Business Strategy to create economic value

This section provides key insights into the medium to long-term strategies of the three main segments which form our core business model based on analysis of the firm's strengths, risks, and growth opportunities. Furthermore, we introduce expansion measures through external alliances and outline significant initiatives to more efficiently allocate resources.

Enrich clients by responding to their asset concerns

Provide products and services tailored to each client through an optimal approach

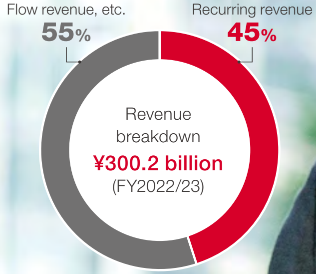
Products and services we can provide

- Traditional investment products such as stocks and bonds
- Investment trusts
- Discretionary investment services
- Private assets, real assets
- Solutions for inheritance, business succession, real estate, etc.
- Salaried employees services

Client types

- Corporates
  - Business corporations
  - Regional financial institutions
  - Local governments
  - Corporations and educational institutions
- Individuals
  - Corporate owners
  - HNWIs
  - Mass affluent
  - Asset builders

Client assets ¥122.2 trillion (as of March 2023)



Retail Division

Head of Retail Go Sugiyama

Strengths
Largest client franchise across domestic securities sector
Sophisticated consulting capabilities and supporting platforms
Providing highly specialized services through organization aligned to client needs

Opportunities	
O-1	Capitalizing on shift from savings to investment supported by initiatives such as doubling asset-based income plan by Japanese government
O-2	Responding to growing client need for asset succession and inheritance in line with the acceleration of asset transfers
O-3	Increase in the number of HNWIs or UHNWIs, and their net financial assets

Risks	
R-1	Continued uncertainty in market environment
R-2	Decline in commission rates and market share due to intensified competition
R-3	Risk of client disengagement and worsening profitability due to changes in values and needs of clients on increased acceptance of remote and digital services and demographic shifts

Key priorities of medium to long-term strategy

Strategic themes	Opportunities & Risks	Remarks
Point A Capture business opportunities in an expanding market, and increase market share in face-to-face business	O-1 O-2 O-3 R-1 R-2 R-3	■ Increase market share by engaging additional human resources ■ Leveraging the Group's comprehensive capabilities to enhance solution services ■ Optimize the number of accounts per Sales Partner
Point B Provide sustainable service by establishing non-face-to-face business models	O-1 R-1 R-2 R-3	■ Create a service delivery structure that leverages both digital and Sales Partner relationships ■ Improve convenience through digital services
Point C Expand client franchise through salaried employee business and alliances	O-1 R-1 R-2 R-3	■ Focus on our salaried employee business to expand our client franchise on a sustainable basis ■ Expand business by seeking alliances based on specific characteristics of each region
Point D Control costs	R-1 R-3	■ Make the necessary investments and rebuild our expense structure

Milestones

KPIs/KGI towards FY2024/25

		FY2022/23 / March 2023 (Actual)	FY2024/25 / March 2025 (Target)
KPI	Recurring revenue assets	**¥18.7 trillion**	**¥21.6 trillion**
KPI	Net inflows of recurring revenue assets	**¥333.7 billion**	**¥800 billion**
KPI	Flow business clients	**1.45 million**	**1.46 million**
KPI	Services for salaried employees	**3.49 million**	**3.66 million**
KGI	Income before income taxes	**¥33.5 billion**	**¥95 billion**

Key tenets of future growth

A Capture business opportunities in an expanding market, and increase market share in face-to-face business

The total amount of net financial assets held by Japan's HNWIs and UHNWIs is on the rise and it is expected to continue growing. We view this market expansion as an opportunity to increase our market share by engaging additional Sales Partners focused in the face-to-face business, and grow net revenue.

In general, HNWIs and UHNWIs have complex and diverse concerns about their assets. Consultation and proposal of products and services by experienced Sales Partners with advanced skills and know-how are effective in responding to such concerns, and thus face-to-face business is one of the key priorities of our strategy.

B Provide sustainable service by establishing non-face-to-face business models

On the other hand, for clients who want non-face-to-face services, such as the busy working generations, we will improve convenience through providing apps and online services, while also creating an environment in which Sales Partners can focus on providing added value to clients. Our improved offering will meet their needs by creating a service delivery structure that leverages both digital and Sales Partner relationships. We will also improve efficiency of processes which do not require any involvement of Sales Partners by leveraging digital tools.

C Expand client franchise through salaried employee business and alliances

We will focus on our salaried employee business and alliances to expand our client franchise on a sustainable basis.

In the salaried employee business, we aim to further increase the number of clients by providing greater support to companies seeking to help employees build assets. We have put in place a system that allows executives and employees of those companies to open accounts with Nomura Securities smoothly, and once accounts have been opened, we will support financial asset management and asset building in line with each client's needs.

In terms of alliances with regional financial institutions, we will build optimal sales structures tailored to the specific characteristics of each region, which will lead to winning new clients.

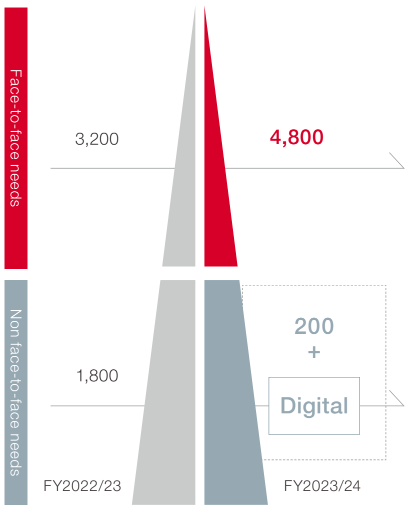
D Control costs

In Retail, we are aiming to reduce costs by about 20 billion yen by end of March 2025 by implementing a project to rebuild our expenses structure. Key initiatives include optimizing the allocation of employees and ensuring pay-for-performance, which together will reduce personnel costs and real estate expenses as branches will be moving from road level to higher levels and shrinking office space.

Segmentation and resource allocation in line with clients' needs

As we have been working on our segment based approach since 2019, it has become clearer that clients' needs vary greatly depending on the size of their assets. Against this backdrop, in order to maximize productivity, we organized clients' needs into "face-to-face needs" and "non-face-to-face needs," and increased the number of Sales Partners in the face-to-face business in April 2023. By reallocating resources appropriately to each client's needs, we aim to improve Retail profitability.

Changes to our coverage model



Client needs and our strategies

Client needs	Our strategies
■ Preserve assets amid current environment ■ Business succession, estate planning ■ Consulting for full asset portfolio including non-financial assets	■ Create Japan's largest private banking team of 600 people by combining WM and corporate/owners segment ■ Substantial increase in headcount to meet the needs of HNWI market
■ Medium to long-term asset formation ■ Information and advice on market conditions ■ Online light-touch services	■ Have a smaller headcount to deliver services to a broader range of clients by using digital tools

By increasing the number of Sales Partners covering face-to-face business, we have optimized the number of accounts per Sales Partner. This makes it possible to review portfolios in a timely manner that captures changes in the environment and make consulting proposals for asset succession measures, even for clients that we have not been able to fully engage with. Increasing the number of clients who value the services provided by our Sales Partners and improving client satisfaction will lead to growth in our ongoing business and ability to win new clients. We also aim to expand our face-to-face business by leveraging Group's comprehensive strengths and expanding our lineup of assets available to interested HNWIs and UHNWIs.

For clients who prefer non-face-to-face services, we provide investment information and asset management services through digital tools. On the other hand, Sales Partners provide services such as product proposals and consulting which can provide greater value. By leveraging both digital and Sales Partner capabilities, we aim to create efficient and effective system to deliver services.

Sustainability initiatives

Enhancing financial literacy of the current working age population through salaried employee businesses

With the increasing focus on human capital for sustainable growth, more companies are trying to help their employees build assets. Retail Division provides age-appropriate financial literacy programs for employees of companies that provide salaried employee service. Programs are customized according to the industry to which they belong and corporate culture, and even after the program, information is regularly provided to program participants for follow-up. Thus, Retail Division is contributing to the improvement of financial literacy among the current working population.

We are also working to help people understand the necessity of building assets through medium to long-term funded investments. For example, we hold seminars and briefing sessions for new employees in response to corporate clients' requests, as well as continuing education and benefit seminars for existing employees. We have also enhanced our web services for various programs such as ESOP, Corporate DC and NISA scheme.

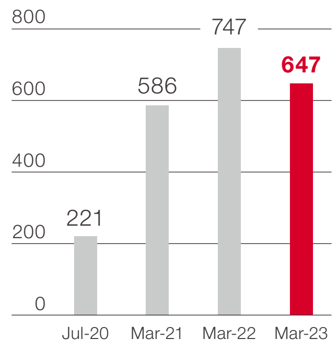
Increase investor pool in ESG and SDG investment

In response to growing awareness of environmental and social issues, we selected an ESG product lineup of funds with the theme of realizing a sustainable society through investment and building client assets over the medium to long-term. We began offering ESG products primarily to individual investors in July 2020. We are also engaged in the sale of ESG bonds to individuals, and contributing to the expansion of ESG investment opportunities in Japan.

In addition, we hold ESG seminars and stream ESG study sessions for individual investors using SNS to convey Nomura's message that we contribute to solve social issues, promote individual investors to invest into ESG investments, and create a virtuous cycle of investment funds.

Total of ESG related funds AUM

(trillions of yen)



System to deliver services combining digital and Sales Partners

	Find potential clients	Unearth needs	Regular follow up	Proposals
Current	■ Sales Partners choose and approach potential clients	■ Sales Partners provide information and reports		■ Sales Partners make proposals
Future	■ Approach clients based on targeting using digital tools	■ Provide information and regular follow ups using digital tools ■ Clients voluntarily check by themselves via apps and online services		■ Sales Partners make proposals (remote mainly)

Investment Management Division

Head of Investment Management Yoshihiro Namura

Realize a virtuous cycle of investment that leads to the resolution of social issues by providing high-quality investment products that meet the diverse investment needs of clients

We provide solutions that meet broad investors' diverse investment needs, through a wide range of assets classes from traditional to alternative assets

Public Markets Businesses

Private Markets Businesses

Real Assets Businesses

Asset Classes

Traditional Assets
Equity
Bonds
Alternative approach (multi-asset, hedging)

Alternative Assets
Private Equity
Private Debt
Aircraft leasing
Forestry asset
Real estate
Infrastructure

Products and Services

Investment Trust
Public offered investment trusts
Exchange Traded Funds (ETF)
Private offered investment trusts

Discretionary investment, Advisory

Investment Corporation

Investment Partnership

Other Funds

Solution Delivery

Approach to Investors

Individual Investors
NISA
Product Governance
Improving financial literacy

Institutional Investors
DC (Defined Contribution)
ESG
Alternatives

International Investors
UCITS[*1]
Sustainability
Credit management

Assets under management ¥67.3 trillion

Alternative assets under management ¥1.263 trillion

*1 Undertakings for Collective Investment in Transferable Securities

Strengths
Asset management specialization with ability to generate competitive performance by leveraging the expertise and creativity of each company within the division
Access to the Group's excellent and broad client base
Ability to create new businesses and operate efficiently using the Group's financial resources, talent pool, knowledge and IT infrastructure

Opportunities	
O-1	Japan's abundant individual financial assets, and the government's plan to double asset-based income acting as a tailwind
O-2	Growth of investment in private assets (in particular Japan, high-net-worth individuals)
O-3	High levels of funding demand and investor awareness for sustainability-related investments

Risks	
R-1	Changes in competitive environment: Lower management fee rate due to increased competition, and commoditization of products that will occur before the full-scale launch of new business areas
R-2	Changes in business environment: Changes in investor needs, preferences for passive (Index) investing, and changes in distribution models due to digitalization
R-3	Changes in operating environment: Impact of adverse market conditions on asset management performance

Key priorities of medium to long-term strategy

Strategic themes	Opportunities & Risks	Remarks
Point A Increase assets under management and provide higher value added products and services in public markets businesses	O-1 O-3 R-1 R-2 R-3	■ Publicly offered investment trusts: Provide products that support individual investors build long-term assets and improve competitiveness by strengthening product governance ■ DC & ETF: Expanding product lineup and investor base ■ Strengthen in-house management, increase sustainable investment strategy, and expand global footprint
Point B Expand investment base in alternative assets	O-1 O-2 O-3 R-1	■ Provide investment opportunities by leveraging gatekeeping investment capabilities and expand in-house investment strategy ■ Scale up domestic private sector business and launch full-scale private asset management business in the US ■ Entry into real assets areas such as real estate and forestry assets ■ Leverage the Group's comprehensive strengths: Early commercialization and distribution through deploying talent and financial resources, sourcing of investment projects
Point C Increase efficiency and control costs	R-3	■ Group-wide unification of IT system infrastructure ■ Improve operational efficiency: Leverage corporate support functions, pursue outsourcing opportunities

Milestones

KPIs/KGI towards FY2024/25

		FY2022/23 / March 2023 (Actual)	FY2024/25 / March 2025 (Target)
KPIs	Assets under management	**¥67.3 trillion**	**¥75.8 trillion**
	Net inflows	**-¥0.8 trillion**	**¥3 trillion**
KGI	Income before income taxes	**¥43.5 billion**	**¥63 billion**

Key tenets of future growth

A Increase assets under management and provide higher value added products and services in public markets businesses

In public markets businesses, Nomura Asset Management, a core company in our division, provides investment trusts that help Japanese individual investors build up their assets over the long-term. With NISA small investment tax exemption system expanding and becoming permanent from January 2024, we are preparing product lineups that will encourage a wide range of age groups to take advantage of the system, including the launch of a new series of low-cost index funds, "My First NISA".

In publicly offered investment trusts, we evaluate each fund from the perspective of strengthening product governance, and aim to create competitive performance by concentrating our management expertise in a group of high-quality funds. At the same time, we contribute to improving financial literacy across wide generations of investors by providing daily information and support for distributors. We are also expanding and strengthening our portfolio of investment trusts for defined contribution pension plans (DC) and exchange-traded funds (ETF) to meet the needs of investors.

We are enhancing our offerings across our discretionary investment and advisory services for domestic and foreign institutional investors, and our management services of privately offered investment trusts. We are expanding our credit management capabilities and ESG investments in addition to our mainstay active management strategies in Japanese stocks, global stocks and global bonds.

In UCITS for international investors, we aim to grow our business by expanding our lineup of ESG funds that comply with European Sustainable Finance Disclosure Regulations, and by collaborating with our strategic partner, American Century Investments, to develop competitive products worldwide.

B Expand investment base in alternative assets

In the two years since the establishment of the Investment Management Division, alternative assets under management has grown to approximately 1.3 trillion yen, much of which is accounted for by gatekeeping management. We will continue to take advantage of our strength in gatekeeping management based on more than 20 years of experience in evaluating and managing alternative assets, providing investment opportunities for individual investors in addition to packaged solutions for institutional investors.

In terms of in-house management, we aim to scale buyout investments, search funds (business succession buyout investments), growth investments and mezzanine investments in Japan. In the US, we have also launched asset management businesses such as private credit, with the aim of expanding our scale over the medium to long-term. In the real asset space, in addition to aircraft leasing, we also entered into real estate and forestry asset management by working with external partners.

We will continue to expand our alternative product offering and provide solutions to meet investors' diverse needs, including individual investors, by further utilizing the Group's comprehensive strengths in human resources and client networks.

C Increase efficiency and control costs

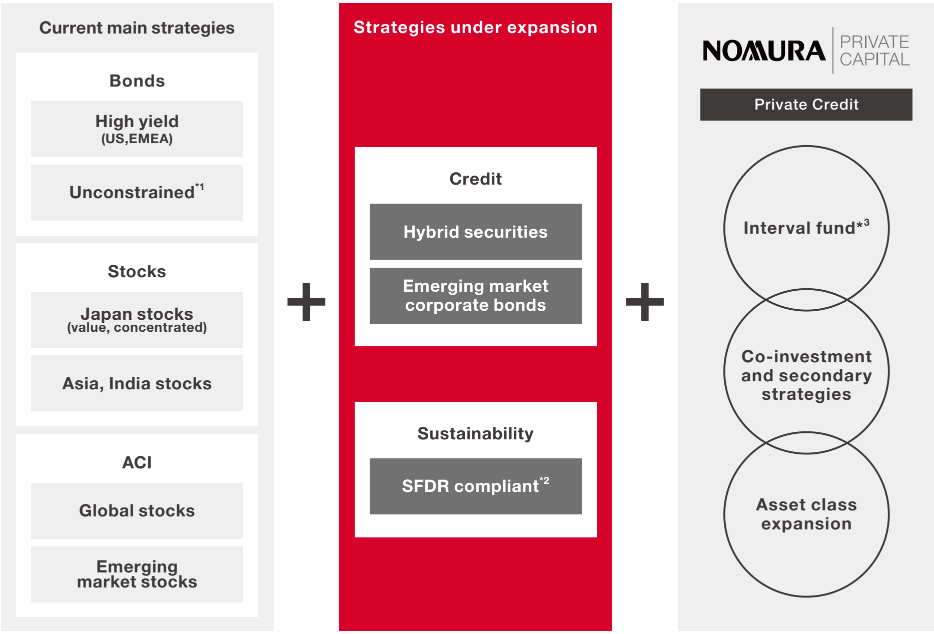
To increase cost efficiency, we will leverage IT system infrastructure across Nomura Group as well as corporate and other support functions. We will also use resources outside the Group through appropriate outsourcing.

Expand investment management capabilities as a credit management specialist

In recent years, Nomura Group has developed a reputation beyond its known expertise in Japanese and Asian equities, and into credit management.

Nomura Corporate Research and Asset Management Inc. (NCRAM), established in the US in 1991, primarily manages high-yield bonds. NCRAM holds funds from institutional and retail clients in the Americas, Europe and Asia and has approximately US$27 billion in assets under management.

Nomura Asset Management's UK base manages the Global Dynamic Bond Fund, which aims to maximize total returns by selecting investment targets from a wide range of bonds from around the world in a flexible manner. In order to further strengthen our credit management capabilities, we have acquired outside managers to support management of hybrid securities and emerging market corporate bonds since 2022.



In the private sector, Nomura Private Capital, which was founded in 2022, established the Nomura Alternative Income Fund, which invests in private credit and began operating in 2023. The fund initially targets high-net-worth individuals in the US. In the future, we will enhance our organizational structure and investment strategy with greater value-added offerings and aim to capture institutional investor interest.

*1: An investment method that utilize all investment methods including derivatives as well as cash bonds.
*2: ESG funds that comply with Articles 8 and 9 of the Sustainable Finance Disclosure Regulations in Europe
*3: Registered Investment Company under Rule 23c3 of the Investment Advisers Act of 1940.

Sustainability initiatives

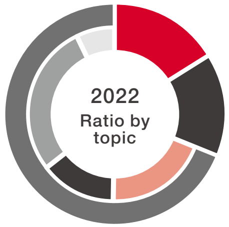
Contributing to sustainability through strengthening the investment chain

As a responsible investor, Nomura Asset Management, based on its corporate philosophy, strives to resolve key issues to realize an investment chain (a virtuous cycle of investment). Through stewardship activities, such as promoting responsible investment and engaging in constructive dialogue with investee companies, we support sustainable corporate growth by helping investee companies increase their corporate value and create social value. As part of our engagement activities, we have launched Project BRIDGE to help uncover the potential corporate value of Japanese companies, while simultaneously disseminating information about investment opportunities in Japanese stocks to investors around the world. We also aim to transition to a sustainable, decarbonized society by encouraging the companies we invest in to address climate change issues.

Engagement Results
Engagement meetings

Total number of engagement topics
(total number of meetings)

2,424topics (1,010 meetings)



	Ratio	Number of topics
Business strategy	16%	397
Financial strategy	15%	361
ESG-related meetings	69%	1,666
Environmental	19%	470
Social	14%	343
Governance	28%	679
Proxy voting-related	7%	174
Total		2,424

Responsible Investment Report
https://global.nomura-am.co.jp/responsibility-investment/investors/

Offering of a new investment solution, forestry asset management

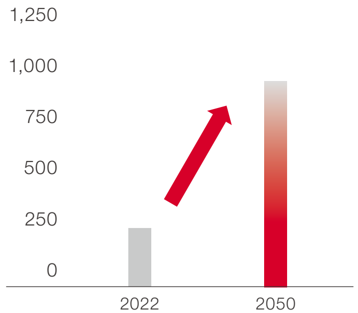
In January 2023, we acquired a stake in New Forests, the world's second largest forestry asset management company. New Forests manages 1.27 million hectares (as of the end of December 2022) of forests, which represents over 60% of the total area of the Shikoku region. Forestry asset management is a sector that is expected to grow globally in terms of investment opportunities and size.

We, at Nomura Group, have a global client base and offer new asset class of investment products to a wide range of clients. We also anticipate future expansion into the fields of farmland funds and carbon credits.

In addition to providing investors with returns from forestry resources, we aim to contribute to sustainability by appropriately conserving forests through the realization of a circular bioeconomy *, which is one of New Forests' visions.

* A sustainable, recycling-oriented, symbiotic economy in which humans and nature coexist by recycling resources through the use of biological resources such as forests and biotechnology instead of fossil fuels

Forestry funds market size
(billions of dollar)



*Calculation by New Forests

Meet client needs by providing differentiated products and services across our underlying businesses to help enrich society and deliver shareholder value

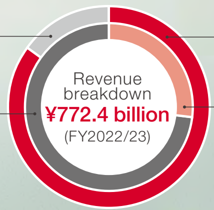
Wholesale Division

Head of Wholesale Christopher Willcox

Business		Products and Services	Clients
Investment Banking (Mainly Private business)	Advisory Services	M&A Advisory	Corporate
		Equity Advisory	Sponsors/ Private Equity Firms
		Debt & Ratings Advisory	Banks
	Client Financing & Solutions	CFS Cash (DCM, ECM, ALF[1])	Real Money
		CFS Solutions (Hedging, Structured Finance, etc.)	SSAs[2]
Global Markets (Public & Private businesses)		Liquidity & Market Making	Retail/ HNWI
	Sec. Trading & Execution	Bespoke Investor Products	Hedge Funds
		Financing	
		Agency Execution	
		Research	

#1 Domestic Markets
Japan Fixed Income Client Penetration[3]
Japan Equity Wallet Share[4]
Japan M&A, ECM, DCM[5]

≥5% Share International Markets[6]
US Flow Rates
EMEA Structured Rates
AEJ Cash Equities



1. Acquisition & Leveraged Finance 2. Sovereign, Supranationals & Agencies 3. Source: Greenwich, for CY2022 (#1 in Yen Bonds, IR Derivatives, Structured Credit and Non-Yen Bonds) 4. Source: McLagan, for CY2022 (#1 in Overall Cash EQ and Low Touch) 5. Source: For Japan M&A and ECM, Refinitiv; for Japan DCM, Capital EYE; for FY2022/23 (By number of deals) 6. Source: Coalition Greenwich Competitor Analytics (CY20-22 Avg); Market share results are based on the following peers: BofA, BARC, BNPP, Citi, CS, DB, GS, JPM, MS, HSBC, SG & UBS. Market share results are based on Nomura's product taxonomy and Nomura's internal revenues

Strengths

- Market leading position in Japan provides unique advantage to connect financial and capital markets east and west
- Developed targeted, market leading businesses across international regions to strengthen franchise presence amidst incumbents and new entrants
- Ability to serve diverse needs of clients through global platform with cross-border capabilities

Opportunities

- **O-1** Potential change in monetary policies and several reform initiatives in Japan that attract growing investments globally
- **O-2** Capitalize on secular demands for sustainability-linked advisory, financing and solutions
- **O-3** Growing International-Japan cross-border deals driven by changing macroeconomic structures

Risks

- **R-1** Rising inflation, Central Bank policy and resulting volatility
- **R-2** Geopolitical risks, e.g. Russia/Ukraine
- **R-3** Recessionary market outlook, continued risk off sentiment

Key priorities of medium to long-term strategy

Strategic themes	Opportunities & Risks	Remarks
Point A **Growth**	O-1 O-2 O-3 R-1 R-2 R-3	■ Increase market share in core businesses by taking systematic, client driven approach ■ Scale in core business to drive operating leverage
Point B **Stability**	R-1 R-2 R-3	■ Globalized platform that is cost-efficient, standardized and scalable
Point C **Diversification**	O-1 O-2 O-3 R-1 R-2 R-3	■ Generate diversified business mix with balanced contribution from businesses including Fixed Income, Equities, Private Markets and Risk Light areas ■ Longer-term diversification into stable, high ROE asset classes for business like International Wealth Management

Milestones

KPIs/KGI towards FY2024/25

		FY2022/23 / March 2023 (Actual)	FY2024/25 / March 2025 (Target)
KPI	Revenue/RWA	**>6%**	**>6%**
	Cost to Income Ratio	**96%**	**86%**
	Fee & commission revenue	**US$1.1 billion**	**>US$1.3 billion**
KGI	Income before income taxes	**¥29.4 billion**	**¥130 billion**

Key tenets of future growth

A Scale in core business to drive operating leverage

In Wholesale, we are focused on growing our core businesses to realize economies of scale. In Global Markets (GM), we continue to make progress on deepening client penetration and expanding our core GM businesses (e.g. AEJ Credit, US Equity Derivatives, FX/EM) into adjacent areas of opportunity. In Investment Banking (IB), we are pursuing a targeted strategy, centered on our most competitive offerings (e.g. market leading Japan IB franchise, strength in Sustainability sub-sector), while increasing productivity and strengthening client relationships. Overall, we continue to execute our global client strategy, with ambition to bring our full international product suite to our domestic client base in Japan and to increase cross-sell across international regions through our global sales structure.

B Globalized platform that is cost-efficient, standardized and scalable

In order to effectively scale our businesses and increase profitability across Wholesale, we need to de-regionalize our platform and optimize costs. As we continue our globalization efforts, we will build on our Japan franchise and our mature, market-leading international businesses. On the cost front, structural reform is underway with a focus on standardization of our processes and functions. Furthermore, robust risk management, supported by our “Challenge, Escalate, and Respect” risk culture, continues to be a top priority to ensure stability of our platform.

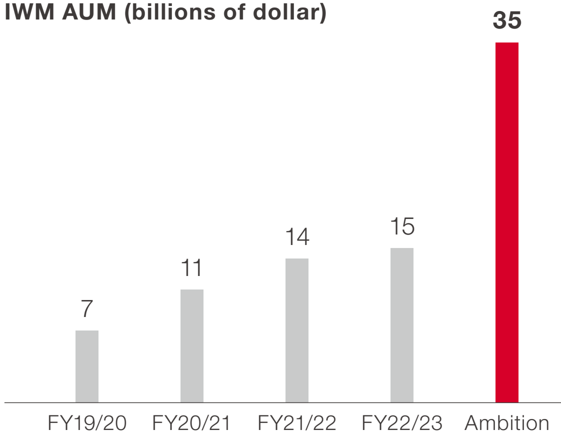
C Longer-term diversification into stable, high ROE asset classes

We are focused on diversifying the Wholesale business mix and will maintain our multi-year commitment to our International Wealth Management (IWM) business, which produce stable, repeatable revenues at high ROE. Our International Wealth Management business in AEJ was integrated into the Wholesale Division four years ago to extract the synergies with our Markets and Banking businesses, and is a key driver of growth. Accelerating our IWM business forward growth plan is a top priority.

International Wealth Management (IWM)

The IWM buildout plan commenced in September 2020 under the leadership of Ravi Raju (Head of IWM), with a mandate to expand the wealth management business in the rapidly growing AEJ region. The business operates out of offshore hubs in Singapore, Hong Kong and the recently launched Dubai branch, targeting High-Net-Worth, Ultra-High-Net-Worth and Family Office clients. Significant progress has been made on the front to back platform buildout over the last 2.5 years, as shown in below chart. This growth is underpinned by momentum in asset growth, franchise expansion and upgrade of product suite and platform, and collaboration with businesses across Nomura. We have an ambition to further scale up assets under management to US$35 billion and deliver 15%+ ROE in medium term.

IWM AUM (billions of dollar)



Progress to Date
(Since FY19/20)

25% AUM CAGR	**~2x** AUM Growth
+50% Revenue	**US$7bn+** Net New Money
1,200+ New Accounts	**120+** Front Office Staff Hires

Key initiatives and focus areas for the business:

Client Franchise Expansion:	Deepen footprint in existing hubs of Hong Kong and Singapore; expand North Asia business (hired new Head of IWM North Asia); grow newly launched Dubai business
Product Suite Buildout:	Deepen existing product and lending solutions; expansion of investment advisory, wealth planning, FX, insurance
Firm-wide Collaboration:	Closely partner with Global Markets and Investment Banking businesses to offer best-in class products and solutions

Leverage **Enhanced Platform** to drive operating leverage and enhance client experience

Sustainability initiatives

Infrastructure & Power Financing (IPF)

Our IPF business has a dedicated New York-based team focused on sourcing, structuring, executing and distributing financing for green projects and other assets globally. Since its inception in 2017, the team has underwritten more than US$15 billion of infrastructure and sustainable assets, with more than half of the portfolio in solar and other renewables. The team was involved in financing deals worth over US$4 billion between January and December 2022, and the business was ranked #1 in Japan Renewables Project Finance according to Inframation and #8 in North American Power (Solar, LNG, Gas-Fired Assets).

#1	**#8**
Japan Renewables Project Finance	**North American Power (Solar, LNG, Gas-Fired Assets)**

*Source: Inframation, Jan–Dec 2022.

Case study

IPF supported the acquisition of a 400 MW operational utility-scale solar portfolio by Enfinity Global. The company is a leading renewable energy operator and this acquisition marked a significant milestone in its expansion in the US, following growth in Japan and Europe. IPF underwrote the nearly US$300 million facility and distributed it to a variety of lenders such as Commonwealth Bank of Australia, Fifth Third Bank and Bayerische Landesbank. This transaction expanded upon a strong relationship initially established in Japan as Enfinity Global has continued to grow as a key global developer.

Spotlight 1

Expansion of our business through partnership

In December 2019, San-in Godo Bank Group and Nomura Securities signed a definitive agreement to form a comprehensive business alliance in financial products intermediary services (hereinafter "Alliance"). This Alliance is an unprecedented initiative in which employees of Nomura Securities and San-in Godo Bank work together to provide clients with the various products and services. Toru Yamasaki, President and Representative Director in San-in Godo Bank and Go Sugiyama, Head of Retail in Nomura Holdings, discussed the synergies generated from the Alliance and future prospects.

Toru Yamasaki
President and Representative Director
at The San-in Godo Bank, Ltd.

Go Sugiyama
Director, Executive Vice President
Head of Retail at Nomura Securities Co., Ltd.
Senior Managing Director
Head of Retail at Nomura Holdings, Inc.

Q It's been about three years since we started the Alliance in September 2020. What is your assessment so far and what is your current business development plan?

Yamasaki The Alliance has been carried out with the purpose of establishing a new securities business model that draws on the strengths of both banking and securities. At the beginning of this Alliance, employees from Nomura Securities said, "It was a humbling experience to be entrusted with a passbook from clients, and understanding of clients improved significantly". On the other hand, employees of San-in Godo Bank seemed to balk, and say, “I just cannot keep up,” because Nomura employees possess high levels of skill, experience and knowledge, and their sales approach utilizes digital tools. Though we felt the differences between the two companies initially, we gradually deepened our mutual understanding and progressed through trial and error. Today, the all-asset approach, a sales style that draws on the strengths of both sides, has become our common language. This is a sales style that understands the full scope of clients’ assets and suggests a portfolio according to their risk tolerance based on our trusted relationships with clients.

As a result, the number of securities accounts increased by 31%, retail client assets increased by 29%, and the number of installment investment contracted accounts, including NISA, increased by 35% compared to the combined total of Nomura Securities, San-in Godo Bank, and its subsidiary, Gogin Securities, before the Alliance started. The results significantly exceed the original expectations of both companies prior to the Alliance.

We call our securities business base the consulting plaza (CP). There are nine offices in Tottori and Shimane prefectures, and a total of 240 people, including employees on dispatch from Nomura Securities. In fact, the number of employees is about 160 (about 40%) less than the total of the three companies before this Alliance was formed, and operating costs except for personnel expenses on our bank side have also decreased by 200 million yen per year. Nevertheless, we feel that our performance in the increase of client assets and other areas is better than expected, meaning that the all-asset approach is gaining recognition from our clients.

In addition to these facts, there are more than 100 branches in our bank, and the CP is linked with management consultations for corporate owners. It is also responsible for financial and economic education for schools and businesses, contributing to the growth of the investment population.

Sugiyama We started this Alliance three years ago, and we are very grateful to have the Alliance and mutual trust between our companies. You just talked about our achievements, and we have worked relentlessly under the principle that "In order to enrich the region, we first need to expand our clients' assets. "As a result, we have been very successful in growing our client assets and recurring revenue assets, and contributing to further expansion of our business which Retail Division is aiming at. With various tailwinds, such as the starting of the new NISA system, we are confident that we can make this a sustainable business by taking advantage of the many contacts we have with our clients at San-in Godo Bank.

Q What effects and changes have you seen from your business collaboration?

Yamasaki The most significant impact from this Alliance is that client satisfaction has increased. This is confirmed by various questionnaires. I also feel that it has had a positive effect on the development of the employees from San-in Godo Bank. It has been a great inspiration to us that everyone from Nomura Securities is highly motivated to learn and work and achieve their goals.

To be honest, the securities business has not been easy for us. It means developing the infrastructure of the securities business to respond appropriately to the regulation changes, to provide an attractive product range, and to continue to enhance the skills of our employees. And to cover these costs with the commissions we receive from our clients while the commission rate has been declining year by year, we were wondering if we could balance the bottom line and grow our securities business. Through this Alliance, the top line has grown, costs have fallen, and now we are able to draw up a growth strategy, which I am delighted to see as a top executive. More than that, we really appreciate the fact that our sales style is not just taking commissions from our clients, it is helping them build their assets.

Sugiyama Before the Alliance, Nomura Securities had only three branches in San-in area: Matsue, Yonago and Tottori. Only 90 sales partners covered a distance of 300 km from east to west. Our reach was overwhelmingly insufficient, and we were faced with the challenge of not being able to adequately serve our clients. Through this Alliance, I think the key benefit was that we became able to deliver services to many clients by combining our strengths. These include our shared information, knowledge, products and services, and San-in Godo Bank's strengths including its significant presence and client networks.

From listening to our employees, we hear that it is challenging for companies with different cultures to collaborate together for the same purpose, but it is exciting at the same time, and driving innovation. In recent years, an increasing number of young employees have raised their hands to take on this new business models in addition to experienced employees who want to apply the know-how they have cultivated at Nomura to partner companies, and this has helped broaden their career development.

It was also a great achievement for us to realize once again that the products we handle on a daily basis, the various consulting tools and investment information, our product services, and our daily sales activities have added value and are differentiated.

Yamasaki Through our collaboration, we are able to create additional touchpoints and offer greater services to our clients. For example, at the end of March, civil servants retire at the same time, and about 90% of the retirement allowance inflows into our bank at once. Previously, these funds outflowed to other financial institutions' investment funds, but through this partnership, we are leveraging each other's strengths and steering funds toward our securities business through the all-asset approach.

Sugiyama Achieving 90% share is really incredible. In the case of Nomura Securities, we can make an investment proposal only after asking the client about the timing and amount of the retirement allowance. It is very different from our business model in which we receive funds prior to proposing solutions.

Q What is your outlook? As Japan's population continues to decline, what are the challenges?

Yamasaki In this region, the shift from savings to investment has not progressed yet, and while the population is declining, there is still plenty of room to expand the securities business. I strongly believe that we can continue to grow and further increase the pace of growth. Our current challenge is to expand and broaden the base of the investment population through financial and economic education.

Also, banks routinely deal with clients throughout their lives. Upon becoming a member of society, it generally starts with the designation of a payroll transfer, followed by a car loan, a mortgage, an education loan and a transfer of retirement benefits. Now, through utilizing the Alliance with Nomura Securities, we are beginning to offer optimal banking and securities services tailored to the client's life stage and risk tolerance, including investment trust accumulation, asset building using iDeCo, and inheritance consulting. There is still a lot of work to do, and I definitely feel like there is an ocean of opportunities.

Sugiyama I agree. The investment population will increase from here on, and there may not be enough financial advisors nationwide. Additionally, in terms of inflation, we have gone from a time when asset values could be protected if they were kept in deposits to a time when advice on asset management and asset building is really needed. Population decline is a nationwide issue, not just in the San-in region, and we would like to develop a business model that can overcome this challenge.

In addition, there are many cases in inheritance and asset succession in rural areas that do not proceed smoothly because the decedent and heir are physically separated due to outflows of young people to urban areas.

To meet these challenges, I believe that there is a room to use Nomura's nationwide network of headquarters and branches while providing services to San-in Godo Bank's clients.

Q What is your view on expanding alliances with other banks in the future and what is the significance?

Yamasaki I think the situation of regional financial institutions is of course different, but I think the market is shrinking in the same way as our bank. Ensuring the securities business to become a sustainable business is also meaningful to our local clients. The alliance with Nomura Securities is one possible and effective solution, and I think it should be pursued.

Sugiyama If we increase the number of business partners, we will have more opportunities to serve more clients, but we believe it is important to first partner with local financial institutions that share our values and beliefs. Instead of simply following the numbers, we will work with regional financial institutions who we can build long-term trusted relationships to ensure we create positive change and make our business model more sustainable.

Spotlight 2

Wholesale Division - Management interview

Q What changes have you brought to the business since you became Head of Wholesale?

I have spent significant time reviewing our Wholesale business including areas of growth, challenges, and opportunities. My assessment is that in our core business areas, we do many things well – we have strong client relationships, we are well recognized by the industry, we have deep structuring capabilities and as a result we have built some leading market positions. However, evidently this is not enough especially when fee pools drop as much as last year. Our biggest challenge is the lack of scale relative to global bulge bracket banks. This is a meaningful structural challenge calling for a well laid-out medium to long-term strategic plan, which I will discuss shortly. In the meanwhile, we have taken significant steps to improve platform efficiency.

Some of the key structural and short-term initiatives include:

– First, I have taken significant steps to increase the stability of our platform. To start, we conducted a thorough front-to-back review of the Wholesale cost base. While we have made progress in cost optimization over the prior two years, there were still areas where we could be more efficient. As part of this cost review, we executed a plan to streamline the organizational model and refocused our Investment Banking platform to concentrate on core sectors and products.
– Second, I have implemented structural changes to globalize the Wholesale operating model. Historically, we have taken a more regionalized approach to the management of our business, but creating a globalized platform with standardized functions and processes is critical to our go-forward strategy. We've globalized the Wholesale management structure under an experienced leadership team, and we have also designated a global officer aligned to Wholesale within each Corporate function.
– Third, I have spent a significant amount of time working with my leadership team to develop a new strategic plan for the Wholesale Division to meet our Group-wide ROE targets of 8-10%, and we are now focused on executing this plan.

Q Please describe the rationale for Nomura having a relatively large footprint outside Japan as well as the appeal of these businesses.

The market opportunity outside of Japan is very significant; in fact, international regions make up 95% of the total Wholesale fee pool*. We have a large international client base, which we continue to grow, and we are well positioned to capture the international market opportunity. Our businesses in the Americas, EMEA, and AEJ currently contribute around 73% of the Wholesale Division's revenues and are central to our growth ambitions.

Our position in Japan plays a critical role in our international strategy, and we have consistently leveraged the strengths and dominance of our Japan franchise to offer our clients unparalleled access to markets and products globally. As we execute on our growth plan and globalization efforts, we will continue to connect our international businesses with Japan.

We will continue to focus our efforts on areas where we can build critical mass, differentiate our offering and compete effectively. We have created a well-diversified and resilient business in our international regions backed by targeted investments. We have market leading Fixed Income businesses across the globe, with particular strengths in each region. For instance, we have a strong global Securitized Products business led from the US, and we are also especially competitive in AEJ Credit and EMEA Rates. Further, we have established a robust international Equities platform, particularly in the US, and built a targeted Investment Banking offering globally. We will leverage these regional strengths when we look to broaden our product offerings in a given region and grow our business internationally.

*Based on CY19-22 average.

Q What are the key priorities going forward?

There are three key structural challenges we need to address:

– Firstly, stability. We need to continue our efforts to globalize our platform and optimize costs so that we can efficiently scale our business.

– Secondly, growth. I can cover the details of our growth plan shortly, but at a high level, we will focus on increasing market share in our core businesses by taking a systematic, client driven approach. We need to get to scale and unlock operating leverage.

– Thirdly, diversification. Our growth plans aim to generate a diversified business mix with a balanced contribution from businesses including Fixed Income, Equities, Private Markets and Risk Light areas. To further enhance cross-cycle

Addressing Structural Challenges

Stability

Structural cost reduction to improve earnings stability

- Increase globalization and standardization of processes and functions
- Enhance Front Office cost controls - non-revenue functions, non-personnel expenses optimization

Growth

Scale in core business to drive operating leverage

- Address product gaps through targeted hiring plan
- Launch systematic client growth plan to expand wallet share

Diversification

Longer-term diversification into stable, high ROE asset classes

- Accelerate growth plan in International Wealth Management stability, we aim to capture repeatable stable earnings at high ROEs for businesses like International Wealth Management.

Q Expanding on your point on stability, can you describe some of the steps you are taking to reduce costs and raise return on resources?

As I mentioned earlier, we have undertaken a systematic review of our processes and functions to develop a strategy for creating a sustainable cost base. At Investor Day, I laid out our plan to achieve US$250 million+ of cost saves by FY24/25 on an exit run rate basis*. This plan includes actions to standardize functions, remove duplication from our organizational structure, and simplify our operations. Structural reform is a key priority over the next few years, both for Wholesale and Nomura overall.

We are also focused on strengthening resource efficiency and optimizing our approach to managing resources. In collaboration with Treasury, we have institutionalised more efficient measures to manage funding and liquidity across our Global Markets businesses. We have already increased our Revenue/RWA ratio, and we expect to continue to exceed the 6% Revenue/RWA target in the medium term – a sign of our continued discipline in resource management.

*Excluding increase in expenses due to inflationary items (e.g. wage inflation, energy prices etc.), increase in variable expenses linked to revenue growth, and investment in business growth initiatives. The saves are on run-rate basis as of March 2025 and also exclude one-off costs required to execute the structural reform initiatives.

Q Beyond optimizing costs and increasing resource efficiency, what is your strategy to accelerate growth and improve PTI?

We are focused on addressing challenges around lack of critical mass as well as gaps in our product line-up, regional coverage and strengthen the systemic approach for our key clients. Our focus is to drive economies of scale and improve our core earnings capabilities across Wholesale. To facilitate this, we have refined our growth plans across the Wholesale businesses and have laid out three key initiatives below.

– First, we will pursue a targeted growth plan in Investment Banking. We will continue to build on the success of our leading Japan IB business, and will leverage our position in Japan as we seek to capture more cross-border opportunities. We will continue to focus on strengthening our core client relationships, ensuring we are well positioned to meet client needs while driving more repeat business and increasing the number of IB clients who rely on us for multiple products. We will focus on building scale where we have competitive global offerings, including monetizing the opportunity in our Greentech Industrials and Infrastructure group.
– Second, in Global Markets, the next phase of our growth will come from scaling areas where we are already strong and expanding into adjacent areas of opportunity. We will look to scale the Securitized Products business globally, replicating the success of our robust US platform. Likewise, we will target growth in EMEA and AEJ Equities, leveraging our strengths in the US and Japan.
– Third, we are growing the International Wealth Management business. Since integrating this business into the Wholesale Division in September 2020. we have opened 1,200 new accounts and doubled AUM, reaching US$15 billion at the end of the FY22/23. We expect to scale up AUM to US$35 billion in the medium-term, and will look for opportunities to further build on this target. This AUM target is supported by our aim to further deepen presence across our core markets (e.g. Greater China, Dubai and Southeast Asia) while pursuing product expansion and platform enhancements. To this effect, we have made key hires in North Asia and have set up a branch in Dubai. We will also expand our product suite, expand our credit book and launch new lending products. Another priority for us is to drive collaboration with Global Markets, Investment Banking and our Japan franchise leveraging unique strengths that our platform has to offer.

Eventually, we expect that these initiatives will lead to systematic expansion of wallet share with our most important clients across Wholesale.

Global Markets business

Rig Karkhanis
Head of Global Markets

Rig Karkhanis is the Head of Global Markets at Nomura. He has been with Nomura for over 10 years in various roles, including Deputy Head of GM and Global Head of FX&EM.

Q What does Global Markets do?

Nomura Global Markets (GM) plays a key role in the global financial architecture by facilitating Financial and capital markets activities between the East and West, leveraging our Asian heritage and presence across key global financial hubs. We operate as a primary dealer in 15+ government securities, provide liquidity in 30+ currency pairs and are a member of 30+ stock exchanges. GM operates a globally integrated franchise across products, clients and regions to deliver comprehensive services ranging from sales & trading to research, financing, solutions and wealth management.

In Japan, we have a dominant presence across Fixed Income and Equities, which gives us unique advantages in connecting global investors to the vast liquidity pool in the region and bringing global products and services to our clients in Asia. Our home market also anchors our cross-border client activities, facilitated by highly collaborative, diversified, globalized and culturally aligned teams.

Complementing our strong home market franchise is our overseas footprint: international business now generates about 75% of global GM revenues and accounts for a similar proportion of our headcount from 60 nationalities. As the only truly Asian house with global reach, we are uniquely positioned to deliver unparalleled access to, from and within the world's vibrant growth markets. We have a differentiated offering built around our core strengths in areas such as Global Rates, Foreign Exchange, Emerging Markets especially in Asia, Securitized Products and Equities, and growth in Wealth Management.

Our 4,000+ clients are sophisticated and diverse, and include global asset managers, banks, hedge funds, corporates and high net worth individuals. In our fast moving industry, innovation has always been our key differentiator: GM has been awarded the "Derivatives House of the Year"* regularly and we are a recognized pioneer in introducing many new products to market.

Q Could you describe the strategy of GM?

Main priority for GM is to build upon its current, solid platform and deliver a "step-change" in performance, so as to deliver consistent through-the-cycle returns which is underpinned by a balanced portfolio of cyclical and countercyclical businesses. For the next phase of GM growth, we are targeting an approx. 20% revenue expansion. However, we are not going to try to be "everything for everyone" or pursue growth at the cost of profitability; we will compete in areas where we have strong differentiating factors in terms of products, people and clients. Much of our growth will come from expanding GM's core strengths to unlock economies of scale and generate operating leverage. We are therefore globalizing our businesses to leverage strengths across regions and clients. In line with this strategy, we are investing to further bolster our global franchise in Rates, expanding in AEJ/EMEA Equities by leveraging our strong US and Japan franchises, and replicating our regional strengths – US Securitised Products, Asia Credit and FX/EM – to rapidly scale up in adjacent products/regions.

Our client franchise is the bedrock of the GM platform, with client revenue contributing more than 80% of overall GM revenues. We continue to burnish our "client first – client led" credentials and have put in place a globally consistent, coordinated, holistic client strategy to deliver our best-in-class offerings to clients. Our ambition is to further globalise client relationships, offer uniform services and enhance content and idea generation to ensure we are deepening our wallet share and maximizing cross-sell opportunities.

Q What are the shared values of the team that drive success?

We anchor our GM business around three core principles: Entrepreneurial Leadership (pursue the best interests of clients), Teamwork (leverage collective strength) and Integrity (trusted partner and highest standards of compliance). Client-facing staff in GM are our first line of defense and a key pillar of our ability to manage risk. We consistently promote the culture of integrity and high performance through a combination of the right incentives and training.

* Source: Risk.net, Risk Awards 2023, "Interest Rate Derivative House of the Year"
Global Capital, Global Derivatives Awards "Interest Rate Derivatives House of the Year 2021 & 2022", "Volatility Derivatives House of the Year 2017-2020"