

Press Conference on US RMBS Business

Q&A Session

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Speakers: Nobuyuki Koga, President and CEO  
Masafumi Nakada, Senior Managing Director, Chief Financial Officer

Q1 If you post a loss of 73 billion yen for the second quarter, then RMBS-related losses from January this year will total 140 billion yen. What is the reason behind such significant losses?

A1 While it is not easy to sum up, one of the reasons is that the market impact was far more severe than we had anticipated. Another reason is in operations. That is why we have been reviewing our US operations since last year. Although the US is a highly liquid and innovative market, our client base is not that solid and so we were limited in our expansion. Therefore, the loss is not just related to RMBS problems.

Q2 What are you doing in terms of management accountability for the losses? How has this been reflected in the executive reshuffle?

A2 It is disappointing that we were not able to meet our shareholders' and investors' expectations. The losses are not the result of illegal activities or breaches of internal regulations. Rather, the issue lies in the structure of Nomura Holdings as a whole. As such, the three representative executive officers of Nomura Holdings, including myself, will face a 30% pay cut until next March. Other executives involved will have their wages cut by 10% - 20%. These exceptional changes to the business division CEOs were decided as it was deemed crucial to give a fresh start under the current circumstances.

Q3 You said you will cut headcount in the Americas by about 400 overall. Is this the net figure of increases and decreases?

A3 Yes

Q4 You said the headcount reduction excluding Instinet and the asset management business will be over 50%. What is the exact figure?

- A4 Currently, we have just over 1,300 people in the Americas. Plans call for this to be reduced to about 900.
- Q5 Will the current CEO in the US subsidiary also be retrenched?
- A5 The current CEO will remain in place. Most of the reductions will come from the broker-dealer operations and support sections.
- Q6 Will you also post net losses?
- A6 There is a possibility. We are currently compiling the final figures and cannot go into further details today.
- Q7 Nomura Holdings booked a huge loss due to commercial mortgage-backed securities ten years ago. Why weren't you able to reflect the lessons learned then into your risk management?
- A7 We booked a major loss ten years ago in CMBS on the back of the Russian financial crisis. We have since strengthened our structure such as ascertaining and measuring risks. The losses now are not the fault of risk managers. Rather, the big problem lies in our insufficient risk management structure as a whole. Our problems stem from risk management issues in a slightly broader sense. It is virtually impossible to always prevent losses when events cause huge market movements. Some risks can't be controlled just by the numbers. That is a lesson we need to take away to enhance our risk management.
- Q8 When was the last time you posted a quarterly loss?
- A8 The fourth quarter of the year ended March 2003 is the last time we had an after-tax loss on a quarterly basis.
- Q9 Do you feel there were delays in focusing on core competences in the US?
- A9 We accelerated our focus on core competencies but the volatile market moved faster than our acceleration. It could be due to the fact that we did not fully involve the market in the US. This might have limited our management judgment. With

hindsight, we now think we should have accelerated our focus faster.

Q10 In the market, there are severe market conditions on not only RMBS but also various products that were in turmoil due to subprime problems. Investment banks in the US and Europe made a loss from these products. Does Nomura have any positions like LBOs or ABCP that might bear future losses?

A10 It is quite difficult to measure exactly the effect of subprime problems, but we do not have any subprime positions outside of our US business. Also, we do not have any related CDO or ABCP positions. Nomura Capital Investment, a subsidiary in Japan, and our European subsidiary operate loan businesses but we do not believe there is any adverse impact to their positions from subprime at this moment.

Q11 Does Nomura have any positions in LBO loans? If you do, are there any losses expected from these positions?

A11 Our LBO business is operated by Nomura Capital Investment, a subsidiary in Japan, and our European subsidiary, but the outstanding balance is smaller than our competitors. We have properly controlled risk over these positions.

Q12 How do you feel about companies that were able to record profitable results or succeeded to prevent huge losses amid the market turmoil?

A12 It is really very difficult to prevent any losses during market turmoil. Even companies which succeeded in preventing losses this time might not be able prevent event losses next time. The important management issue is whether we can control our risk appetite to manage our losses within the range which is acceptable from our overall performance, and whether we can take adequate action under market turmoil. This time we found we have to strengthen such ability.

Q13 Does focusing on core competencies mean a reduction of your US business?

A13 As the US market is a highly liquid and open market, we can expect to grow even without a strong client base in the US. That is the reason historically why we have expanded in many business areas. Therefore we have to downsize our US

business under a strategy of focusing on core competencies.

When we reviewed the businesses of NSI, our US broker-dealer arm, with a view whether NSI could satisfy our clients' necessity, we have concluded to downsize its operations. On the other hand, we will strengthen our asset management business in which we expect further growth and Instinet which is well positioned to capitalize on business opportunities as we expect a favorable business environment.

At Nomura Holdings we want to focus our operations only on competitive business areas. That is our strategy of focusing on core competencies.

Q14 What measures do you intend to introduce in order to avoid a reoccurrence?

A14 As you are aware, risk management entails numerous elements. The firm is faced with market, operational as well as in this instance event risk which occurs on a cyclical basis.

Nomura has always been strong in earning revenues from client-centric business rather than taking on risk by itself.

However, we cannot operate a financial institution without taking on risk. Therefore, we need to ensure that we create an environment where we are able to undertake business while not only controlling, but also a mechanism where we can seek out embedded risk in the market through our in-depth understanding of our client and market behavior.

Q15 Who are the executives that will give up part of their salaries?

A15 It will be the three NHI Representative Executive Officers, Executive Officers of Global Markets Fixed Income and Head of Regional Management, Americas.

Q16 We understand that you intend to expand your operations in Asia. Have there been any further developments? I have heard that NHI has stepped down from a possible acquisition of an Indian financial institution, can you provide us with more details?

A16 We continue to hold numerous discussions with various counterparties. therefore, we wish to refrain from answering on specific projects.

Q17 Some U.S. Investment banks were able to make a profit under the severe market conditions. Why was it difficult for Nomura to make a profit like your US competitors?

A17 I think that only investment banks that have been based in and focused on the US market were able make a profit. We tried to make a profit, facing risks and controlling them. However, this does not mean that we intend to do it, taking risks only in the market. We only take risks in the process of providing financial solutions to our clients. Our business is built on the needs of our clients. I believe that this the Nomura way.

Q18 What is your forecast for net income for the six months ended September 30, 2007, and for the year ending March 31, 2008?

A18 We do not disclose forecasts on financial results as forecasts may lead to misunderstandings. We try to practice quick disclosure instead. We will disclose financial results for the six months ended September 30, 2007, on October 25.

*Nomura is providing this preliminary information relating to its second quarter prior to the scheduled financial highlights announcement date in light of the recent market events. The operating results for the first half of the fiscal year ending March 31, 2008, will be disclosed on the 25th of October.*

*Certain statements in this release are forward-looking statements. Forward-looking statements are statements that are not historical facts, and they include statements about management's beliefs and expectations. These statements are based on plans, estimates and projections as they are currently available to management. By their nature, forward-looking statements involve uncertainties, and therefore, actual results may differ materially from those included in these statements. Such uncertainties include, but are not limited to, financial market volatilities, economic and market conditions in the global capital markets, and actions taken by current and potential competitors.*