



Steven Ashley
Head of Wholesale

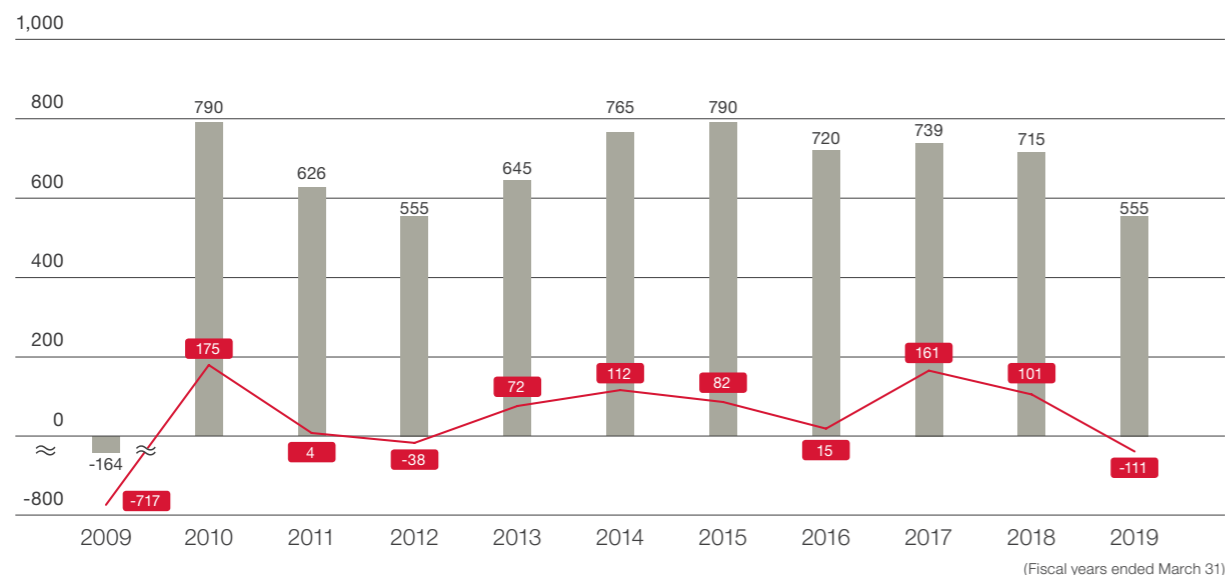
Wholesale Division

The Wholesale Division is comprised of two business units: Global Markets, which provides financial products and solutions and secondary market liquidity, and Investment Banking, which offers capital-raising and advisory services. The Division provides diverse services to a broad range of clients including corporates, government entities and financial institutions both in Japan and overseas.

Review of FY2018/19

The year ended March 2019 was a particularly tough year across the street, characterized by geopolitical uncertainty and persistent low volatility, leading to directionless markets, and low client activity. In this environment, Wholesale revenue declined to ¥555.4 billion year-on-year, particularly in the Fixed Income businesses. Also, we recognized goodwill impairment charge of ¥81 billion in relation to the acquisitions of Instinet in 2007, which is our Wholesale business platform and Lehman Brothers in 2008. As a result, loss before income taxes was ¥111.4 billion.

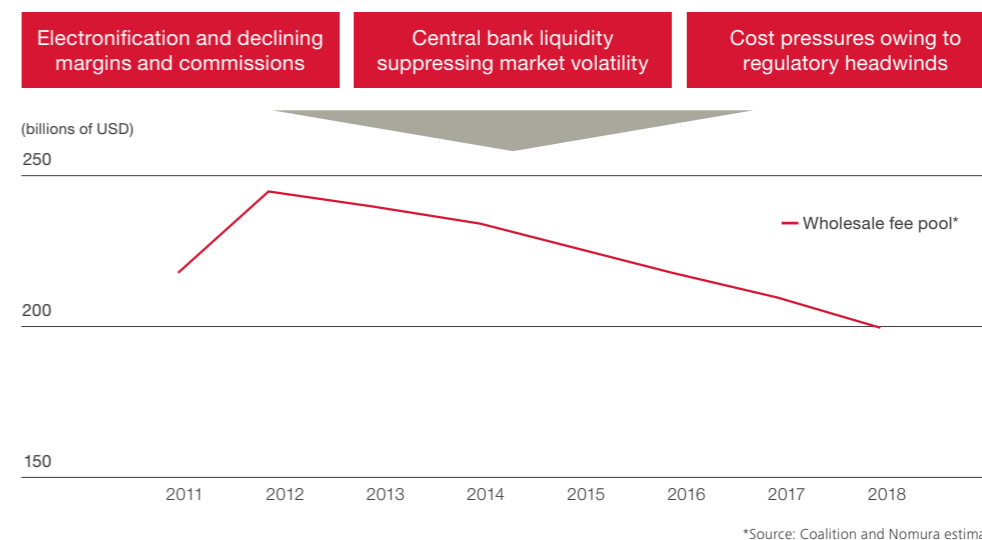
Business Performance (billions of yen) ■ Net revenue — Income (loss) before income taxes



Measures in response to changes in the environment

Contributing to the deterioration in our performance was the relatively stronger susceptibility of our business model to the challenges presented by market turbulence created by geopolitical uncertainty such as US-China trade friction and Brexit opacity. Additionally, looking further back to the period immediately following the financial crisis, factors such as a shift toward increasingly restrictive regulation, declining market liquidity brought about by monetary easing activity by central banks, and an increase in electronic trading coupled with margin and commission rate compression

due to technological advances, have contributed to the continued decline in the global fee pool since 2012. To respond to these changes in the operating environment, the Wholesale Division has reviewed its business portfolio and taken cost-cutting measures. At the same time, the Division has made selective investments in growth areas such as origination businesses and the U.S. market. In April 2019, we announced a new business strategy. We restructure our business platform to deliver consistent pretax income of approximately \$1 billion.



Market share / Awards

Japan	Overseas
#1 Japan related ECM* ¹	#1 US Equity Flow Derivatives* ¹
#1 Market share in Japan Stock Exchange* ²	#3 Consistently Top 3 player in AEJ Credit* ²
#3 Market share in JGB* ²	#1 Volatility Derivatives House of the Year* ³
#1 Research House* ³	#1 Algorithmic Trading: Best Market Access (Instinet)* ⁴

Source: *1: Refinitiv, April 2018 - March 2019 *2: Greenwich, January 2018 to December 2018 *3: Institutional Investor 2018 *4: The TRADE, 2018

Strengths	Leading position in Japan Core International businesses
Challenges	<ol style="list-style-type: none"> Underrepresented in key large markets in international regions Portfolio skew towards secondary businesses, which face market headwinds Excessive organizational complexity
Actions	<ol style="list-style-type: none"> Focusing resources in growth areas Building niche strengths in International regions leveraging cross-border synergies Strategic actions streamlining uncompetitive secondary businesses Overhaul business and regional matrix structure

New Business Strategy

In secondary businesses, many of the recent market challenges emerged and are expected to persist, which is one of the core issues for Wholesale. In order to adapt to the evolving business environment, we have embarked on a new strategy, and we are in the midst of shifting our resources and focus towards the Primary, Advisory and Solutions businesses, where we have traditionally been underweight.

In addition to the aforementioned changes, we have also taken actions to scale back certain international platforms to reduce costs and rebalance our reliance on secondary businesses. We are now in the midst of embedding a client centric Wholesale business, and focus on three strategic objectives:

01

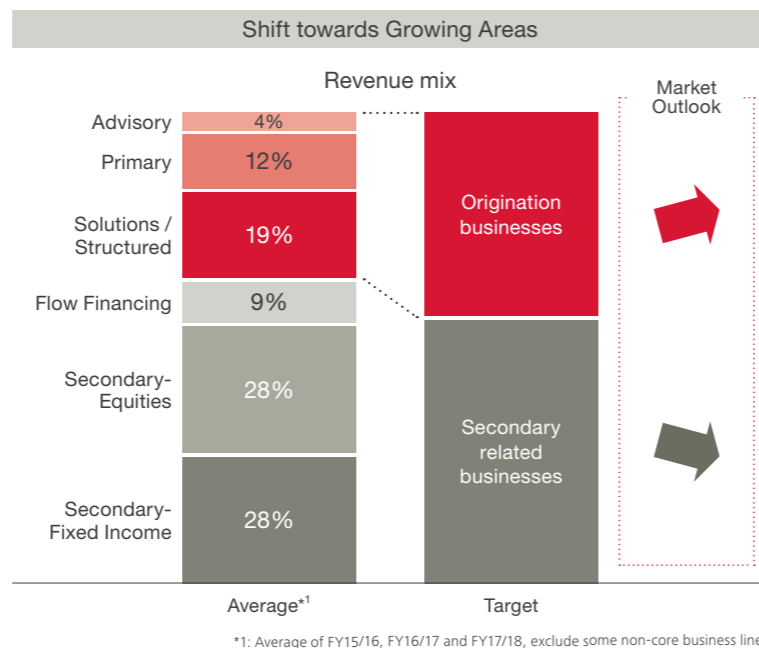
Scaling up presence in large single markets

02

Focused client strategy to underpin growth

03

Pursue growth opportunities by leveraging technology



01

Scaling up presence in large single markets

While our franchise continues to be dominant in our home market of Japan, we focus on large single markets like US and China. In Japan we continue to further enhance client relationships, particularly with regional financial institutions and Corporates. Internationally, we first focus on areas of competitive strengths and enhance cross-border business in middle market in Americas. In mid-term, we pursue growth opportunities in China.

02

Focused client strategy to underpin growth

Our second strategic objective is focused on ensuring we fully meet the needs of our clients. As the needs of our clients grow increasingly more sophisticated and the pace of globalization continues to accelerate, the importance of delivering the full capabilities of our firm in a bespoke manner to each clients also continues to grow.

Key to achieving this is ensuring we provide a fully integrated offering across Wholesale to serve our clients and grow in strategic areas such as with Corporates. To this end, we have recently created the Chief Client Officer function, responsible for driving unified client approach across Global Markets and Investment Banking. We will leverage our refined cross-business approach to grow our cross-border business.

Additionally, the firm took decisive action to simplify our business and regional matrix structure. This reorganization has simplified business flows which will support our efforts to drive cross-regional activity as well as enable our organization to efficiently deliver the full capabilities of our firm in way which is matched to the specific needs of each client.

03

Pursue growth opportunities by leveraging technology

Digitization is likely to transform the financial sectors industry. Artificial intelligence, automation and further digital adoption are critical to implement in our day-to-day work for productivity gains. We established the Wholesale Digital Office in early 2018 to adopt new technologies to enhance our efforts in both sales and trading execution. From this office we created 'Komainu', a digital asset custody platform and also delivered a joint venture with Brevan Howard for artificial intelligence led market making platform. Going forward we will focus on three main tech areas.

Agency Execution

- Further deepening relationships with largest institutions
- Further expansion of business across regions, and asset classes

AI Led Flow Market Making

- Use of AI to enhance revenue growth potential as well as improve cost efficiency in Flow market making businesses

Digital Asset Custody Solutions

- Custody solutions for digital assets that meet needs of institutional investors
- High-level of security that meets demands of commercial bank clients and can be used for various digital assets

Overview of Right-Sizing of International Franchise

