

Presentation of Consolidated Results of Operations First Quarter, Fiscal Year Ending March 31, 2010 Q&A Session

Date: July 29, 2009 (6:30pm)

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

Q: Page 47 of the presentation materials shows that equity trading has been strong. What types of products are contributing to this performance?

A: As with Fixed Income, the flow businesses are making a major contribution. In particular, revenues from Europe have increased. Japan is also contributing so revenues are becoming more balanced geographically. First quarter revenues in Global Markets were higher overseas than they were in Japan. Our traditional revenue structure is changing.

Q: What type of business is Global Markets aspiring to be? Looking at your first quarter revenues in Fixed Income, there's some distance between you and the western banks. Goldman Sachs generated 700 billion yen worth of quarterly revenues in Fixed Income and JPMorgan had 500 billion yen, while Nomura's revenues were only 100 billion yen. How are you going to increase revenues over the medium to long term?

A: The difference between us and Goldman Sachs and JPMorgan is the US business. Both of them generate significant revenues in the US. But our US business is still at the size it was after we reduced our operations there so revenues are small. One issue for us is how to address our US operations. Another is client on-boarding. We still need to increase derivative client numbers and trading volumes.

Q: Was part of the 40 billion yen credit value adjustment booked at overseas entities?

A: Yes.

Q: You showed a comparison of your net leverage ratio with those of your competitors. Is this a ratio you will focus on as liquidity regulations might be applied to financial institutions?

A: It's one of a number of key indicators we use to gauge our financial soundness. We are closely monitoring changes in the regulatory environment.

Q: Do you expect trading spreads to remain wide? Also, is there room for you to increase your market share further?

A: There were opportunities to generate revenues in Fixed Income in the first quarter as credit spreads tightened and flow product trading spreads widened. A more cautious outlook is needed compared to the first quarter. Volatility also presents opportunities. We timed it well in the first quarter.

As part of our US build-up, we recently received approval to become a Primary Dealer. But we are taking a cautious approach in our US rebuild, adding on the functions needed to deliver products and services globally.

Q: What is the on-boarding rate of former Lehman clients?

A: That's not a target we disclose, but for derivatives clients both Europe and Asia are not yet at 50 percent. We're accelerating account openings for key clients.

Q: How much were the one-off expenses for the guaranteed bonuses for certain former Lehman employees? Given the revenues in the quarter, are these just normal costs rather than one-off expenses?

A: These expenses dropped to nearly 20 billion yen in the first quarter. However, bonuses other than the guarantees increased overall. We will control compensation costs by lowering fixed compensation and linking variable compensation to revenues.

Q: Will you revise your target for 100 billion yen in cost cuts as personnel expenses rise with increases in revenues?

A: At the start of the fiscal year we said we'd cut expenses by 10 percent, or 100 billion yen. This is a necessary measure as we aim to return to profit amid an uncertain market environment. We'll continue to reduce costs where we can. To date, we've reduced personnel expenses more than non-personnel expenses.

Q: Were revenues good in Investment Banking because former Lehman bankers closed many deals they had in the pipeline before acquisition or are they going out and getting new mandates?

A: Underwriting in Japan is a traditionally strong area for Nomura. Internationally, we're seeing synergies due to the integration. Deals will flow through in the second half of the year. We're now better equipped to win mandates.

Q: Do you expect any tax expenses?

A: Japan doesn't allow losses to be carried forward so we will pay tax. Should revenues increase in our previously loss-making international operations, our tax rate will decrease.

Q: Can you give me the breakdown of the 15.4 billion yen profit in Europe? How much is from the former Nomura operation and how much is from the former Lehman operation?

A: It is not really possible to give this number because the business operations of the two companies have already been fully integrated. Business results are not measured along those lines. We are now one firm and one team. With the integration between the two firms being completed and the resulting synergy effect since the beginning of the quarter, we have seen a dramatic change in our business performance. The significantly better business performance from Europe in the first quarter comes from the integration of the Lehman and Nomura groups.

Q: According to some recent news articles, it seems that you are going to increase headcount in New York. How much of an increase are you expecting in personnel expenses next quarter?

A: We have started to rebuild the US operations, mainly in the Global Markets and Investment Banking businesses, but we are taking a cautious approach and conducting new recruitment on a step by step basis.

In the first quarter, we hired a limited number of people and while we will continue to build up in the third and fourth quarters, decisions on recruiting will be made based on the market environment and market conditions. At the moment we do not have a set figure for additional personnel over the next few quarters.

You may have seen recently that we applied and were approved for Primary Dealer status in the United States. We are now building our global platform for Fixed Income, which includes the United States, in order to deliver products and services to our clients worldwide.

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