

Investor Presentation

May 2002

Q&A Session

Date: May 16, 2002 (Thursday, 1530hrs)

Place: Nomura Securities Co., Ltd., Level 19, Urbannet Otemachi Building

Speaker: Junichi Ujiie, President & Chief Executive Officer

Q Is the integration of your four wholesale business activities showing any results?

A As products evolve, an increasing amount can no longer be accommodated under the traditional categories of equity, fixed income and investment banking, for example, securitized products. As such, rather than pursue profits based on the traditional categories, we find it more efficient to do so under an integrated structure that combines all of these aspects. The consolidation of our wholesale business was a logical step to take and one that is producing results.

Q What is meant by “other measurements suited to each business” to monitor performance?

A This refers to important indices for evaluating and measuring performance. For instance, Domestic Retail uses assets deposited in our custody as a yardstick whereas Investment Banking would use cross-border M&A profiles.

Q Do you base payments on NVA?

A As well as allocating capital based on NVA and other measurements, we also pay capital costs. Since human resources are also classed as capital, if NVA performance evaluations catch on and become widely used, we will make payments in line with these assessments.

Q What is the size of the potential domestic market for merchant banking in Japan? How much can be earned?

A This is not the sort of question that I can answer with figures, so I will have to answer how I view the situation.

There are great opportunities when one considers arbitrage between large business units in Japan is not as fully developed as in the United States and Europe. Also, the world of merchant banking in Japan has its own domestic practices and compared to foreign affiliates in this country, Nomura’s familiarity with such customs puts it in an advantageous position, assuming identical business capabilities.

Q What is the significance behind Mr. Inano's appointment to president of Nomura Asset Management (NAM)?

A In executing our business strategy, we focus on global coordination of product lines rather than individual legal entities. Our business lines consist of Domestic Retail, Global Wholesale and Asset Management. As head of the Asset Management business line, Mr. Inano is also the president of NAM. Asset Management also comprises Nomura Corporate Research and Asset Management Inc. (NCRAM), an asset management company in the United States, and other businesses such as defined contribution pension plan administration.

Q Your current earnings structure is heavily reliant on trading. However, domestic retail assets in your custody have not increased despite the large number of employees. Why are you not trying to reduce staff in this area?

A First of all, investment banking and asset management transactions are made impossible without the presence of a solid domestic retail infrastructure. Furthermore, you will find that financial institutions that lack a base of this kind will be unable to produce sustainable earnings even if they are able to do so tentatively over the short term. More than anything else, Nomura regards its retail business as a growth industry. As such, through IT-based investment services we operate a structure that allows our sales force to devote more time to high value-added consulting services. Consequently, we need not increase staff levels even if the volume of business increases.

Q What was, "What the banks have that Nomura Group doesn't," referring to in the interview with the weekly magazine Diamond?

A Clearing and deposit mechanisms. Or otherwise put, balance sheet expansion at low cost. However, this does not necessarily mean I wish to acquire such capabilities.

Q What would you consider to be an appropriate leverage level?

A In the United States and Europe, investment banks and securities houses are usually leveraged between 20 to 30 times. Compared to this, 11 times seems a little low, but at the same time I get the impression 20 times is a little too high.

Q What is meant by "globally competitive Japanese financial services group?"

A We believe Nomura will be unrivalled as a financial institution in areas involving Japan, such as Japanese clients, investors and issuers.

Q When will you enter the next stage of becoming a “globally competitive Japanese financial services group?”

A We would like to complete our current stage in the medium term and are allocating capital to our business lines to this end. Today, we announced we would be submitting a proposal for a stock repurchase program at our Annual General Meeting of Shareholders, but it is undecided whether or not we will actually implement the stock repurchase program. We believe the Japanese market can be expected to provide high returns over the next three years, so we have set an average target ROE of 10-15% over the medium to long term. These returns should be considerably higher than in the US when one considers the US-Japan interest rate differential.

Q What will you do with your investments in Nomura Land and Building and Nomura Research Institute?

A We hold just over a 20% share in both companies via the equity method. Essentially, we would like to maintain our current relationship with these companies. In that sense, what is more important is the reduction of our investment securities. I do not think the amount we have invested in these companies is all that much.

Q Fees from investment trusts are down. What does Nomura propose to do in light of the fact that other companies are selling products for high fees?

A To start with, we are emphasizing the gathering of individual financial assets. We believe it more important to broaden our client base rather than immediately increase revenue.

Q In the financial retail sector, who do you consider to be your main competitor over the medium to long term?

A The Post Office because its nationwide branch office network surpasses those of other financial institutions.

Q Are you not losing clients to online brokerages?

A In contrast to the 21,000 new accounts opened on average every month at Nomura between April 2001 and March 2002, the average monthly transfer of accounts to competitors via the Japan Securities Depository Center was a mere 1,151 accounts.

Q What do you currently consider a risk factor from a management standpoint?

A The fact that globalization is beginning to affect not only money, but also the real economy.

During Russia's crisis in 1998, funds shifted in an instant and the risk of overshooting stopped with finance. However, we are now getting to the stage where this risk could also arise in the real economy.

Q Could you tell us what is needed to capture individual financial assets?

A The essential requirements are credibility and integrity. The credibility to sell products tailored to meet customers' needs is fundamental.

Q As president, what index do you attach most importance to?

A Return on equity (ROE). I place emphasis on ROE since it indicates return on capital.

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