

Presentation of Consolidated Results of Operations
Second Quarter, Fiscal Year Ending March 31, 2008
Q&A Session

Date: October 25, 2007 (Thursday 18:30)

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

Q1 You said your US RMBS exposure was 47.8 billion yen at the end of September 2007. How much of that was subprime?

A1 Just over 17 billion yen.

Q2 You made a 73 billion yen loss in your US RMBS business during the second quarter. What does this break down to in terms of unrealized and realized losses?

A2 It is difficult to break it down into unrealized and realized. However, our most recent exposure of 14 billion yen has a face value of 40 billion yen. We have written down the 40 billion yen to 14 billion yen and sold off the remainder.

Q3 Your most recent subprime exposure is 100 million yen. Is this amount after the write down or as book value?

A3 It is the value after the write down.

Q4 Has the book value of your most recent subprime exposure changed since the end of September?

A4 We have sold off most of our subprime exposure. Our most recent exposure after being written down is 100 million yen.

Q5 Your subprime exposure at the end of September was just over 17 billion yen. Is that after being written down or as book value?

A5 The 17 billion yen amount is after being written down. Our most recent exposure is 100 million yen.

Q6 In the past your tax rate increased when you had losses overseas. Why has your tax decreased this time even though you booked a loss overseas?

A6 We regularly carry out scheduling for temporary differences. We conducted scheduling appropriately in the second quarter and the results were reflected in our financial statements.

Q7 Global Merchant Banking net revenue was 8.5 billion yen, but the income statement shows a gain on private equity investments of 17.8 billion yen. What does this difference represent?

A7 Our stakes in investee companies have been revalued at fair value. As a result, some have increased in value and others have declined. In the case of a decline in value, according to US GAAP it is sometimes recorded as a loss other than loss on private equity investments. In such instances, it is booked as "Other" in non-interest expenses. Consequently, there is a discrepancy with Global Merchant Banking net revenue, which includes both gains and losses.

Q8 Were tax expenses down for the second quarter because you booked losses in your US RMBS business, carried out restructuring, and reviewed your tax scheduling?

A8 We considered all issues that arose as a part of our consolidated accounting process. It is difficult to go into the complete details here.

Q9 Does the acquisition of Instinet affect taxes in any way?

A9 No it doesn't.

Q10 Have hedging gains been included in the US RMBS business loss?

A10 It depends. Some positions were hedged and have been included after an offset for hedging gains.

Q11 What is your stance on hedging for US RMBS products?

A11 It depends on each specific case. It is difficult to fully hedge some positions and we hedge while taking into account costs.

Q12 You mentioned that credit trading in Europe contributed to revenue in Global Markets. What type of business in particular made this contribution?

A12 We made a profit mainly from arbitrage trading aimed at capitalizing on price distortions in credit markets in Europe.

Q13 Global Markets income before income taxes was minus 67.7 billion yen. To calculate what pre-tax income would have been without subprime should we simply add back the 73 billion yen loss from the US RMBS business?

A13 Yes, that is basically correct.

Q14 Your subprime exposure has been reduced between the end of September and the most recent figures. Were losses for this period included in September or will they be booked in October?

A14 They have been included in September.

Q15 Sales of investment trusts via banks have slowed down at your competitors due to the new Financial Instruments and Exchange Law. What about Nomura?

A15 Looking at recent figures for October, Nomura Securities hasn't been affected. Nomura Asset Management conducts sales via banks and other channels and by comparison has been slightly affected.

Q16 You mentioned that trading in Europe contributed to earnings. However, even aside from the subprime issues, was it a tough quarter for Global Markets?

A16 Sales of structured bonds declined due to changes in currency trends. However, we generated revenue in overseas operations which hadn't stood out much to date. Negative factors were structured bonds and the US RMBS business.

Q17 Why isn't Nomura Securities affected by the Financial Instruments and Exchange Law?

A17 Investment trusts also encompass risk and can fluctuate. Nomura Securities has more expertise and stronger skills than banks in selling such products. Nomura Asset Management provides meticulous sales support for the banks in line with or above that for Nomura Securities.

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