Investor Day

Eiichiro Yamaguchi
Head of Retail
Nomura Holdings, Inc.

May 26, 2017
2020 Retail KPIs
**2020 Retail KPIs**

Grow our business by enhancing client trust and satisfaction to become a financial institution many people turn to.

### Retail KPIs to realize our 2020 management vision

<table>
<thead>
<tr>
<th></th>
<th>2020 KPIs</th>
<th>FY2016/17 (end Mar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>Y195bn – Y205bn</td>
<td>Y74.8bn</td>
</tr>
<tr>
<td>Retail client assets</td>
<td>Y150trn</td>
<td>Y107.7trn</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>Approx. Y150bn</td>
<td>Y73.7bn</td>
</tr>
<tr>
<td>Recurring revenue cost coverage ratio</td>
<td>Approx. 50%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Changes to Retail environment
## Changes to Retail environment

### Regulation
- Trend towards Customer-Oriented Business Conduct
- Greater disclosure for products and services

### Competition
- Move from commission based approach to fee based approach given the trend towards lower commissions for investment management products
- Closer collaboration between banking, trust, and securities arms of other financial groups
- Other industries entering financial services

### External factors
- Shift from savings to asset building
- Technological advances

### Clients
- Clients getting older and living longer
- The coming great wealth transfer
- Increasingly demanding sophisticated consulting services

### Employees
- Changing the way we work
- Diverse set of values

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**Financial institutions that can win client trust by responding to environmental changes will survive**
Changes to Retail environment

Environmental changes:
- Regulation
- Competition
- External factors
- Clients
- Employees

Retail strategy:
- Increase Retail client assets
- Revenue streams resilient to market changes
  - Increase recurring revenue
  - Expand consulting business
- Lower breakeven point
Increase Retail client assets
Increase Retail client assets

Factors to increase Retail client assets to Y150trn by 2020

(trillions of yen)

<table>
<thead>
<tr>
<th>Category</th>
<th>Mar-16</th>
<th>Mar-17</th>
<th>2020 (KPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporates and institutions</td>
<td>100.6</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>49</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Promote asset building via shift from savings to investment

- **Insurance, pension, etc.** (32%)
- **Cash and deposits** (52%)
- **Personal financial assets** Y1,800trn (Dec 2016)

**Nomura market share among securities** 17%

**Securities Around Y290trn** (16%)

Factors to drive 2020 inflow target (Approx. Y19trn)
- Promote shift from savings to investment
- Increase market share

*Mar 2020 Assumptions: Nikkei 225 at 25,000 and US$1=Y115
1. Organizational and HR strategy

2. Sales strategy

3. Product strategy

4. Services strategy

5. Mass retail strategy
Increase Retail client assets
1. Organizational and HR strategy

Closer to our clients

- Living longer
- Worried about the future
- Succession of shares in own company
- Inheritance and gift taxes
- Lack of successors
- Shrinking domestic market

Branch office employees attuned to concerns and changing needs of clients

- Further grow our business by allowing branch managers to make more decisions on their own
- Total support including executives to deliver best possible value added products and services to our clients
- Reassign executives along client segments
- Place stronger emphasis on improvements in client satisfaction as part of employee performance management
- Add net cash inflow as item to evaluate business expansion
2. Sales strategy

Branch offices using time efficiently

Survey workload of approx. 2,000 people at 28 branches

Average time sales staff spend on each task per day

<table>
<thead>
<tr>
<th>Task</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client interactions</td>
<td>30%</td>
</tr>
<tr>
<td>Other core tasks</td>
<td>20%</td>
</tr>
<tr>
<td>Non-core tasks</td>
<td>28%</td>
</tr>
<tr>
<td>Miscellaneous tasks</td>
<td>22%</td>
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</tbody>
</table>

Client map

Specialist employees for senior clients

Foster appropriate relationships

Senior clients and their family

Financial gerontology research project with Keio University

Increase Retail client assets
Increase Retail client assets
3. Product strategy

Enhance sales of low risk products

Last year was recent high for sales of JGBs for individual investors

New trend in low risk investment trusts

Client needs
- Uptick in inquiries on where to place funds following introduction of negative interest rates
- Demand for products to take the place of deposits
- Demand for products to build assets over the long term

Our product strategy
- Strengthen sales of low risk products
- Focus on themes with growth potential for products to build clients' assets over the long term
Follow goal based approach for discretionary investments

Goal based approach

Set goals for different stages of clients’ life
Support clients to achieve their goals while diversifying investments over the long term

SMA

Fund Wrap

Nomu Wrap Fund
(investment advice)
Increase Retail client assets
4. Services strategy

Started new money transfer services from Feb 27

- Make it easier and ease concerns for clients around bank transfers
- Simple to make instant deposits and large deposits (Max. Y300m per day)

Web Plus Loan interest rate slashed from 2.975% to 1.5%

Nomura Web Plus Loan

Nomura Trust & Banking offers loans to clients on Nomura Home Trade using stocks, investment trusts and discretionary investments as collateral

- Easier, quicker application and review process
- Respond to sudden need for funds and prevent client asset outflows
Increase Retail client assets
5. Mass retail strategy: Expand online services

<table>
<thead>
<tr>
<th>Positioning</th>
<th>Online services</th>
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<tbody>
<tr>
<td>Users</td>
<td>Function</td>
</tr>
<tr>
<td>Users and people who trade only</td>
<td>Users and people who trade only</td>
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<td>Users and people who trade only</td>
<td>Users and people who trade only</td>
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<tr>
<td>Only a tool</td>
<td>Only a tool</td>
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<tr>
<td>Complement face-to-face</td>
<td>Complement face-to-face</td>
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<tr>
<td>Trading platform</td>
<td>Trading platform</td>
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<tr>
<td>Trading platform</td>
<td>Trading platform</td>
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<tr>
<td>Transfer employee shareholdings</td>
<td>Transfer employee shareholdings</td>
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<tr>
<td>To date</td>
<td>Going forward</td>
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<tr>
<td>Digital advisor</td>
<td>Digital advisor</td>
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<tr>
<td>Integrate in Jan 2018</td>
<td>Integrate in Jan 2018</td>
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<tr>
<td>Japan’s largest online service company</td>
<td>Japan’s largest online service company</td>
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<td>API</td>
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<tr>
<td>Robo advisors</td>
<td>Robo advisors</td>
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<tr>
<td>Targeted banners</td>
<td>Targeted banners</td>
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<tr>
<td>Follow up based on assets</td>
<td>Follow up based on assets</td>
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<tr>
<td>Email marketing</td>
<td>Email marketing</td>
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<tr>
<td>Advisory function</td>
<td>Advisory function</td>
</tr>
<tr>
<td>Use new and third party technologies</td>
<td>Use new and third party technologies</td>
</tr>
</tbody>
</table>
Increase Retail client assets
5. Mass retail strategy: initiatives aimed at asset builders

- Leverage our strength in market for company employees
- Offer broad range of touch points for asset builders

<table>
<thead>
<tr>
<th>Jan 2017</th>
<th>Jan 2018</th>
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<tbody>
<tr>
<td>NISA Junior NISA</td>
<td>iDeCo</td>
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Nomura DC Net
J-ESOP Website
EL BORDE
New content
Revenue streams resilient to market changes
Revenue streams resilient to market changes
Strengthen consulting business

Projected revenue composition

(billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016/17</th>
<th>FY2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokerage</td>
<td>257.1</td>
<td>270</td>
</tr>
<tr>
<td>Consulting revenue(^2)</td>
<td>19.5 (5%)</td>
<td>50</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>73.7 (20%)</td>
<td>150</td>
</tr>
<tr>
<td>Other</td>
<td>24.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>374.4bn</td>
<td>500bn</td>
</tr>
</tbody>
</table>

Approx. Y500bn

Consulting revenue\(^2\) approx. 10%
Recurring revenue approx. 30%

2. Consulting revenues include insurance, real estate, M&A, underwriting, financial consulting, etc.
Revenue streams resilient to market changes
Business succession and estate planning business

Management and consulting for own company shares
- Succession planning
- Move own company shares (sell/gift)
- Set up and utilize asset management company
- Reorganize family company
- Issue class shares
- Set up foundations, etc.

Balance sheet of individuals
- Financial assets
- Other assets
- Real estate
- Borrowings
- Funds for inheritance
  - Tax payment
- Own company shares
- Net assets

Introduce professionals
- Tax accountants
- Lawyers
- Judicial scriveners
- Others

Business investment
- Airplane lease
- M&A

Family company
- Asset management company (Operating company)
Revenue streams resilient to market changes
Business succession and estate planning business

- Estate planning package
  - Nomura branded package of estate planning services

- Gift package
  - Package of three services for bestowing gifts
  - Differentiate with new consulting services

- Testamentary trust and estate management
  - Nomura testamentary trusts
    - Full support from drafting notarized documents to executing wills
  - Nomura estate management services
    - Support clients with specialized expertise from initial consultations about estate planning to actual distribution of assets

- Estate planning report (edited by Yamada & Partners)
- Will kit
- Introduce professionals

- Application kit
- Outline of services
- Gift giving guidebook
- Gift services (transfer order, gift contract templates)
Revenue streams resilient to market changes
SME M&A and real estate

Sharp rise in number of SME M&A contracts

<table>
<thead>
<tr>
<th>(mandates)</th>
<th>FY12/13</th>
<th>FY13/14</th>
<th>FY14/15</th>
<th>FY15/16</th>
<th>FY16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>9</td>
<td>13</td>
<td>37</td>
<td>60</td>
<td></td>
</tr>
</tbody>
</table>

Steady growth in volume and number of real estate sales

<table>
<thead>
<tr>
<th>(billions of yen)</th>
<th>FY10/11</th>
<th>FY11/12</th>
<th>FY12/13</th>
<th>FY13/14</th>
<th>FY14/15</th>
<th>FY15/16</th>
<th>FY16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction value</td>
<td>28</td>
<td>123</td>
<td>176</td>
<td>185</td>
<td>233</td>
<td>326</td>
<td>478</td>
</tr>
<tr>
<td>Number of transactions (rhs)</td>
<td>93.4</td>
<td>478</td>
<td>117.3</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Shrink domestic market, lack of successors
- How to use funds after sale is major concern
- Bring in funds from sale by providing the right consulting services
- Established Corporate Innovation Consulting Dept. to support business growth of unlisted SMEs

Increase tie ups to further grow our real estate business
- Nomura Real Estate Group, Mitsui Fudosan Realty, Sekiwa Real Estate Group, Sekisui House, Daiwa House Industry, etc.
- Run newspaper advertisements that Nomura does real estate consulting
Lower breakeven point
Lower breakeven point

Continue to reduce costs focusing on fixed costs

(billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY14/15</th>
<th>FY15/16</th>
<th>FY16/17</th>
<th>FY19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>315</td>
<td>308</td>
<td>300</td>
<td>300</td>
<td></td>
</tr>
</tbody>
</table>

Additional fixed cost reduction measures

- Load Line Project
- Management resource efficiency project
- Branch office efficient time use project

- Process automation using RPA robot
- Reduce IT expenses (use cloud to reduce servers)
- Rearrange office space in HQ and branch offices (free address work spaces, etc.)
- Central purchasing
- Use Jabber to reduce training, meeting and business travel costs
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