NOMURA
Connecting Markets East & West

Investor Day

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April 4, 2019

Rebuilding our Japan business platform

Recurring revenue continues to grow, but brokerage revenues have declined

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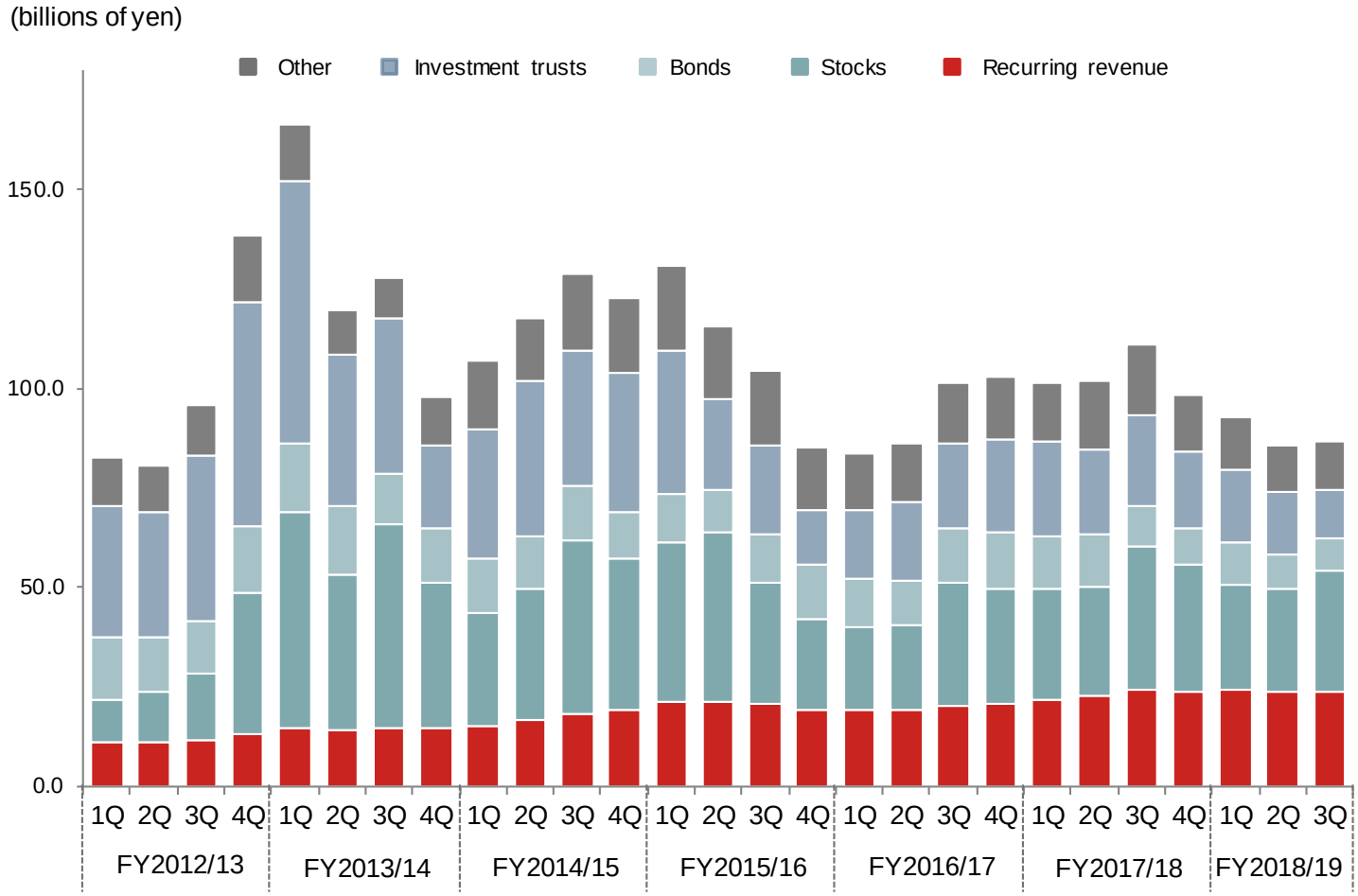
Retail Division: Solid growth in recurring revenue not enough to offset decline in brokerage revenues



Factors behind revenue slump

Market factors

(Lower market volumes, weaker investor sentiment due to geopolitical risks, etc.)

Disconnect between client type / needs and our approach

1 Product, service and marketing

P. 3

2 Organization and sales structure

P. 4-12

1 Product strategy

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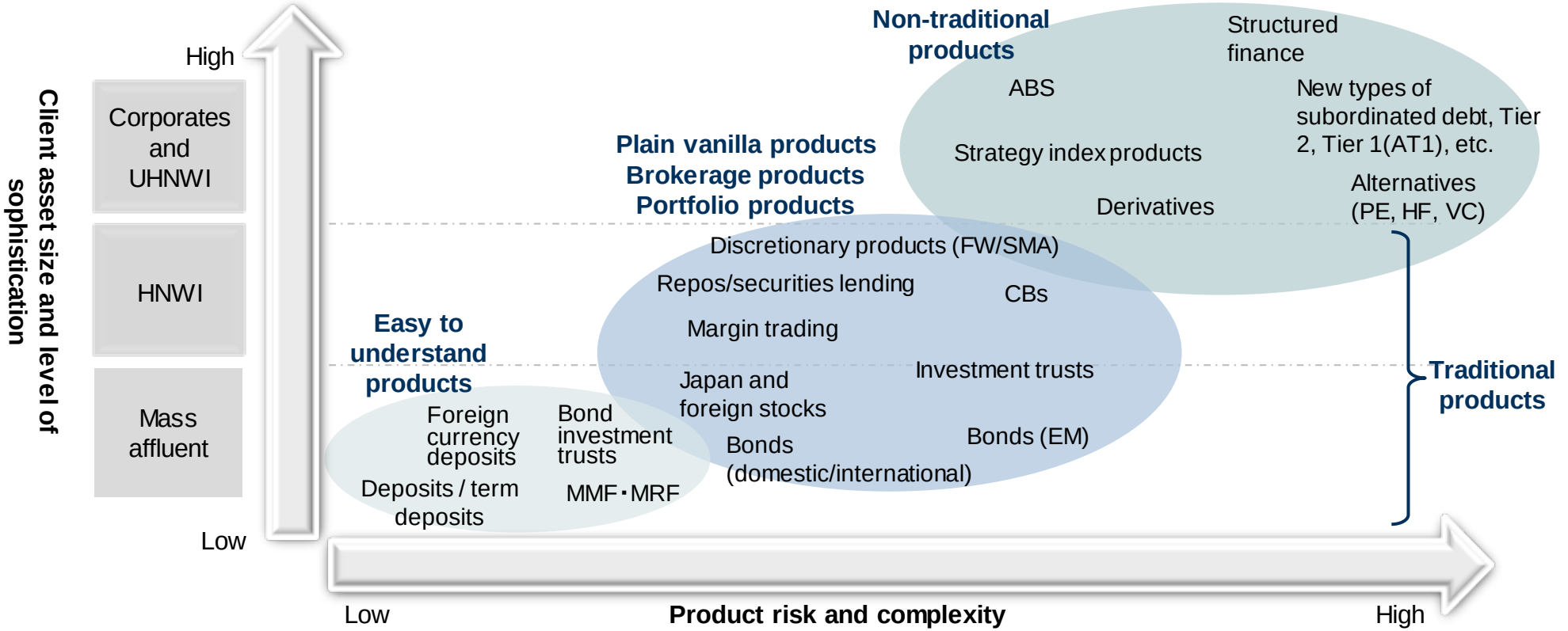
Current	■ Partners offer clients products and services from broad lineup ■ Not necessarily matched to client type or amount of assets held

New	■ Enhanced support from head office to develop and improve products and services ■ Ensure products / services better matched to client types and needs

New approach to product lineup (illustrative)



Challenges: Client contact not matched to revenue mix

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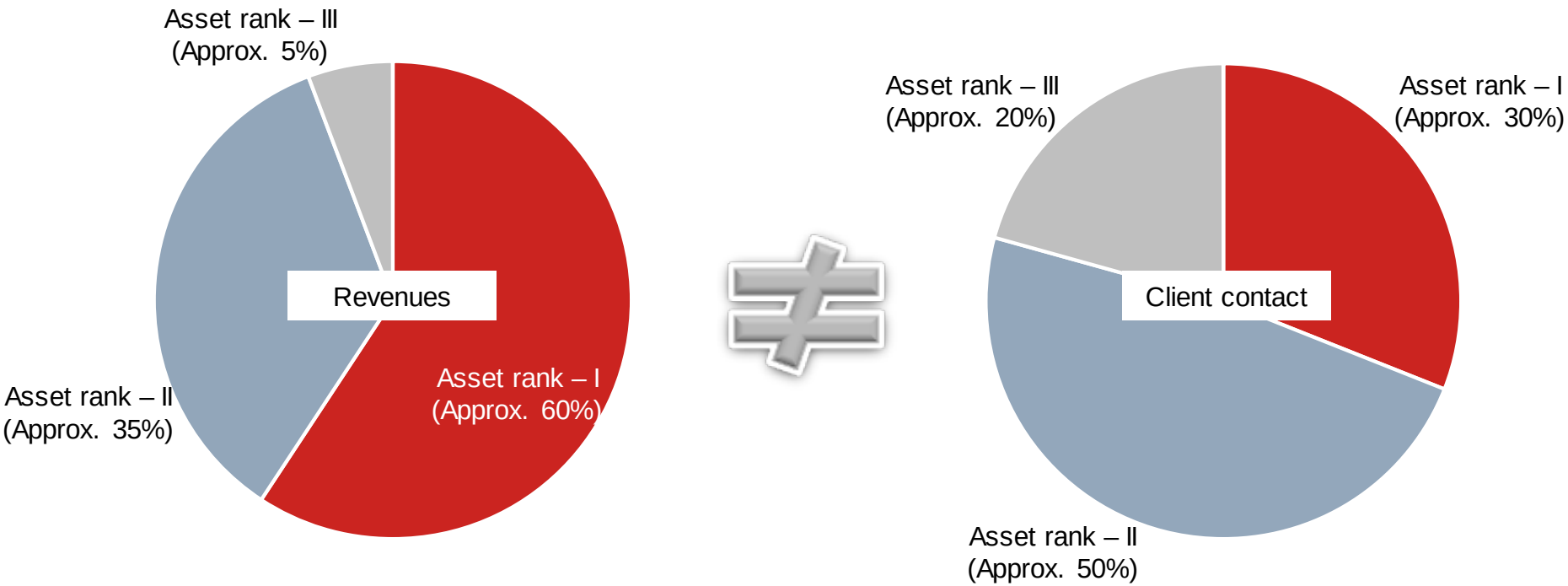
Revenues by client asset size and time spent by sales staff (# of client contacts)[1]



- About 60% of revenues come from "Asset rank – I" clients, but contact with these clients is only 30% of total
- Approx. 20% of all client contacts taken up by "Asset rank – III" clients which represents 5% of overall revenues

1. *Based on individual accounts in three Retail channels, Hotto Direct, and Net & Call. Revenues are total for Jan to Jun 2018.*

2 Challenges: Disconnect between client needs and organizational structure

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Average number of accounts handled by partners[1]

Over 30% | 20-30% | 10-20% | 10% or less

	Distribution of client accounts handled per partner			
	Corporates/Owners	HNWI	Mass affluent	Mass retail
Current partners in charge of corporates (average)				
Current partners in charge of individuals (average)				

- Organizational structure not fully aligned to client type and needs, leading to possible lost opportunities

1. *As of end of December 2018.*

Background to channel realignment

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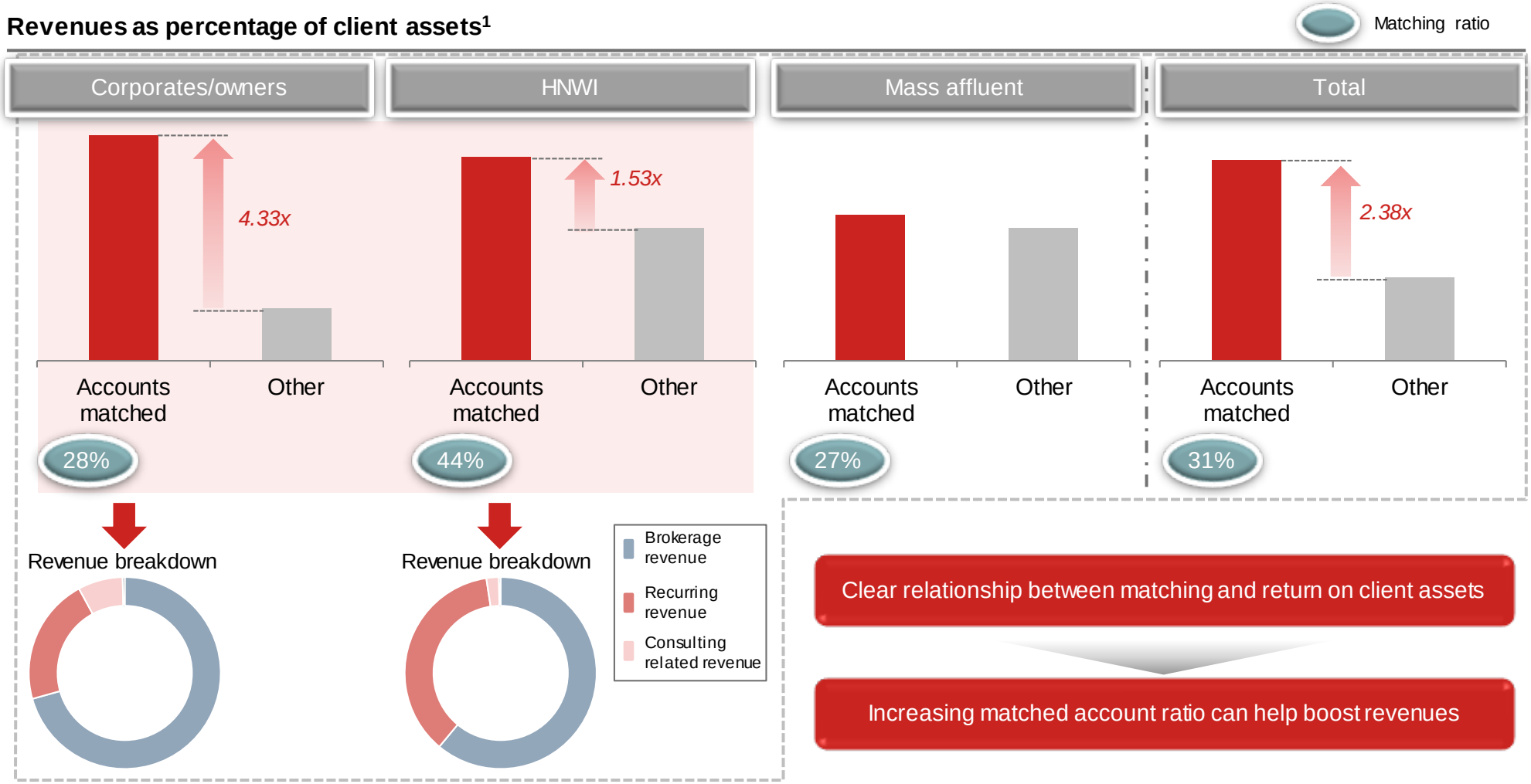
- **Mismatch between client needs and relationship manager creating possible lost opportunities for both clients and Nomura**

Revenues as percentage of client assets[1]



1. *Simulation based on certain assumptions. Calculated using client assets for each client type and total revenues (brokerage, recurring, consulting, etc.)*
Based on accounts across three Retail channels that are managed by a partner.
Revenue is Apr 2018 – Feb 2019 actual basis; Client assets and account numbers as of Feb 2019.

2

Realign channels with client types

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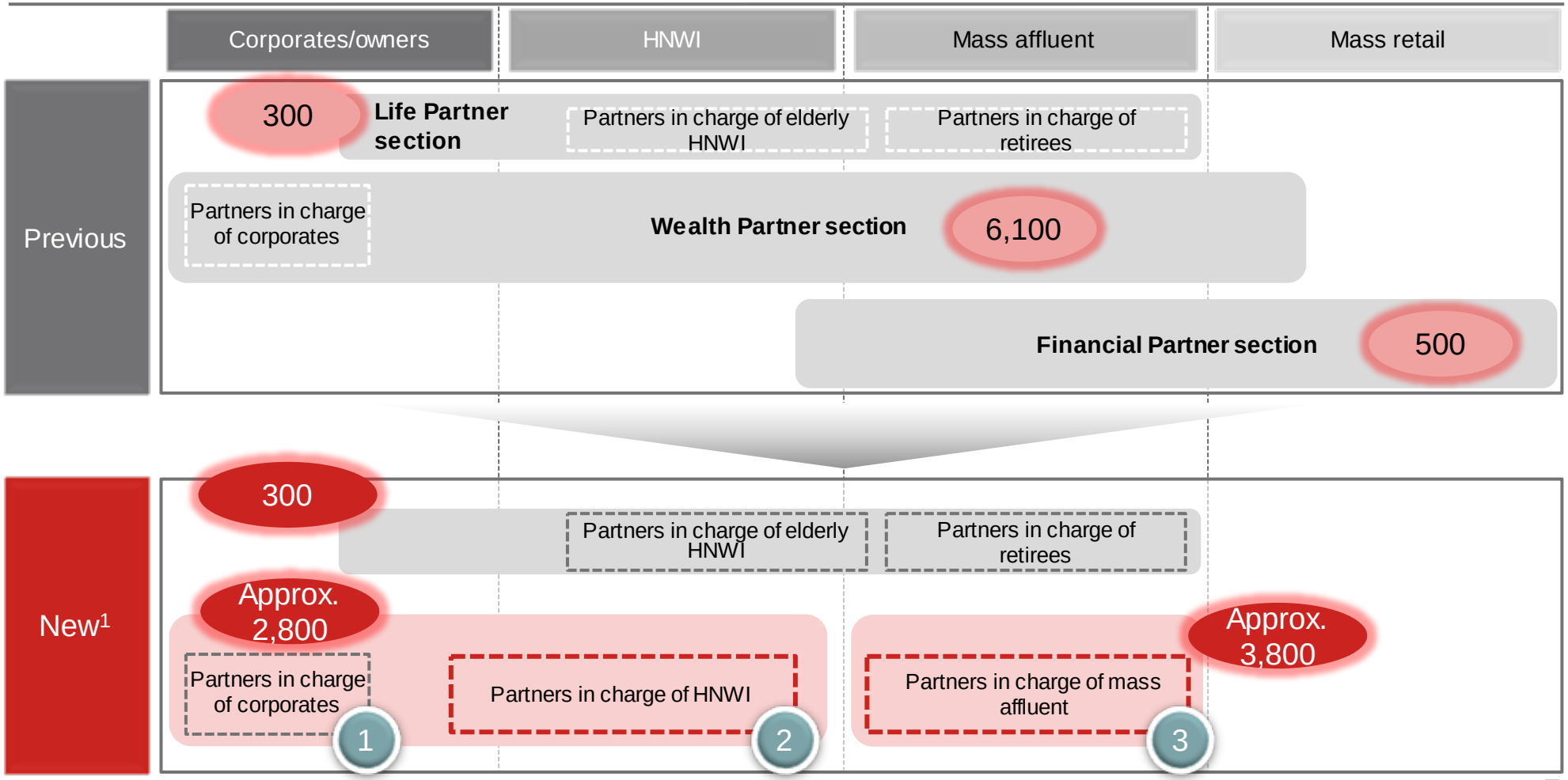
Clarify scope of three channels



1. *Section numbers are indicative and may change in future.*

Organization closer aligned to client needs

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	Client needs	Our sales structure and initiatives	# accounts per sales staff (ave.) Before	After	Expected results
Corporates/ owners	Corporate solutions; Sophisticated consulting (estate planning, real estate, etc.); Sophisticated brokerage (private placements, OTC); Basic consulting (discretionary, insurance, etc.); Traditional brokerage (stocks, bonds, investment trusts)+ loans	■ Corporate solutions (core business, balance sheet management, etc.) and other multi-product services ■ Manage by Partners in charge of corporates	Approx. 300	40% reduction (improved services)	■ Increase return on client assets ■ Boost revenues
HNWI		■ Estate planning, real estate and other sophisticated consulting services ■ Newly established team to manage HNWI clients	Approx. 450	20% reduction (improved services)	■ Increase return on client assets ■ Boost revenues
Mass affluent		■ Provide services to broader range of clients ■ Introduce account managers, increase client contact time efficiently through branch visits and telephone contact ■ Newly establish team to manage mass affluent clients	Approx. 330	Double	■ Lift overall revenues

Organization closer aligned to client needs

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Average number of accounts handled by each Partner after changes

Over 30% | 20-30% | 10-20% | 10% or less

	Distribution of client accounts handled per partner			
	Corporates/owners	HNWI	Mass affluent	Mass retail
In charge of corporates (average)				
In charge of HNWI (average)				
In charge of mass affluent (average)				

- Take strategic approach that clearly aligns products and services with client type and needs

Clearer collaboration between branches and head office

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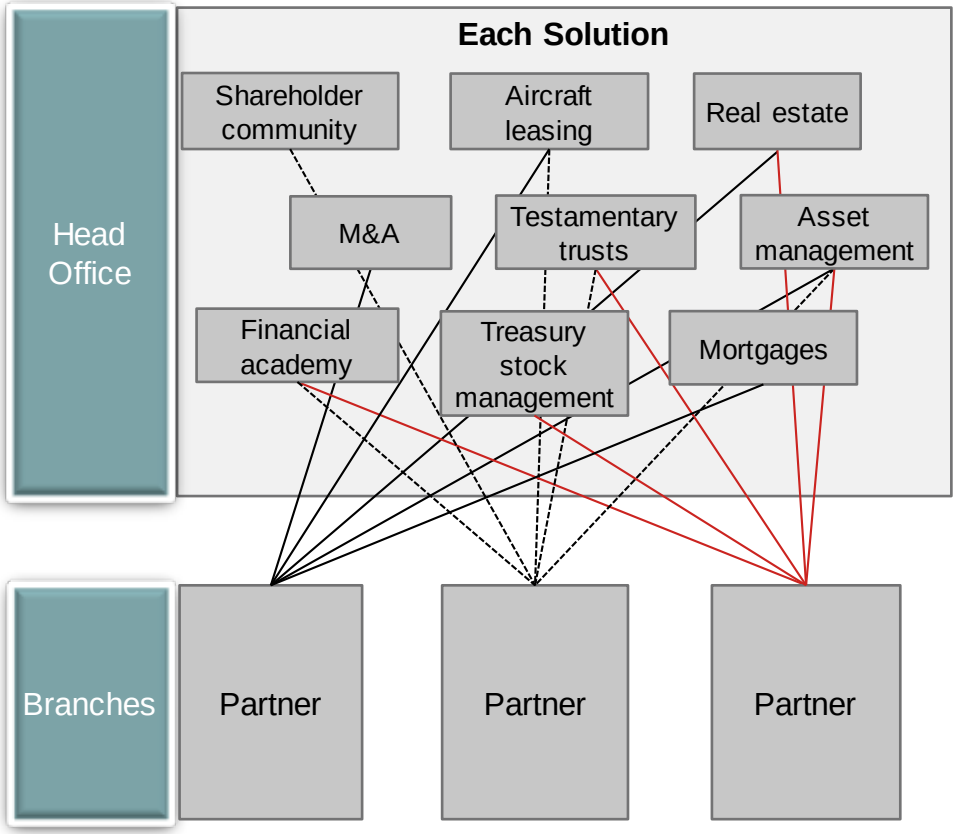
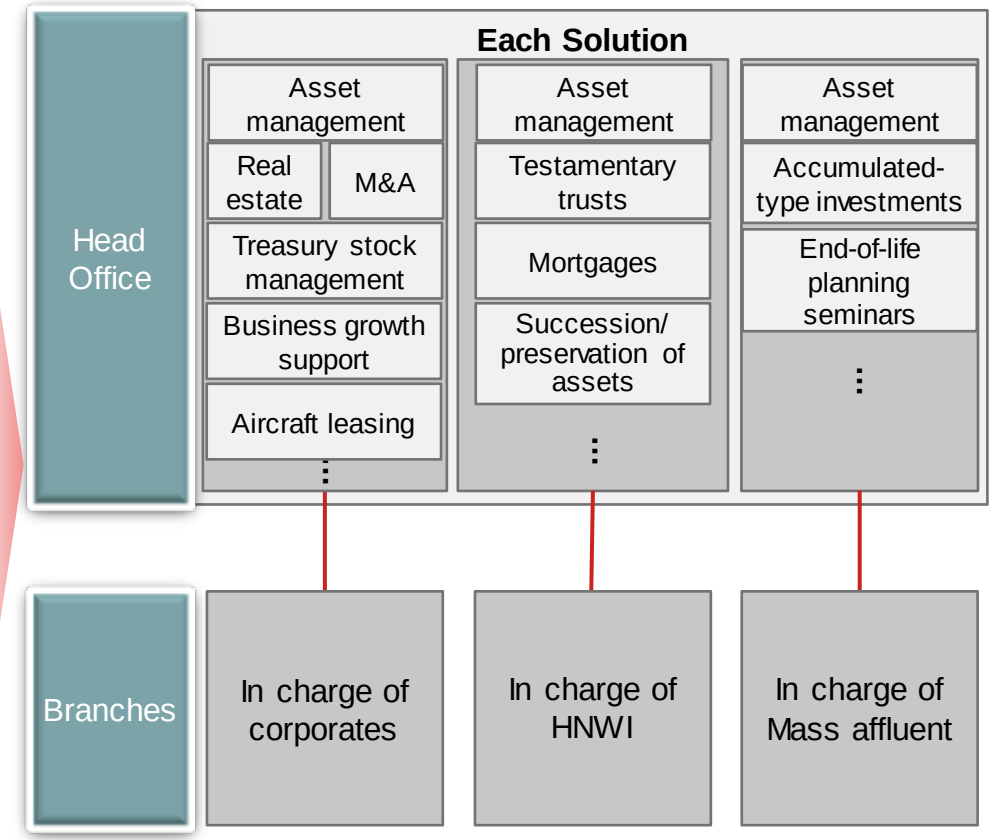
Before



- **Each Partner managing various types of clients and have to check with different head office functions depending on inquiry**

After



- **Clear lines of collaboration with head office to improve efficiency for Partners**

Organization matched to changing client needs

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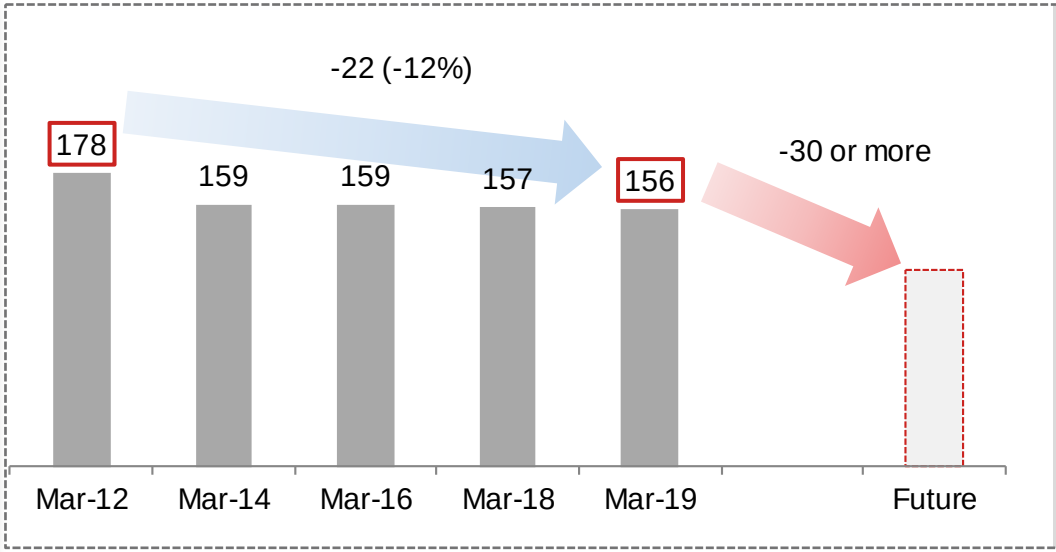
Branch strategy



- Consolidate some branches in metropolitan areas the overlap in coverage
- Maintain at least one branch in each prefecture and optimize headcount allocation
- Review nationwide concepts such as having branches in expensive train station front and road-facing locations
- Look into tie-ups with regional financial institutions

HR

- Reassign people in line with mission of each channel
- Pay commensurate with job responsibilities

  - Further focus on pay for performance

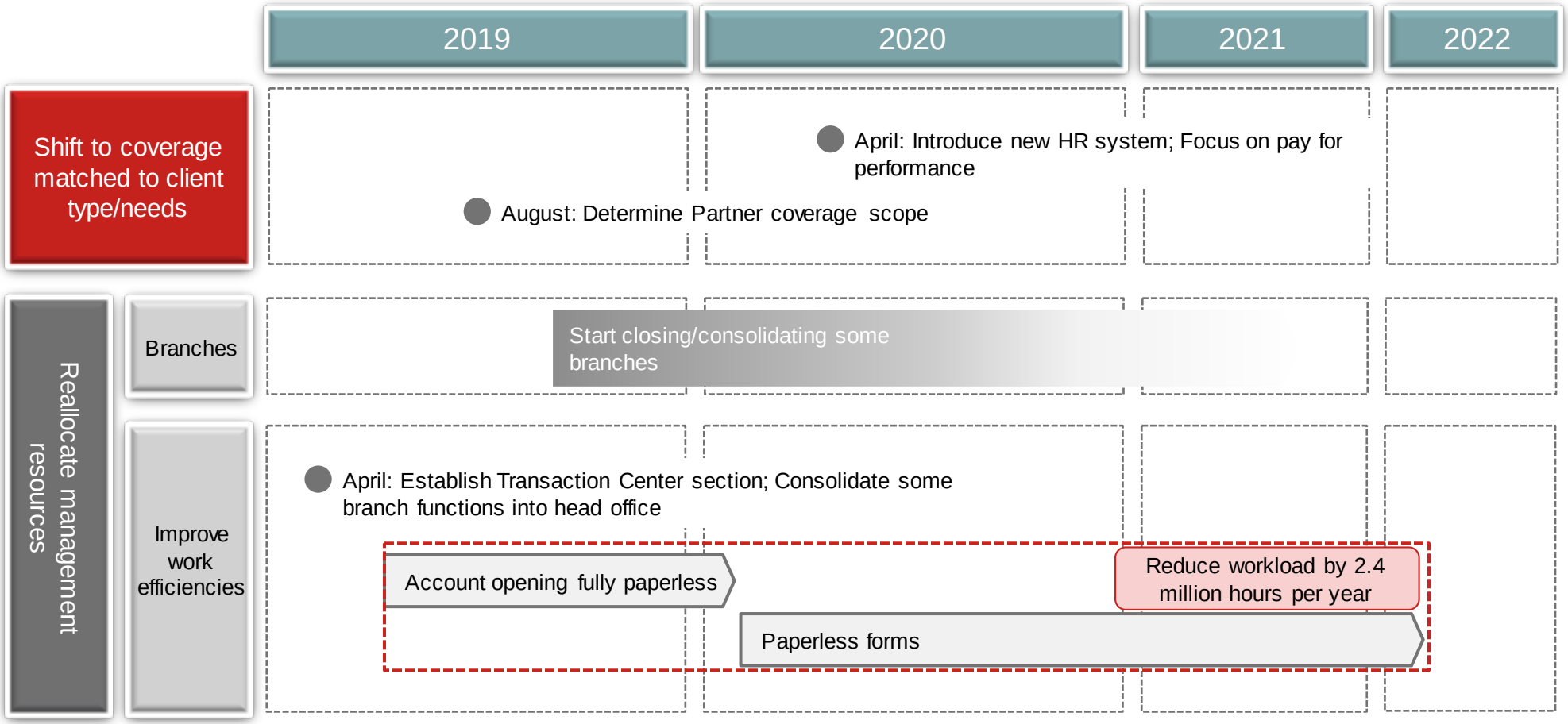
Creating more time

- Alleviate work load of Partners

  Set up Transaction Center Section, consolidate some branch office functions in head office

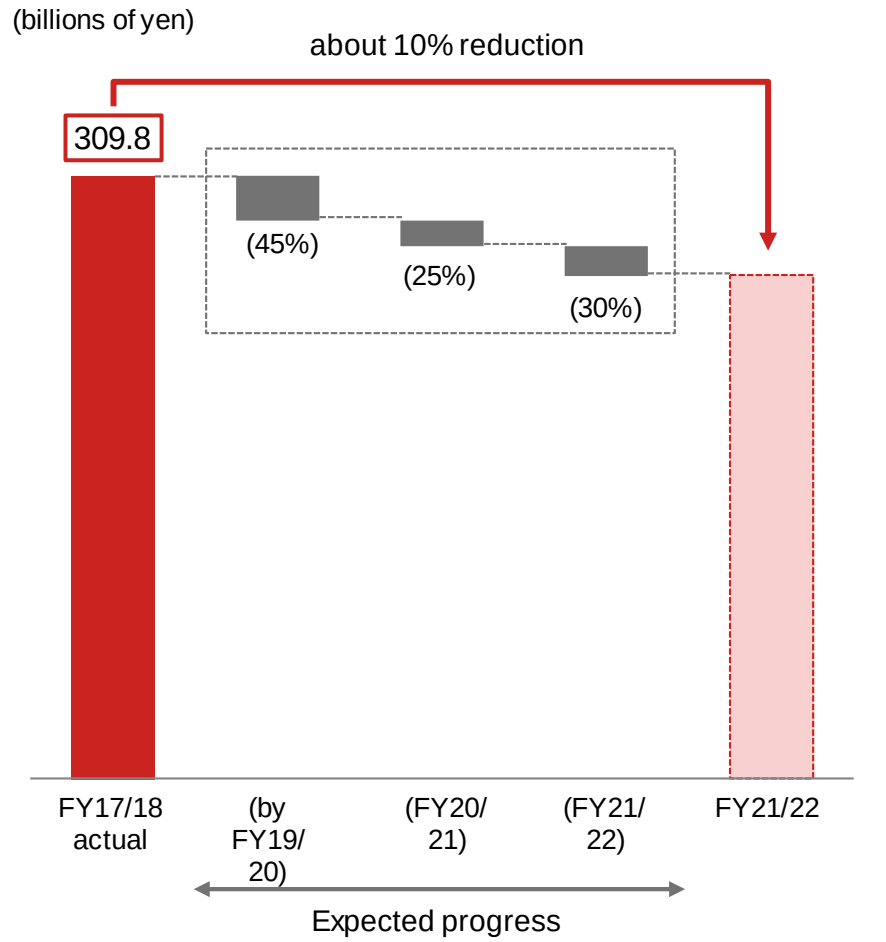
  - Consolidate transaction management (identify calls that need to be recorded, etc.)
  - Consolidate confirmation of transaction details (monitoring ATM withdrawals, etc.)

Timeline


2019
2020
2021
2022
Shift to coverage matched to client type/needs
April: Introduce new HR system; Focus on pay for performance
August: Determine Partner coverage scope
Reallocate management resources
Branches
Start closing/consolidating some branches
Improve work efficiencies
April: Establish Transaction Center section; Consolidate some branch functions into head office
Account opening fully paperless
Reduce workload by 2.4 million hours per year
Paperless forms

Cost reduction initiatives

Reduce costs by about 10% over three years



Cost reduction initiatives

Initiatives	
IT system expenses	■ Completion of depreciation period for upgrade of main systems ■ System integration
Personnel expenses	■ Reduce headcount through natural attrition and limiting new hires ■ Focus on pay for performance
Other expenses	■ Business support expenses – Work process efficiencies (Cut work by 2.4 million hours per year over three years by going paperless) – Simplification of Corporate functions ■ Real estate expenses – Consolidate overlapping branches in metropolitan areas – Reduce real estate costs through relocations

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