

**Presentation of Consolidated Results of Operations  
Fourth Quarter and Full Year for the Fiscal Year Ended  
March 31, 2009  
Q&A Session**

**Date:** April 24, 2009 (6:30pm)

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

**Q: Your gross leverage hasn't changed much from the third quarter, around the time of your global offering. Do you expect gross leverage to remain at this level? Also, you have said that risk management is a high priority, has your approach to controlling risk changed at all?**

A: In regards to leverage, we recognize the need to keep a close watch on the market environment and changing conditions. That's why we are not currently increase leverage in the balance sheet. We expect leverage to remain at current levels for the time being.

Risk management continues to be a high priority for us. We have appointed a chief risk officer based in London who controls our risk on a global basis. As we said last year when the CRO was appointed, we have a new risk management structure based around the CRO whereby top management takes a hands-on approach to firm-wide risk management.

**Q: So just to confirm about leverage, you won't take it further to below 15x to 16x, and you consider the current level to be appropriate given market conditions?**

A: For the time being, we don't intend to increase and we will continue to reduce illiquid assets. At the same time, our flow businesses will be mainly trading and we may increase leverage here. For instance, warehousing of highly liquid products increased during the fourth quarter. So we will cut back in some areas but increase others, giving us an overall level that is unchanged.

**Q: As the integration of former Lehman employees progresses, have there been any changes to the way you take or manage risks?**

A: Our new employees are conducting business under Nomura's risk management structure. Naturally, while we are aiming to expand our business in the future, we have started by doing this under Nomura's risk management. We don't intend to change that approach.

**Q: You said you are aiming to return to profitability as soon as possible. Does it look like you will be in the black for April?**

A: April isn't finished yet so it is too early to say. However, we have seen an increase in momentum in the business through the fourth quarter. This momentum has continued into April so we are starting to see a trend towards improvement.

**Q: On rightsizing you said headcount has been reduced by 2,100 since October and I hear that the new HR system will come into effect in mid May. Please outline the direction on rightsizing for the whole group and explain the HR system in Japan.**

A: As reported in the media, the new HR system is not being implemented as part of rightsizing efforts. We are introducing it to energize the company and bring out the best of talented people.

We don't have a concrete plan for rightsizing in terms of how many people. The current environment calls for us to remain vigilant and we must keep our options open in both Japan and overseas.

**Q: Do you still aim to be profitable on a monthly basis as soon as possible as emphasized by Watanabe CEO? Or has this stance changed to recognize that this is not possible given the current environment?**

A: The CEO and all top management remain focused on returning to profit as soon as possible.

**Q: You said your share on the Tokyo and London stock exchanges is increasing. Do you have any figures?**

A: Before the Lehman integration, our share in Tokyo was about 6%. In March, that was up to around 8% and reached 10% at one point in mid March. On the London Stock Exchange, our share was virtually zero and that has now grown to 3% for just Nomura International. In addition to this, Instinet also has a share of about 3%, giving us a total share of around 6%.

**Q: What does the 2,100 headcount reduction since October translate to in terms of cost cutting and when will the effects start appearing? Also, information and processing expenses increased slightly in the fourth quarter. What is your outlook for this?**

A: There is a slight time lag when it comes to the impact of rightsizing expenses as severance costs show up first before an actual decline in compensation and benefits. So the decline in headcount from October to March should start showing up as cost reductions from now on.

IT-related costs are up due to certain factors at the end of the fiscal year and because the integrated systems have started coming on line. However, as we work to cut costs by 10% firm-wide, it will be essential to control demand for IT expenses and we intend to prioritize businesses and cut overall expenses.

**Q: Do you expect to see the effects of reduced compensation and benefits in the first quarter? And while you said IT-related costs are up due to year-end factors, is it right to say they will be unchanged or lower on a full year basis?**

A: The one-off expenses of around 60 billion yen drop off and the effects from overall rightsizing will be seen. That said, compensation and benefits will also increase in line with any rise in revenues. As such, the absolute level of compensation and benefits will move depending on the direction of revenue.

I think we will be close to what you say regarding annual IT-related expenses. We'll start of low early in the year, ramp up through the middle of the year, and have most out by the end of the year. We'll control these seasonal variations.

**Q: You said the system integration would be fully operational in April. Does that mean IT costs will be up in the first quarter?**

A: It's too early to say what first quarter expenses will be. We're tightening our business focus and looking at business-side system development needs as well as systems already developed and maintenance requirements. We are setting out priorities as part of the review process. In terms of actual operation, we need to maintain tight control.

**Q: Please provide a breakdown of the 45.1 billion yen in real estate related write-downs. Also, what is the actual value of the trading losses and other expenses?**

A: We don't disclose a breakdown here.

**Q: Do you hold assets where there is still room for further write-downs?**

A: We always make the final decision on appropriate valuations based on the advice of our auditors. We have valued illiquid assets as conservatively as possible. So in that sense there isn't further room.

**Q: Were there any losses of note related to the relatively tough environment in eastern Europe and Russia or the difficult conditions in Japan?**

A: We have only a small exposure to eastern Europe and Russia. It wouldn't have a very significant impact on earnings.

**Q: International financial institutions returned to profitability on a rebound in trading, but your trading has not improved as strongly as your competitors. Why is that?**

A: This is mainly due to the US market. Looking at the recent results of US financial institutions, revenues from fixed income have contributed strongly and most of this comes from operations in the US market.

The biggest difference with us is that we have significantly reduced our US operations and did not take on the operations of Lehman in the US. In addition, our Global Markets operations have been rebuilt around former Lehman employees and the organizational integration only finished for the organization to be fully operational in the fourth quarter around February and March. Another reason is the opening of accounts for former key clients of Lehman who only started doing business with us in January and February.

**Q: Is the 10% cost cut based on ordinary expenses that strip out impairment charges, amortization of Lehman costs, real estate write-downs, and so forth?**

A: Yes. We will take a number of approaches for an overall reduction including headcount optimization as part of our business strategy, short-term reductions possible in one or two months, and long-term initiatives such as reengineering business processes.

**Q: Does that mean a slow gradual reduction in ongoing expenses?**

A: It will be an ongoing effort.

**Q: Your Tier 1 capital looks fairly high compared to your international competitors when stripping out public finds. Are you considering a change to your articles of incorporation to allow you to issue preferred shares and securities?**

A: Yes. But that does not mean we are planning anything straight away. We want to ensure we have as many options as possible open to us in terms of capital policy.

**Q: What does a 10% cost reduction mean in yen terms?**

A: Our expense run rate is approximately 1 trillion yen. We are targeting a reduction by 10% based on this level, which means approximately 100 billion yen.

**Q: Over what period of time do you expect to enact that cost reduction?**

A: Our target is to reach a 900 billion yen run rate by the end of the fiscal year.

**Q: Looking at your position exposures globally, which are most vulnerable to further write-offs over the course of the coming year? I asked the same question in the third quarter and you pointed to more risk in your private equity holdings; does that still hold true now?**

A: We still have a very cautious view on the market and the business environment, primarily due to the economic situation. I don't expect a quick recovery of the economy, and I still see some risk on positions which may be affected by the downturn. The assets where we think we have risk include illiquid asset positions, including private equity and real estate.

**Q: You've written down your CMBS and leveraged loans already, but do you think there is going to be further risk in those asset classes?**

A: Again, it depends on the economic conditions over the coming months. For example, if the Japanese economy goes into deeper recession, that can have a negative impact on some assets.

**Q: Your retail business had a loss for the first time in a long time. To what extent are you focusing on cutting costs in this business, as opposed to the wholesale business?**

A: We embarked on a cost savings plan, and would like to continue this plan in the Retail division in order to further lower our cost base.

**Q: Currently you have around 25,000 employees, and you said that you had reduced your headcount from the peak period by around 2,000 employees. What is the “right” number of employees for you to have?**

A: It's a rather difficult question to answer because it depends on our own business development and the business environment.

**Q: Please answer the question with the assumption that the business environment doesn't change much from today.**

A: I believe we have some room to make further headcount reductions from our current standpoint of 25,000, mainly in the middle and back office. So far the main area of reduction was in the front office outside of Japan, but we will review a broader geographic scope as well as middle and back office functions.

**Q: Can you quantify the potential headcount reduction?**

A: At this moment we do not disclose a target reduction either in terms of headcount numbers or headcount expense.

**Q: If your goal is to cut 10% in expenses, can you translate that to headcount?**

A: When carrying out a headcount reduction, one approach is to reduce higher paid headcount, so there is not necessarily a straight translation to headcount. We are focused on reducing expenses, rather than just a headcount number. The most important thing is the actual cost savings amount.

**Q: What is your dividend policy?**

A: We want to set out a dividend policy that reflects our business performance, sets a dividend ratio of 30% serving as a key indicator, and we will shift to semi-annual payments.

**Q: Have you forecasted a payout for this year?**

A: No, we have not given a forecast.

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