

December 9, 2004

Investors' Day Presentation

Remarks by:
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Good afternoon. I will take about 10 minutes of your time to introduce the goals and strategy of Global Wholesale.

Slide 2: Goal and Strategy

The goal of Nomura Group is to be a globally competitive financial institution.

To see this through, Global Wholesale aims to play a leading role within the Group by establishing new profit engines to drive overall growth and speeding up the pace of globalization across the whole organization.

Slide 3: Shift in Profit Engines

Over the past couple of years, the business generating the most revenue within Global Wholesale has changed according to changes in the market environment.

As you can see in this slide, block trades, merchant banking, and foreign currency bonds have been the main drivers since the fiscal year ended March 2000.

Revenue from foreign currency bonds, however, has fallen significantly since it peaked in the first quarter of last year.

Slide 4: New Profit Engines: Next Growth Areas

We now need to add new streams of revenue to fill the gap left by the drop in earnings from foreign currency bonds.

We are starting to see a number of growth areas that offer huge possibilities. Today, will briefly explain three such areas: capital solutions, asset finance, and loan-related

businesses.

Slide 5: Capital Solutions Business

First, our capital solutions business. In short, this is using our own balance sheet as well as the capital markets to offer tailor-made financial solutions that are geared to the specific needs of each client.

One example of this is multiple private offerings (MPOs). In an MPO, we first buy the convertible bonds or preferred shares issued by companies. We then convert these bonds or shares into common stock and sell to institutional investors or on the market, boosting the shareholders' equity of the issuing company.

The number of MPOs and the total value of offerings grew rapidly in the first half of the current fiscal year. This clearly demonstrates that we were able to successfully link the underwriting function of investment banking and the trading function of our equity operations through the Syndicate Department established in April.

We also established Global Markets this past April.

By combining our stock and bond trading operations into Global Markets, we were able to successfully complete a hybrid private offering (HPO) for Hitachi worth 100 billion yen.

In an HPO, however, the financing is done through high-premium convertible bonds. In the Hitachi deal, the equity option portion of the convertible bonds was used by our equity departments, while the bond portion was repackaged by Fixed Income and sold to investors.

This month we set up a new Capital Solutions Department and increased headcount to further expand our solutions business and pave the way for new revenue earning businesses.

We also plan to exchange ideas and know-how with our new Equity Derivatives team in London on low-cost funding and equity position management using derivatives.

Slide 6: Asset Finance Business

Another area we want to establish as an engine to drive profit is asset financing that targets real-estate and PFI transactions.

Over the past couple of years, new financing technologies have entered the real-estate business. The rapid expansion of the J-REIT market, coupled with more sophisticated means of securitization, is changing the landscape of real-estate investments.

What is more, the real-estate finance market is also expected to grow as the liquidity of real-estate assets held by corporations increases due to the introduction of asset impairment accounting.

Slide 7: Asset Finance Business

Until now, Nomura's business in this area has centered on arranging finance and advising on financial schemes.

Looking ahead, we will use our own balance sheet to offer loans to finance real-estate development which we will then sell on to investors or distribute as securitized products such as commercial mortgage backed securities.

Our Asset Finance Group in London, which came on board in 2002, is already involved in such financing deals and has originated three transactions worth 1.5 billion dollars. We now need to tap the knowledge of this group to expand our asset finance operations in Japan.

Slide 8: Loan-related Business

In the asset finance business, syndicated loans and securitized products are effective instruments for Japanese financial institutions struggling to fill the gap between deposits and loans.

We believe there will be strong demand from regional financial institutions in Japan for loan products that include derivatives and repackaged loans backed by not only real-estate but also convertible bonds.

In September we registered 28 domestic offices, including our head office, as non-banking lenders and we are now looking to become an active player in the market for originating and supplying loan products to regional financial institutions.

Slide 9: Global Strategy

So as you can see, we have some exciting new initiatives in the pipeline. But what about our global strategy?

I am often asked how we intend to make Nomura a globally competitive financial institution.

First and foremost, I believe we need to enhance our global network. This is a *must* if we are to extend our globally competitive edge over domestic banks and compete on a level playing field with foreign financial institutions. An extensive drive to further globalize our operations is therefore a key strategic move for Global Wholesale.

This slide shows the current progress of each business line's effort to globalize by breaking the process into two stages: cross-border business and business completely unrelated to Japan, what we refer to here as "out-out" business.

As you can see, there is some disparity in terms of globalization between each business line. In addition to this, the challenges we will continue to face in the foreseeable future differ from business to business.

Slide 10: Global Strategy

Overall, though, our basic strategy is the same: create a positive growth cycle by capitalizing on our strong position in Japan-oriented financial products and solid domestic customer base to expand cross-border transactions, thereby raising our profile overseas and, in turn, further boosting our presence in Japan.

Another fundamental part of our overall strategy is to increase earnings by employing professional teams overseas to bolster our out-out business and introduce their ideas and high value-added products to our global network of investors.

Slide 11: Track Record of Japan-related Cross-border Deals

Our Japan-related cross-border business can be divided into two areas: "exporting" Japanese financial instruments to overseas investors and "importing" products to investors in Japan.

We enjoy a strong presence in both areas.

The most representative example of our import business is foreign currency bonds. Our track record of selling foreign currency bonds and medium-term notes in Japan has helped us become the lead manager in international deals for benchmark bonds, which we were

able to sell in Japan and the rest of Asia.

The success of these deals has added to our track record, creating even further opportunities.

The secondary market for Japanese equities has been a traditionally strong area for us as well.

Even in the Euroyen convertible bond market, which up until last year saw foreign securities houses lead manage several deals, we have been able to regain the top position in the lead manager stakes for not only 2004, but also on an accumulated basis since 2002.

That said, some areas of our cross-border business still need to be worked on. One such area is underwriting of foreign stocks. Another is cross-border mergers and acquisitions.

In underwriting of foreign stocks, we have organized a number of public offering without listing (POWL) deals in Japan, including one for China Power International and China Netcom Group. POWLs allow overseas companies to sell their shares to Japanese retail investors.

However, our ultimate goal is to not only organize POWLs in Japan, but to act as the global coordinator of deals. To realize this goal, we are looking to expand our foreign currency bond business model into foreign equities. We aim to do this by helping out in more foreign privatization deals and managing more foreign listings on the Tokyo Stock Exchange—best illustrated by the recent Tokyo-only listing of Xinhua Finance Ltd.

In the area of cross-border M&As, we are seeing a sharp increase in the number of Japanese firms entering China.

Here, we were able to leverage the expertise of our local consulting firm, Nomura Corporate Advisory (China), to successfully complete one of the largest M&A deals between Japanese and Chinese companies when Japanese beer maker Asahi Breweries Ltd. and trading house Itochu Corp. invested in the beverage operations of Tingyi (Cayman Islands) Holding Company.

Other deals that have helped build our track record in this area include acting as advisor to the capital alliances between Nissin Food Products Co., Ltd. and Heibei Hualong F&N

Industry Group Co., Ltd as well as Kirin Brewery Co. Dalian Daxue Brewery Co.

However, our networks in regions outside China are not as strong as we would like. We are fully aware of the urgent need to address this.

We have already started to bolster our organization to identify promising foreign companies and provide round-the-clock coverage. As a part of recent personnel changes, we increased the number of employees working on improving collaboration between Japan and overseas offices. We are also planning to increase the number of local staff in overseas offices and will look into forming alliances if such possibilities arise.

Slide 12: Strengthen Out-Out Business

As you saw in the last slide, our out-out business is already expanding.

In 2002, we formed the Asset Finance group in Europe. This has helped us grow business opportunities with real-estate companies and private equity funds by offering real-estate financing.

In 2003, we hired a Convertible Bond team, increasing our expertise in CB trading and raising our hedge fund coverage.

In September this year we hired an Equity Derivatives team to offer full-service solutions for client needs in pension plans, life insurance, hedge funds, and private banking.

In the US, meanwhile, we stepped up securitization of real-estate loans in 2001. And in 2003 we hired an Execution team for US stocks in an effort to enhance our basket trading based on quantitative analysis and raise our presence as a global broker.

These moves to build up our out-out business are aimed at not only diversifying the revenue sources of our overseas operations, but also expanding our business with local clients and increasing our presence in overseas markets through focusing on asset finance and derivatives.

In addition to improving our local business in Europe and the US, we are also seeking to expand our cross-Atlantic business. Some examples include selling US securitized products in Europe and bringing our European structured businesses, such as the CDO business, to

the US.

We also plan to tap the experience, knowledge and business methods of our overseas offices to strengthen our ability to provide products and solutions in Japan.

Slide 13: Goal and Strategy

I hope this brief explanation has given you some insight into the goals and strategy of Global Wholesale. Our investment banking business enjoyed a strong run for the six months to September on the back of an increase in equity finance and M&A deals.

However, our trading operations saw a year-on-year drop in revenue and profit as volatility declined and customer order flow decreased.

Although I didn't have enough time to go into the details today, we did not have any large exits in merchant banking for the six month period and posted a loss as we were unable to cover funding costs.

Going forward, we will continue to beef up our pipeline while also implementing the strategies I outlined today to establish new sources of revenue to drive growth.

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