

Presentation of Consolidated Results of Operations
Fiscal Year Ended March 31, 2007
Q&A Session

Date: April 26, 2007 (Thursday 18:30)

Speaker: Masafumi Nakada, Senior Managing Director, Chief Financial Officer, Nomura Holdings, Inc.

Q1 Please explain your current status regarding the trouble in the US subprime loan market and provide an outlook going forward.

A1 Within Global markets, fourth quarter Fixed Income net revenue was 21.8 billion yen, down from 51.8 billion yen in the third quarter. Our structured bond business remained strong through the third and fourth quarters. So the main reason behind the drop in revenue is the subprime loan business, which involves accumulating loans and securitizing them once the total amount reaches a certain level. We still currently have an exposure, and although market conditions were bad at the end of March, we will continue to securitize our exposure while keeping an eye on market conditions.

Q2 The delinquency rate for subprime loans from 2006 remains high even now. Have you already allocated a provision should this get worse? Or, if conditions do get worse, do you expect further losses?

A2 We have taken a conservative evaluation as of the end of March 2007. We will continue securitizing our exposure with maintaining tight risk management standards.

Q3 Have you made a provision for your subprime loan exposure?

A3 Our exposure is recorded at market value in accordance with US GAAP.

- Q4 You said you will reduce your exposure to the subprime loan market through securitization. Is your exposure mostly whole loans, or do you have some subordinated loans from the past?
- A4 Naturally, subordinated portions arise as part of the securitization process but we mostly have whole loans.
- Q5 What was the effect of Instinet on fourth quarter earnings?
- A5 Two months of Instinet's earnings are reflected in our fifth quarter results. However, we also had due diligence and integration expenses. Instinet will start contributing to earnings in the current year ending March 2008.
- Q6 You said there were expenses related to Instinet during the year ended March 2007. How much would have income increased by if these expenses were not booked?
- A6 It has only been two months. Our challenge for the year ahead is to maximize synergies for both companies. Chi-X and other initiatives are moving forward and we expect to see a contribution to income in future.
- Q7 In Global Merchant Banking, what was the value of the mark down regarding Terra Firma?
- A7 I believe you are referring to the news release on devaluation announced in March. Global Merchant Banking's portfolio includes many investments other than Terra Firma. We mark these at fair value each quarter. In the fourth quarter, the fair value of some investments increased, while others decreased. Fourth quarter net revenue was minus 900 million yen because there were no major exits in the portfolio as a whole.
- Q8 I understand your dividend policy calls for a dividend-on-equity of 3% and payout ratio of 30%, but your payout ratio for the year ended March 2007 is close to 48%. Why is this? Is it because even though you had the problems with subprime loans your other businesses performed well?

A8 Our policy is for a payout ratio of over 30% so we can return a certain level of profits to shareholders. At the same time, we need to consider investment for future business. We will continue talking to investors and decide the appropriate level.

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Date: April 26, 2007 (Thursday 21:00)

Speaker: Masafumi Nakada, Senior Managing Director, Chief Financial Officer, Nomura Holdings, Inc.

Q1 Please explain in more detail the effects from the trouble in the subprime loan market.

A1 We operate a securitization business in the US and have an exposure to residential and commercial real estate mortgages. Because we had an exposure for securitization purposes, we booked a loss in the fourth quarter due to the deterioration in the market that started in autumn last year.

Q2 Do you still have an exposure to the subprime market?

A2 Yes we do.

Q3 Please outline what you are doing in Asia Wealth Management.

A3 As we recently announced, we are expanding our wealth management business in Asia. Nomura has long-standing ties with local high-net-worth investors. We will expand on this client base while building stronger relations with existing clients.

Q4 Why are you expanding your wealth management business in Asia now?

A4 Since last year we have been implementing strategies to match the local characteristics of each region. In Asia we are working to boost revenue by expanding our operations. We believe now is the best time to expand our wealth management operations in Asia. We are looking to boost client assets by 25% a year for the next few years.

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