

## **Investor Presentation Q&A Session**

Date: April 28, 2008  
Place: Nomura Securities Co., Ltd.  
Nihonbashi Headquarters  
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Q1 The 200 billion yen in pre-tax income as part of your vision for Global Markets seems very ambitious. I think you currently have a heavy reliance on currency-linked structured bonds. Which areas are you looking to expand and how much do you expect your London operations to contribute in terms of revenue?

A1 While there is currently a disproportionate reliance on structured bonds, we are seeing a shift in terms of products towards credit-related and other types of products, not only in Japan but also Europe and the US. Our European and American competitors have focused on highly leveraged businesses in the area of credit. The more instable the credit-related environment becomes, the more chance we have to expand our credit business. Although we booked losses in London related to monolines during the fourth quarter, London still forms the core of our international operations in terms of markets and currencies.

Q2 Your medium-term targets are also ambitious. Do you intend to achieve this by organic growth alone, or are you also considering mergers and acquisitions?

A2 If we determine that we are limited in terms of organic growth in the business divisions, we will naturally consider M&A where necessary. With all the realignment going on at the moment including among European and US firms, we will make the necessary decisions if we are presented with opportunities.

Q3 What type of financial institution are you aiming to be in terms of your business model? Is there a particular firm you base your model on or are you taking an individual approach?

A3 I think the current financial market turmoil will act as a catalyst for change in the business model for fixed income. We are not aiming to be like any particular firm because I think business models will change going forward. At the very least, we will keep pace with these changes. What we really want to do, though, is to anticipate change. We will strengthen our client base in Japan, build out our franchise in Asia, and then establish our presence in Europe and the US.

Q4 With the shift to globalization and world class, don't you think that Japanese politics and administrative affairs are closed? Is this environment conducive to a Japanese financial institution becoming a global player?

A4 It is hard for me to comment on politics and government issues. Because investors in Japan are not educated enough yet, we are creating the environment for investment by offering educational programs on finance at schools, in the workplace, and in the community. Once financial services are recognized as an industry, it will then be a question of clarifying what should be regulated and what should be open, establishing the environment for disclosure, and ensuring equal opportunity for competition.

- Q5 Your business is based on your people. The structure for compensation and benefits at global financial institutions has changed over the past 10 to 20 years. Is your compensation internationally competitive?
- A5 The movement of people is increasing, and as management we need consider that under the given conditions. To be sure, we have been somewhat defensive when it comes to compensation, but this is changing. The movement of people works to make the company better. Based on this logic, we would like to make positive changes over the next three years or so, naturally while paying attention to any legal restrictions.
- Q6 Nomura used to be in a top position globally, but this has dropped over the past 20 years. Why is this so and what needs to be changed?
- A6 During the bubble period, Japanese funds dominated globally in terms of quantity. The reason for our presence at the time is because Japanese financial institutions facilitated the flow of Japanese funds. However, since then foreign financial institutions have entered Japan, and there has been a shift in terms of who is facilitating. These changes have had a positive influence on the economy. But whether this is done by Japanese firms or foreign firms, a flexible approach and openness to diversity of people who can participate is a positive move and will help Japan become a true financial center. Nomura will take the initiative to ensure this process moves forward.
- Q7 Did you procure the subordinated debt because capital is not sufficient under your new risk management procedure? Or were the funds raised due to a change in your schedule for investment?
- A7 The funds are for proactive investment aimed at growth. European and the US markets are in the middle of a storm and we recognize this as a chance for us. Liquidity is increasing, including in terms of the flow of people. I've heard talks of some European and US financial institutions that are looking to sell off entire divisions. We've prepared ourselves to be ready to respond in this environment. We also want to change our traditional focus on raising funds through equity. And, although still some time in the future, we wanted to have a buffer to prepare for Basel II.
- Q8 Will you book an unrealized gain on your provisions with monolines if their creditworthiness problems are resolved?
- A8 Yes it is possible because we haven't sold our positions. If that is the case we will disclose on a quarterly basis. Personally, I think the volatile environment will continue as there are major elections coming up around the world and there hasn't been any clear measures proposed at the G7 and so forth.
- Q9 If you can't invest as planned, is recapitalization an option? How much do you intend to invest?
- A9 Any option is possible. We will take a logical and flexible approach and use the options available.

- Q10 In areas of expansion, where will you need to make an acquisition?
- A10 We want to improve areas where we currently don't have functions. In order to gain licenses in emerging markets, acquiring an existing company whole is one way to do this. Some functions you don't need are also included, but making an acquisition helps buy time till licenses are acquired.
- Q11 What is your notional principal for monolines?
- A11 We are currently considering what to do regarding our notional amount for reference assets, including taking into account the disclosures by our European and US competitors. As shown in the notes on the handout material, we don't have any RMBS as reference assets. Our reference assets are CMBS and corporates.
- Q12 Do you still have risk on reference assets in your transactions with monolines?
- A12 For transactions with lower rated monolines impact is neutral, including any fluctuations related to reference assets.
- Q13 If you had used the provision ratio used by European and US firms, I think you may have turned a slight profit. What is the background to these provisions and is it allowable from an accounting standpoint to make full provisions?
- A13 We ended up with a loss as a result of making the provisions within the appropriate scope from an accounting viewpoint.

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