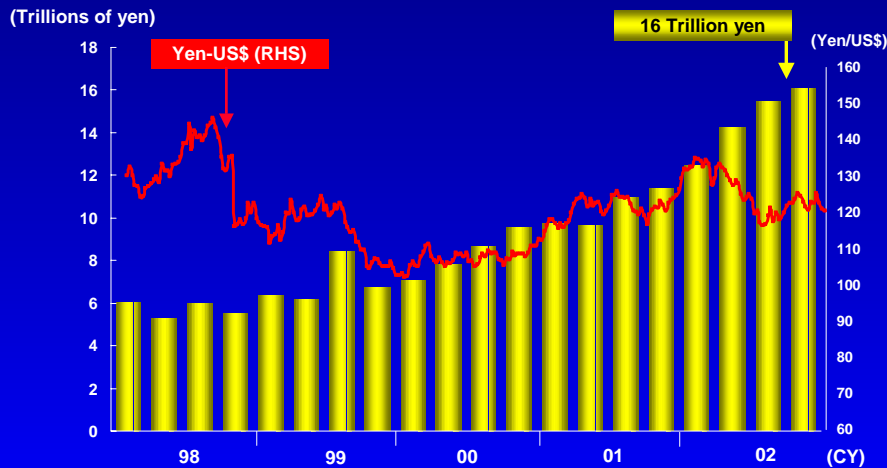
Shift of Individual Financial Assets (2)



However, this makes sense if you consider that these deposits are partly in postal savings accounts, which are backed by the government, and bank deposits, which have been protected under the government policy of guaranteeing all deposits regardless of the limit of the deposit insurance. In fact, there was a sudden shift of assets to demand deposits in April 2002 when the government guarantee on term deposits was lifted. Therefore, one cannot say individual investors in Japan are not sensitive to risk-return profiles.

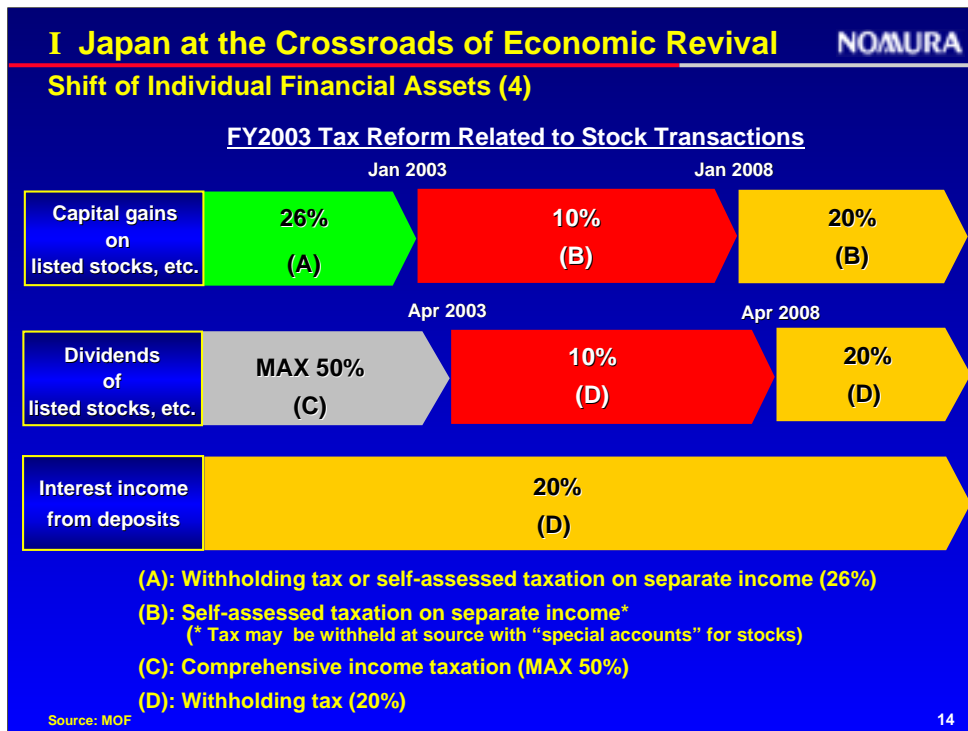
Shift of Individual Financial Assets (3)

Investment in Foreign Assets by Individuals*



* Total foreign currency deposits & outward investment in securities
 Source: Nomura Research Institute

This graph illustrates investment in foreign assets by individuals. From last year this figure increased 45% to 16 trillion yen, still a little more than 1% of total individual financial assets. At the same time, however, the dollar has not necessarily risen against Japanese yen, as the red line shows. It is thought this represents an increase in the number of individuals seeking returns, for example in the form of coupon payments, even if they have to take exchange rate risks amid continuing ultra low interest rates in Japan.



Tax reforms aim to encourage a shift of assets. From January this year, capital gains tax and dividend tax have been simplified and reduced to 10%. Though this incentive will last for the next five years only, securities taxes look favorable when compared to the 20% tax on deposit interest.

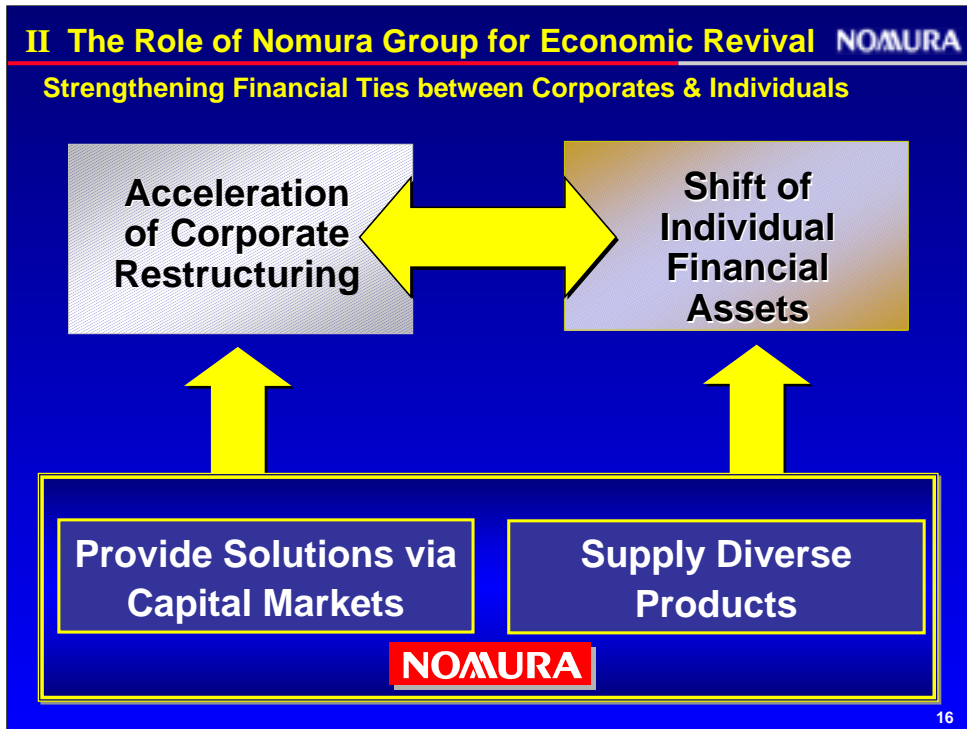
To sum up so far, I would say that although Japan is not yet seeing clear changes at the macro level, such signs are emerging at the micro level in the corporate sectors and among individual investors.

NOMURA

II The Role of Nomura Group for Economic Revival

- Strengthening Financial Ties between Corporates & Individuals
- Providing Solutions via Capital Markets
- Diverse Product Supply

Let us now move to the topic regarding Nomura's role in Japan's revival.



As you can see from this slide, we aim to contribute to Japan's revival by supporting the flow of money between companies progressing with restructuring and individual investors. Our strategy towards this end is to promote corporate restructuring by providing solutions via capital markets and encourage the shift of individual financial assets from cash and deposits into higher risk-return products by supplying diverse products.

II The Role of Nomura Group for Economic Revival NOMURA

Providing Solutions via Capital Markets (1)

Corporate Revival

Financial Advisory

- Niigata Engineering
- First Credit

Principal Investment

- Misawa Resort
- Daikuma

M&A Advisory

Cross Border M&A

- Wal-Mart = Seiyu
- Publicis / Bcom3 = Dentsu

M&A Ranking (CY 2002)

Rank	Advisor
1	Nomura
2	Citigroup /Salomon Smith Barney
3	Daiwa Securities SMBC
4	Morgan Stanley
5	Goldman Sachs & Co

Source: Thomson Financial

Our strategy for the corporate sector is to encourage acceleration of restructuring. On the corporate revival front, we acted as financial advisor for troubled companies such as Niigata Engineering and First Credit, and invested our own capital in Misawa Resort and other companies through our subsidiary named Nomura Principal Finance.

In M&A advisory, we are active not only in intra-Japan deals but also crossborder deals, such as Wal-Mart =Seiyu and Publicis/Bcom3=Dentsu. Last year, Nomura was ranked number one in announced M&A with any Japanese involvement.

II The Role of Nomura Group for Economic Revival **NOMURA**

Providing Solutions via Capital Markets (2)

Initial Public Offering (IPO)

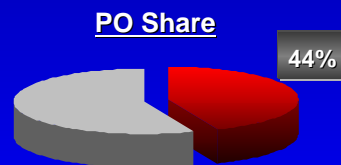
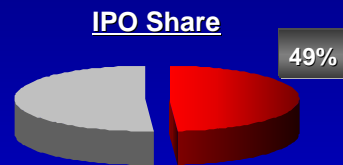
■ Daido Life

Public Offering (PO)

■ JR East
■ MTFG

Securitization

■ Shinsei Bank
■ Nippon Life



Source: Nomura Securities (FY ended March 2003)

18

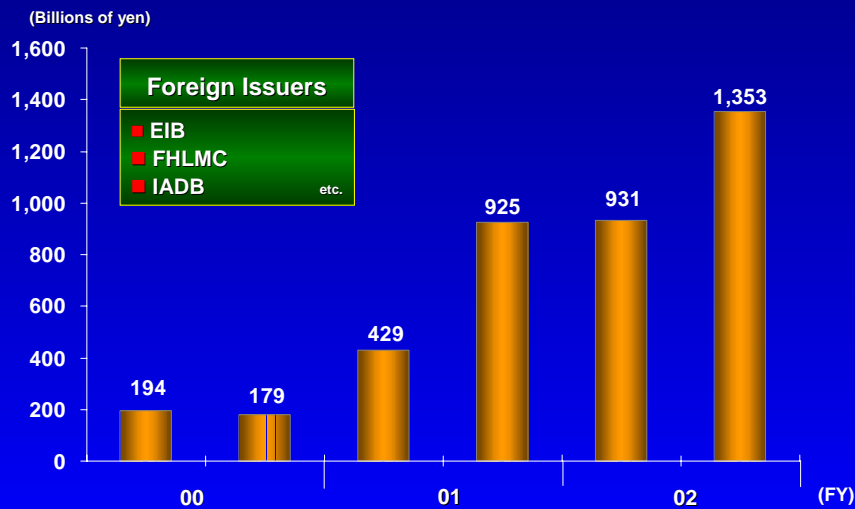
On the initial public offering and public offering front, we executed Daido Life's IPO, the first demutualization of a life insurance company in Japan. We also acted as global coordinator for East Japan Railway and Mitsubishi Tokyo Financial Group. As a result, we had an IPO share of 49% and PO share of 44% for the year ended March 2003.

Securitization, which has been expanding quickly in Japan, is important in the sense that it integrates bank loans and capital markets. We have acted as lead manager for securitization of loans, such as for Shinsei Bank, and the securitization of foundation funds, such as for Nippon Life.

II The Role of Nomura Group for Economic Revival **NOMURA**

Diverse Product Supply (1)

Distribution Volume of Foreign Currency Bonds for Retail Investors



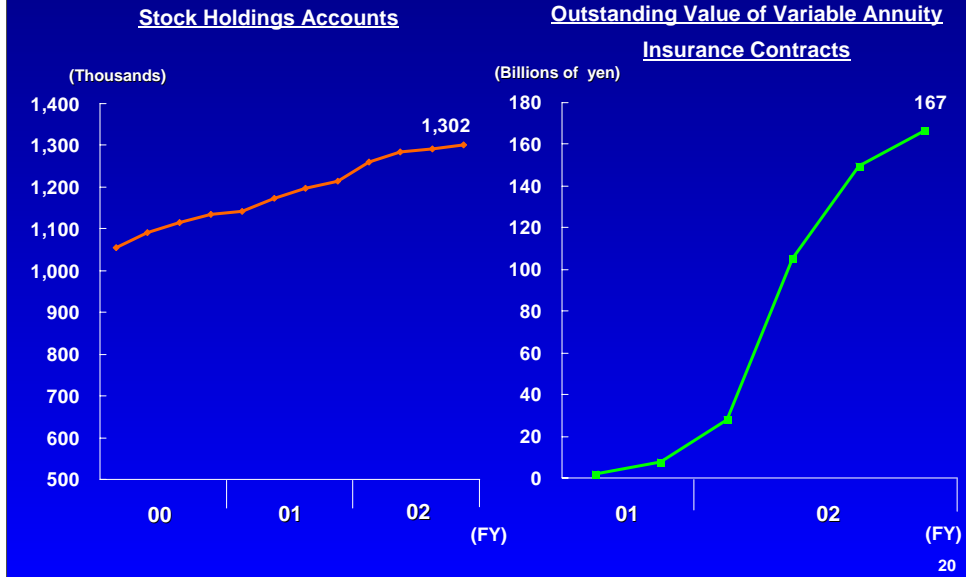
19

As shown before, the majority of individual financial assets are held in cash and deposits in Japan. Our strategy is to provide various financial products to encourage diversification of these assets and lead them to capital markets.

This graph shows the distribution volume of foreign currency denominated bonds for Japanese retail investors. We are supporting currency diversification of individual financial assets by supplying products that match the needs of foreign issuers with high credit ratings that are interested in these vast assets. Such issuers include the European Investment Bank, Federal Loan Home Mortgage Corporation and Inter-American Development Bank.

II The Role of Nomura Group for Economic Revival NOMURA

Diverse Product Supply (2)



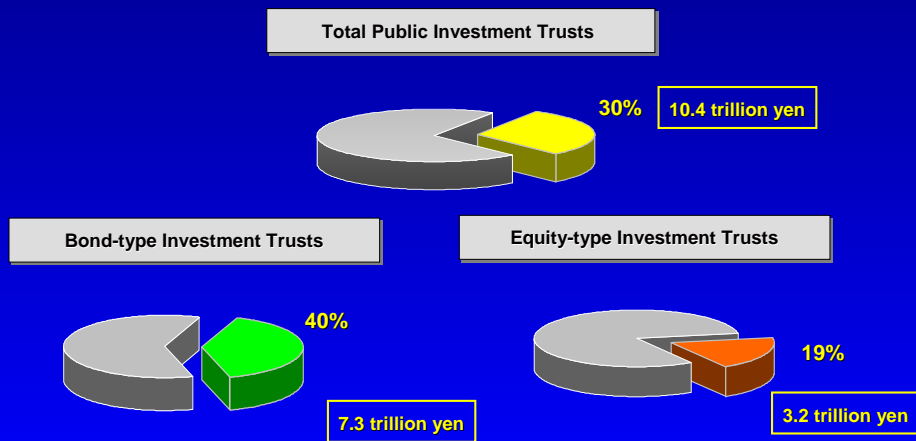
The graph on the left shows the transition of stock holding accounts opened at our Japanese branch offices. As of the end of March 2003, we had 1.3 million accounts, an increase of about 270,000 accounts since the end of March 2000 as a result of our efforts to broaden the individual investor base.

The graph on the right shows the outstanding value of variable annuity insurance contracts, a new product for Japanese retail investors. We started offering this product in October 2001. As of the end of March 2003, the outstanding amount was 167 billion yen.

II The Role of Nomura Group for Economic Revival **NOMURA**

Diverse Product Supply (3)

Nomura Asset Management's Share



Note: As of Mar. 2003

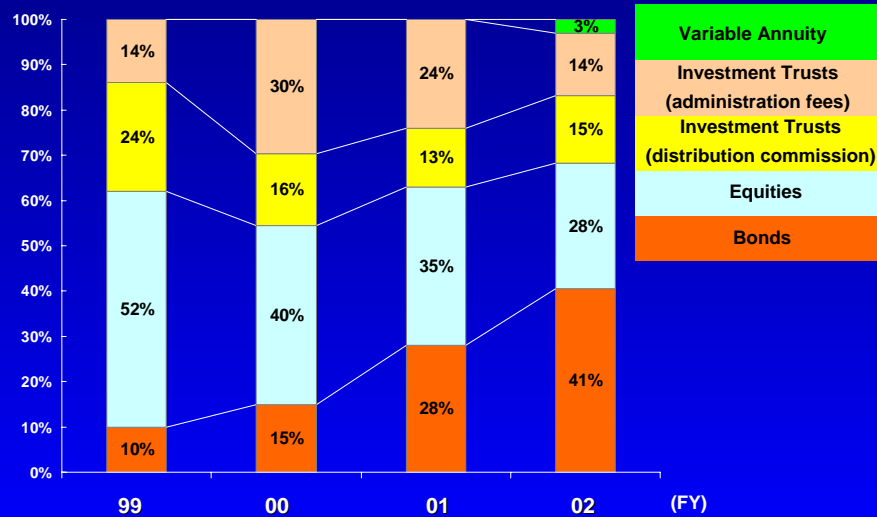
21

For our investment trust business, products are primarily supplied by a subsidiary called Nomura Asset Management. It has the top share in the public investment trusts market at 30%. It also has the top shares in the bond- and equity-type investment trusts markets.

II The Role of Nomura Group for Economic Revival **NOMURA**

Diverse Product Supply (4)

Revenue Structure by Product (approx.)



22

From the graph, you can see a clear change in revenue structure of our company for the last four years, demonstrating how we are proceeding with product diversification. We aim to contribute to asset diversification of individual investors through this effort.



In conclusion, as commercial and industrial bank systems in Japan have problems with their business models, for instance, low returns, non-performing loans, and cross shareholdings, Nomura's role for Japan's revival is crucially important for both corporate restructuring and the flow of risk money to industries.