

Presentation at Nomura Investment Forum 2018

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Group CEO
Nomura Holdings, Inc.

December 4, 2018

Agenda

1**Business environment**

2

Progress of Vision C&C

3

Megatrends shaping future financial services industry

4

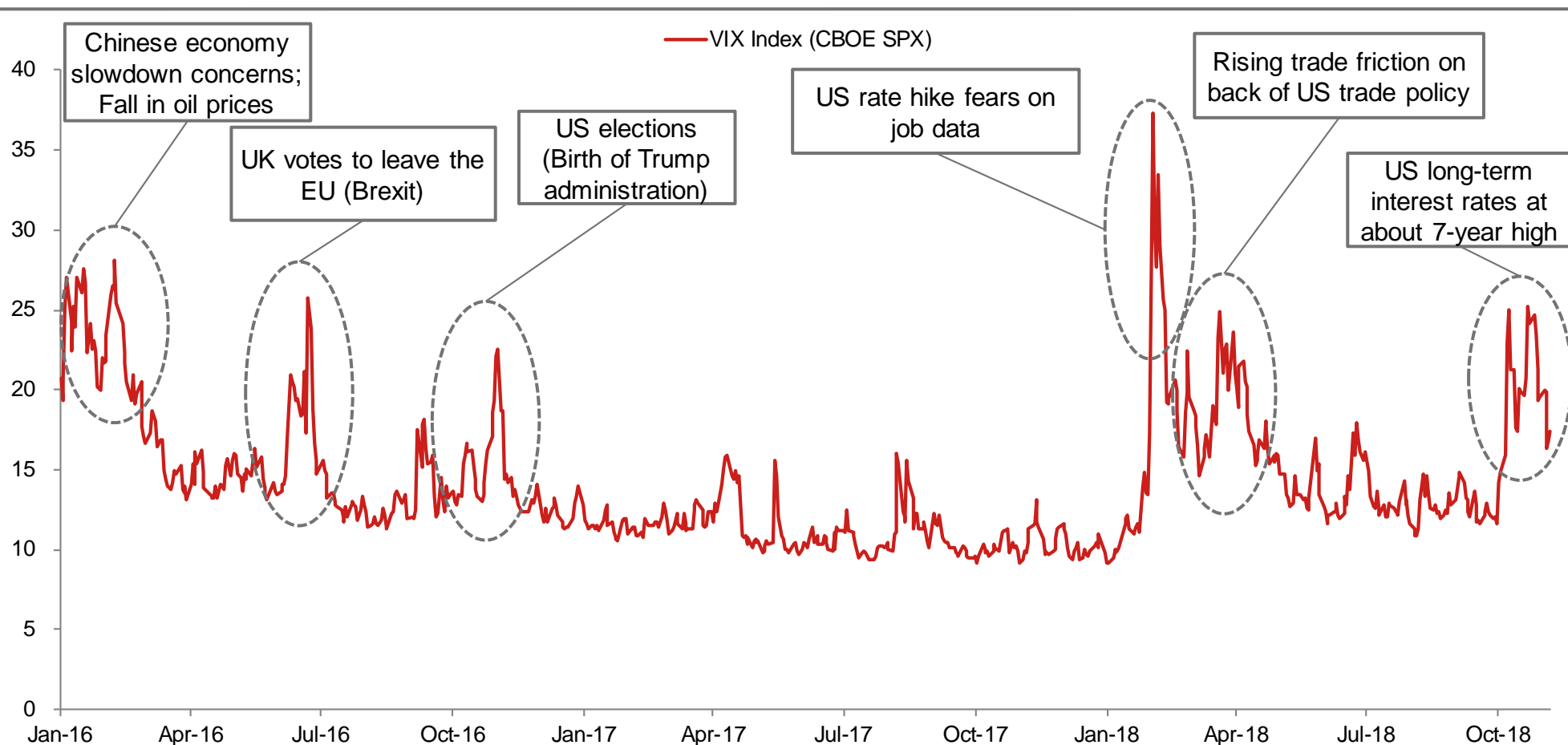
Towards sustainable growth

5

Initiatives to improve capital efficiency

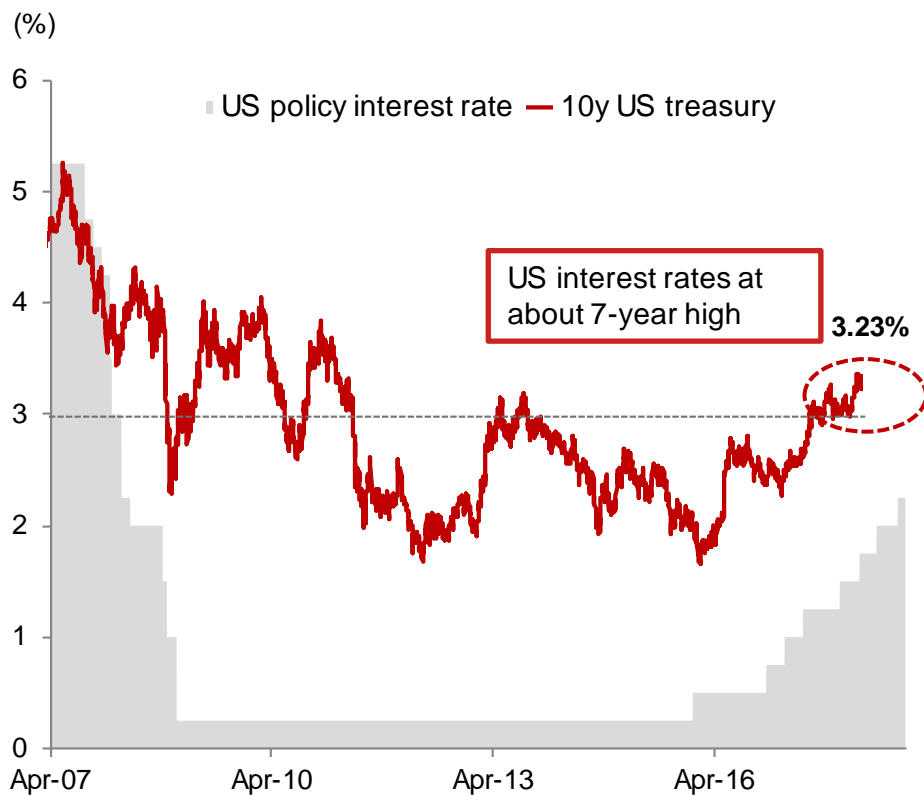
Increasingly uncertain market conditions

Macro events drive swings in VIX index

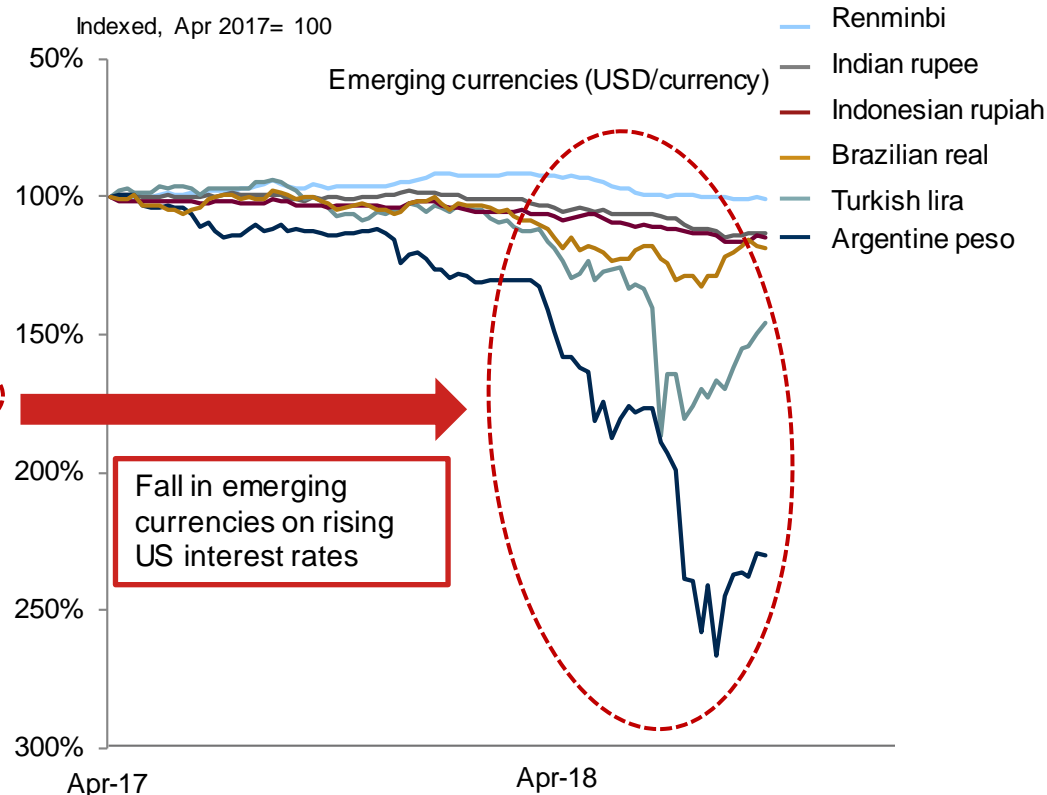


Normalization of monetary policy impacting emerging markets

US monetary policy moves toward normalization



Emerging market currencies decline



3Q FY2018/19
(as of end Nov 2018)

■ Wholesale got off to good start in October, but client activity dropped steeply in November for both individual investors and institutional investors; recent environment remains challenging

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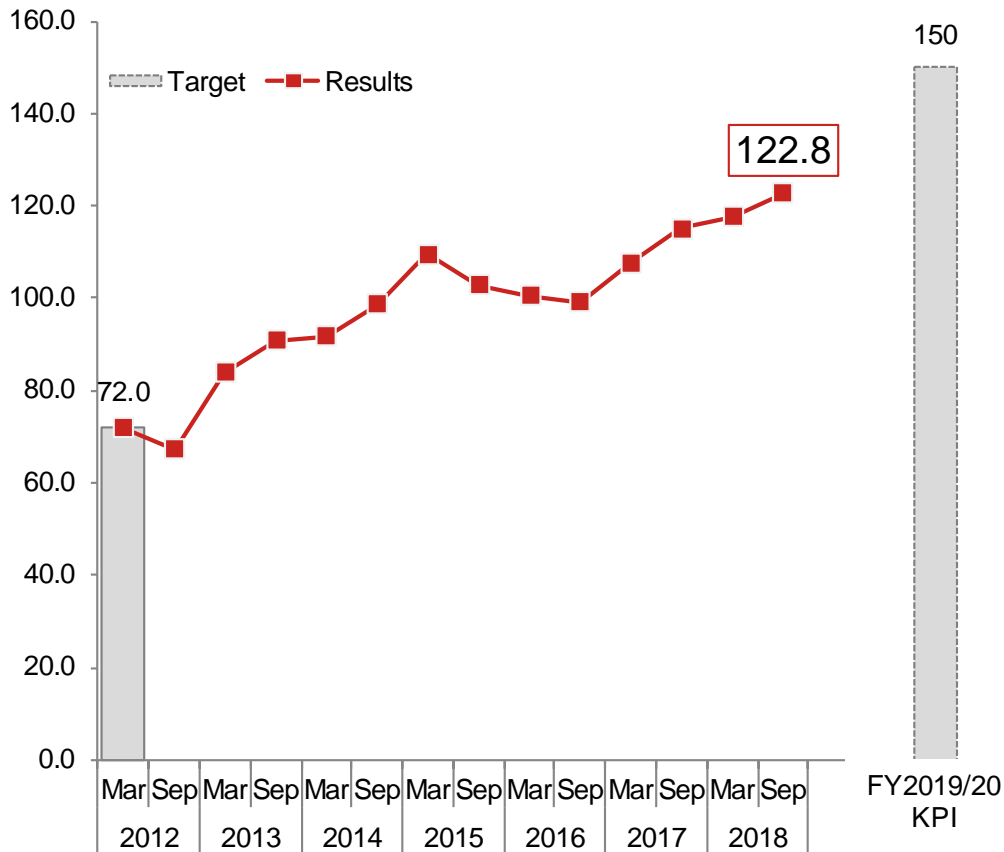
Accomplishments

Retail: Steady growth in retail clients assets and recurring revenue



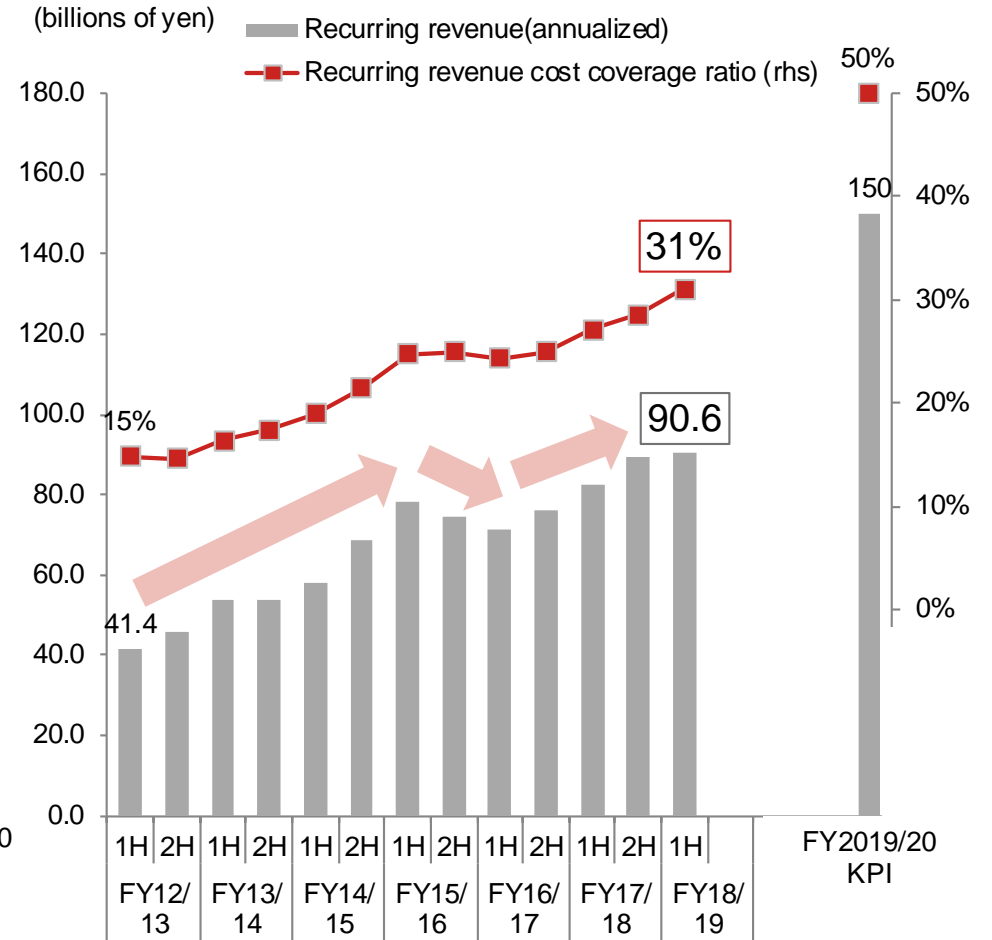
Retail clients assets at record high level

(trillions of yen)



Steady increase in recurring revenue and recurring revenue cost coverage ratio

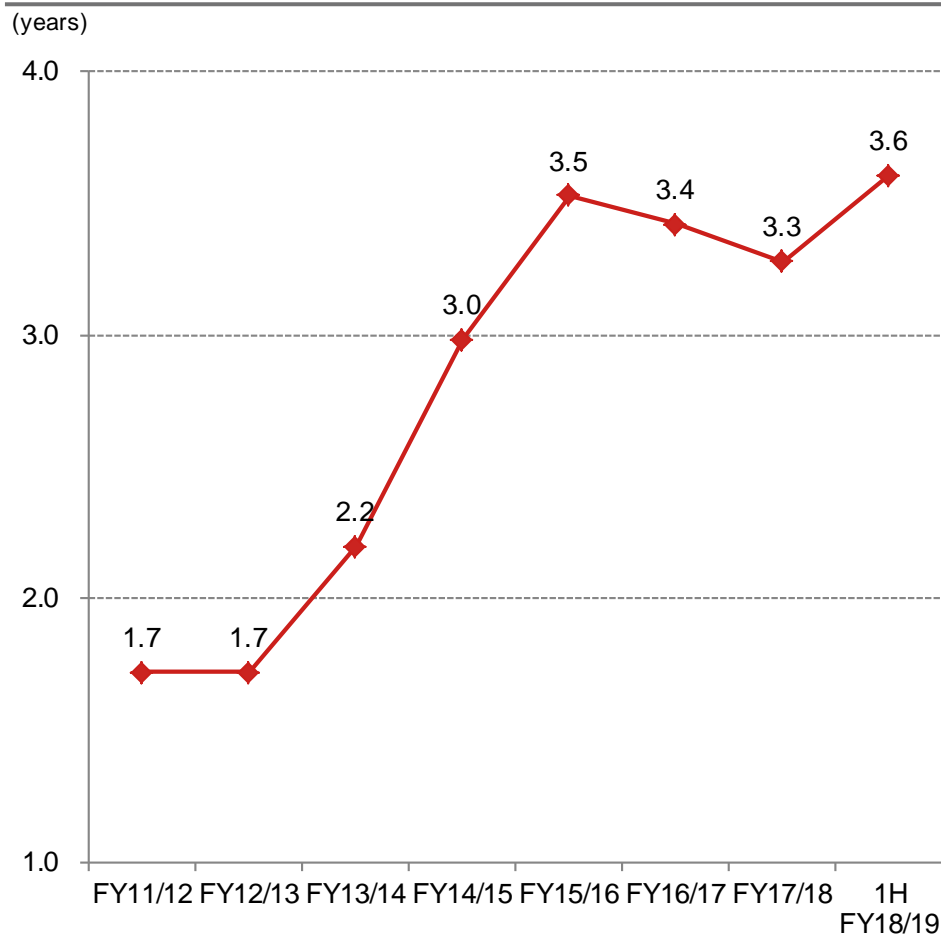
(billions of yen)



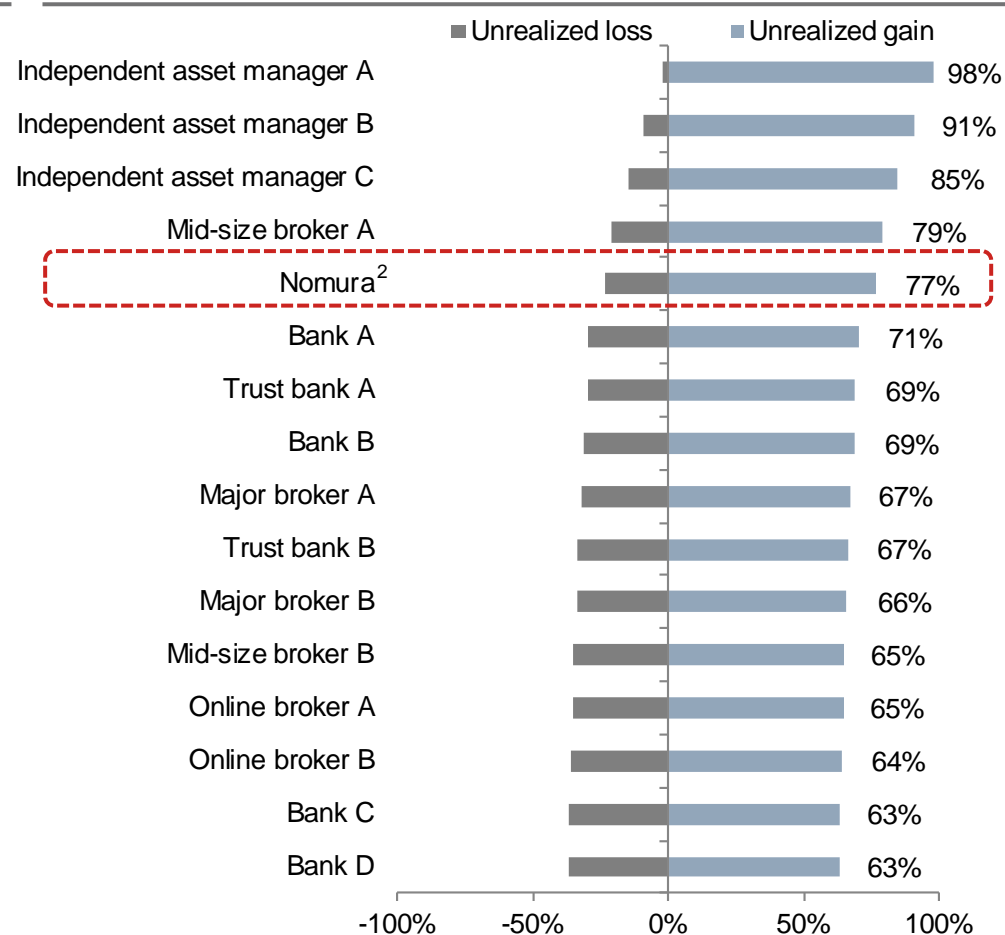
Accomplishments

Retail: Client-focused operations

Average investment trust holding period lengthens¹



Client ratio for common KPIs by gain (loss) on investment trusts³



1. Average investment trust holding period is defined as investment trust AuM divided by investment trust sales amount. Figures for FY13/14 onwards excludes online sales and bull/bear sales.
 2. Individual clients holding investment trusts as of end-Mar 2018. Calculated as total return divided by end-Mar 2018 market value. Period: Apr 2013 - Mar 2018; excludes listed ETFs, listed REITs, bond investment trusts and privately-placed investment trusts.
 3. Source: Nomura, based on data (end-Mar 2018) on "common KPIs comparable across investment trust distributors" disclosed by each company.

Accomplishments

Retail: Client-focused operations

Philosophy of putting clients at the center of everything we do has become embedded

2018 Japan Investor Satisfaction Study (J.D. Power Japan)

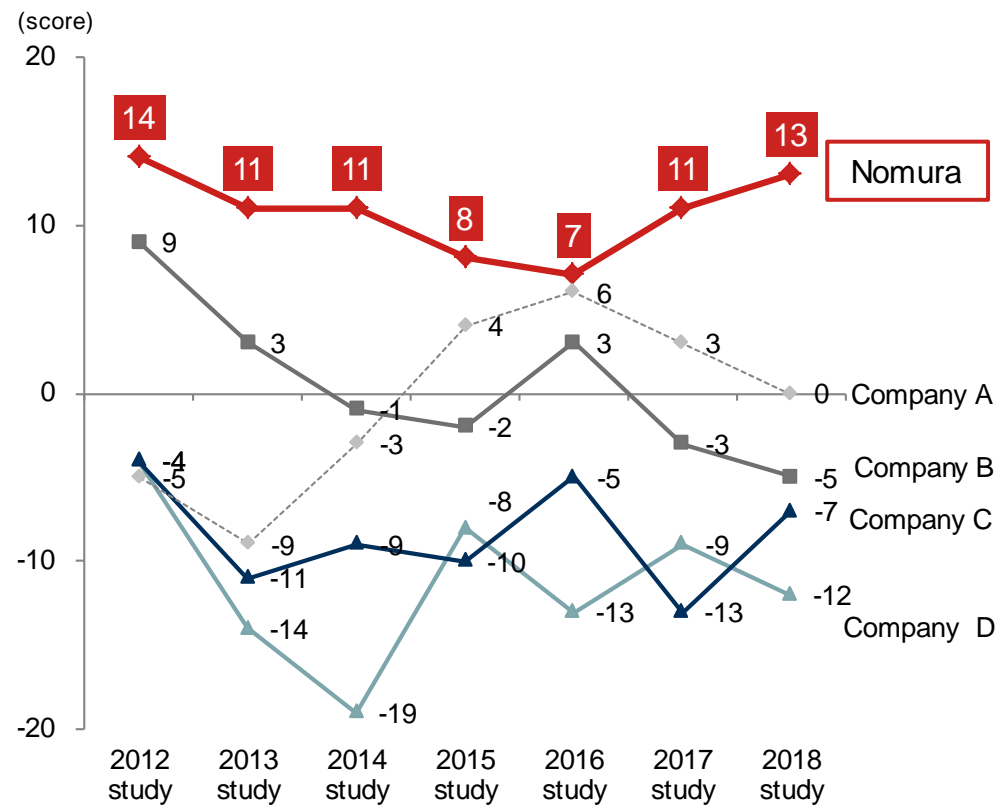
■ Full-service securities category:

No. 1 ranked for 7 consecutive years



Nomura received highest rating in all six areas

Customer Satisfaction Index scores for past 7 years¹ (J.D. Power Japan)



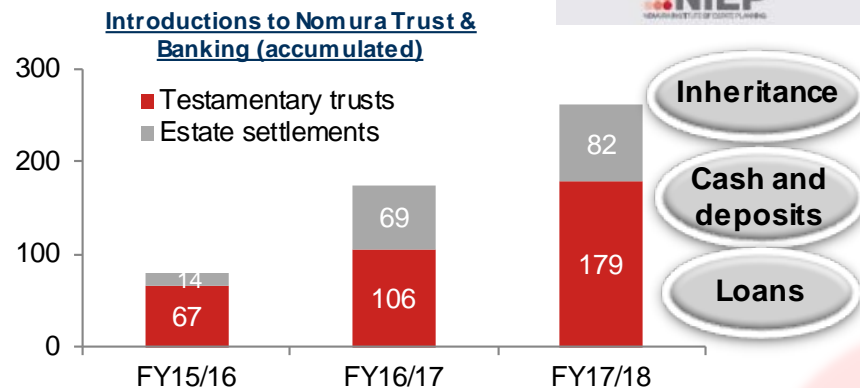
1. Vertical axis shows deviation from average industry scores, not individual company scores.

Accomplishments

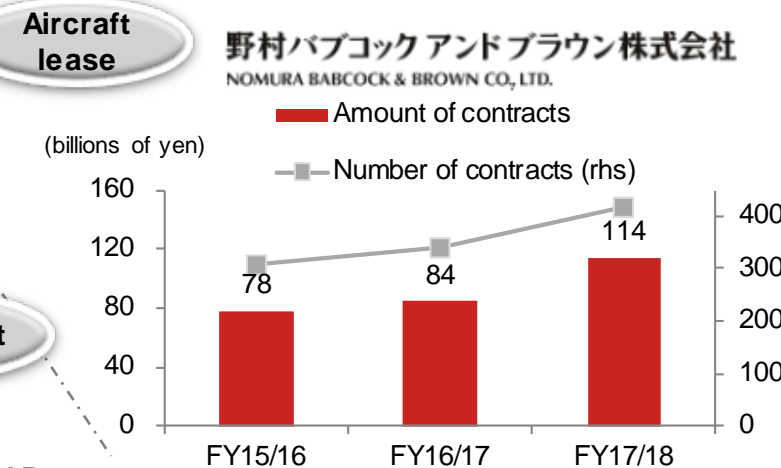
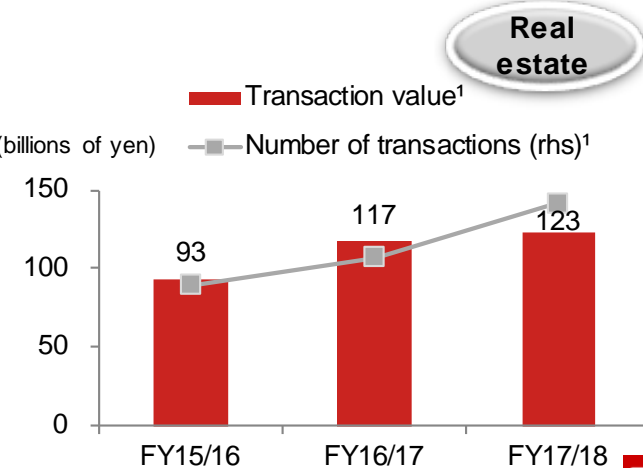
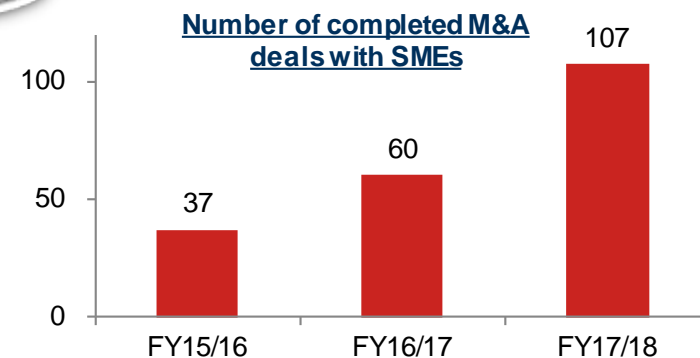
Firmwide focus on consulting business

野村信託銀行

野村資産承継研究所



野村証券

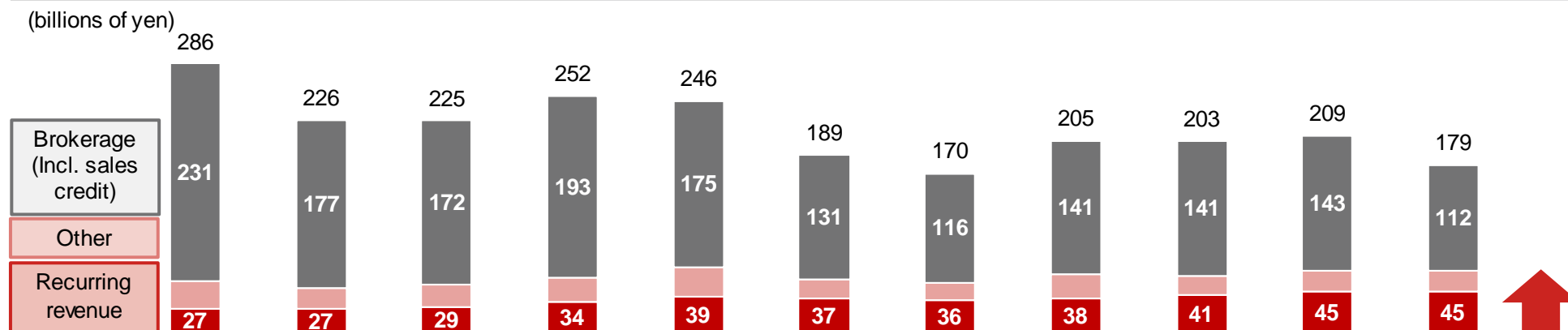


野村アセットマネジメント Nomura Capital Partners

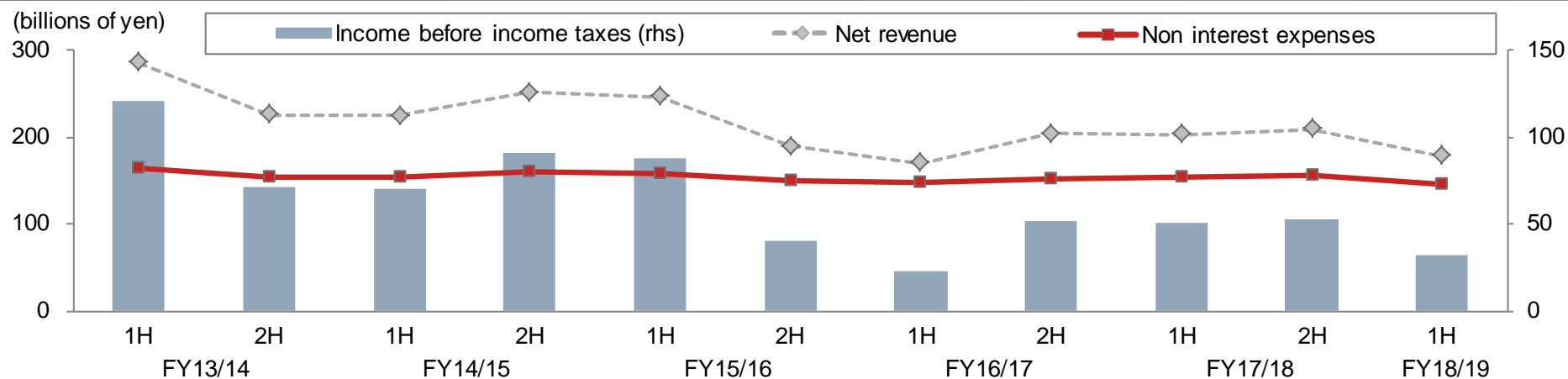
1. Based on number of domestic transactions introduced or jointly brokered by the Real Estate Department. Based on settlement month.

Challenges: Retail performance slows as brokerage commission revenues decline

Growth in recurring revenue not enough to compensate for decline in brokerage commissions



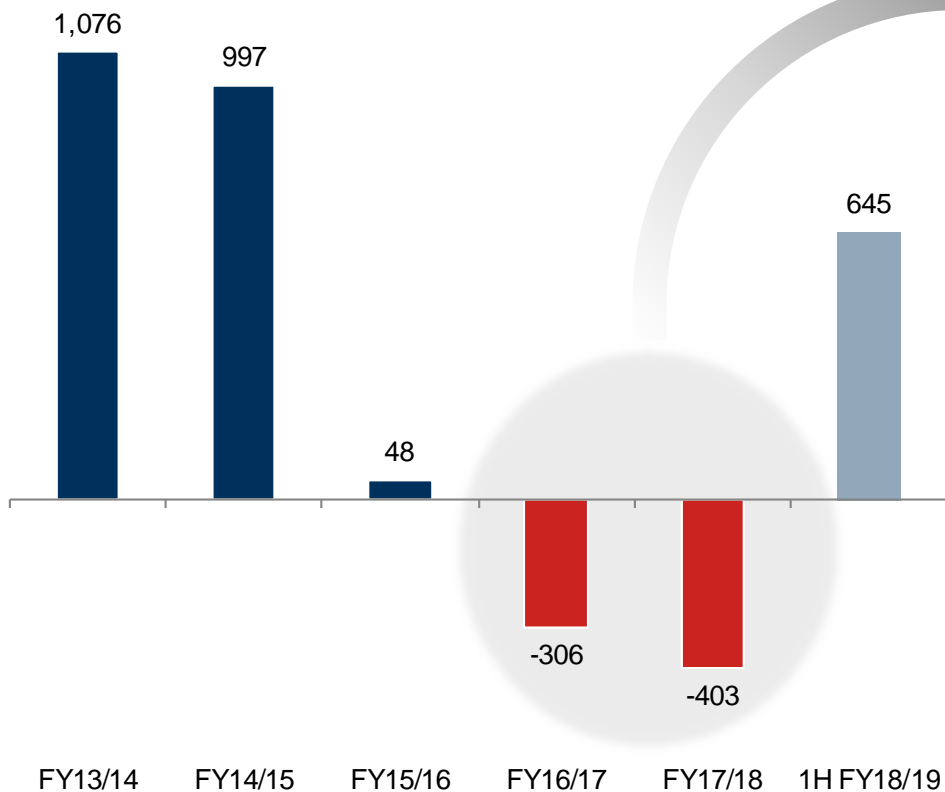
Decline in overall profits partly due to rigid cost level



Challenges: Accumulation of cash and securities not sufficient

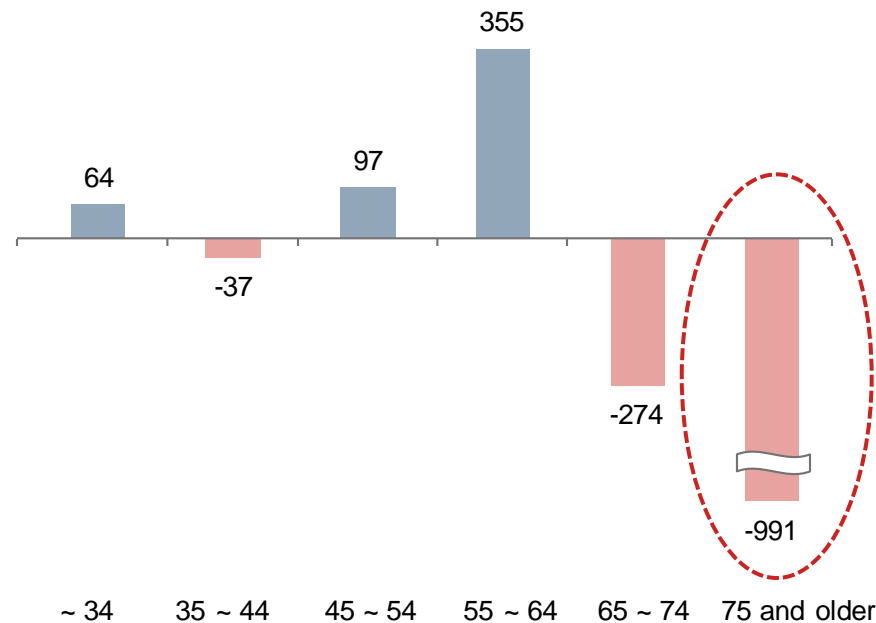
Inflows of cash and securities¹ negative past two fiscal years

(billions of yen)



Inflows from retirement segment, but outflows from clients 65 years and older

(billions of yen)



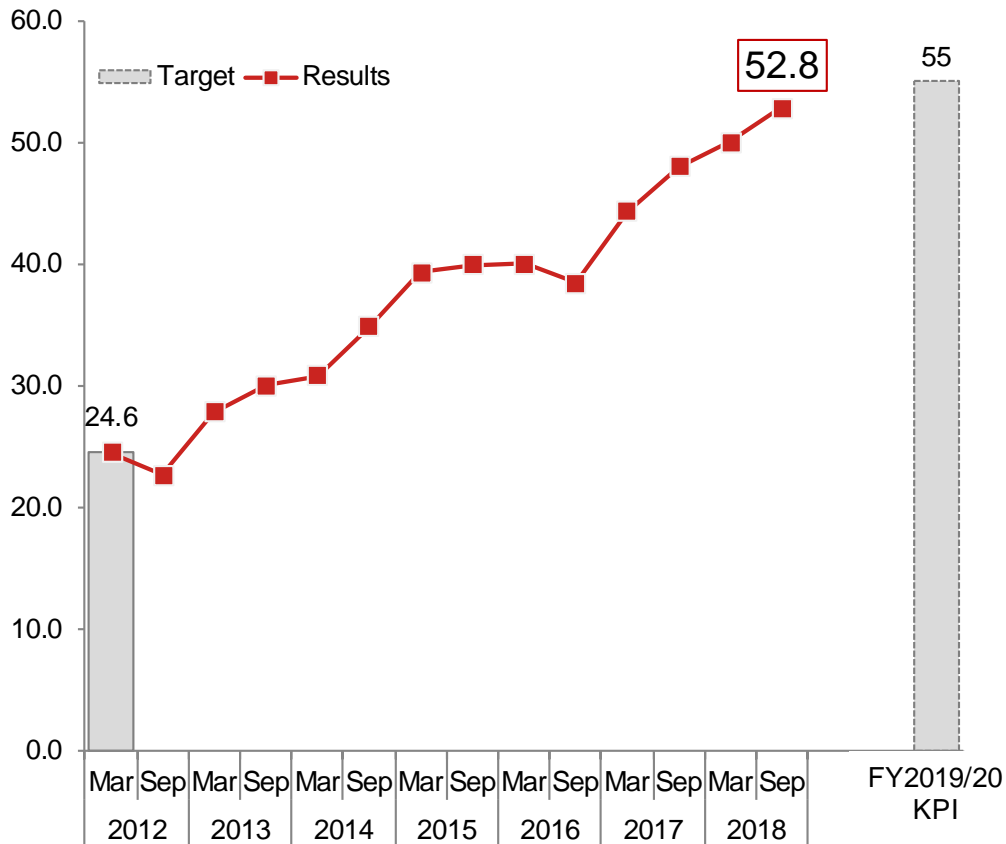
1. Cash and securities inflows minus outflows, excluding regional financial institutions.

Accomplishments

Asset Management AuM at all-time high

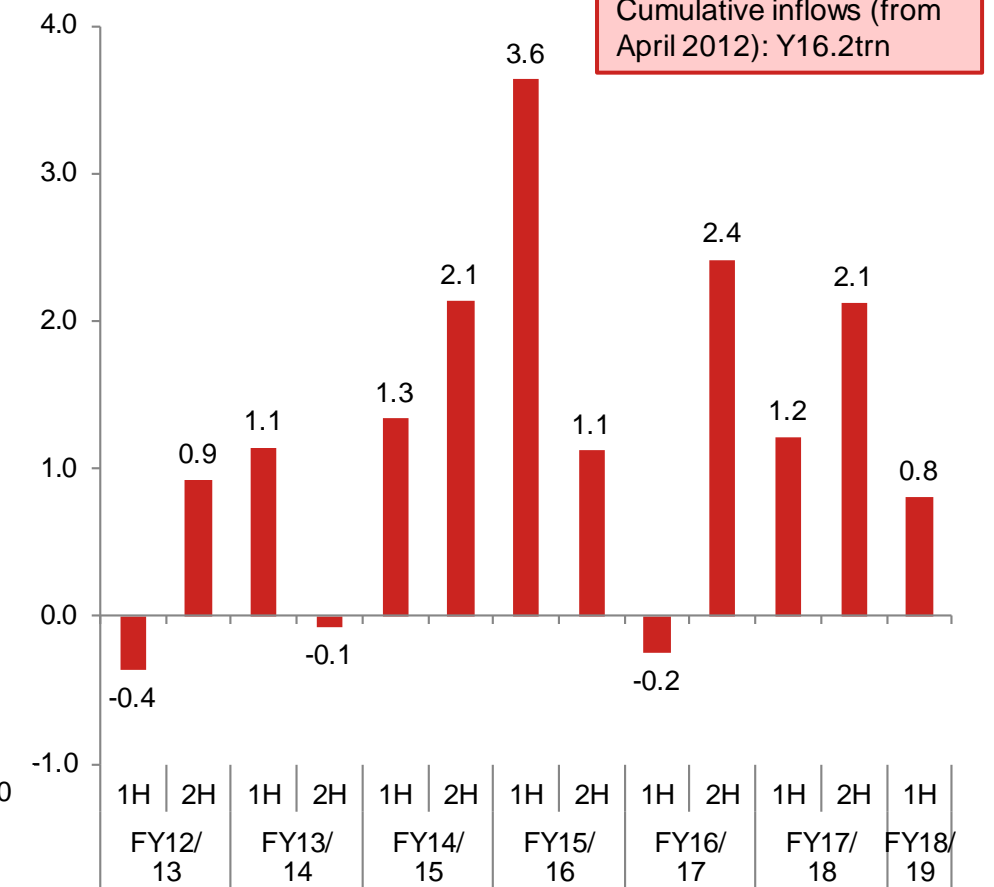
Asset Management AuM at record high

(trillions of yen)



Continued inflows

(trillions of yen)



Accomplishment from Alliance with American Century Investments (ACI)

Leveraging respective strengths in products and in client relations

Investment trust business

- Distribute ACI funds to retail clients (Impact Investment, US stocks, Global REIT, etc.)

Investment advisory and international businesses

- Distribute ACI global equity and fixed income products to pension funds and international clients

AuM: Approx. \$3.2bn

NOMURA

Achievements from the collaboration

**Approx. \$4.4bn
(Nov 2018)**

American Century Investments®

Provide high yield bond products managed by NCRAM¹

- Manage the high yield bond component of target date funds
- Products also distributed to US retail investors

AuM: Approx. \$1.2bn

U.S. Value Strategy Fund that invests in US company stocks



Nomura ACI Advanced Medical Impact Investment that invests in global medical technology and biotechnology related stocks

**AuM: Y165bn
(Nov 2018)**

1. Nomura Corporate Research and Asset Management.

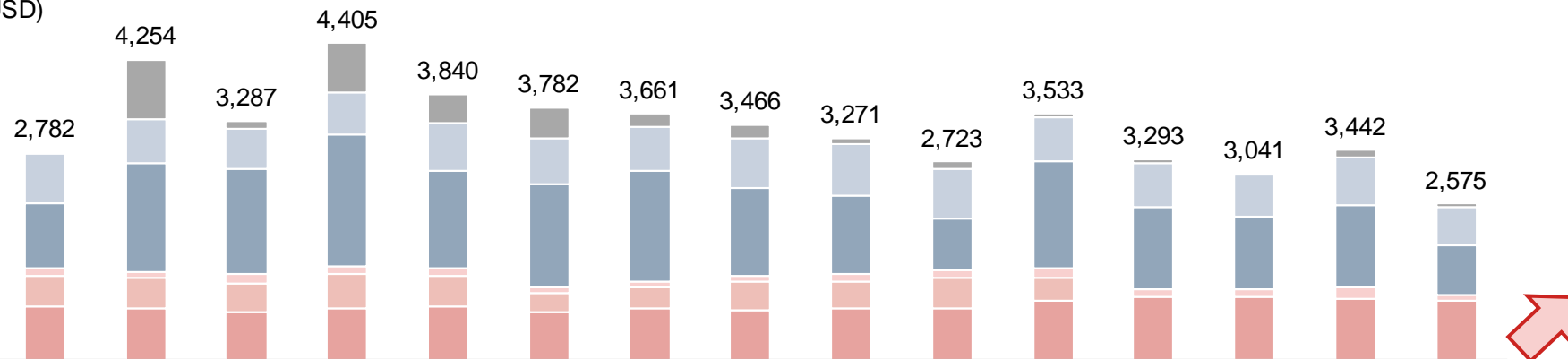
Challenges

Wholesale: Slowdown in secondary trading revenues

Secondary trading revenues decline

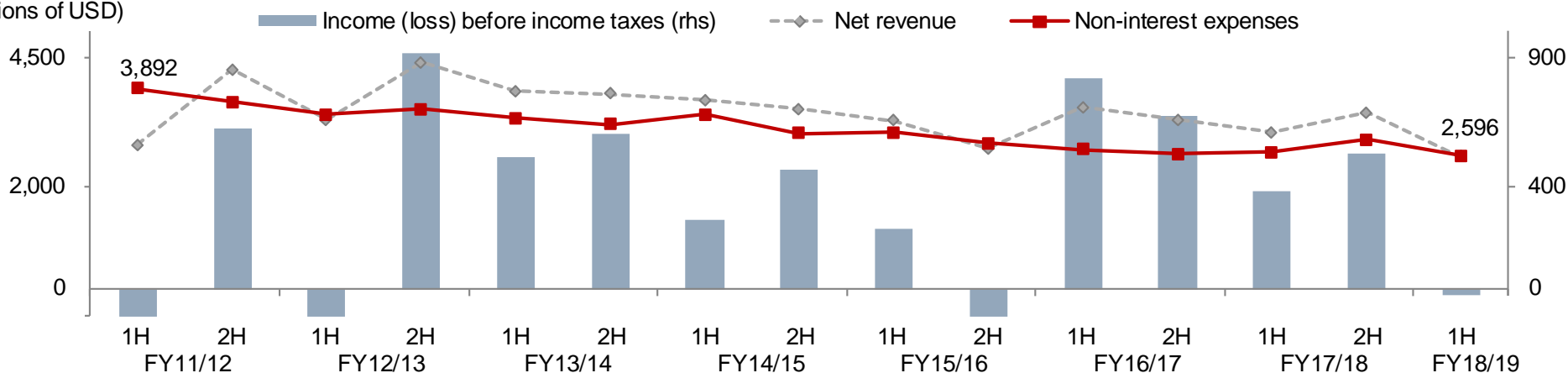
(millions of USD)

Other
Execution
Liquidity and market making
Advisory
Primary
Client Financing & Solutions



Profitability down despite cost control efforts

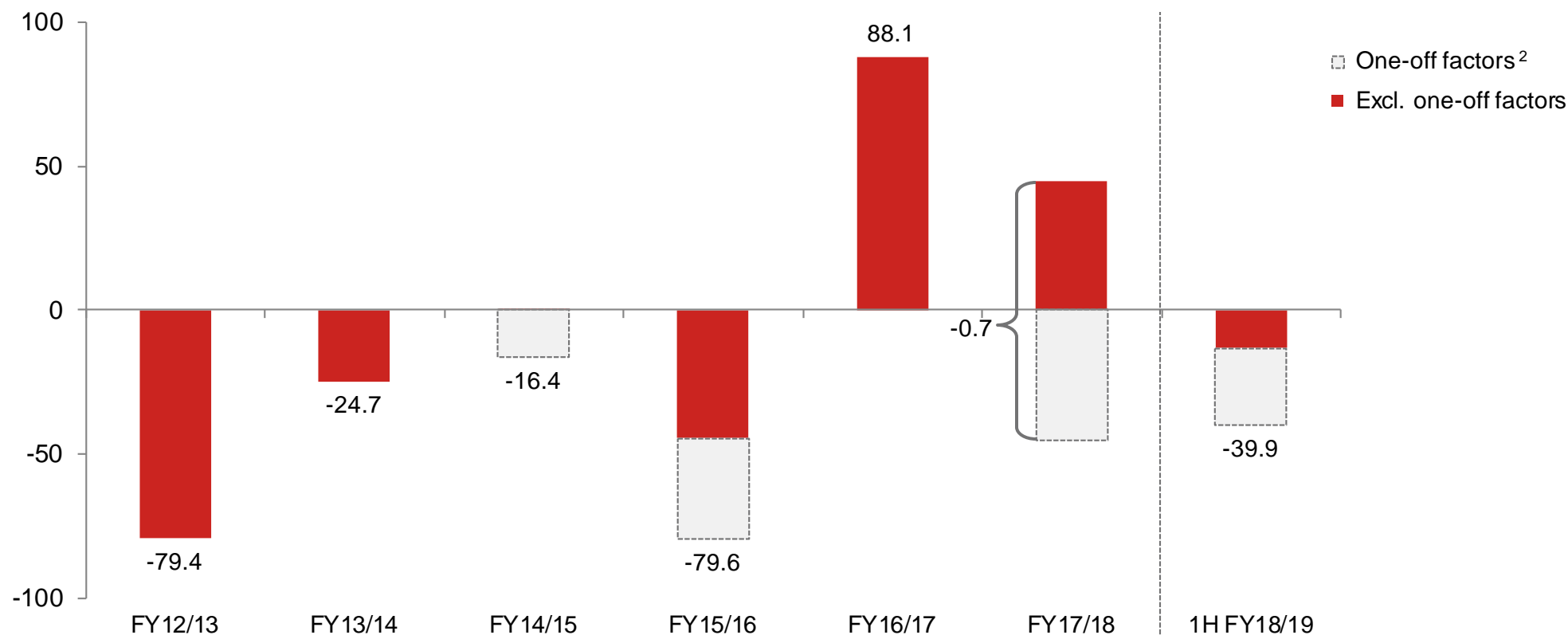
(millions of USD)



Challenges: More work to do to improve international business profitability

International income (loss) before income taxes¹

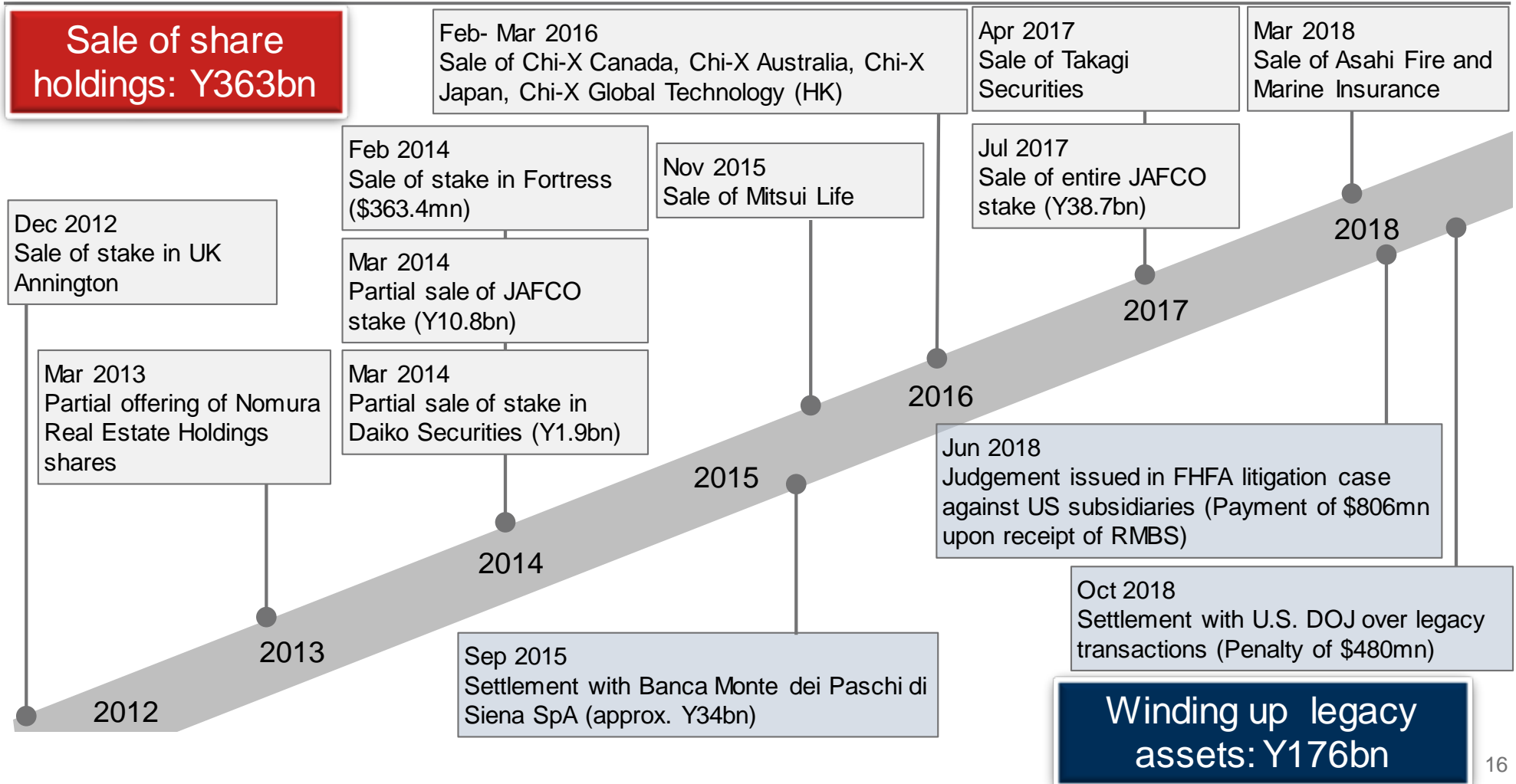
(billions of yen)



1. 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.

2. One-off factors: FY14/15 provisions for legacy transactions (Y16.5bn), FY15/16 settlement with Banca Monte dei Paschi di Siena (approx. Y35bn), FY17/18 provisions for legacy transactions (approx. Y45bn), FY18/19 1H: settlement with U.S. Department of Justice for legacy transactions (Y19.8bn) and recognition of FX translation adjustment due to progress in winding up subsidiary in Middle East & North Africa (-Y7bn).

Focus on core businesses: Sale of share holdings, progress in winding up pre-financial crisis legacy assets



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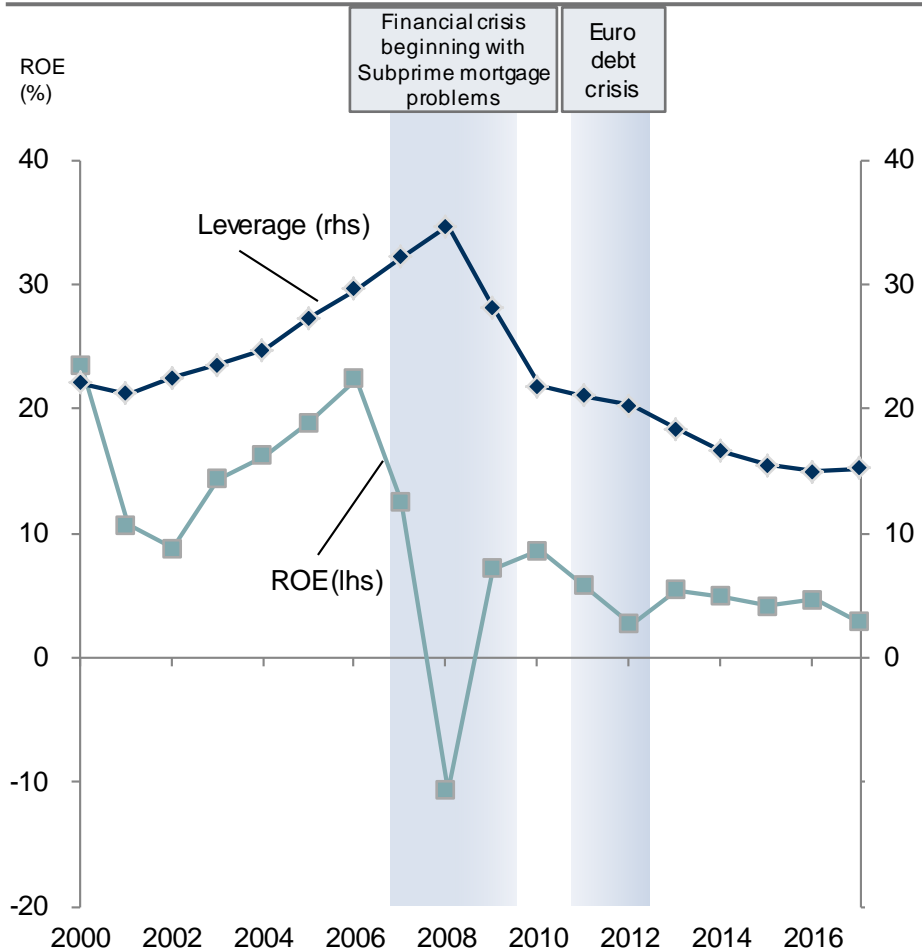
Towards sustainable growth

5

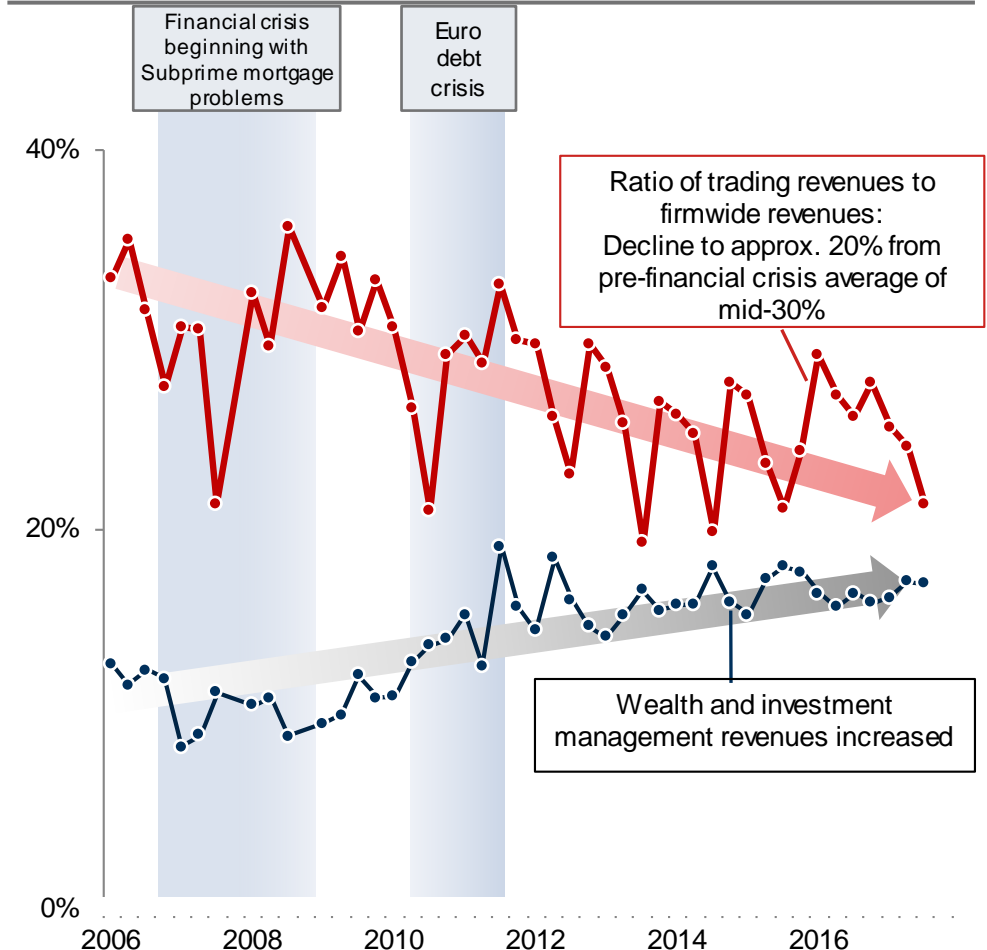
Initiatives to improve capital efficiency

Megatrend 1: Breakdown of balance sheet dependent business model

Global financial institutions¹ leverage, ROE from 2000



Change in US bank earnings composition²

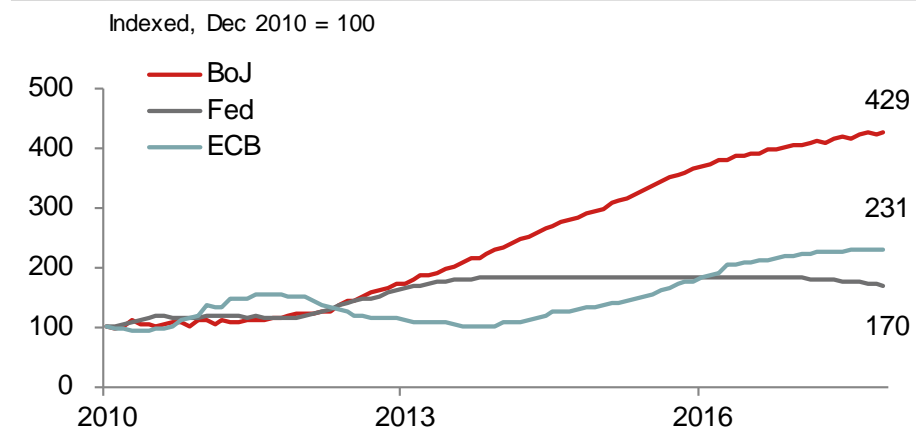


1. 9 competitors: Goldman Sachs, Morgan Stanley, Bank of America Merrill Lynch, Citibank, JP Morgan, Credit Suisse, Deutsche Bank, UBS, Barclays

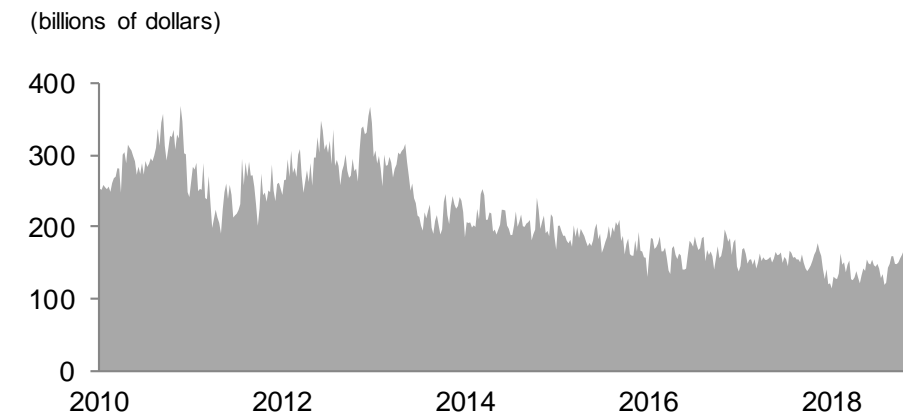
2. Source: Nomura, based on disclosures by Goldman Sachs, Morgan Stanley, JP Morgan, Bank of America Merrill Lynch, and Citibank; abnormal values such as minus values for total revenues excluded from calculations.

Megatrend 1: Depletion of global liquidity, increasing volatility

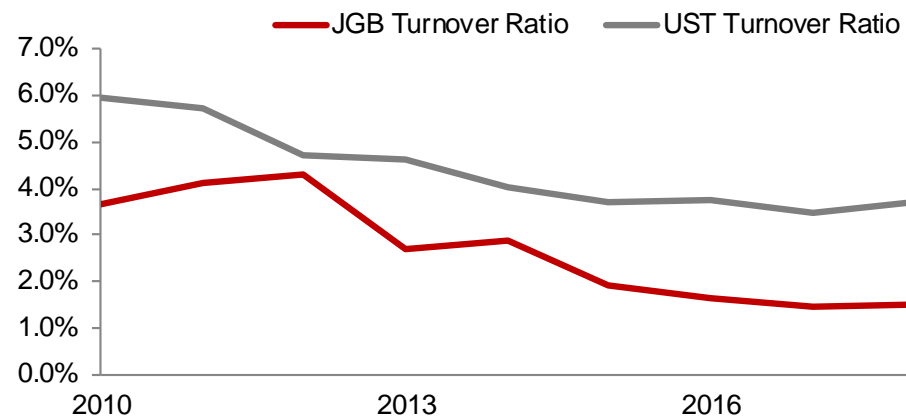
Central bank balance sheets expand



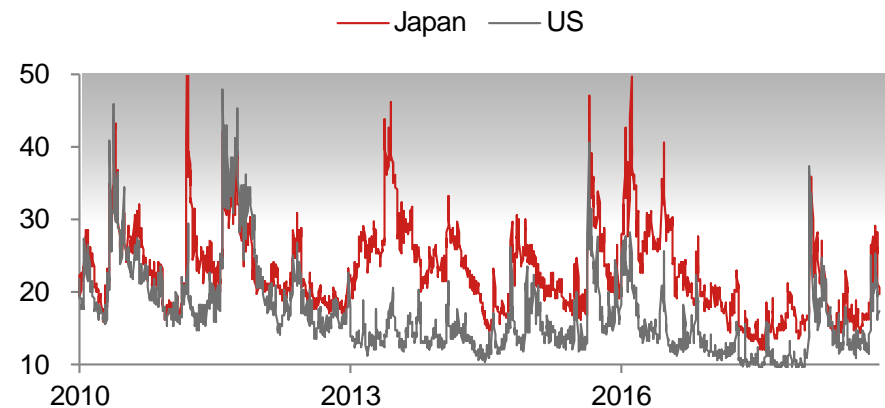
Dealer inventories decline¹



Japanese government bonds and US Treasury liquidity declines²



VIX Index³



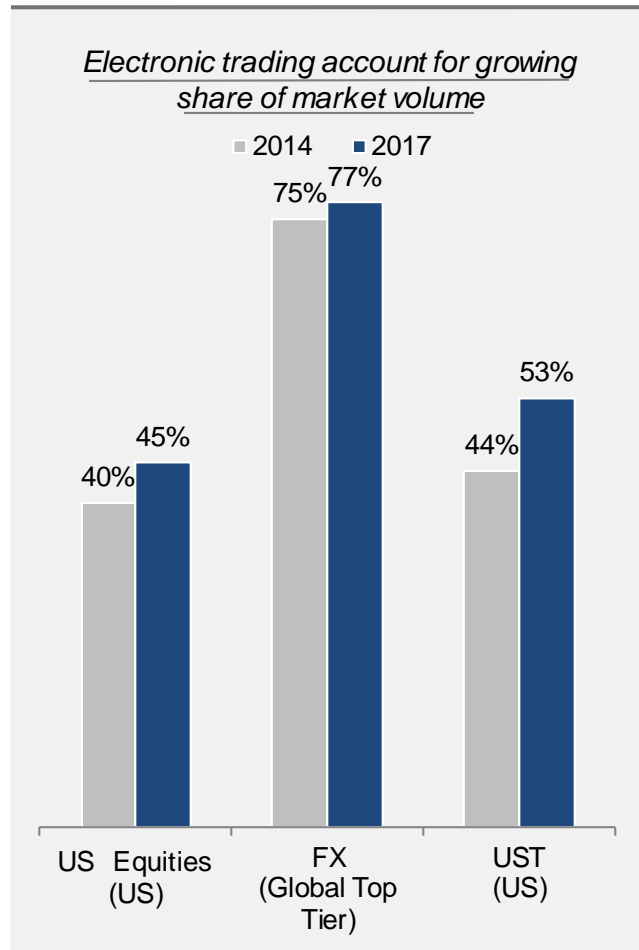
1. Source: Federal Reserve Bank, inventories of government bonds, agency bonds, corporate bonds, commercial paper, etc., held by primary dealers.

2. Source: Japan Securities Dealers Association, Ministry of Finance, Securities Industry and Financial Markets Association

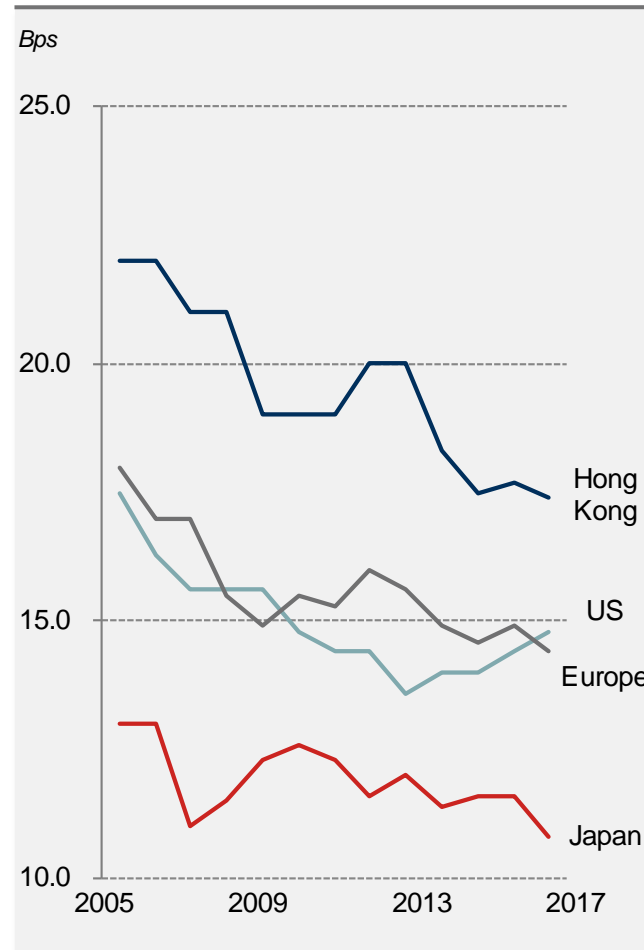
3. Source: Volatility indices from Nikkei 225 and S&P 500.

Megatrend 1: Increase in electronic transactions and lower commissions

Increase in electronic trading¹



Lower commissions for high-touch equity execution business²



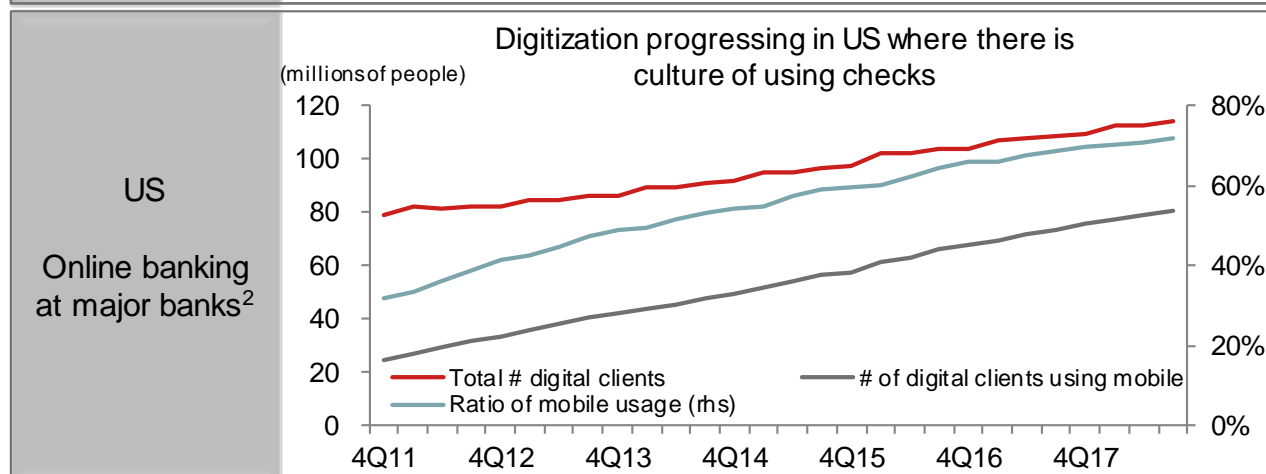
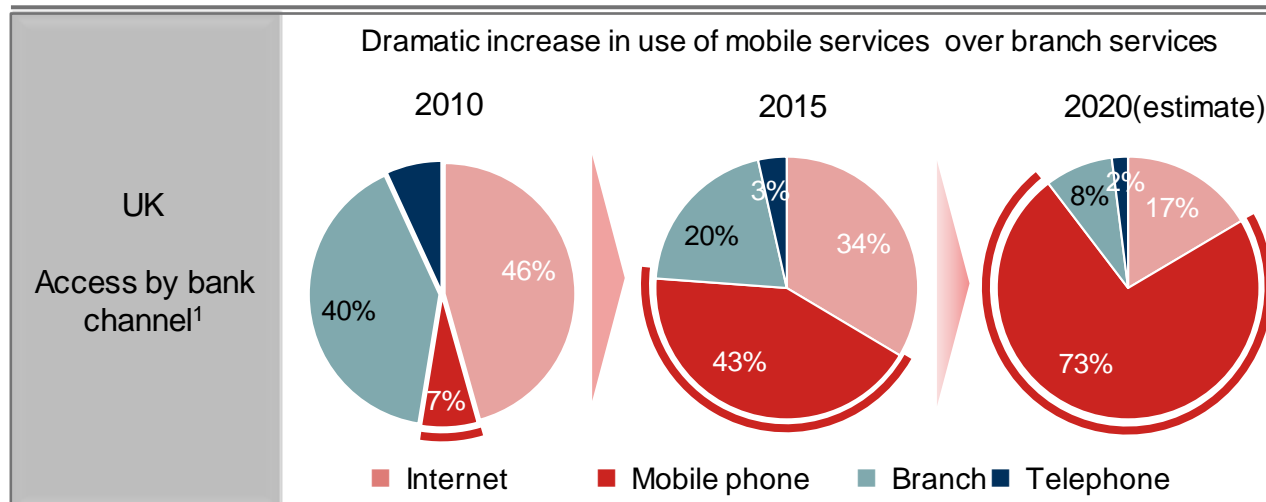
Possible changes due to MiFID-II



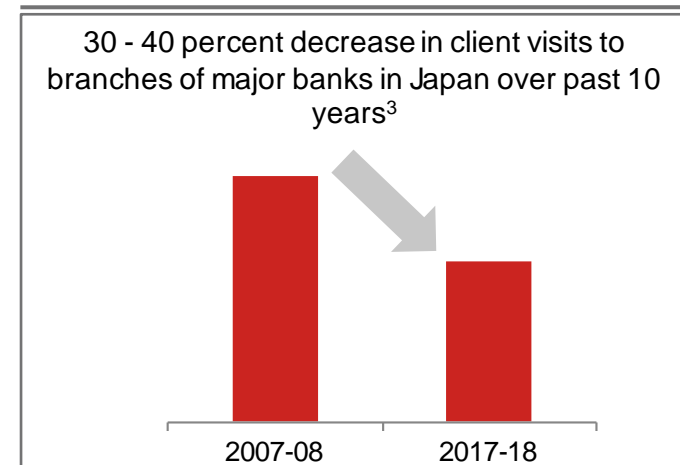
1. Source: Nomura based on Greenwich Associates data
 2. Source: Greenwich for US, European and HK Commission Rates, Nomura Internal Data for Japanese Commission Rates

Megatrend 2: Advances in digital innovation: Change in consumer behavior

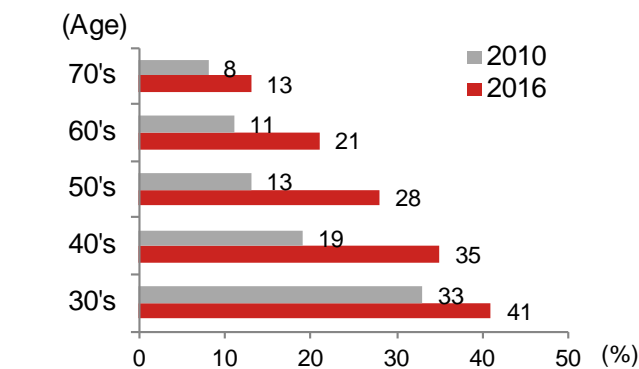
Change in financial service channels in UK and US



Situation in Japan



Increase in online trading across all age groups (Ratio of clients with investing experience)⁴

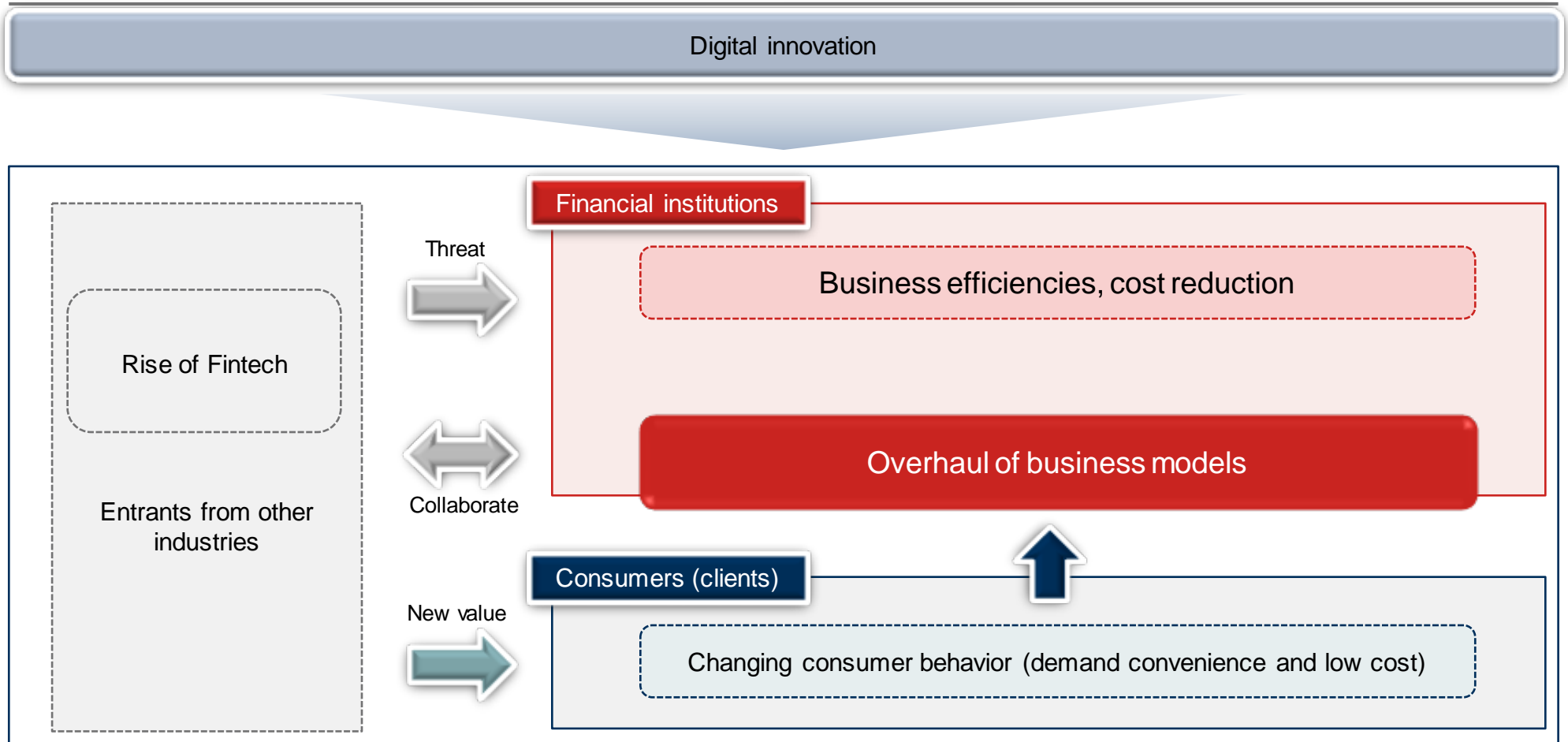


1. British Bankers Association, based on volume of access.
3. Source: Nomura, based on materials from each bank.

2. Prepared using disclosure materials from three large financial groups: JP Morgan, Bank of America and Wells Fargo.
4. Source: Nomura, based on Nomura Research Institute survey (finance) of 10,000 people.

Megatrend 2: Changes driven by digital innovation

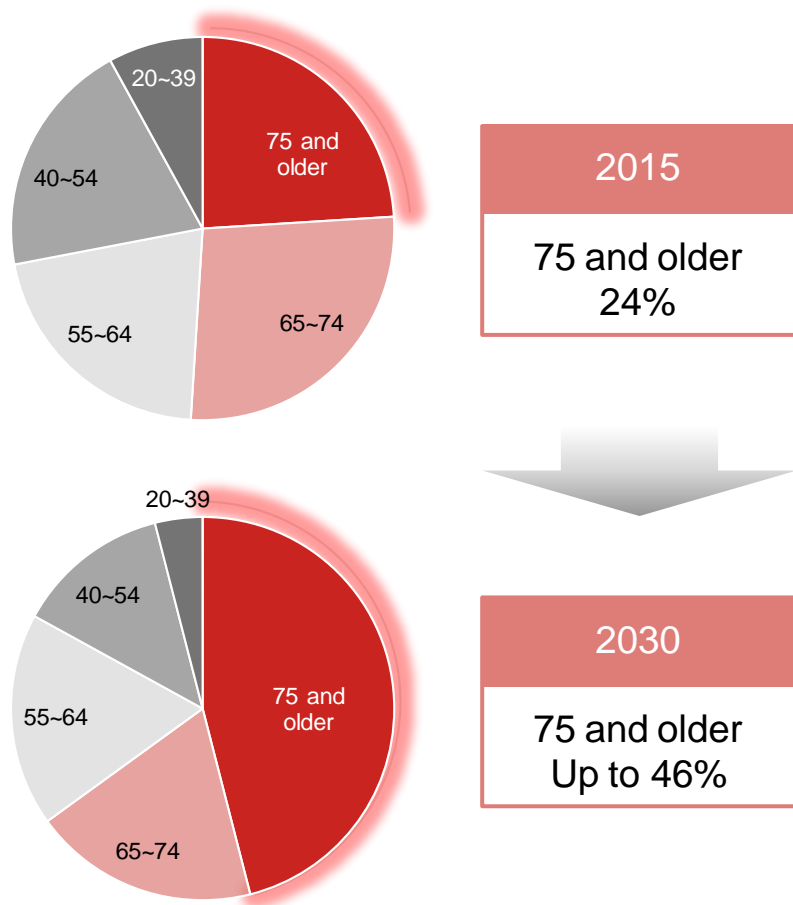
Not only consumer behavior, but also business model for financial institutions could change dramatically



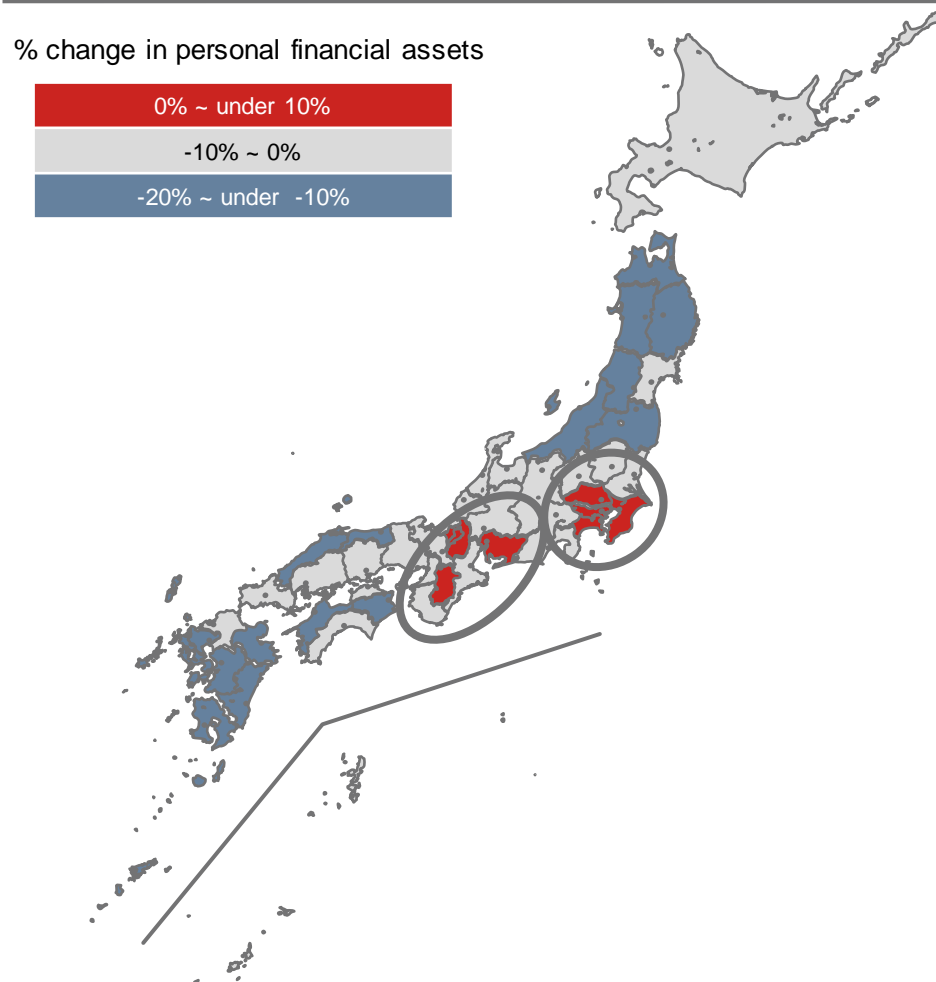
Megatrend 3: Change in Japanese demographics

Large concentration of personal financial assets expected in three major metropolitan areas and among those over 75

Change in personal financial assets by age¹



Impact of aging and inheritance on personal financial assets by region (2016-2030)²



1. Source: Nomura Institute of Capital Markets Research estimates, assumes asset transfer through secondary inheritance only
 2. Source: Nomura Institute of Capital Markets Research estimates, calculated based on financial assets only

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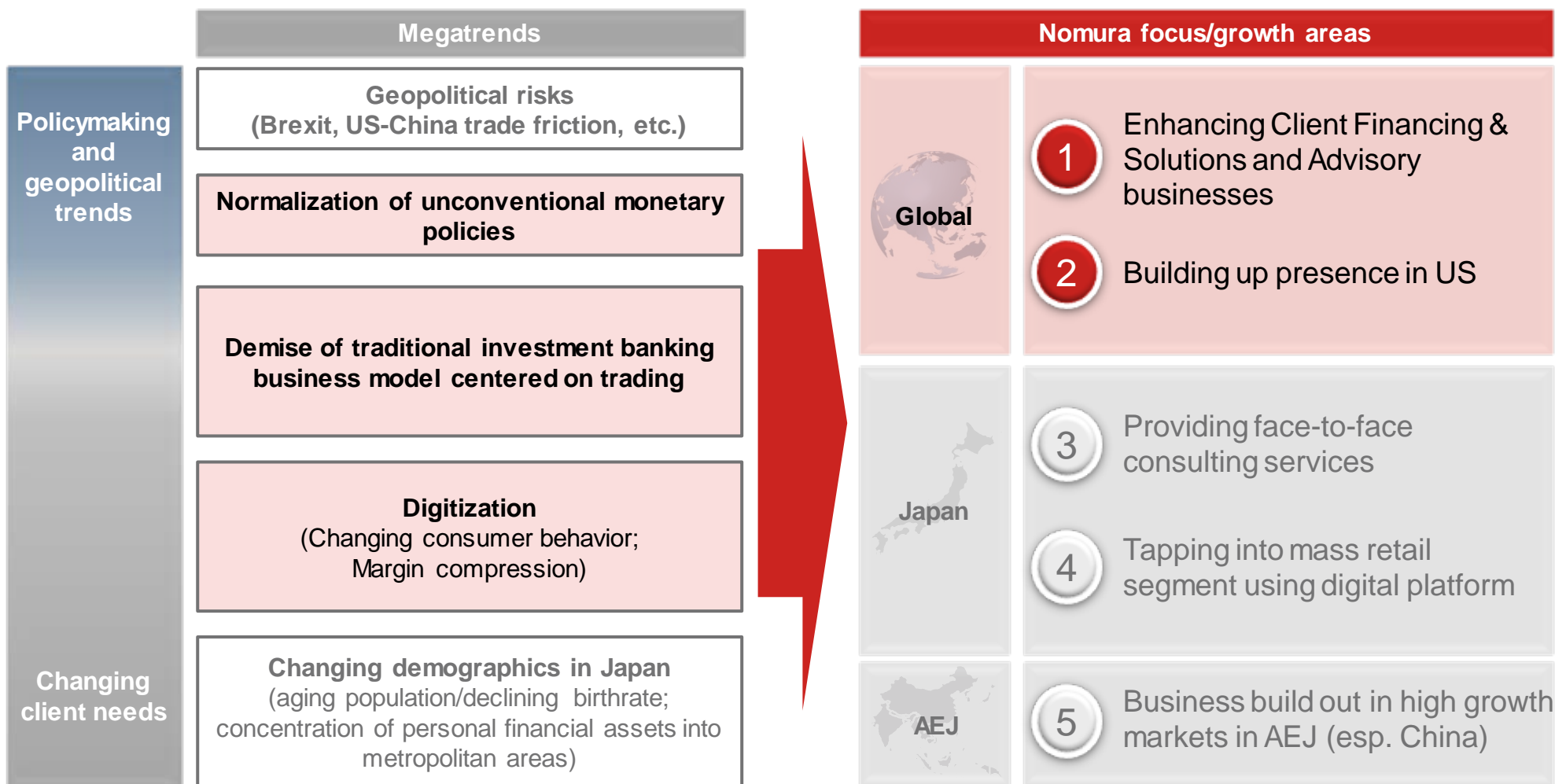
4

Towards sustainable growth

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Initiatives to improve capital efficiency

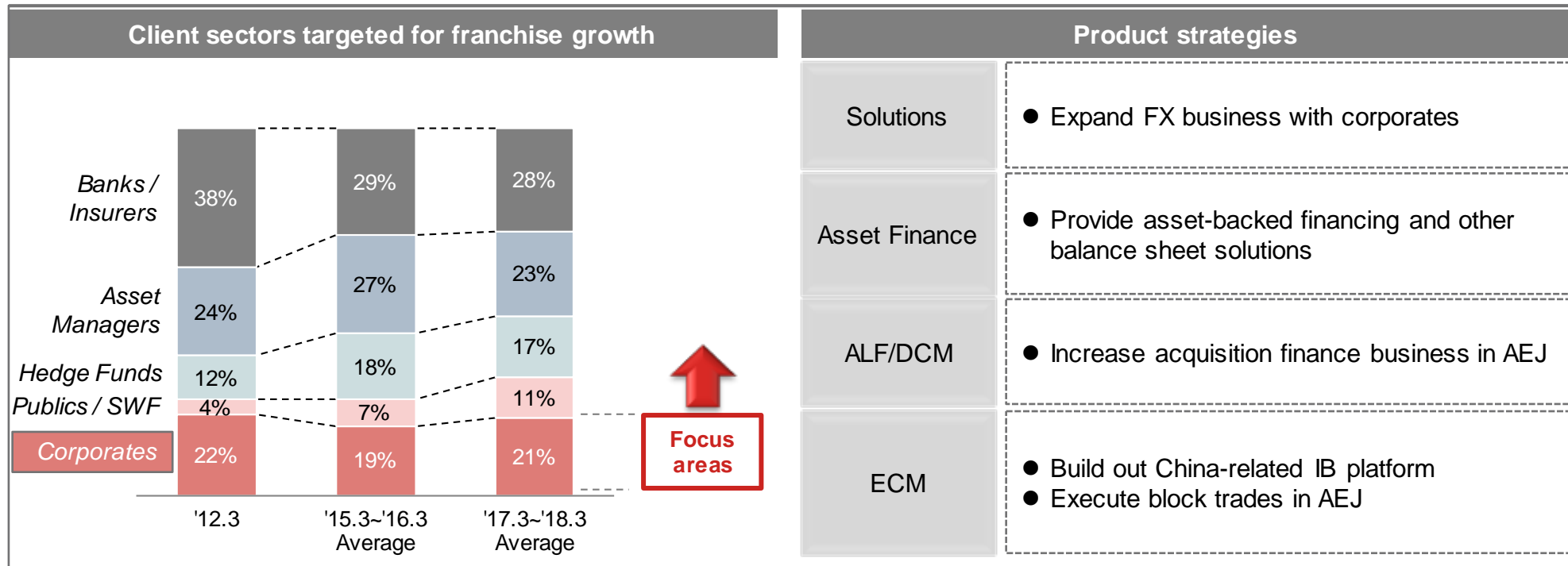
Areas of growth



Selective expansion in areas and businesses with competitive advantage

Business strategy						
		Products	FY2017/18 Net revenue	Medium term growth	Strategic priorities	
<p>Market risk</p>		Advisory	M&A		Americas growth plan <i>(anchored on Advisory and Execution and CFS businesses)</i>	
		Execution	Agency Execution			
		Primary	ECM, DCM, ALF			Client diversification <i>(leverage CFS for opportunities in financing and solutions with corporates and financial institutions)</i>
		Solutions	Solutions, Client Financing			
		Liquidity and market making	Flow Fixed Income	Macro (Rates, FX), Spread Products (Credit, Securitized Products)		Digitization <i>(use of AI in flow business; digital custody, etc.)</i>
		Non-Cash Equities	Equity Products			

Diversification of client franchise: Aim to grow in focus sectors



**Resource
allocation target**

2.0x
(vs. FY2017/18)

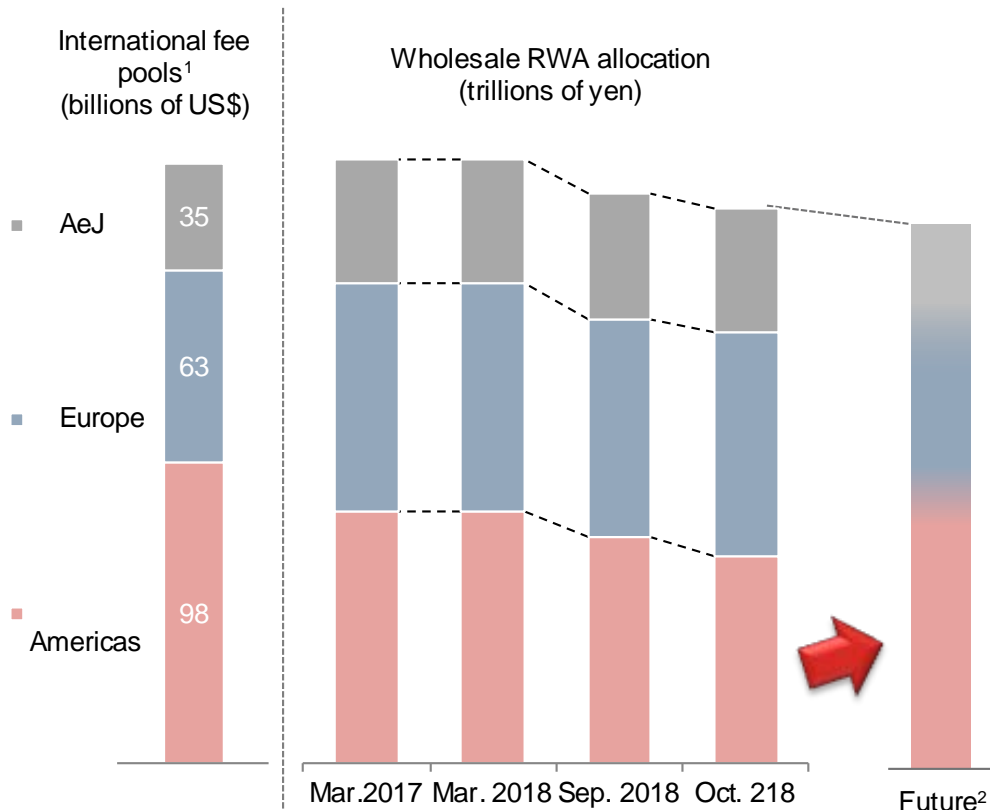
**Medium term
revenue
potential**

+\$250m
(vs. FY2017/18)

Americas growth plan: Realign resources to fee pool size, **NOMURA** grow business in focus areas

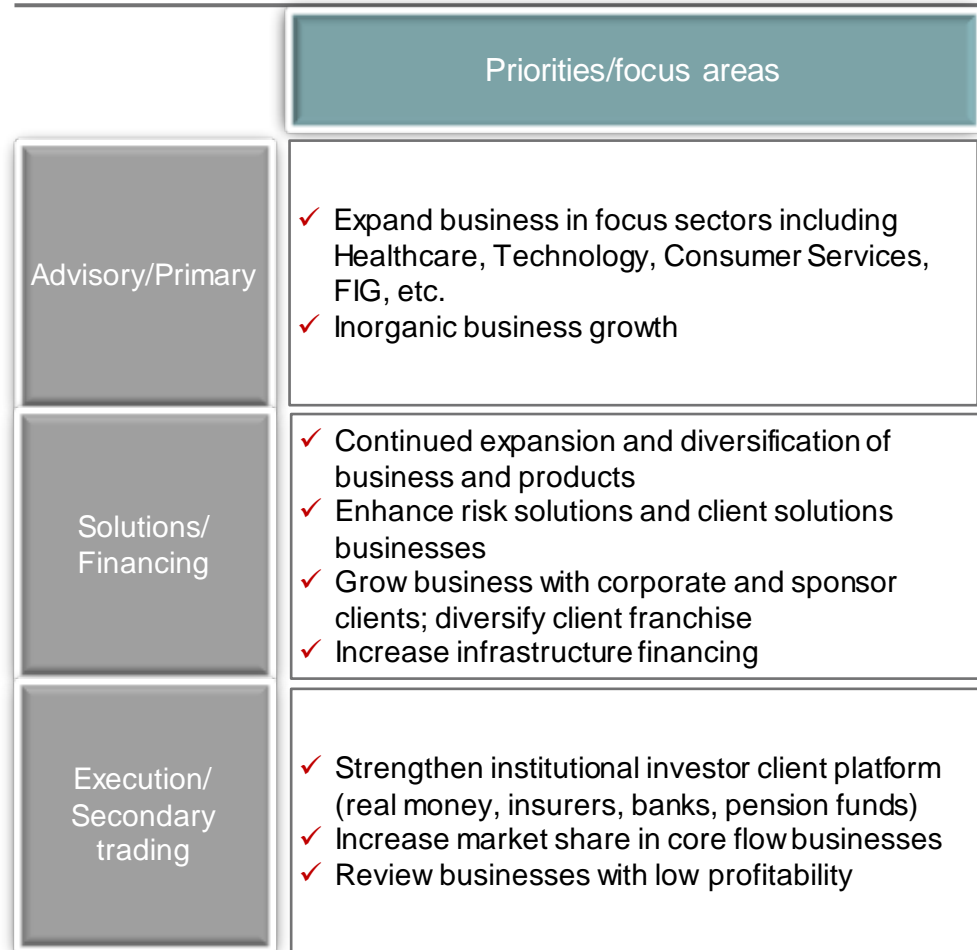
Reallocate Wholesale resources (RWA) across regions

- Continue to reallocate resources in line with global fee pool
- Reduce overall allocation to Wholesale

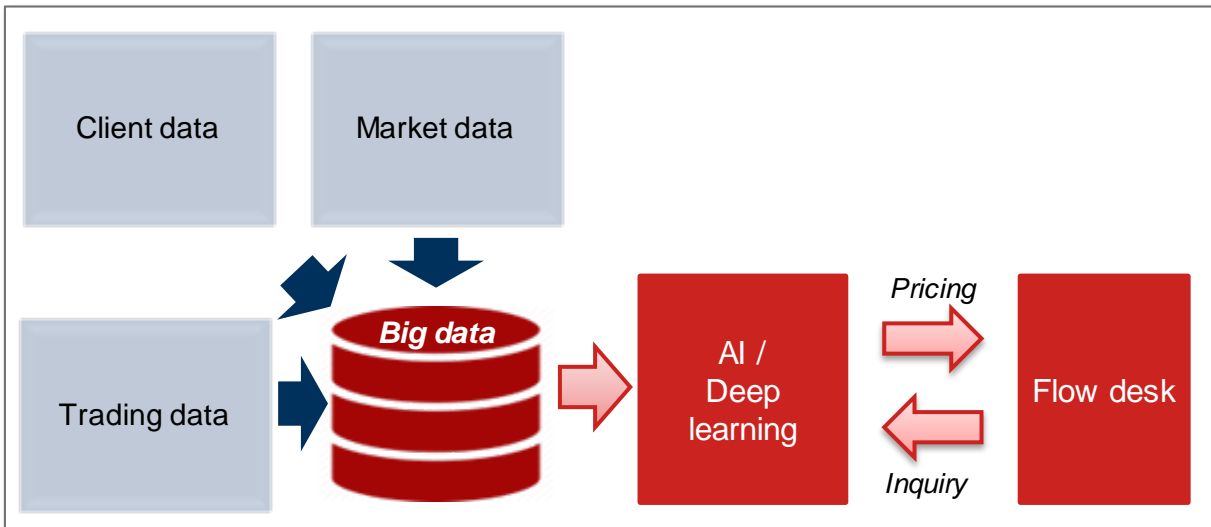


1. Source: Oliver Wyman, based on 2017 fee pools.
2. Excluding impact of Basel 3 final rules.

Grow Americas business in focus areas



Leverage in existing businesses: Embed AI into flow businesses



Enhance client revenues

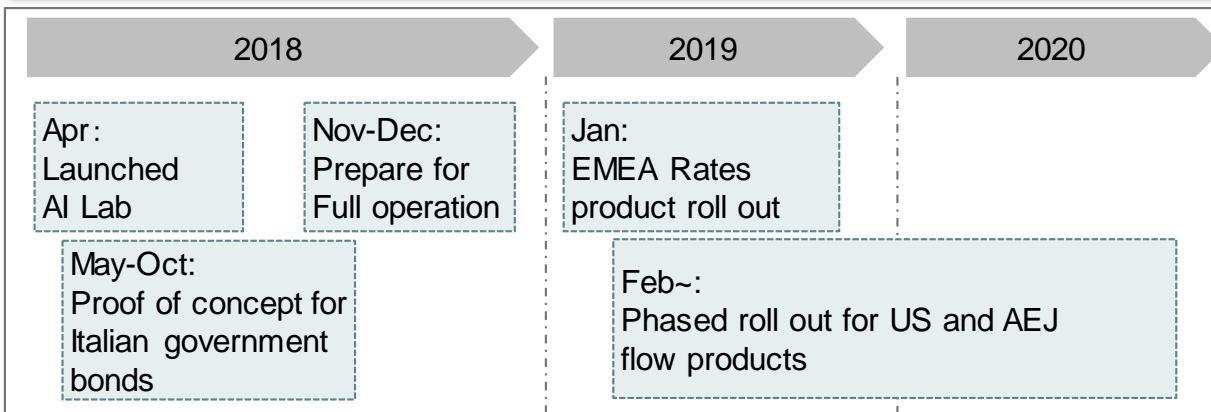
- Use trading and real-time client data
- Improve pricing and hedging effectiveness

Lower execution costs

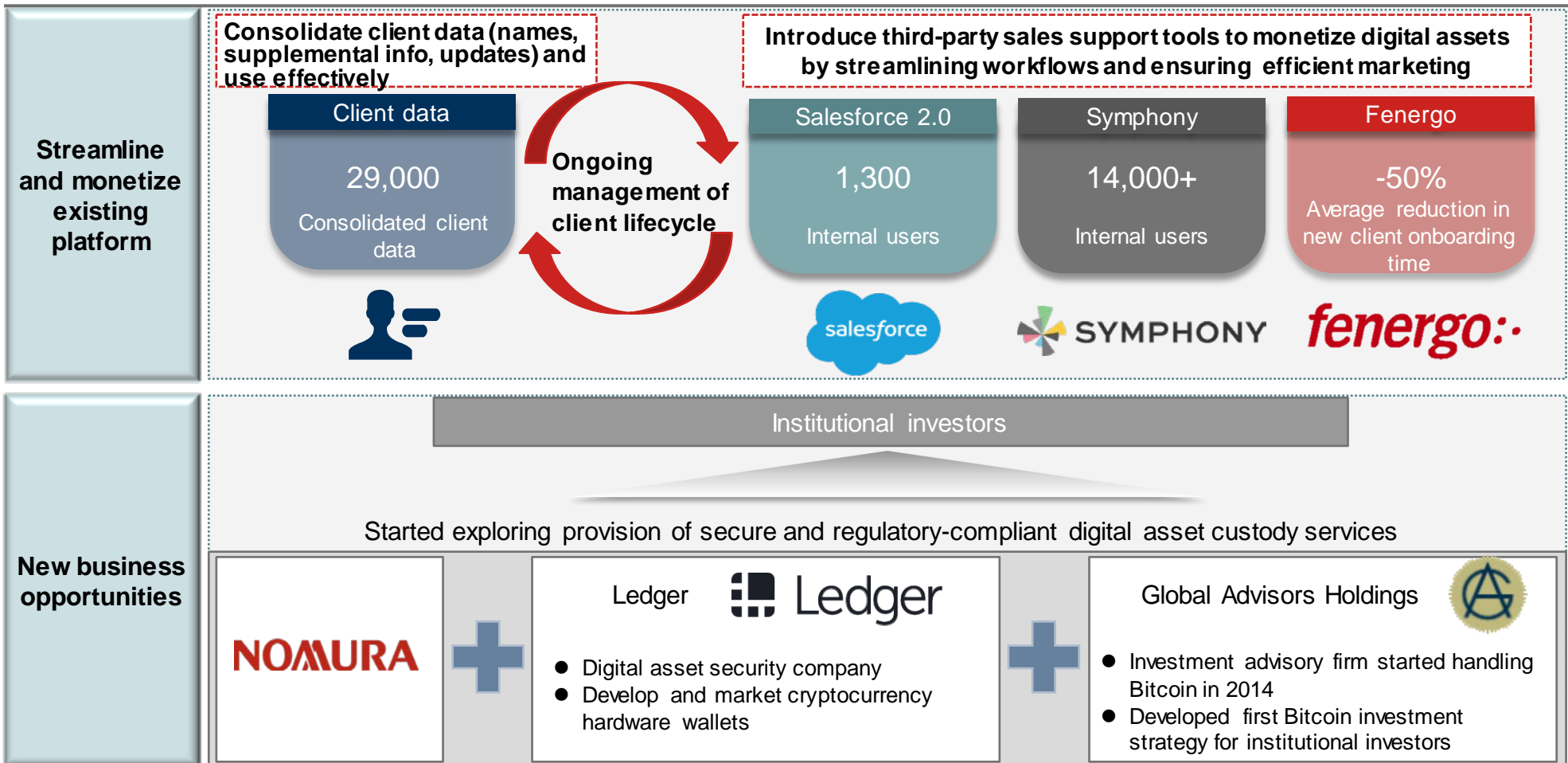
- Improve execution costs by ensuring dynamic and automated execution and hedging

Improve profitability

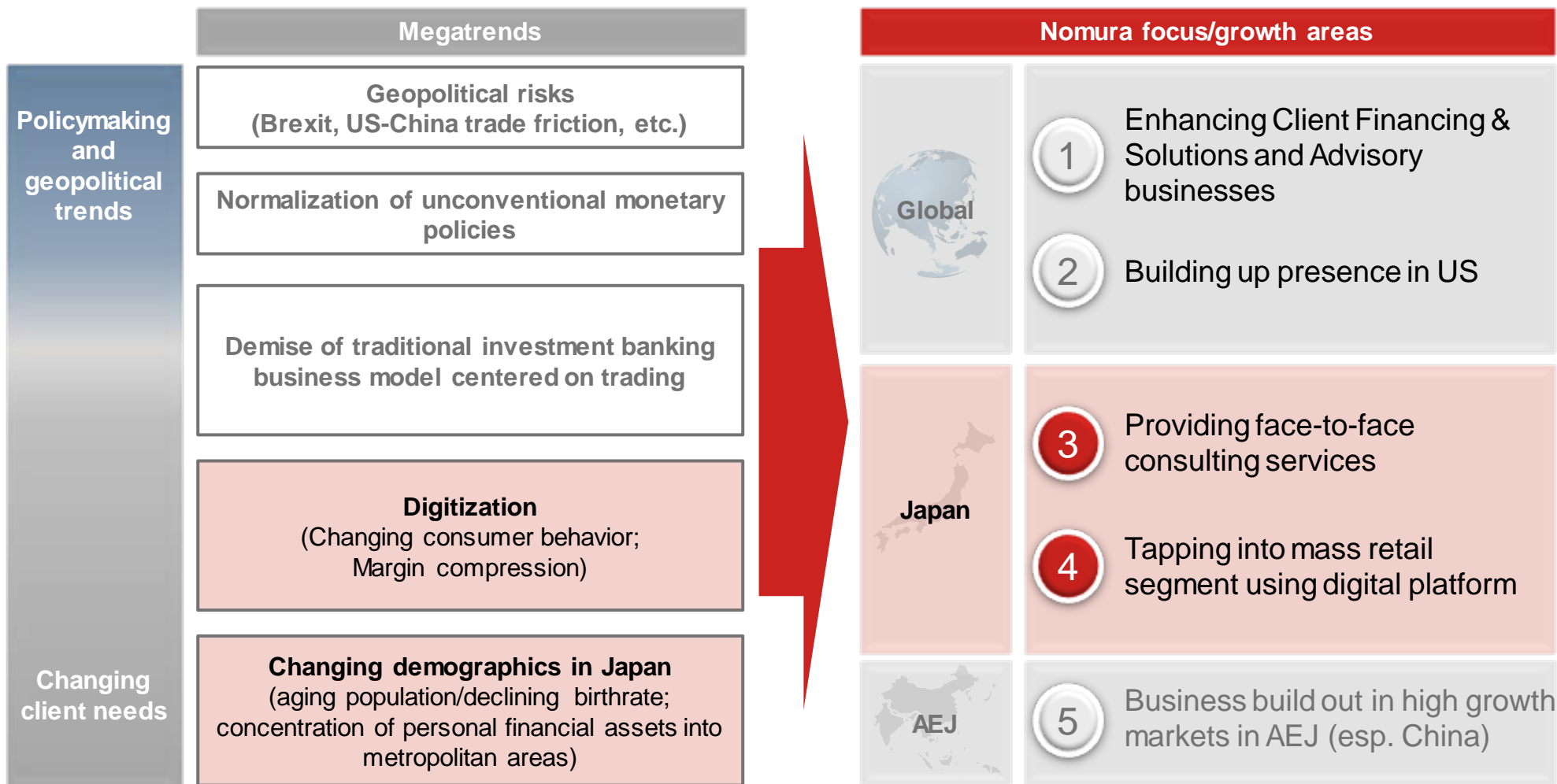
- Reduce workload for human resources (sales, traders)



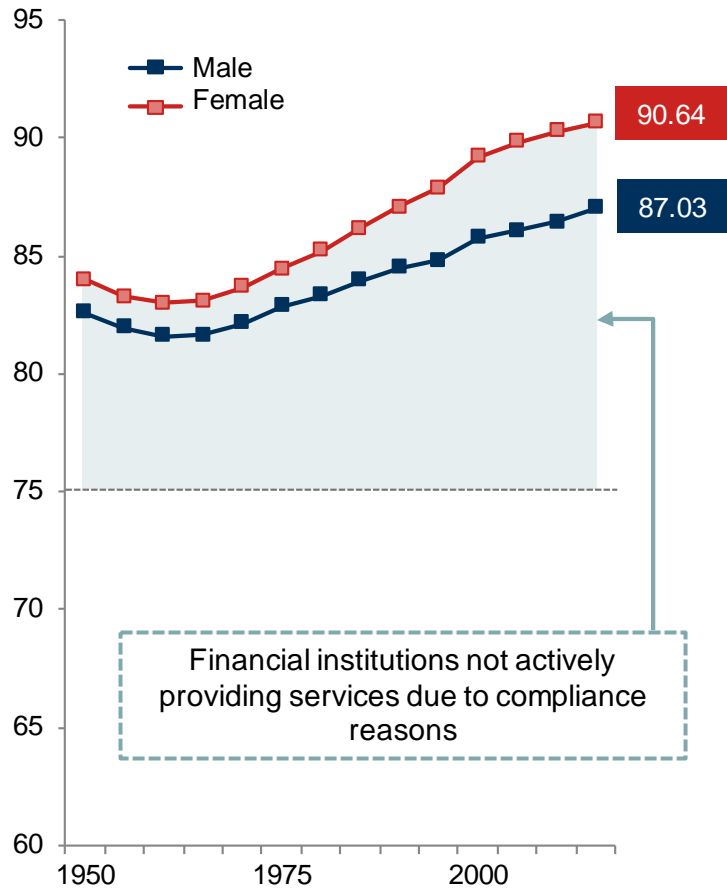
B2B: Paving the way to create value added using digital technologies (2)



Areas of growth



Average life expectancy¹ for 75 year olds continues to increase



Initiatives for elderly to put assets work with peace of mind

2016

- Launched financial gerontology² research project (Oct)

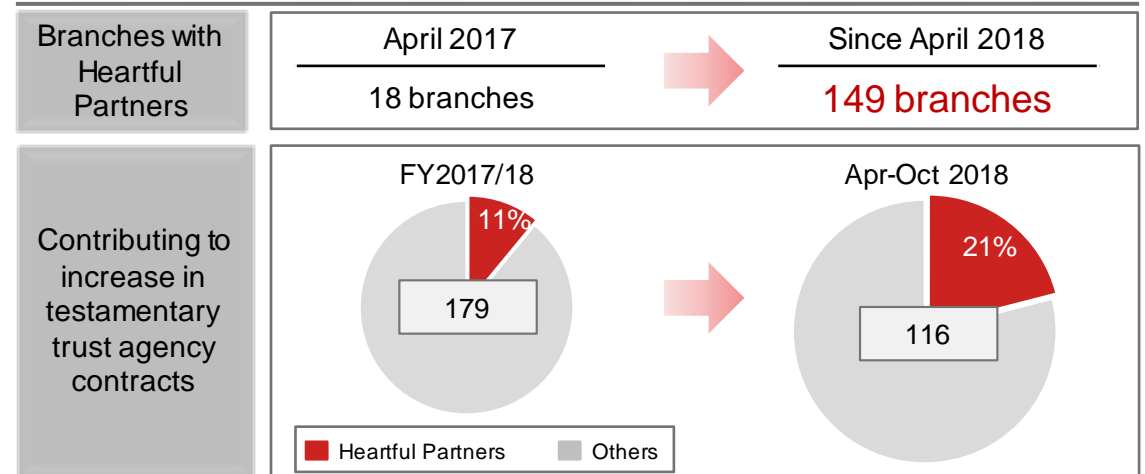
慶應義塾大学 **NOMURA**

2018

- Launched joint research team to establish the Japan Financial Gerontology Institute (Oct)

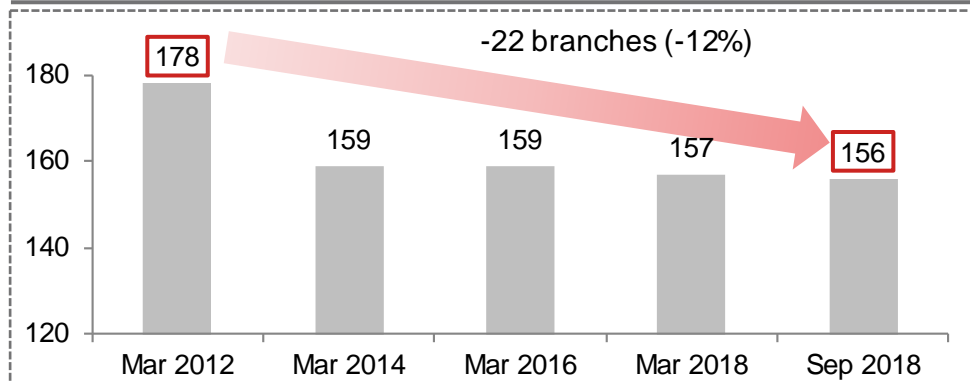
慶應義塾大学 **NOMURA** 三菱UFJ信託銀行

Appointed Heartful Partners across Japan since April 2018



1. Source: Nomura, based on data from Ministry of Health, Labour and Welfare.
 2. Financial gerontology is the study of the effects of longevity and aging on economic and financial behavior.

Consolidating branch office network



Approach

- Reallocate resources based on shifting demographics and financial asset movement
- Review branches with overlapping coverage areas in metropolitan regions

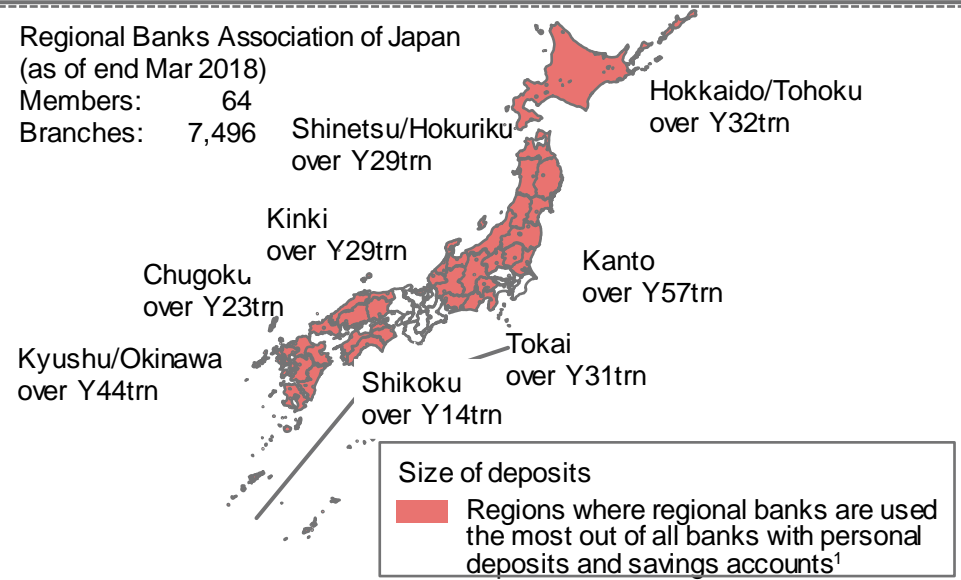
Aim

- Bring together diverse workforce to meet needs of broad range of clients
- Training and development of our people, lower branch office running costs

Exploring tie-ups with regional financial institutions

Regional Banks Association of Japan (as of end Mar 2018)

Members: 64
Branches: 7,496



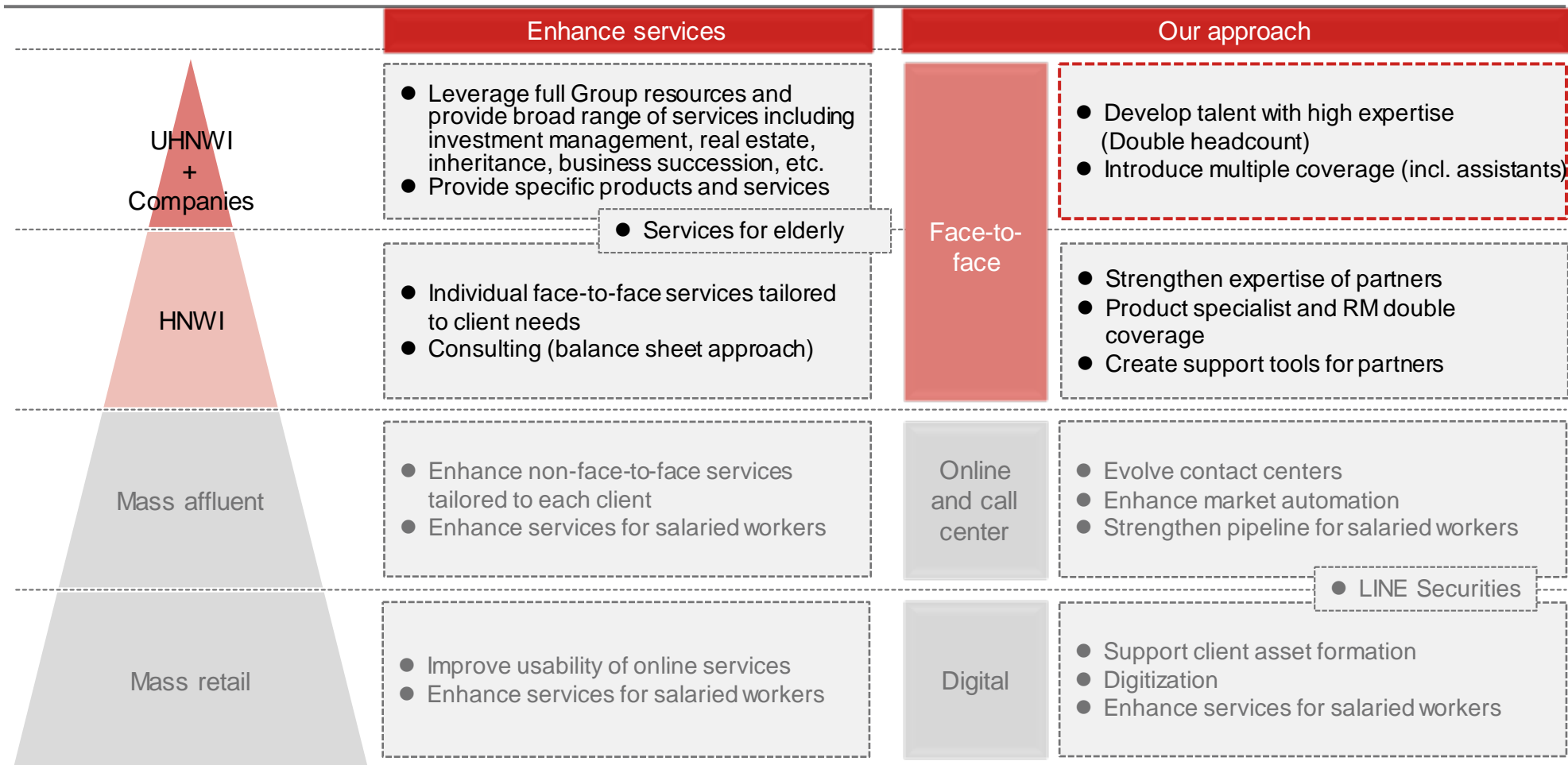
Leveraging human capital

- Reassign our people in line with client circumstances and requirements
- Greater focus on pay for performance

Retail cost reduction around 10% over next three years

1. Source: Nomura, based on FY2015 survey on better banking conducted by Japanese Bankers Association.

Provide right services at right price under right structure in line with client needs



Comprehensive solutions for UHNWI and companies

Future growth areas

UHNWI (owners), companies

One stop solutions leveraging full Group capabilities

Increase professionals

Nomura Securities

Strengthen tie-ups

Nomura Trust and Banking

Nomura Institute of Estate Planning

Nomura Babcock & Brown

Nomura Capital Partners

(Nomura Real Estate)

Investment management

Support main business

M&A

Cash and deposits

Loans

Inheritance

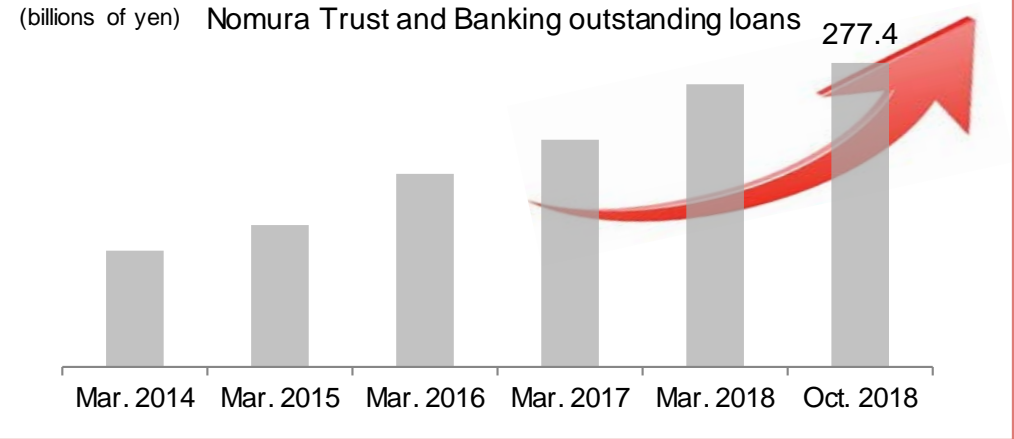
Business succession

Tax planning

Provide risk capital

Leverage real estate

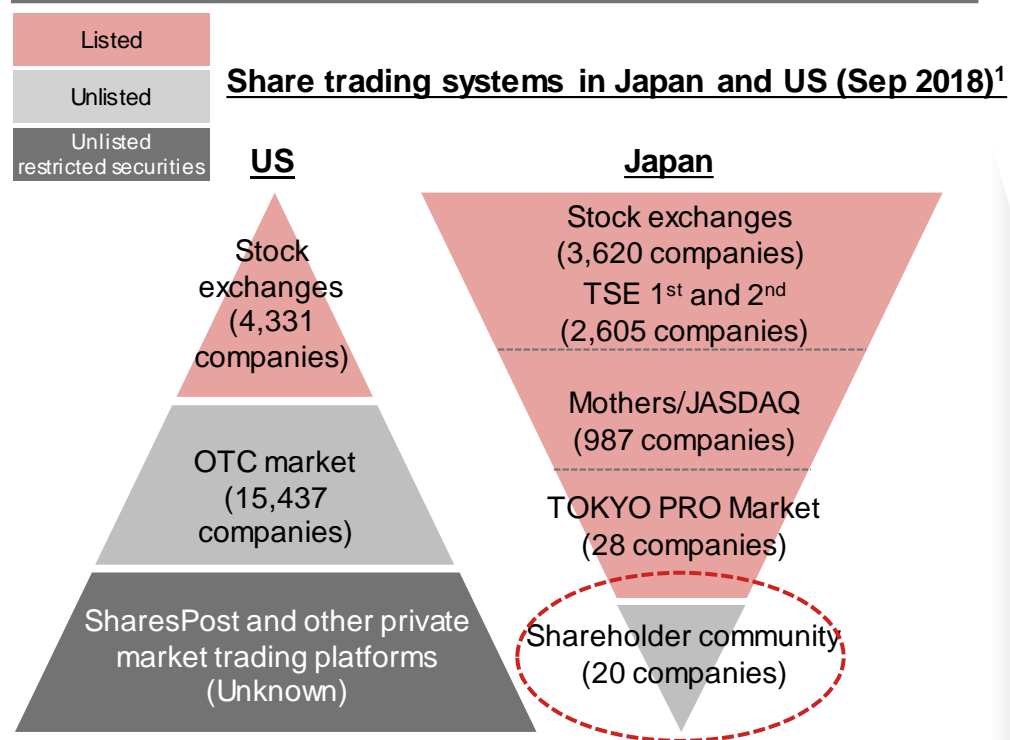
- Supporting core business and monetizing intellectual property for unlisted SMEs
 - Business support
 - Support IP licensing
 - Support sale of IP
 - Stock options



- Support venture-type business succession (provide support for young successors across Japan)



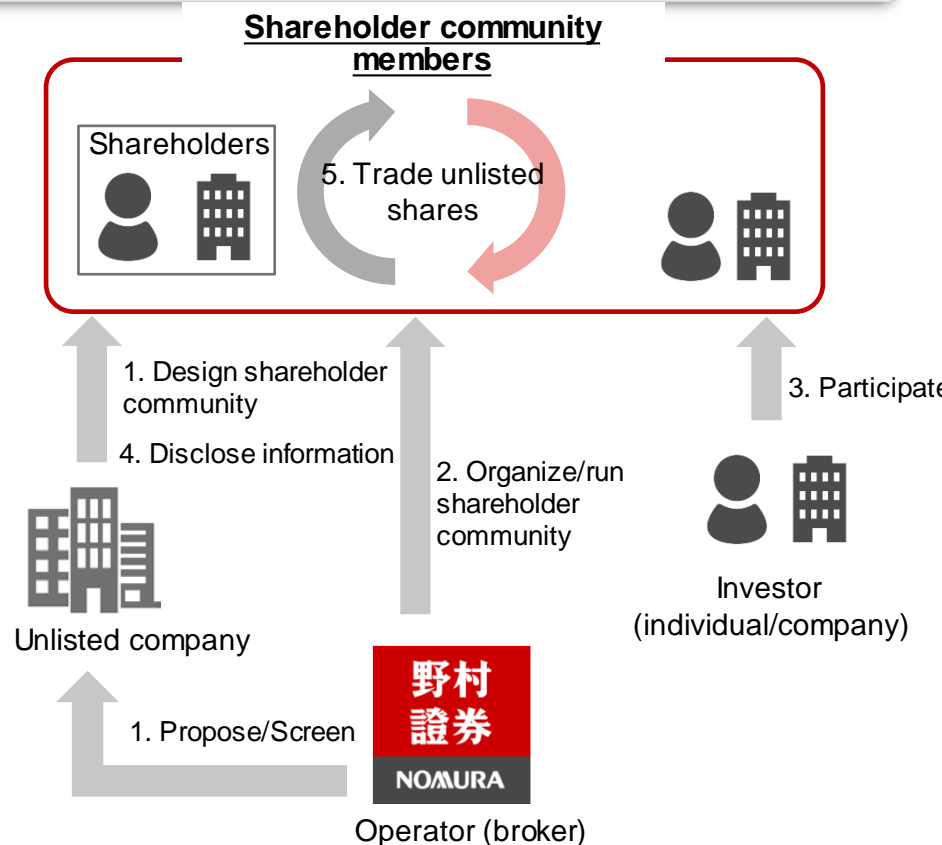
Japan unlisted market remains unorganized



Unlisted company needs

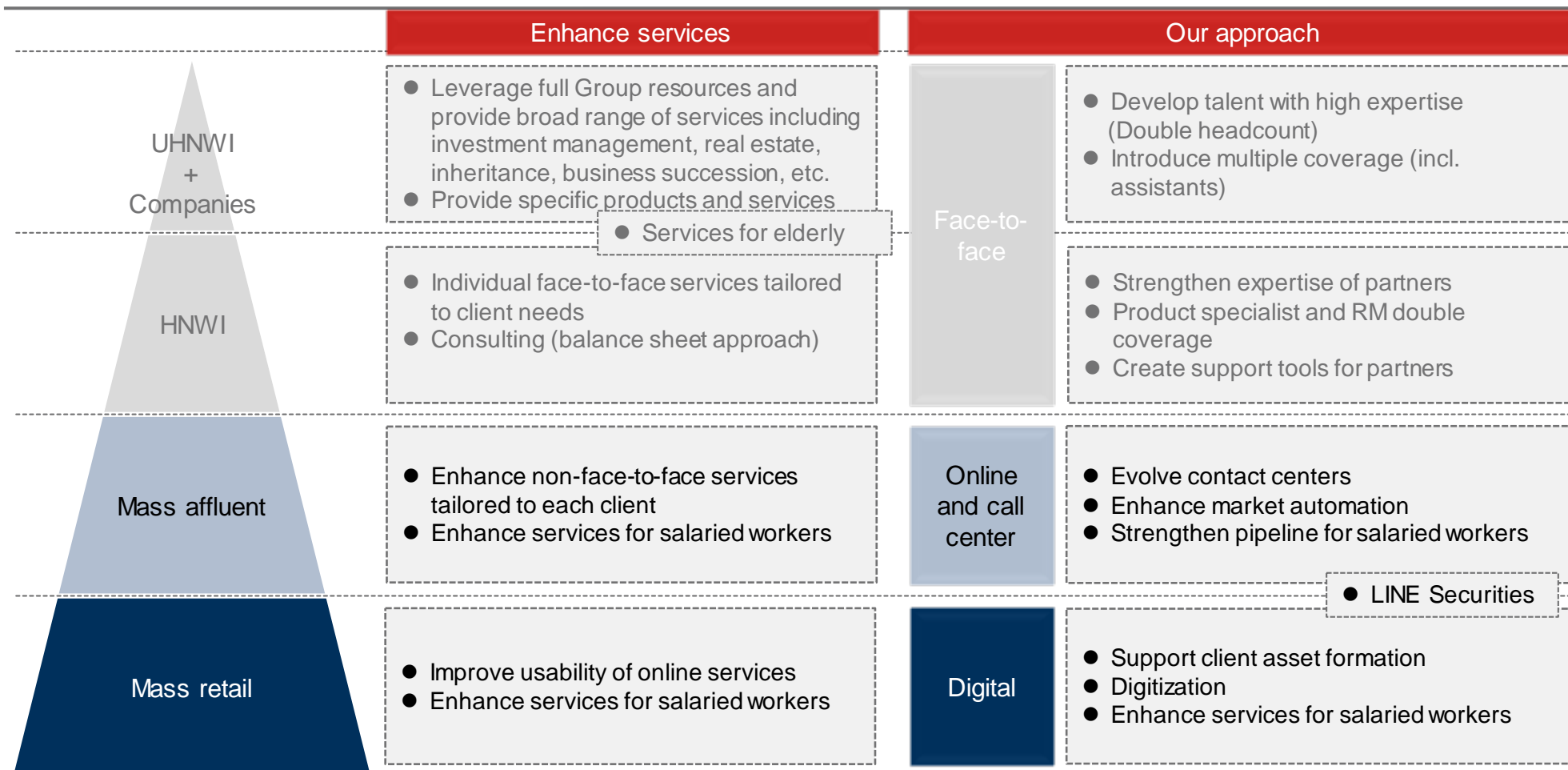
- Respond to requests to buy from shareholders outside family
- Reduce burden of shareholder management
- Strengthen governance

New shareholder management service for unlisted companies which account for over 99% of all Japanese companies

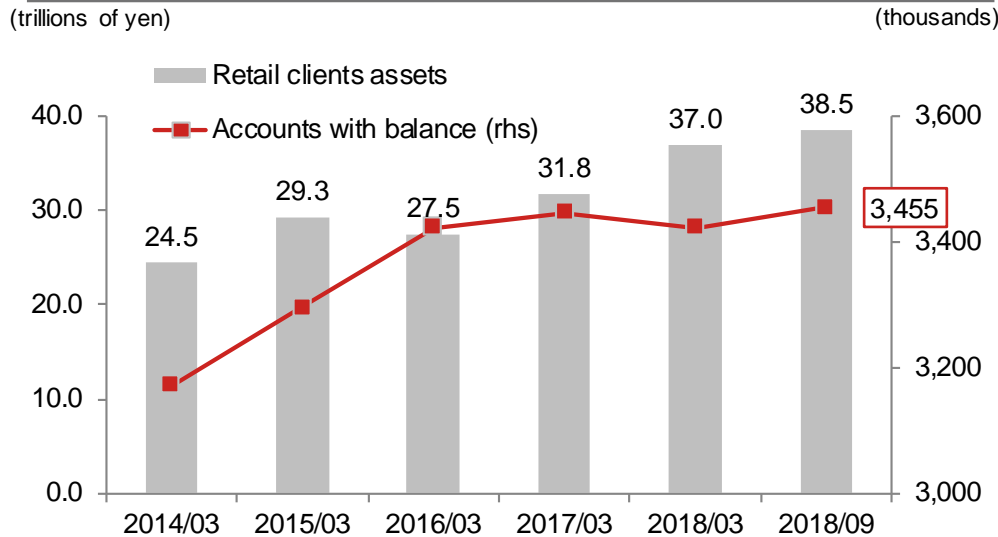


1. Source: Nomura Institute of Capitalmarkets Research.

Provide right services at right price under right structure in line with client needs



Establish Nomura online brand

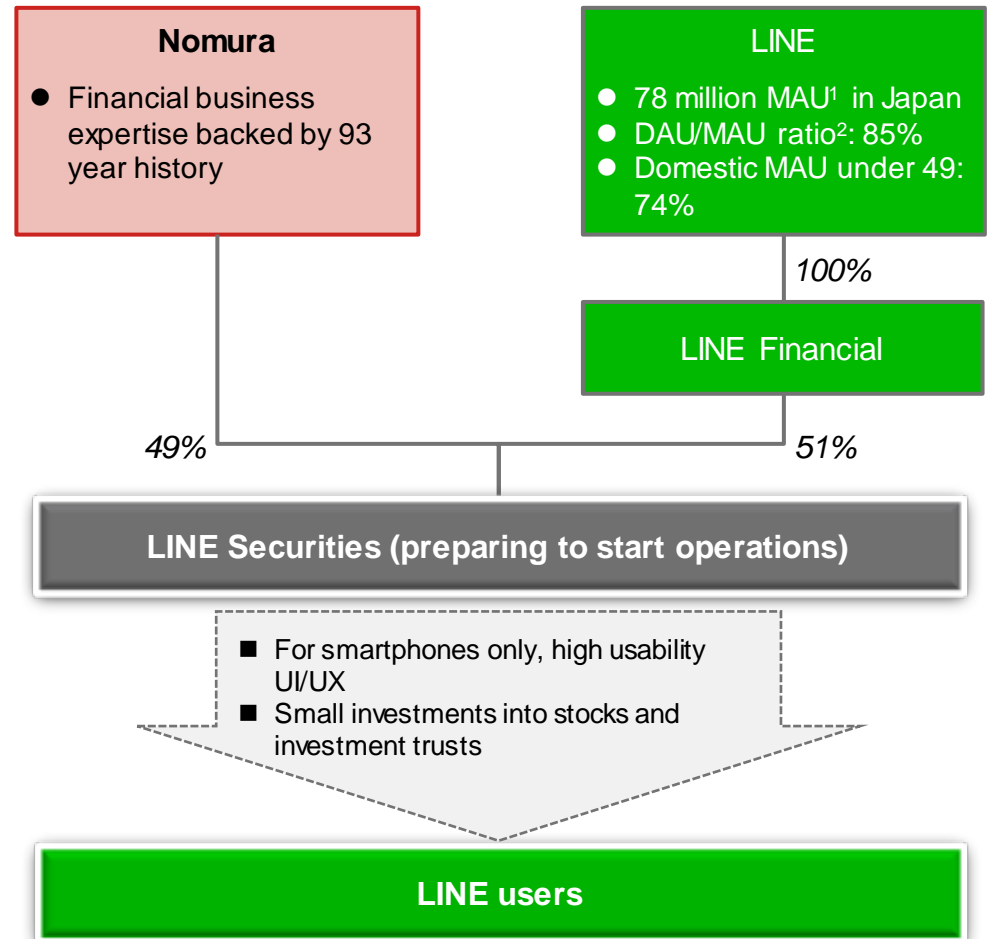


Improve convenience for current clients

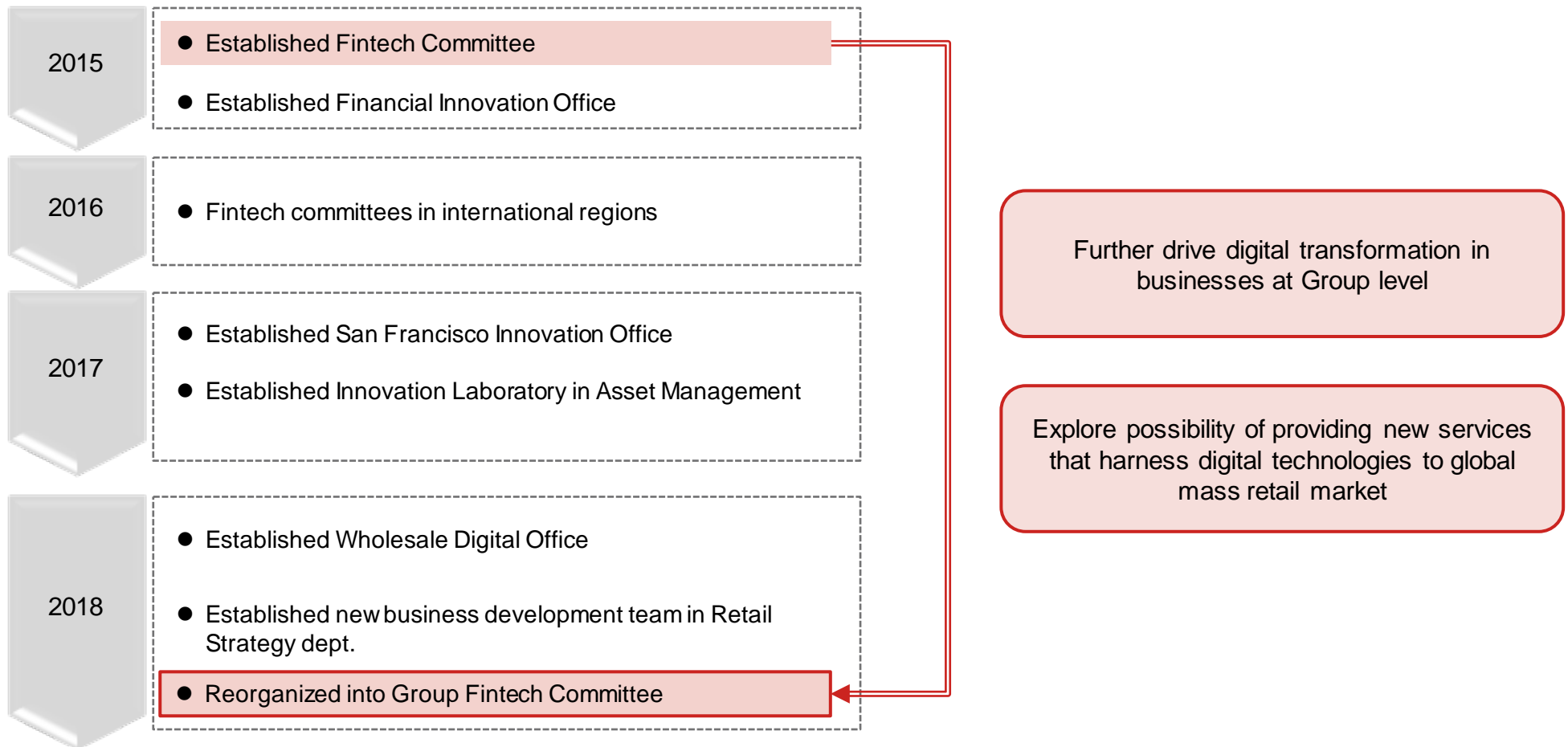
- Evolve contact centers (improve remote consulting function)
- Increase market automation
- Improve online services UI/UX
- Leverage AI, pursue digitization

1. Based on LINE research, monthly active users as of end Sep 2018.
 2. Ratio of daily active users (access at least once a day) among Japan domestic MAU as of end Sep 2018.

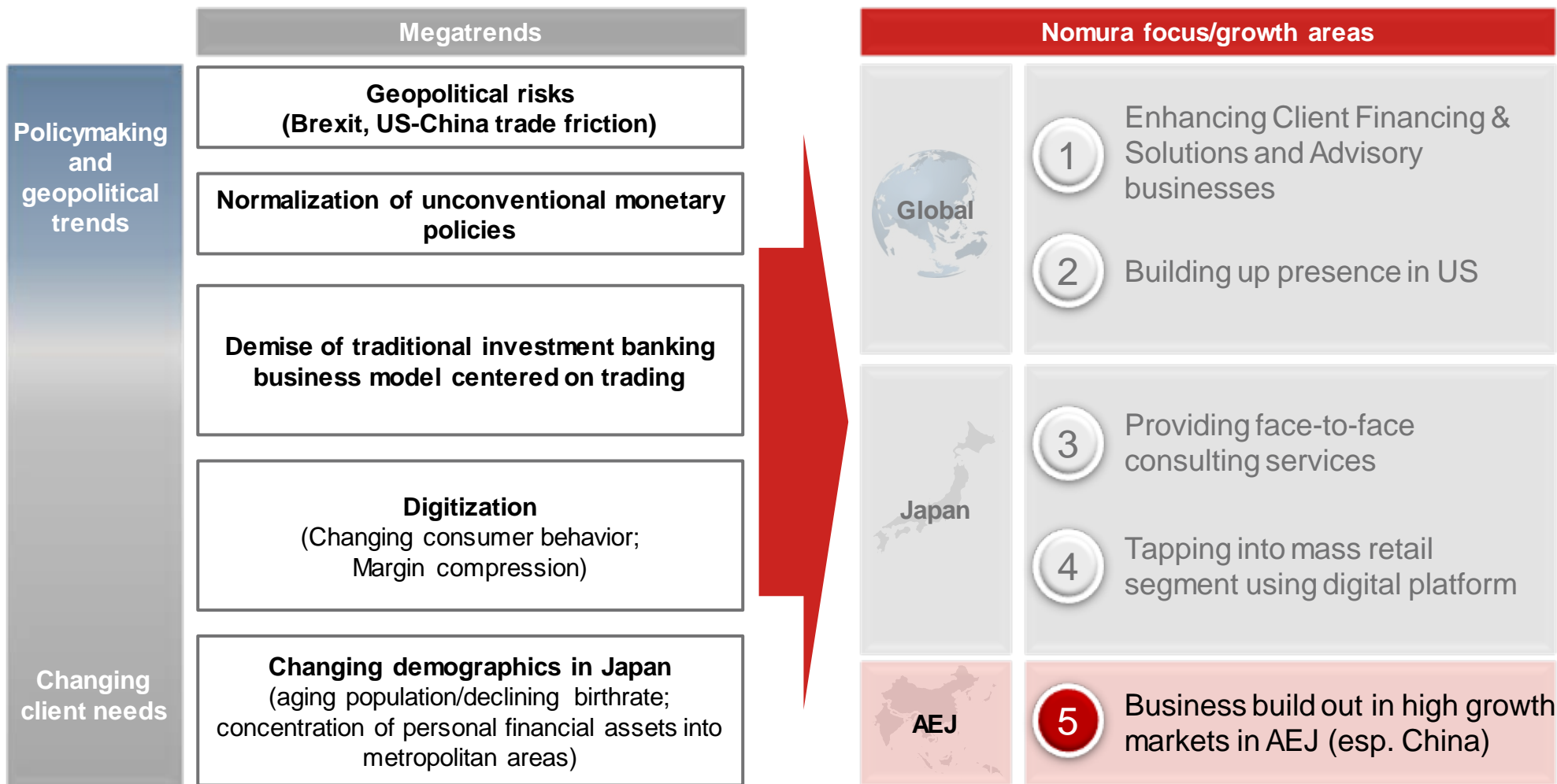
Business alliance with LINE



Taking our own initiative to the next level

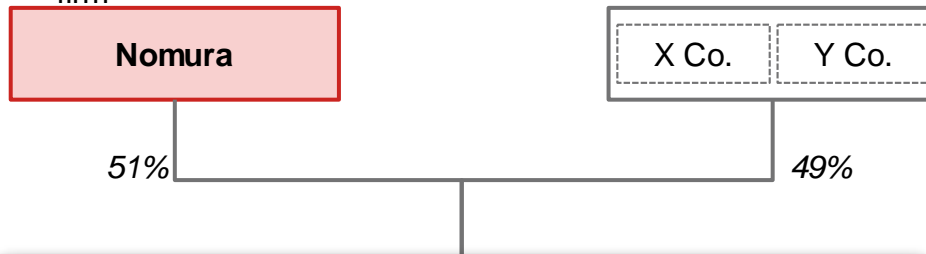


Areas of growth



Preparing to build out onshore platform in China

- On May 8, 2018, we applied to China Securities Regulatory Commission(CSRC) to establish a joint venture securities firm



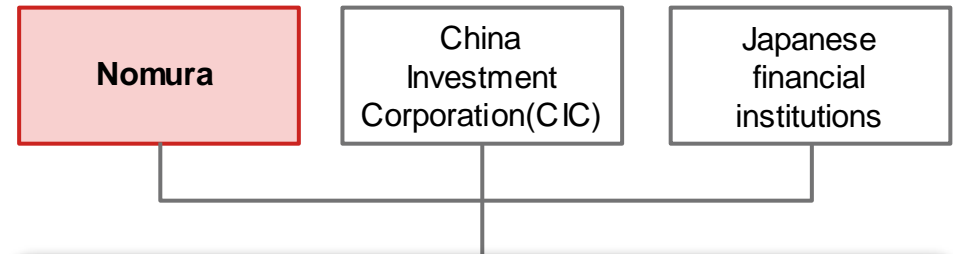
Nomura Orient International Securities

Strategy

- ✓ Use our experience and insights in high-net-worth business to launch a business for rising HNWI in China then roll out into other businesses including Wholesale
- ✓ Aim for full scope securities firm as reform and opening up progresses

MoU on strategic alliance to set up Japan-China Industrial Cooperation Fund

- Signed MoU on Oct 26, 2018, with CIC and Japanese financial institutions on strategic alliance to set up Japan-China Industrial Cooperation Fund



Japan-China Industrial Cooperation Fund

- Expected fund size: ¥100bn - ¥200bn
- Investment targets: Japanese companies looking to enter China, Chinese companies, third-party country companies

Deepen trade and investment cooperation between Japan and China by investing in companies

Agenda

1

Business environment

2

Progress of Vision C&C

3

Megatrends shaping future financial services industry

4

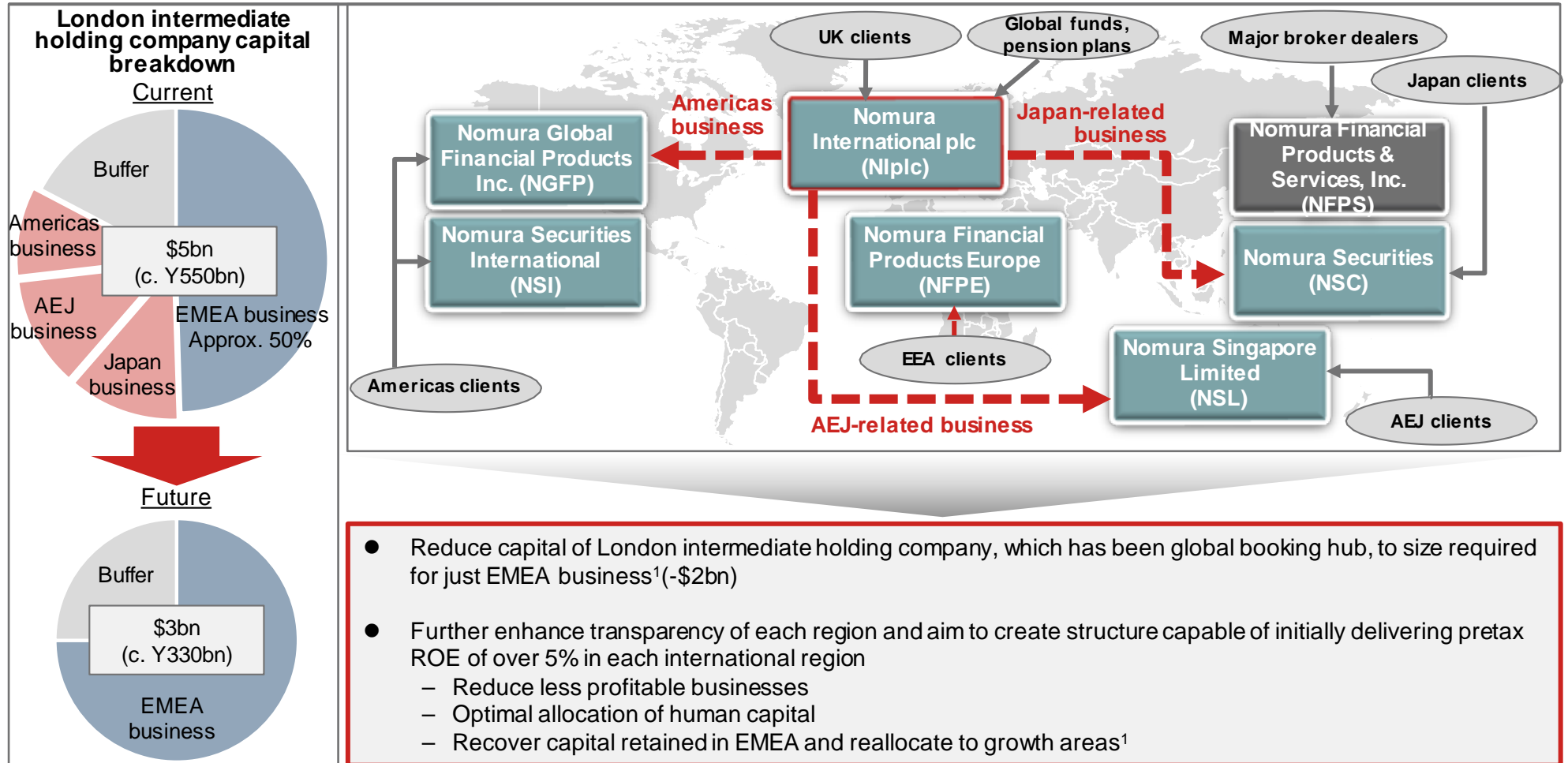
Towards sustainable growth

5

Initiatives to improve capital efficiency

Booking entity strategy: More efficient capital allocation, clarify revenue accountability of each region

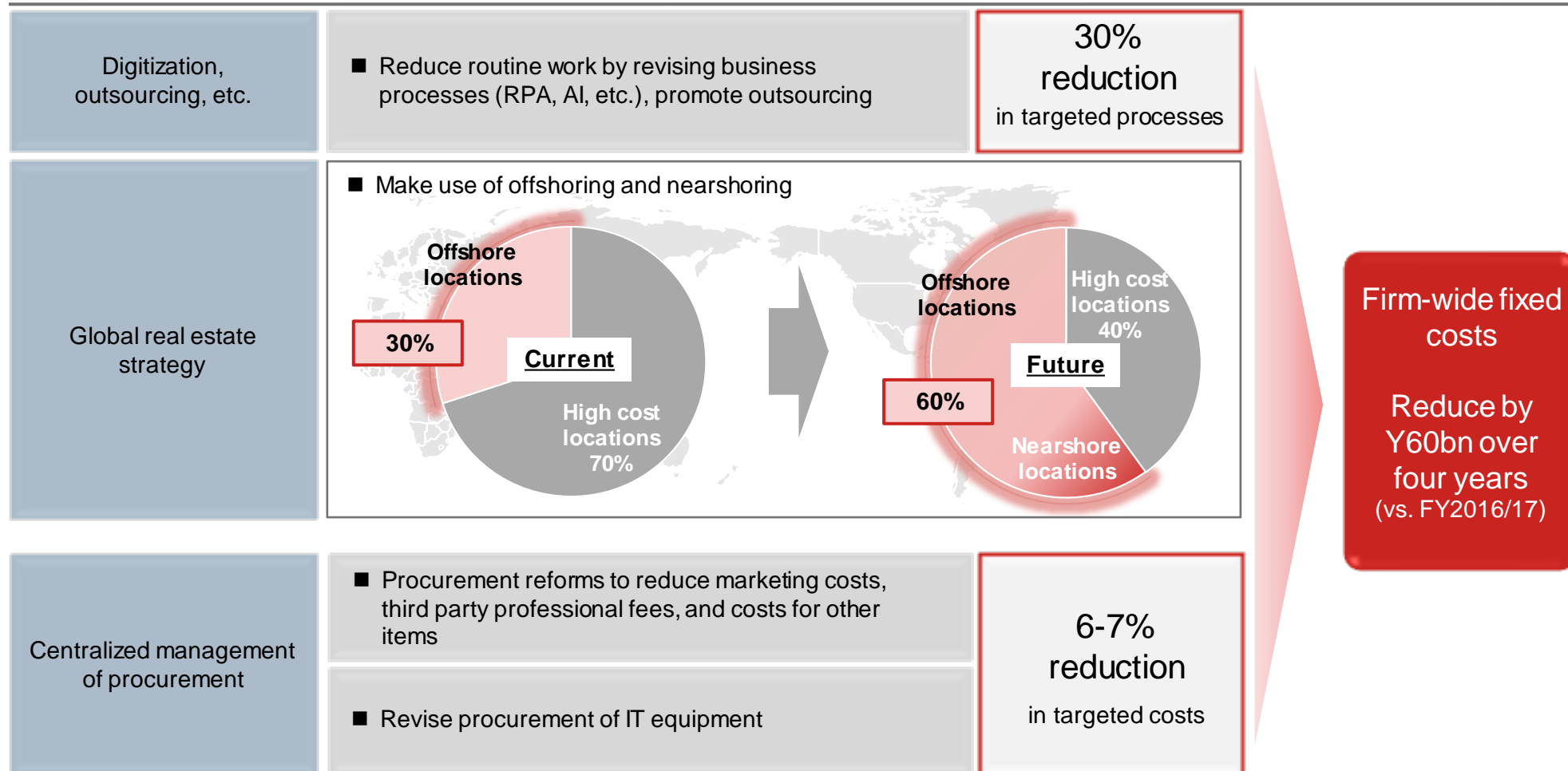
Optimal resource allocation across regions



1. After receiving required regulatory approvals.

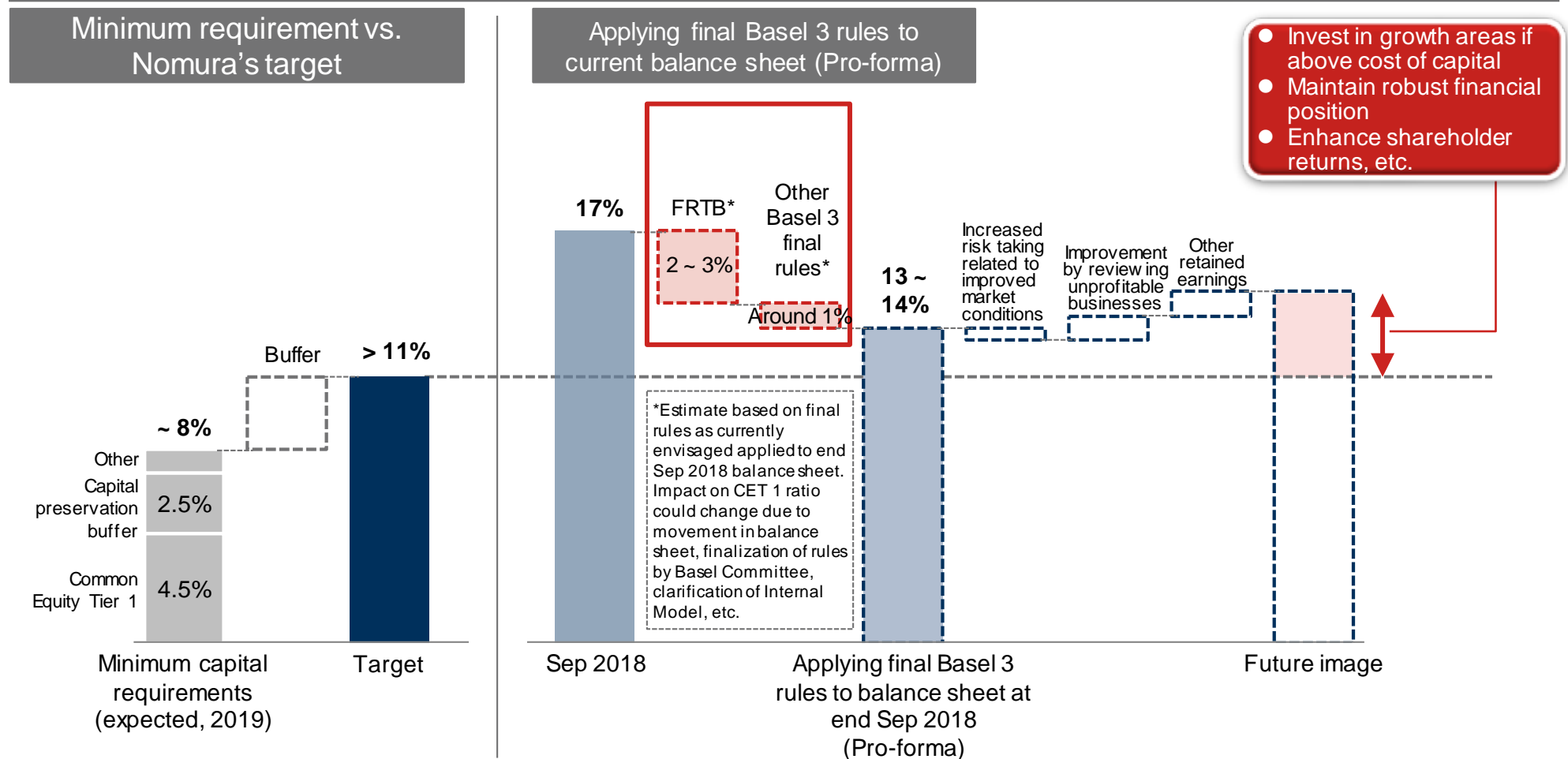
Revising our corporate operating model

Revise business processes and office locations to reduce costs centered on Corporate functions



Maintain robust capital base to meet future regulatory requirements

Common Equity Tier 1 ratio



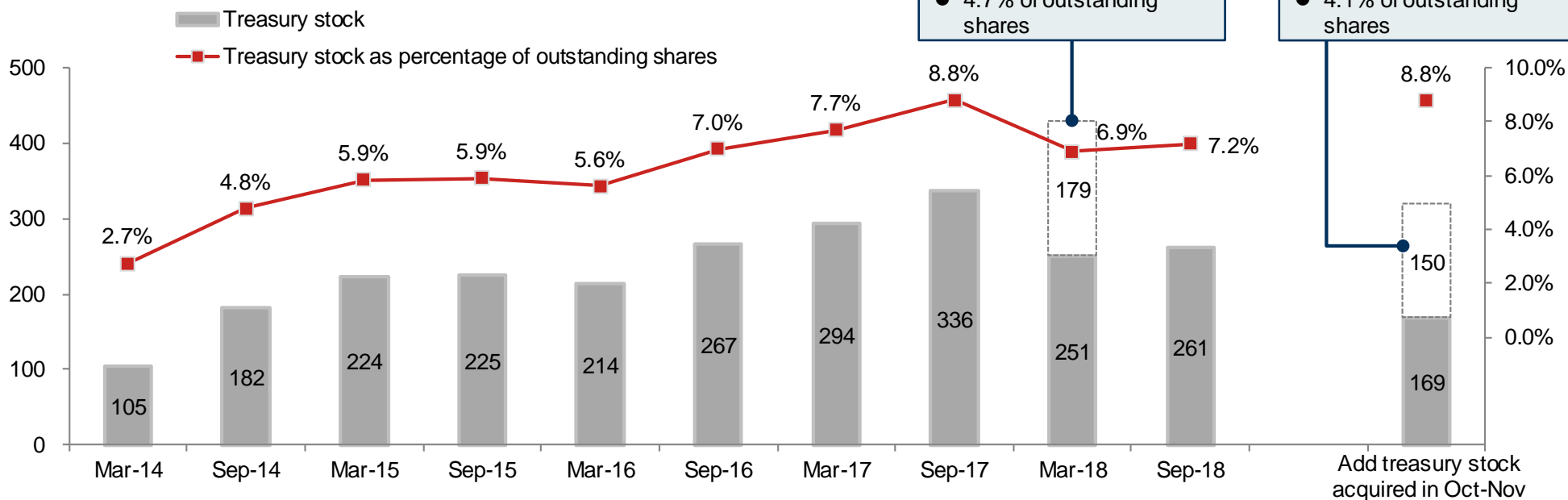
Retiring treasury stock

Outstanding shares: 3.82 billion

3.64 billion

3.49 billion

(millions of shares)



Retired on Dec 18, 2017

- 179m shares
- 4.7% of outstanding shares

Retire on Dec 17, 2018

- 150m shares
- 4.1% of outstanding shares

Policy on holding and retiring treasury stock

- Upper limit of treasury stock holdings: Approximately 5% of outstanding shares
- Retirement policy: In principal, retire treasury stock held above upper limit

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