

# Investor Day

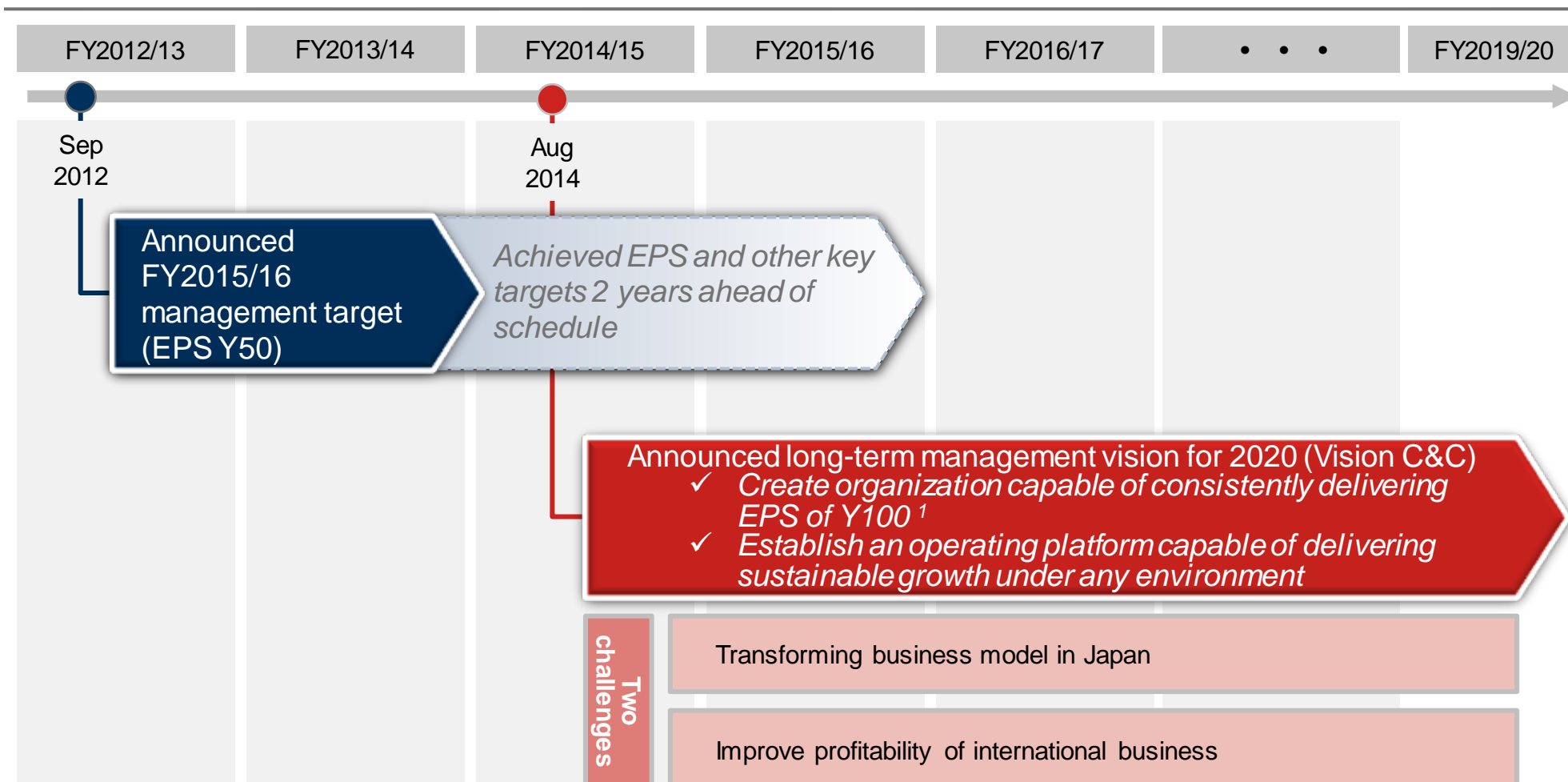
Tetsu Ozaki  
Group COO  
Nomura Holdings, Inc.

May 26, 2017

# Focus on reinforcing business platform and improving profitability since 2012

NOMURA

## Management targets

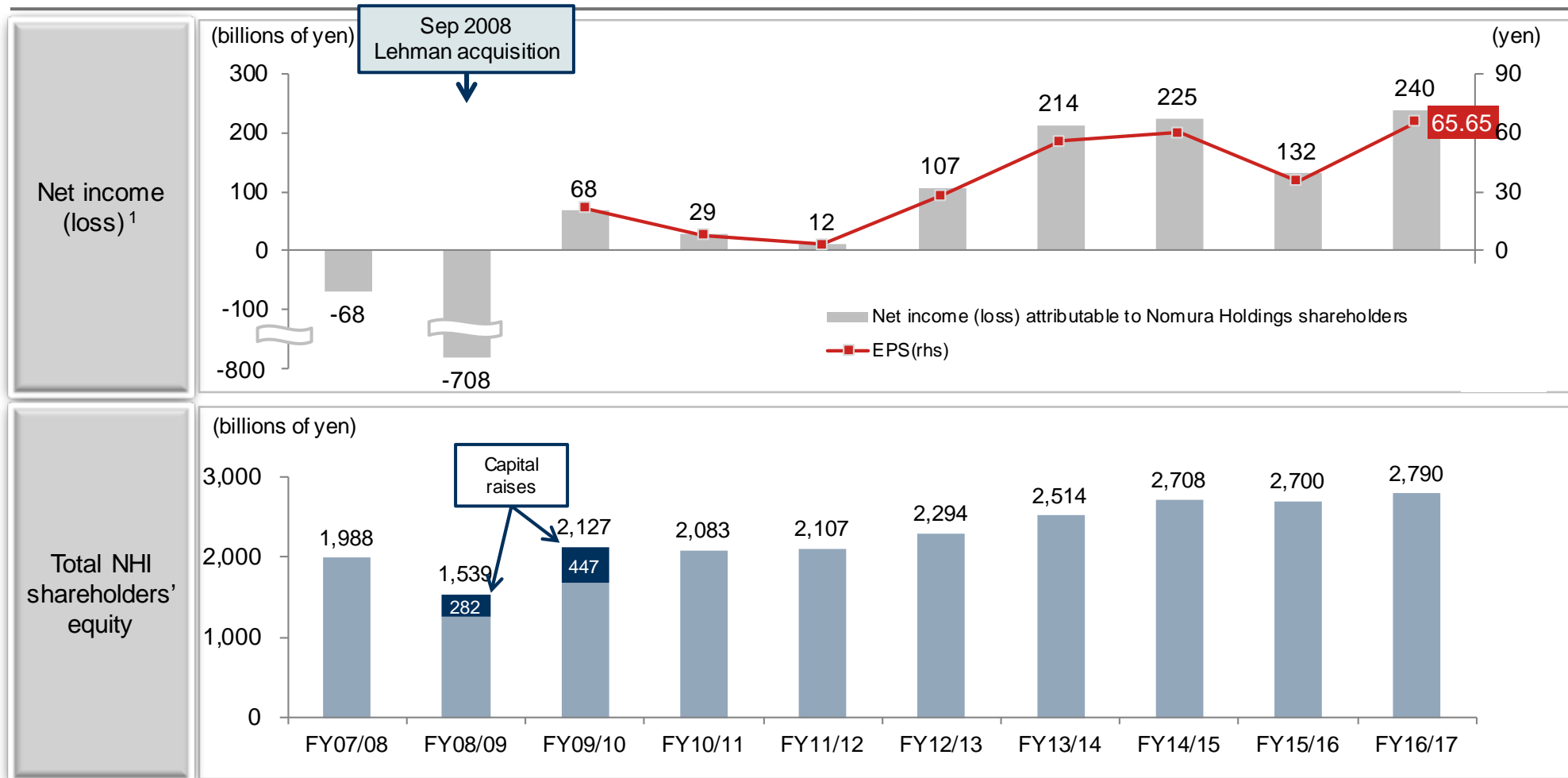


1. March 2020 assumptions: Nikkei 225 at Y25,000; USD/JPY rate Y115; Effective tax rate for Japanese corporates below 30%; Global fee pool annual growth rate of 1%.

# Continue to grow client franchise and improve profitability

## Shareholders' equity back to levels before capital raises

**NOMURA**

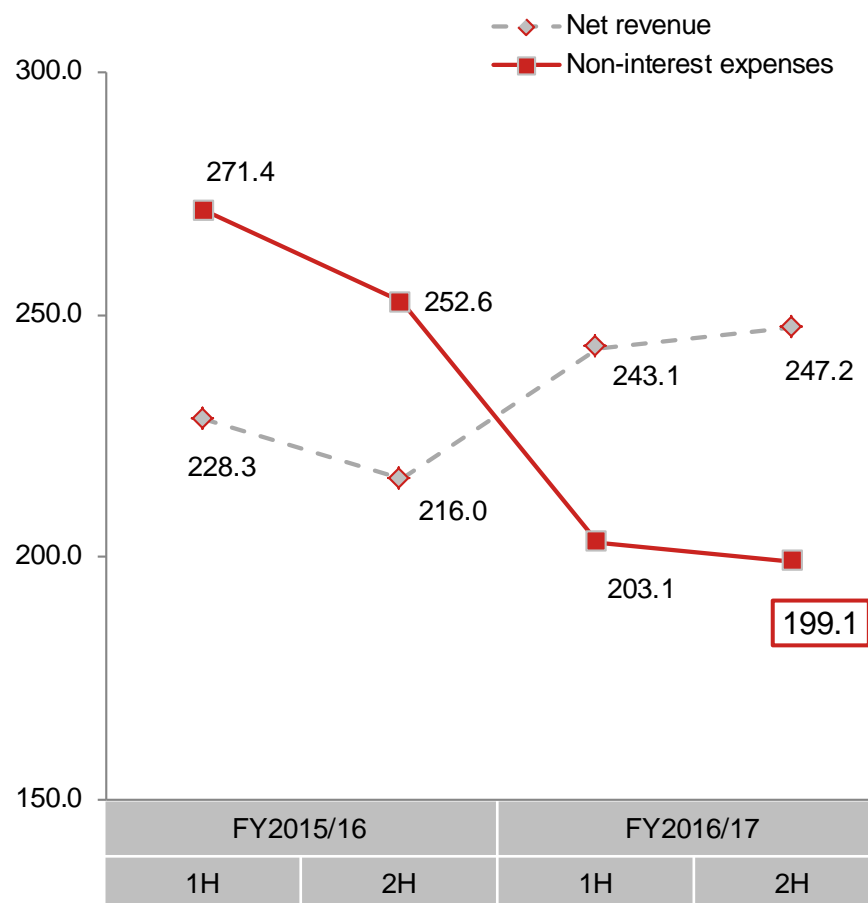


1. Net income (loss) attributable to Nomura Holdings shareholders.

# International business sees benefits of cost reductions

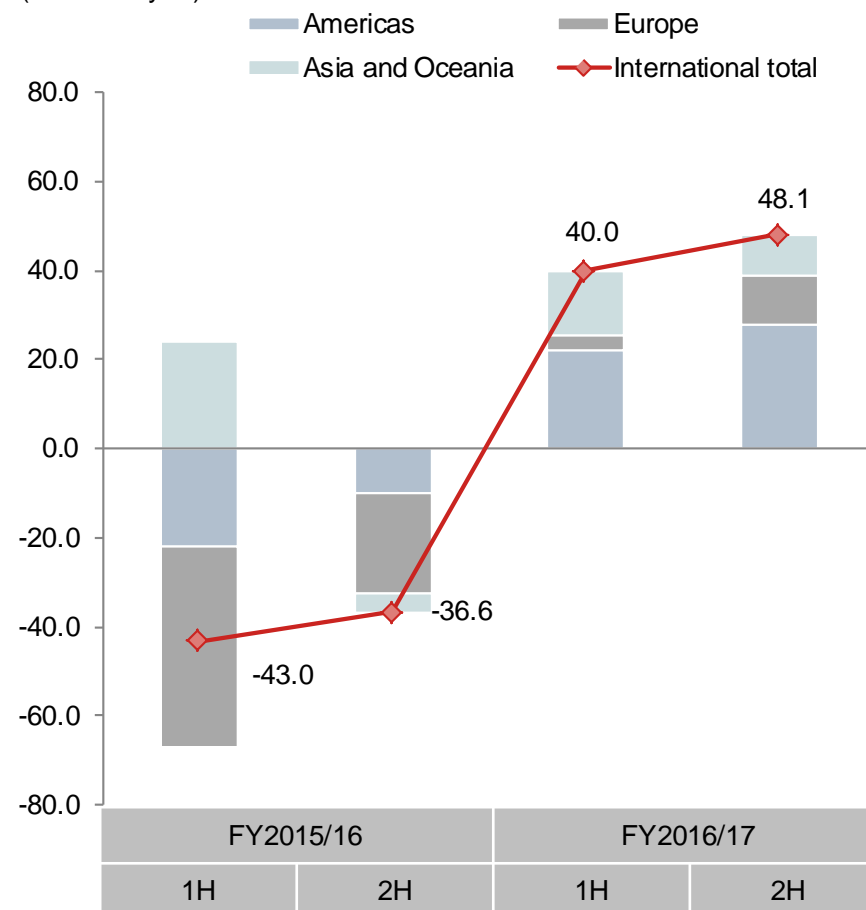
## International net revenue and non-interest expenses

(billions of yen)



## International income (loss) before income taxes

(billions of yen)



1. Group-wide on financial accounting basis. Geographic information is based on U.S. GAAP. Nomura's revenues and expenses are allocated based on the country of domicile of the legal entity providing the service. This information is not used for business management purposes. Net revenue has been allocated based on transactions with external customers while income (loss) before income taxes has been allocated based on the inclusion of intersegment transactions. As a result, the difference between these allocations is included in non-interest expenses.

# Lowered firmwide breakeven point to position against uncertainties

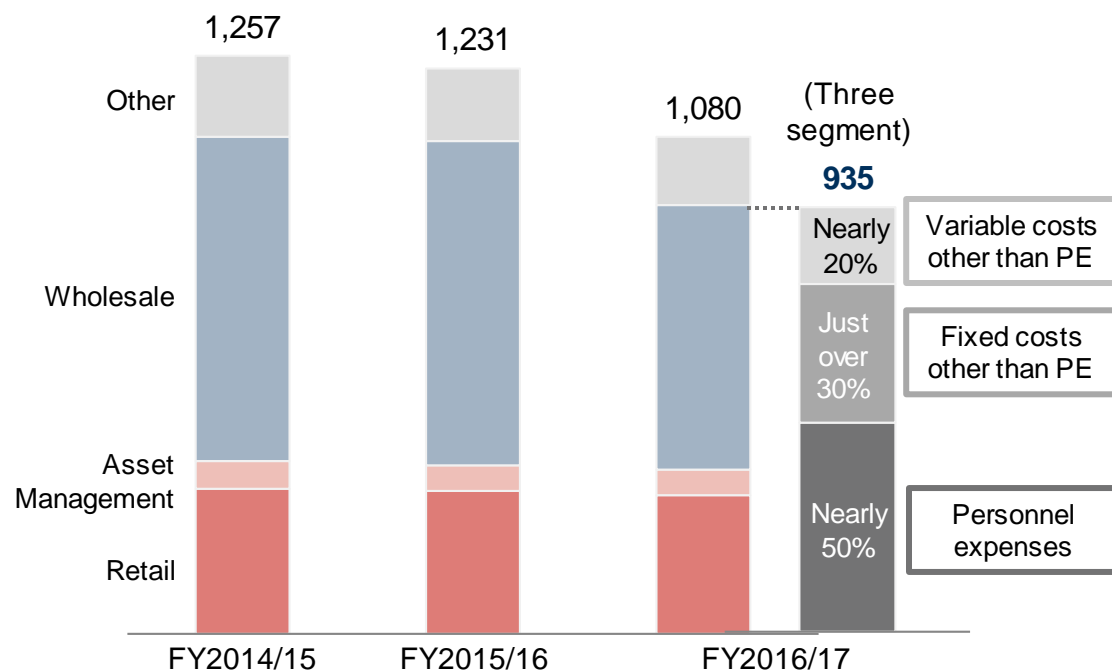
NOMURA

Ongoing uncertainties such as heightened geopolitical risk

FY2017/18 1Q update (as of May)

- ✓ Retail and Wholesale trending slightly below 4Q performance
- ✓ Asset Management AuM growth contributing to revenues

(billions of yen)



## Examples of additional fixed cost reductions

- ✓ Reduce IT expenses (reduce servers by using cloud services; streamline IT infrastructure)
- ✓ Outsourcing
- ✓ Review office space (free address work spaces, nearshoring, etc.)
- ✓ Central purchasing
- ✓ Use technology to automate processes
- ✓ Pay for performance
- ✓ Operating efficiencies

**Working towards 2020 long-term management vision**

# 2020 long-term management vision KPIs remain unchanged

			FY2016/17 results	KPIs
Three segment pretax income			Y278.6bn	Y450 – Y470bn
Division	Retail	Pretax income	Y74.8bn	Y195 – Y205bn
		Client assets	Y107.7trn	Y150trn
		Recurring revenue (cost coverage ratio)	Y73.7bn (25%)	Y150bn (Approx. 50%)
	Asset Management	Pretax income	Y42.3bn	Y50 – Y55bn
		AuM	Y44.4trn	Y55trn <sup>2</sup>
	Wholesale	Pretax income	Y161.4bn	Y200 – Y220bn
		Fee pool market share	3.2%	3.4%

1. March 2020 assumptions: Nikkei225 at Y25,000; USD/JPY rate Y115; Effective tax rate for Japanese corporates below 30%; Global fee pool annual growth rate of 1%.

2. Clarified AuM KPI (Y50trn+a) as Y55trn.

Placing clients at the center of everything we do

Business model transformation from August 2012

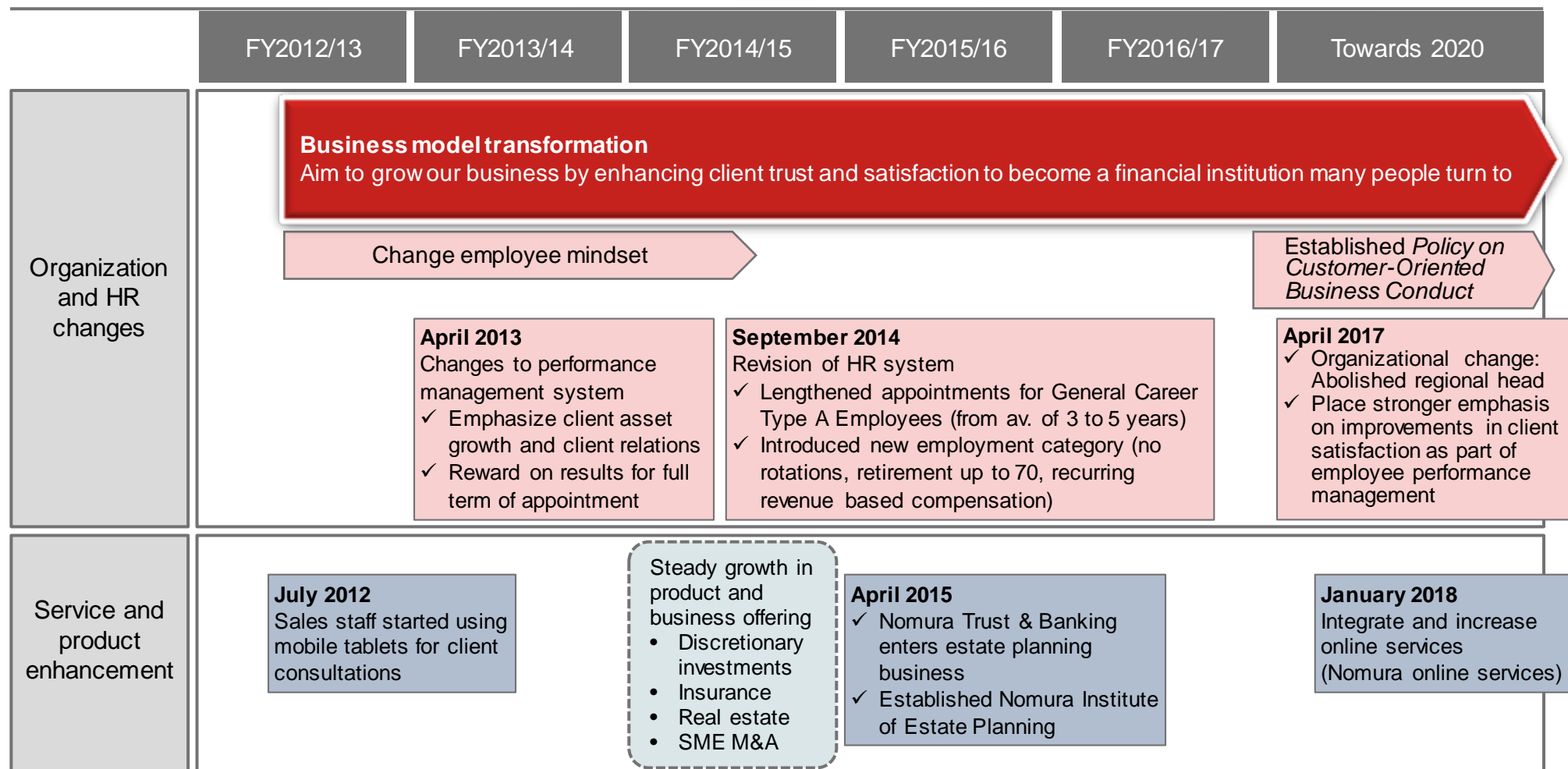
*Policy on Customer-Oriented Business Conduct*  
established in April 2017

***Deliver the full capabilities of the Group to support asset formation by encouraging the shift from savings to investment***



# Retail: Transformation of our business model since 2012

Transforming our business model since August 2012 to better respond to the changing needs of our clients



# Asset Management: Key issues for future growth

## Enhancing client satisfaction and winning their trust

May 2014: Signed up to Japan's Stewardship Code

Approach to responsible investing

- Appropriately manage conflicts of interest and ensure independence
- Contribute to sustainable growth and value creation at investee companies through engagement and exercising voting rights

Jun 2016: Established Fund Management Council

Set up a strong governance framework required at asset managers to meet fiduciary duties, verify fund management and management systems

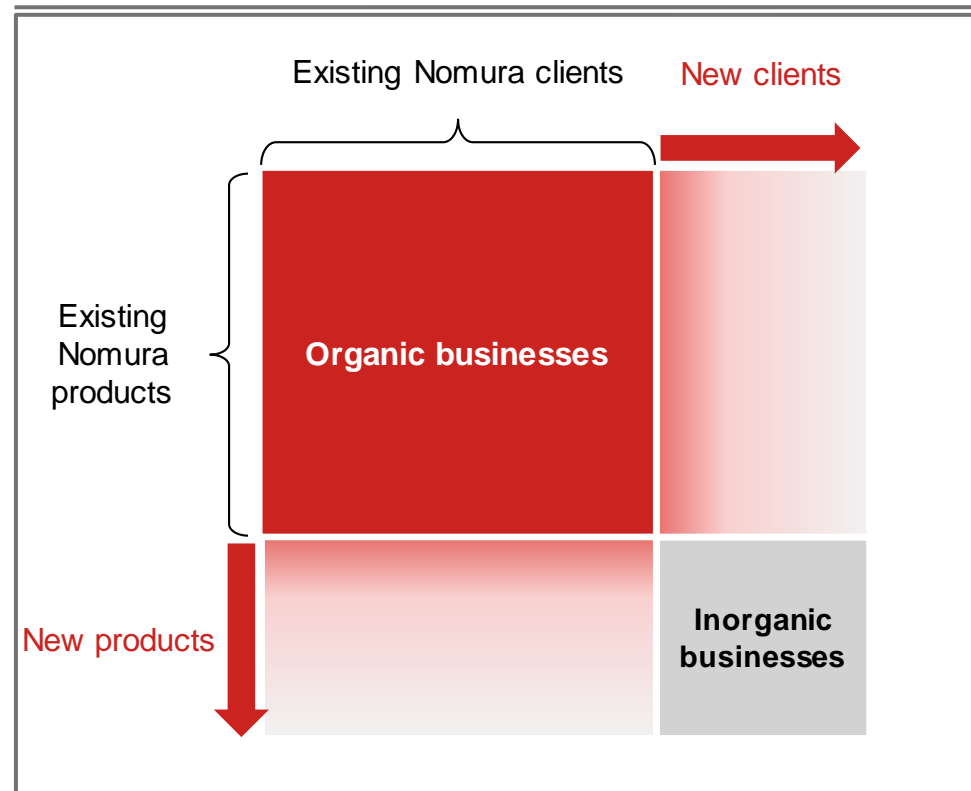
Sep 2016: Announced Conflict of Interest Management Policy

Appropriately manage transactions where there is a possibility of conflicts of interest within Nomura Group

Apr 2017: Announced Policy on Customer-Oriented Business Conduct

Apr 2017: Started disclosing results of exercising voting rights

## Growth strategy includes inorganic opportunities



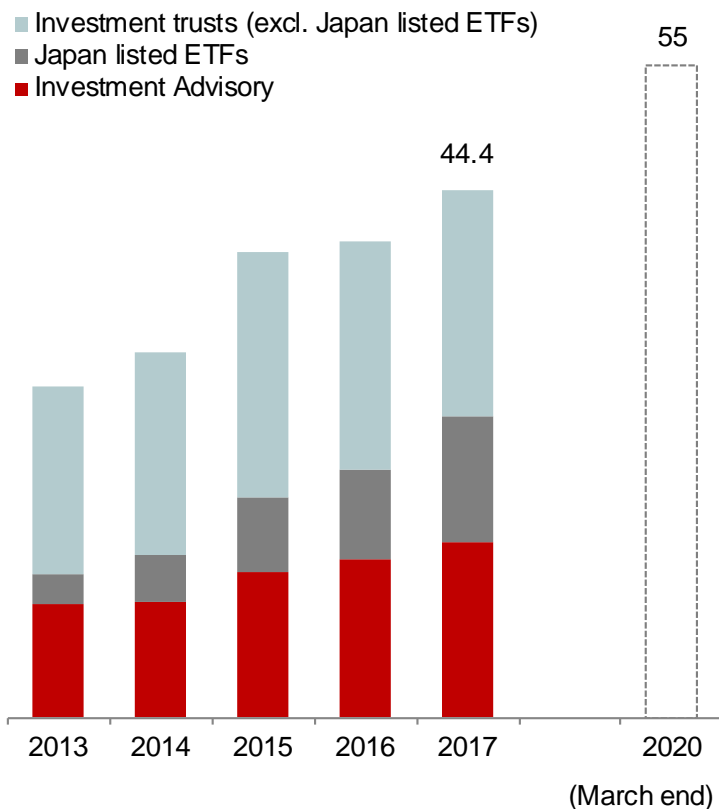
Enhance our own organic businesses and continue to look at investment and alliance opportunities in areas where it is harder to develop on our own

# Asset Management: Growing assets under management

## Client and product diversification driving AuM growth

(trillions of yen)

### AuM (net)



### Investment trusts (excluding Japan listed ETFs)

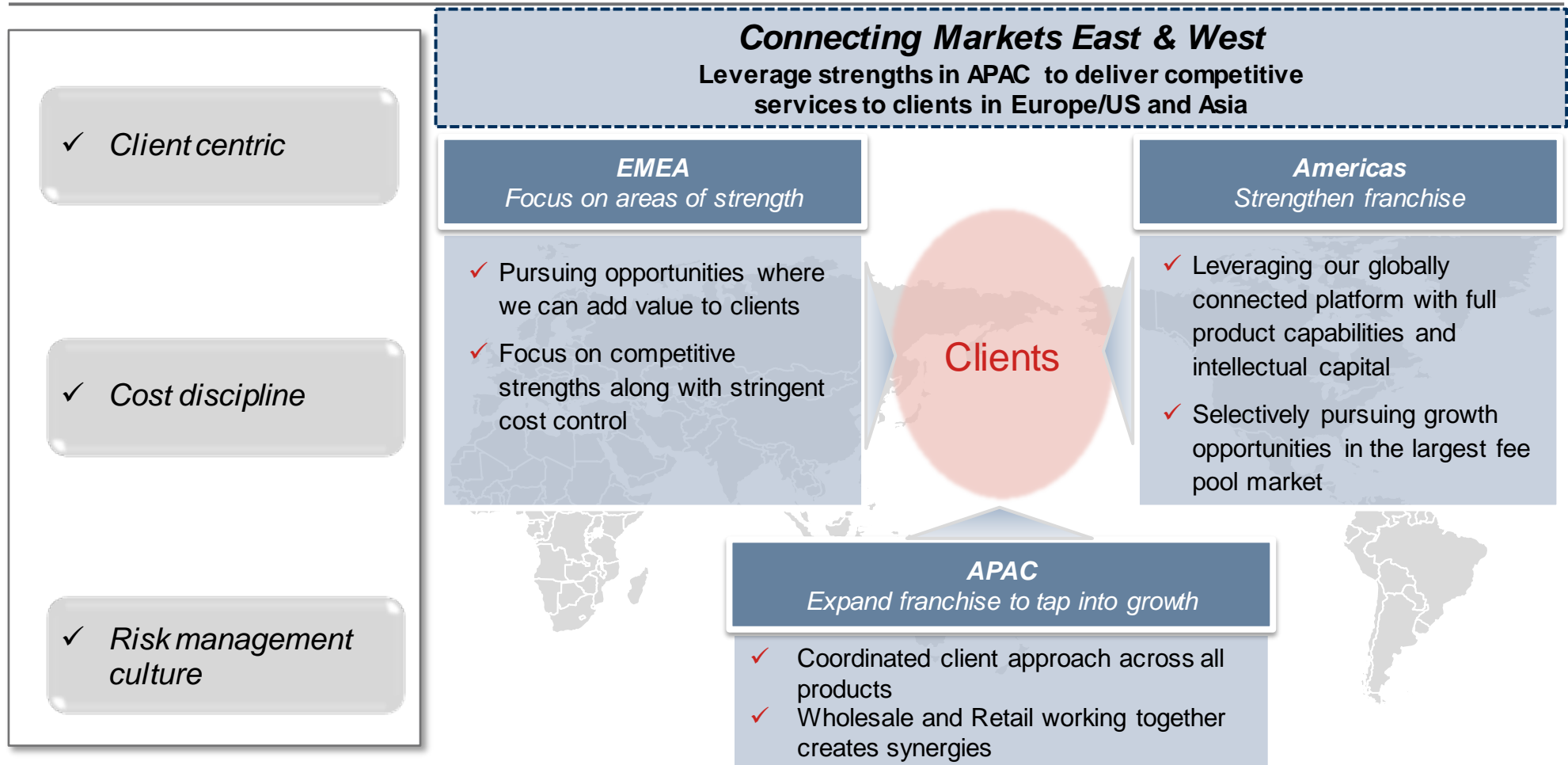
- Addressing the growing investor base and raising awareness
- Enhance investment management and product origination and proposal expertise to meet demand for ensuring returns in low rate environment and risk diversification

### Japan listed ETFs

- In addition to traditional index tracking funds, develop and provide new indices
- Increase product offering targeting asset builders

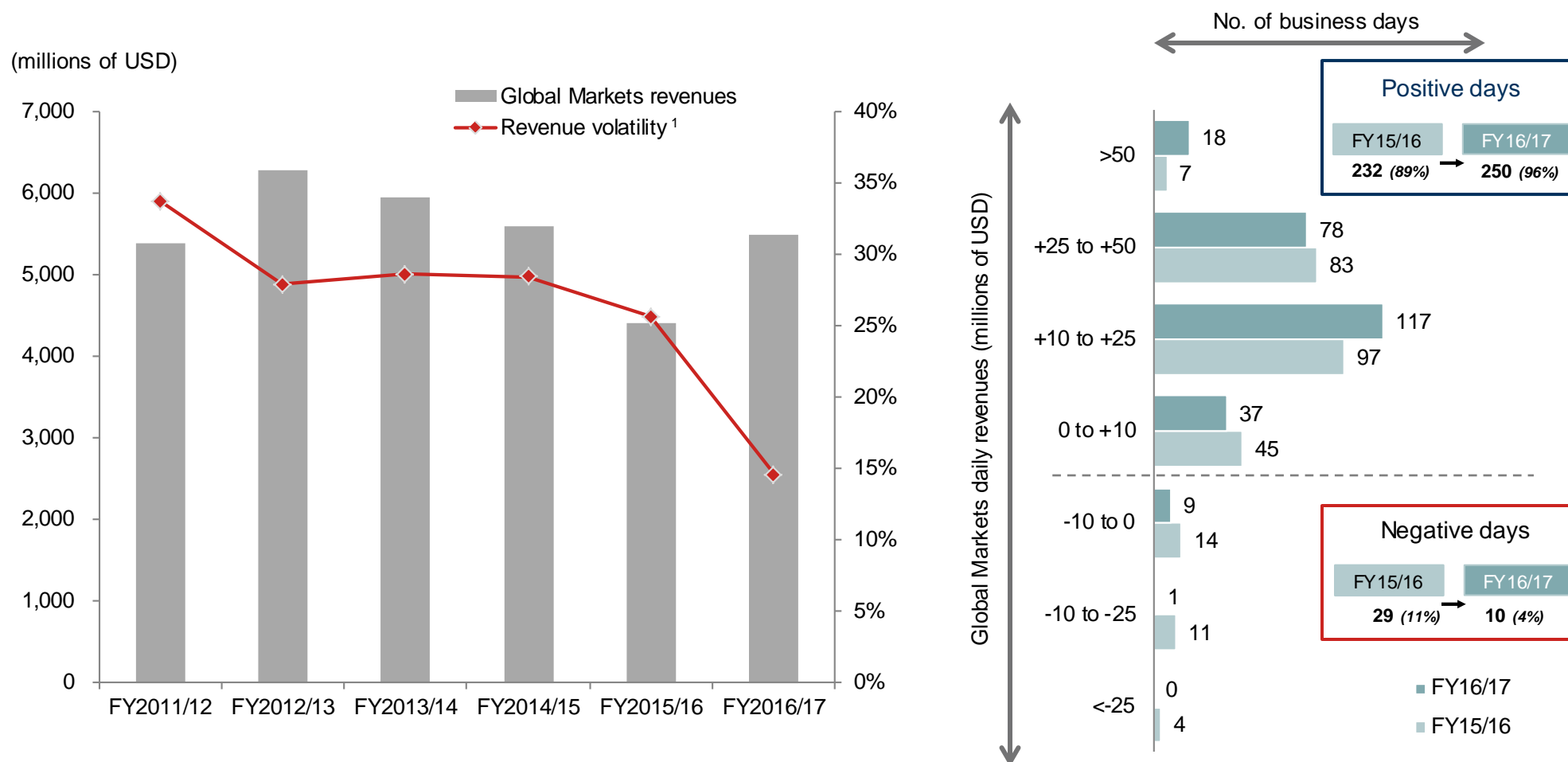
### Investment Advisory

- Increasing mandates from Japan public pension funds
- Growth of international business
  - Win more mandates in US, Europe and Asia Pacific by collaborating closer with ACI
  - Business growth by tapping into easing of external investment regulations in Asia
  - Enhance client franchise in Asia and emerging markets



# Wholesale: Improving stability with balanced portfolio mix

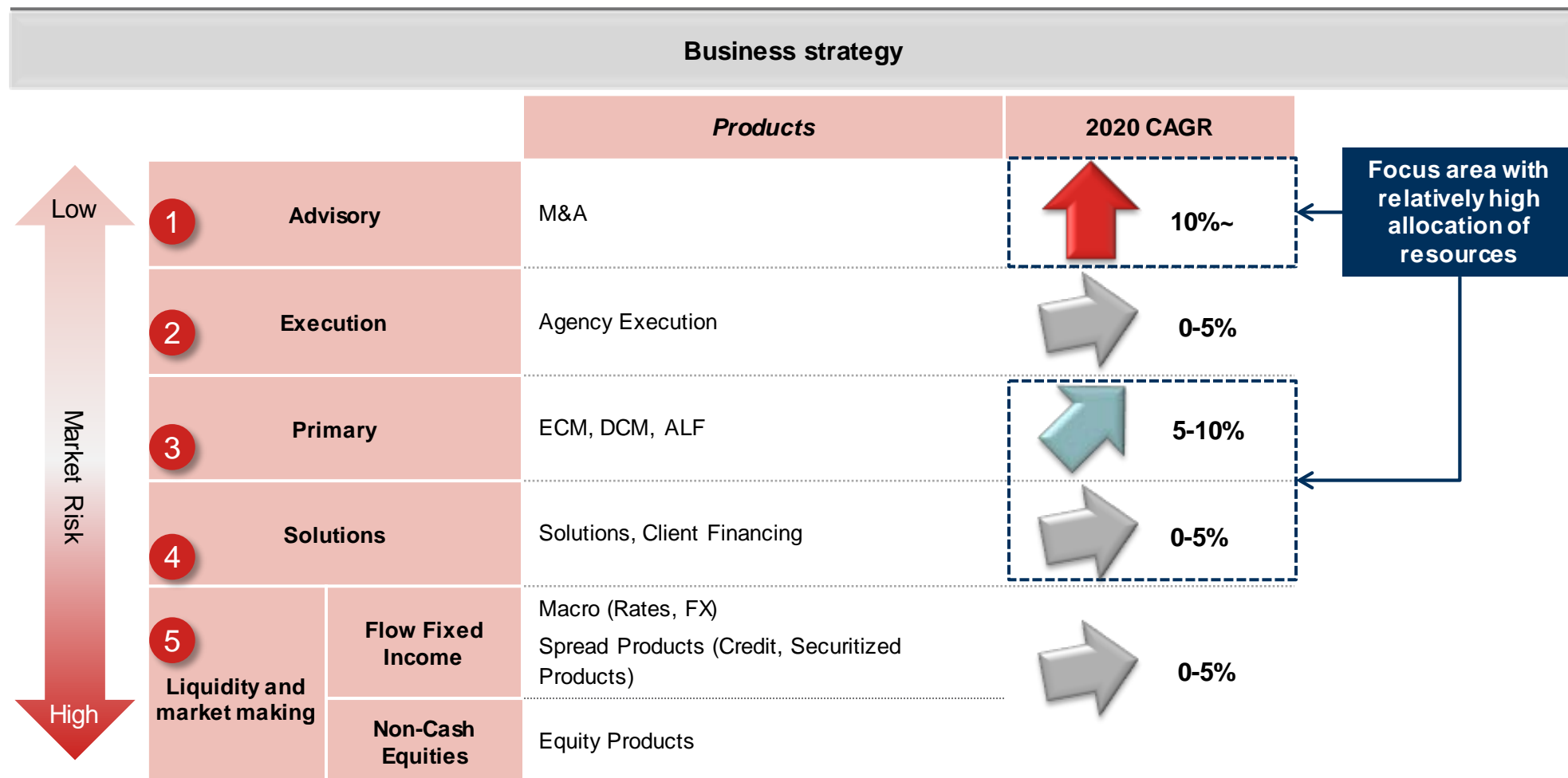
Global Markets revenue stability improved by focusing on our strengths and tighter risk control



<sup>1</sup> Calculated by standard deviation of monthly revenues for each year divided by monthly average revenues.

# Wholesale: Towards sustainable growth

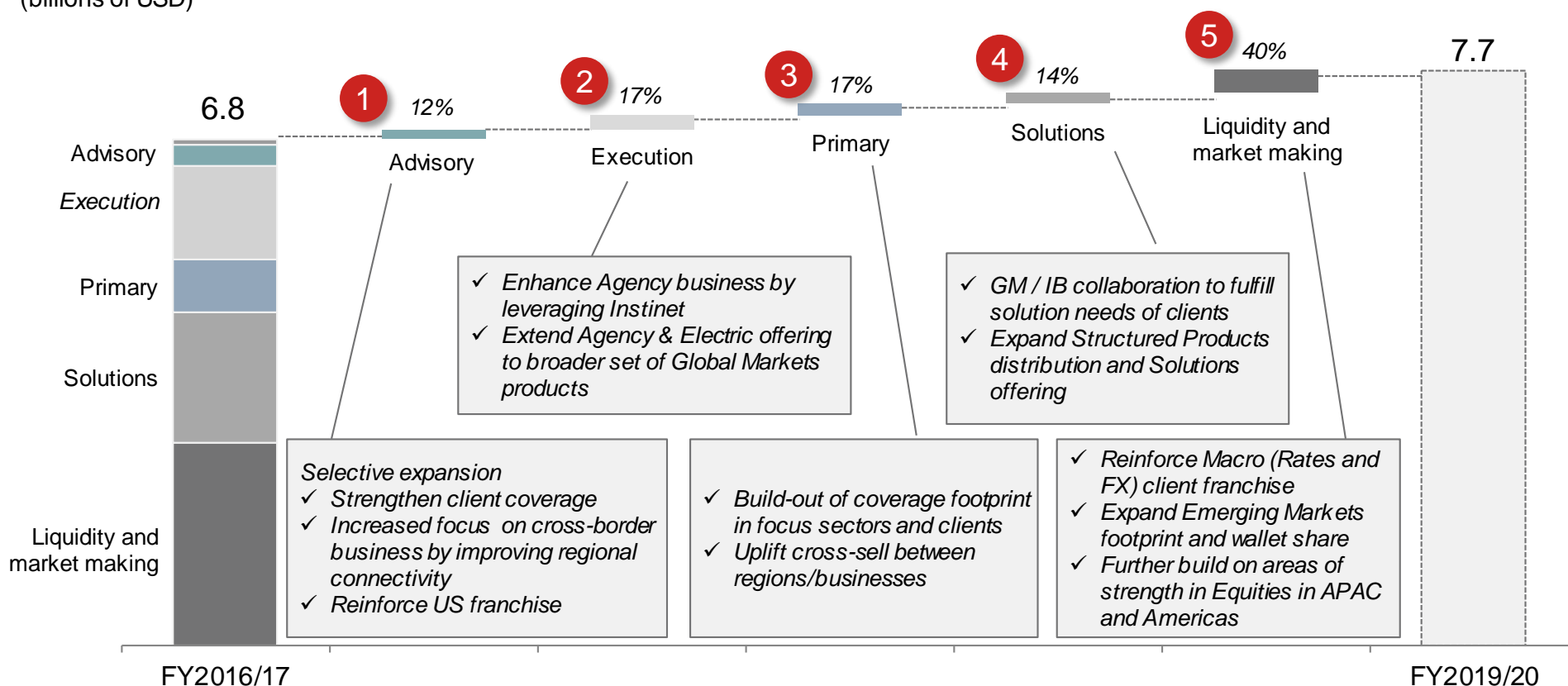
Selective expansion in areas and businesses with competitive advantage



# Wholesale: Medium term key initiatives

## Medium term growth initiatives

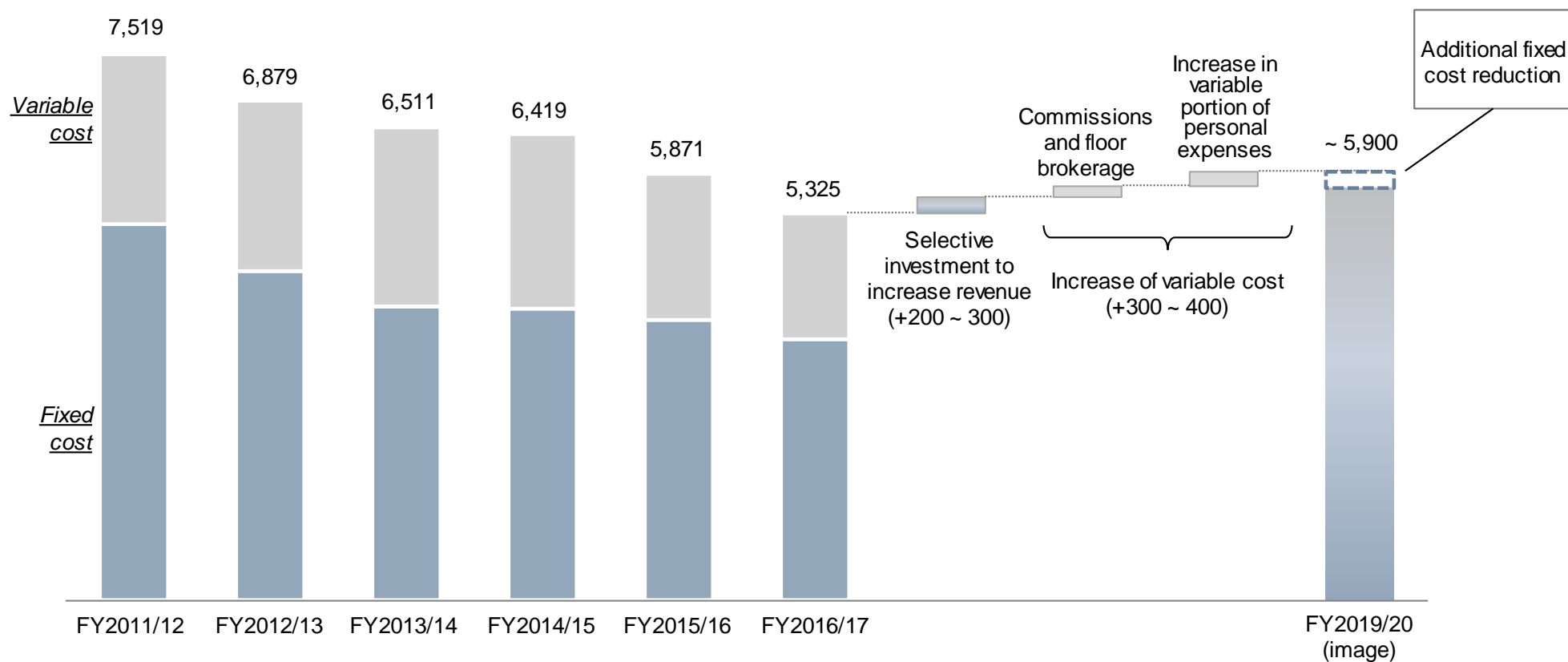
(billions of USD)



# Wholesale: Cost discipline

## Wholesale costs<sup>1</sup> and 2020 trajectory

(millions of USD)



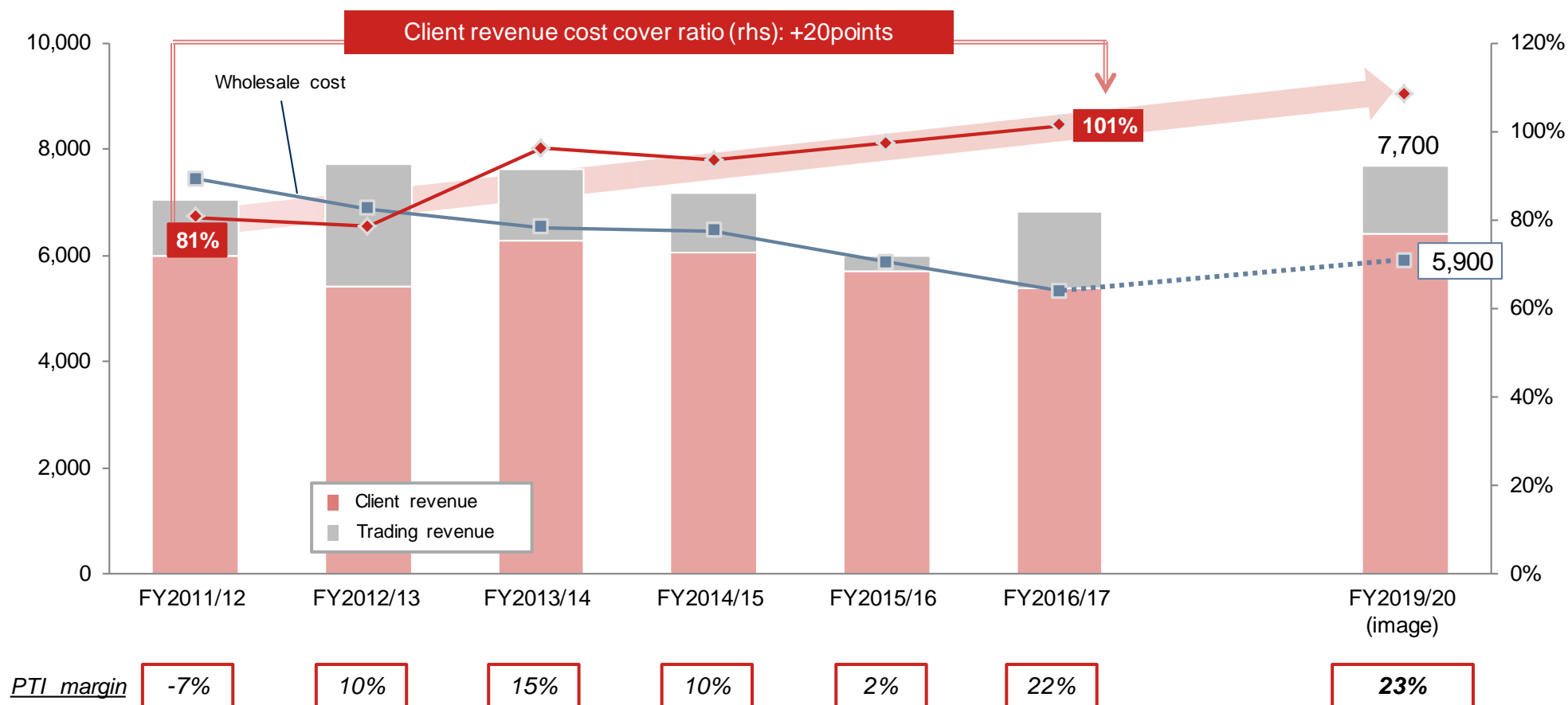
1. Converted to USD using month-end spot rate (average) for each period.



# Wholesale: Client-centric approach

Incremental revenues will be mainly from client revenues towards FY2019/20

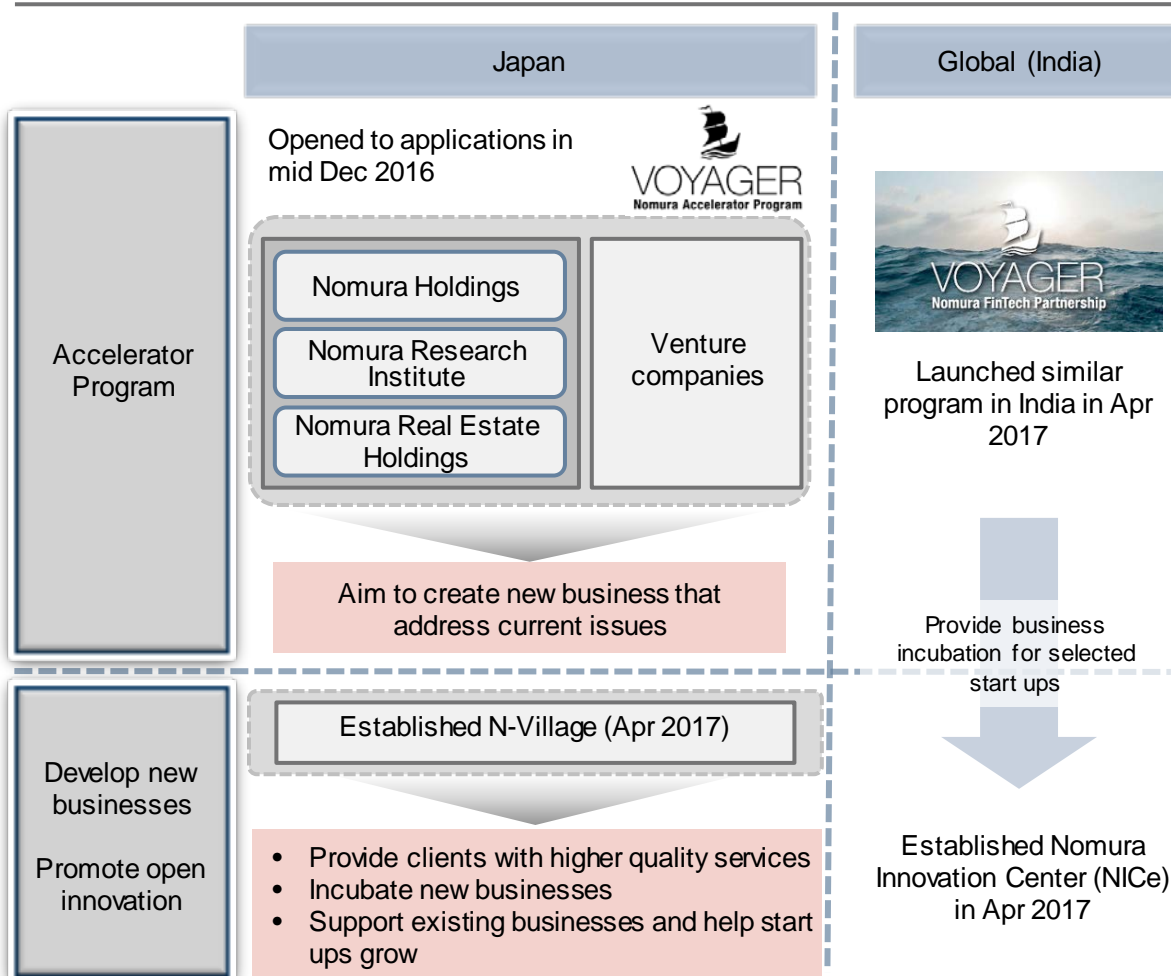
(millions of USD)



# Leveraging new technologies

## Stepping up FinTech initiatives by collaborating globally to promote innovation while tapping into third party expertise and technology

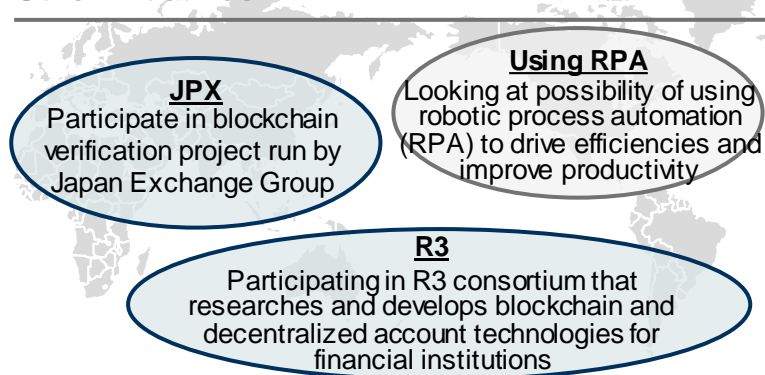
Pursue new business opportunities and improve existing services through open innovation



## Examples of using artificial intelligence

- **Nomura AI Business Confidence Index**  
Use AI to analyze economic and financial data released by the government and Bank of Japan to create Nomura AI Business Confidence Index
- **Introduced AI algorithm system for institutional investors**  
Use AI to forecast what stock prices will be in five minutes time and use in ModelEx algorithmic trading system for institutional investors
- **Adopted Fujitsu data analysis AI technology**  
Greatly streamline huge amounts of data confirmation work, create efficiencies and define test cases using pattern analysis

## Other initiatives

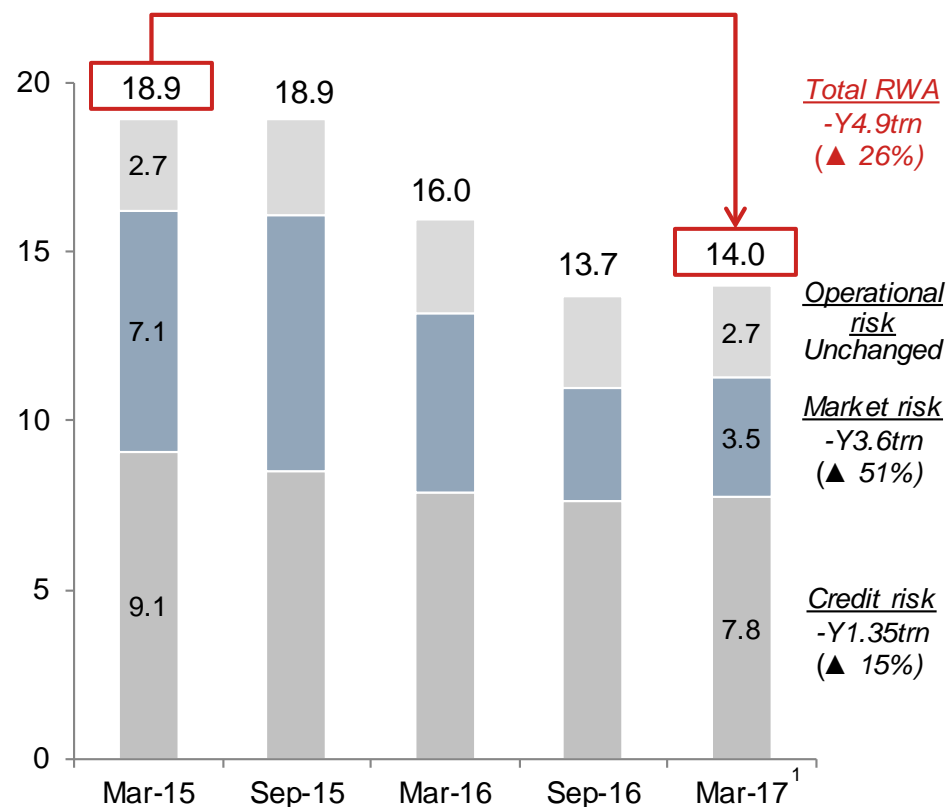


## **Financial and capital management strategy**

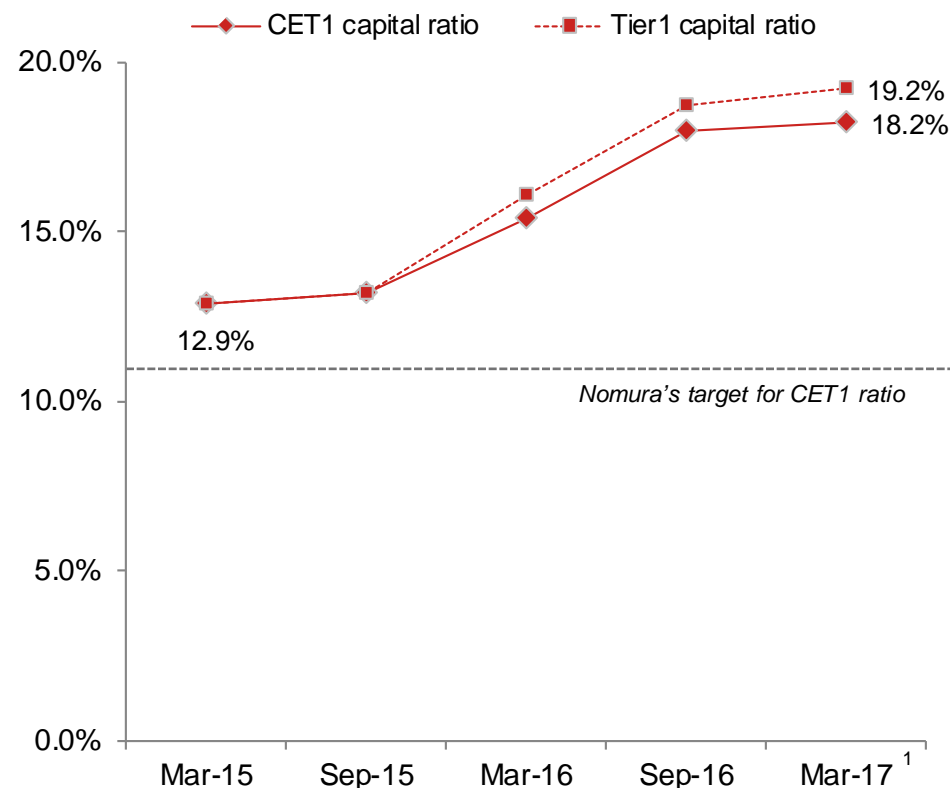
# Risk-weighted assets remain under control and capital ratios continue to rise

## Risk-weighted assets remain under control

(trillions of yen)



## Capital ratios continue to rise



1. Preliminary figures as of March 2017.

			Mar 2017 <sup>1</sup>	Finalize rules and commence enforcement		
				2018	2019	2020
Capital	Credit risk	Review of internal ratings-based approach and standardized approach	¥7.8trn	Finalization of rules and start of enforcement not yet decided		
		Standardized approach for measuring counterparty credit risk		Waiting for Japan rules		
		Review of CVA risk framework		Finalization of rules and start of enforcement not yet decided		
	Market risk	Fundamental review of the trading book	¥3.5trn			Enforcement starts
	Operational risk	Review of standardized approach	¥2.7trn	Finalization of rules and start of enforcement not yet decided		
Leverage	Leverage ratio		4.63%	Minimum requirement introduced		
Liquidity	Net stable funding ratio		Waiting for Japan rules	Basel III starts Mar 2018		

## Robust financial position

- ✓ Maintain appropriate capital ratios
  - Common Equity Tier 1 ratio: over 11%

## Improve capital efficiency

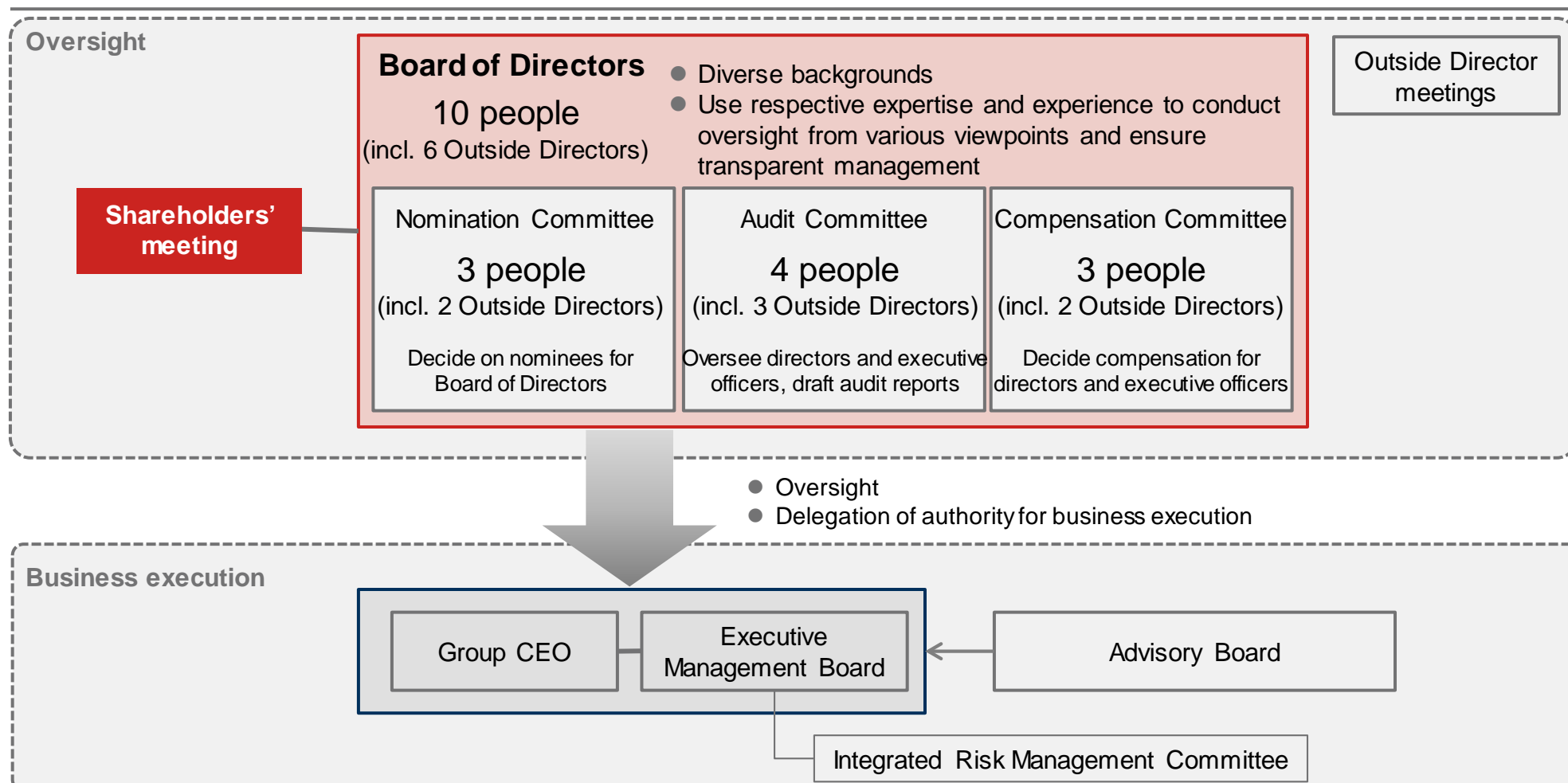
- ✓ Ensure returns above cost of capital
- ✓ Work towards achieving our 2020 management target of EPS of Y100
  - ROE of about 10%

- ✓ Dividend payout ratio: Approx. 30%
- ✓ Invest surplus capital in areas of potential future growth, retain option of additional shareholder returns

## ESG initiatives

# Governance framework

- Appointed Outside Directors earlier than our peers when we moved to a holding company structure and listed on New York Stock Exchange in 2001
- Moved to committee system of corporate governance in 2003 (currently refereed to as a company with three board committees)
- Strengthened oversight function by separating management oversight and business execution, sped up decision making by delegating business execution to executive officers

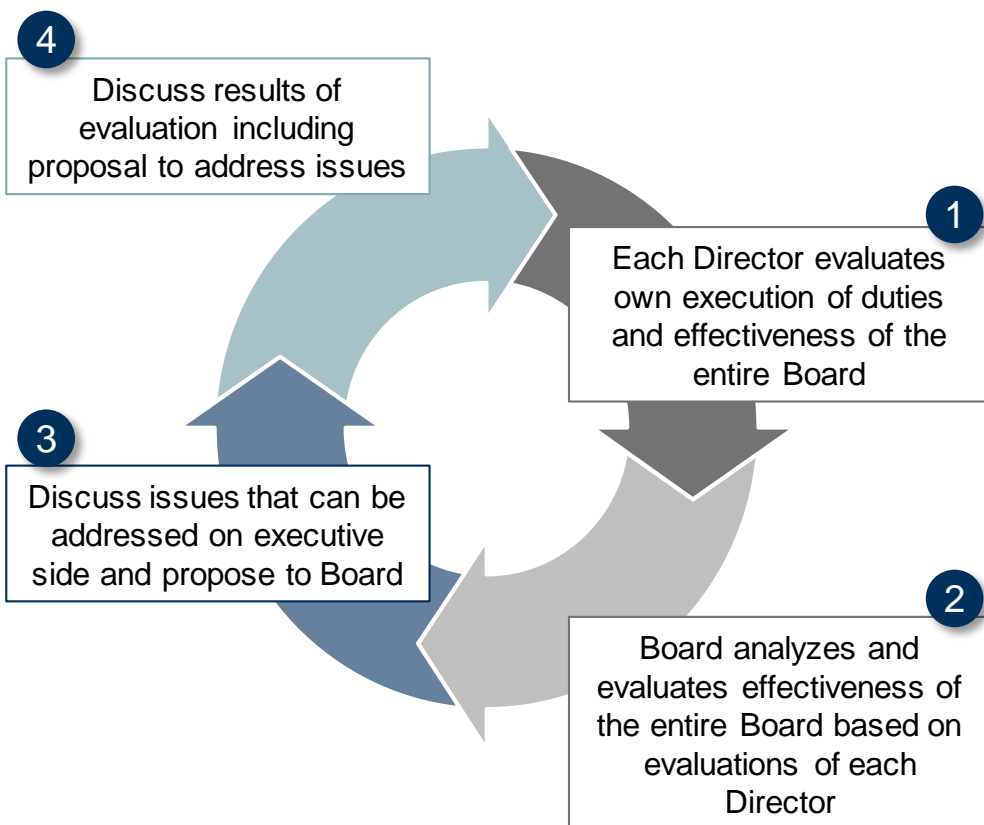


1. The number of members of the Board of Directors, Nomination Committee, Audit Committee and Compensation Committee is based on the proposal to appoint members to the Board of Directors to the annual meeting of shareholders to be held in June 2017.

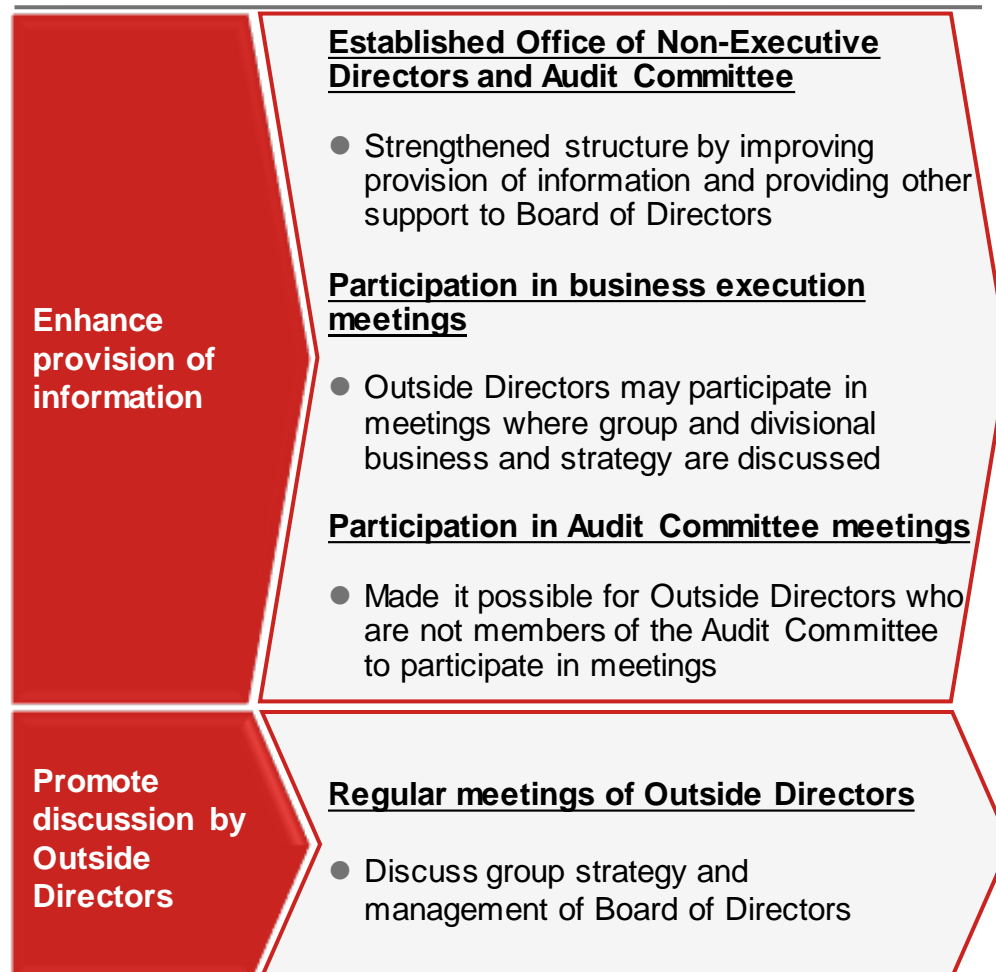


# PDCA cycle to enhance effectiveness of Board

## PDCA cycle to ensure effectiveness of Board of Directors



## Examples of how we have addressed issues



Total of 767,000 program participants and donation of 731,000 copies of educational materials since 2000

## Overview of programs<sup>1</sup>

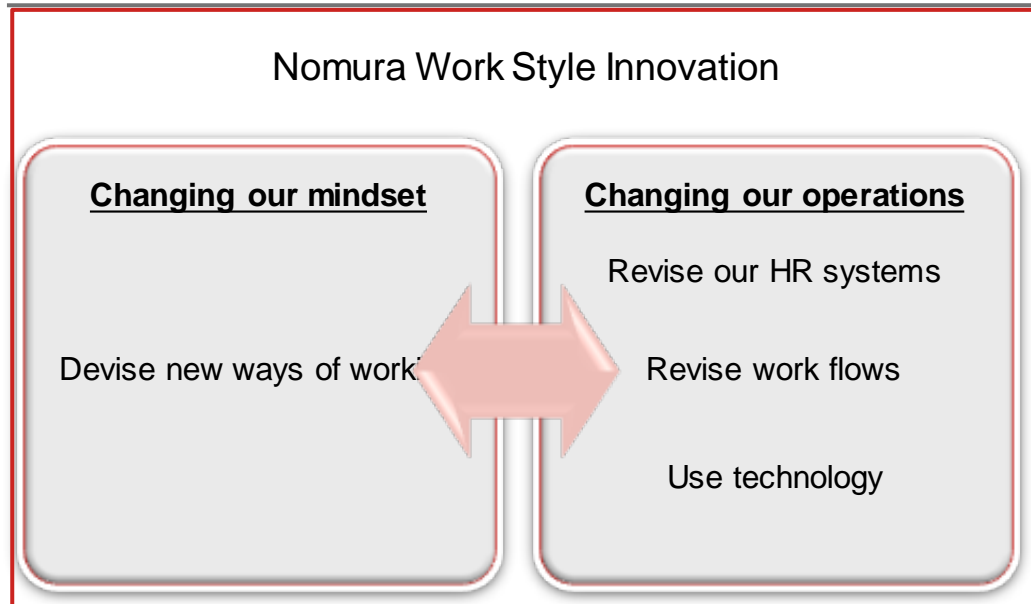
	Started	Results to date	Total participants	
Nikkei STOCK League	2000	Participating teams: 26,118	104,000	
Financial education courses for university students	2001	Participating schools: 1,758	228,000	
Financial education courses for adults	2003	Times held: 7,850	392,000	
Classes for elementary, junior and senior high school and university students and teachers	2008	Classes: 1,066	43,000	
				<b>Total 767,000</b>

## Donation of educational materials<sup>2</sup>

	Started	Number of schools	Total copies	
Materials for elementary schools	2008	3,670	283,000	
Materials for junior high schools	2006	4,722	448,000	
				<b>Total 731,000</b>

1. As of March 2017.  
2. As of March 2016.

## Nomura Work Style Innovation



## Examples of how we are revamping our HR systems

Made it possible for general career type B employees to **relocate**

Introduced **work at home** arrangements

Promoting **health and wellbeing** in the workplace

## Examples of how we are changing work flows

Using **Jabber** for out-of-office meetings and client visits

Using cards to **reduce paperwork**

Combine meetings, move to email reporting to **reduce internal meetings**

## Examples of how we are leveraging technology

Using **mobile tablets** to increase the efficiency of client visits

Using **big data and AI** in research and analysis

Use **RPA** to drive workflow efficiencies

Ensure diverse work and life balance  
Create environment where tomorrow's leaders can flourish

Promote diversity and inclusion

Improve client and employee satisfaction  
Achieve sustainable growth – improve shareholder satisfaction

# (Reference) CSR initiatives and third party validation

## ESG initiatives we participate in



Network Japan  
WE SUPPORT

### UN Global Compact

- Ten principles set out by UN in four areas of human rights, labor, environment, and anti-corruption
- Joined in 2015

Signatory of:



### Principles for Responsible Investing

- Principles call for environment, social and corporate governance issues to be incorporated into investment decision making
- Nomura Asset Management and its international subsidiaries became a signatory in 2011



### CDP climate change/water program

- International project where institutional investors call on corporates to disclose their strategy on climate change and their use of greenhouse gasses
- Started disclosing information in 2003, pledged support in 2015

## We are included in SRI indices



### Dow Jones Sustainability Indices

- World's first sustainability equity indices, Dow Jones and RobecoSAM jointly choose companies to be included
- Included in DJSI World for two years running
- Included in DJSI Asia Pacific for eight years



FTSE4Good

### FTSE4Good Index

- FTSE, a subsidiary of London Stock Exchange Group, established a socially responsible investment index comprised of prime enterprises across the world.
- Ranked in top 2% of ESG ranking for financial services sector



### STOXX Global ESG Leaders

- Stoxx Limited, a subsidiary of Deutsche Börse Group, selects companies that meet strict ESG criteria
- Selected for two years running as only Japanese financial services



### MS-SRI

- Morningstar Japan K.K. created this socially responsible investment benchmark, a first in Japan, which covers the share prices of the nation's 150 most socially responsible companies

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