Increasingly uncertain market conditions

Macro events drive swings in VIX index

- Chinese economy slowdown concerns; Fall in oil prices
- UK votes to leave the EU (Brexit)
- US elections (Birth of Trump administration)
- US rate hike fears on job data
- Rising trade friction on back of US trade policy
- US long-term interest rates at about 7-year high
Normalization of monetary policy impacting emerging markets

US monetary policy moves toward normalization

- US policy interest rate
- 10y US treasury

Emerging market currencies decline

- Indexed, Apr 2017 = 100

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
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
Accomplishments
Retail: Steady growth in retail clients assets and recurring revenue

Retail clients assets at record high level

Steady increase in recurring revenue and recurring revenue cost coverage ratio

Accomplishments
Retail: Steady growth in retail clients assets and recurring revenue
## Accomplishments

**Retail: Client-focused operations**

### Average investment trust holding period lengthens

<table>
<thead>
<tr>
<th>Year</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>
<th>FY17/18</th>
<th>FY18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holding Period (years)</td>
<td>1.7</td>
<td>2.2</td>
<td>3.0</td>
<td>3.4</td>
<td>3.5</td>
<td>3.3</td>
<td>3.6</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Unrealized Loss</th>
<th>Unrealized Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent asset manager A</td>
<td>98%</td>
<td></td>
</tr>
<tr>
<td>Independent asset manager B</td>
<td>91%</td>
<td></td>
</tr>
<tr>
<td>Independent asset manager C</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>Mid-size broker A</td>
<td>79%</td>
<td></td>
</tr>
<tr>
<td>Nomura</td>
<td>77%</td>
<td>98%</td>
</tr>
<tr>
<td>Bank A</td>
<td>71%</td>
<td>91%</td>
</tr>
<tr>
<td>Trust bank A</td>
<td>69%</td>
<td>91%</td>
</tr>
<tr>
<td>Bank B</td>
<td>69%</td>
<td>85%</td>
</tr>
<tr>
<td>Major broker A</td>
<td>67%</td>
<td>79%</td>
</tr>
<tr>
<td>Trust bank B</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Major broker B</td>
<td>66%</td>
<td></td>
</tr>
<tr>
<td>Mid-size broker B</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Online broker A</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Online broker B</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>Bank C</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Bank D</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
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**

Overall client satisfaction in six areas

- Customer service
- Products/services
- Account information
- Fees and interest
- Branch facilities
- Problem resolution

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

Introductions to Nomura Trust & Banking (accumulated)
- Testamentary trusts
- Estate settlements

Number of completed M&A deals with SMEs
- FY15/16: 37
- FY16/17: 60
- FY17/18: 107

Firmwide focus on consulting business

Clients

Aircraft lease
- Number of contracts (rhs)
- Amount of contracts (billions of yen)
- FY15/16: 78
- FY16/17: 84
- FY17/18: 114

Investment
- Number of contracts (rhs)
- Amount of contracts (billions of yen)
- FY15/16: 100
- FY16/17: 200
- FY17/18: 300

Consulting
- Investment management
- M&A
- Inheritance
- Cash and deposits
- Loans

Real estate
- Number of transactions (rhs)
- Transaction value (billions of yen)
- FY15/16: 93
- FY16/17: 117
- FY17/18: 123

Investment management
- Nomura Capital Partners
- FY15/16: 78
- FY16/17: 84
- FY17/18: 114

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokerage (Incl. sales credit)</td>
<td>231</td>
<td>177</td>
<td>172</td>
<td>193</td>
<td>175</td>
<td>131</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
<td>27</td>
<td>29</td>
<td>34</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>Recurring revenue</td>
<td>286</td>
<td>226</td>
<td>225</td>
<td>252</td>
<td>246</td>
<td>189</td>
</tr>
</tbody>
</table>

Decline in overall profits partly due to rigid cost level

<table>
<thead>
<tr>
<th>(billions of yen)</th>
<th>FY13/14</th>
<th>FY14/15</th>
<th>FY15/16</th>
<th>FY16/17</th>
<th>FY17/18</th>
<th>FY18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes (rhs)</td>
<td>226</td>
<td>225</td>
<td>252</td>
<td>189</td>
<td>175</td>
<td>131</td>
</tr>
<tr>
<td>Net revenue</td>
<td>286</td>
<td>226</td>
<td>225</td>
<td>252</td>
<td>189</td>
<td>175</td>
</tr>
<tr>
<td>Non interest expenses</td>
<td>27</td>
<td>27</td>
<td>29</td>
<td>34</td>
<td>39</td>
<td>37</td>
</tr>
</tbody>
</table>
Challenges: Accumulation of cash and securities not sufficient

Inflows of cash and securities\(^1\) negative past two fiscal years

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflows (billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13/14</td>
<td>1,076</td>
</tr>
<tr>
<td>FY14/15</td>
<td>997</td>
</tr>
<tr>
<td>FY15/16</td>
<td>48</td>
</tr>
<tr>
<td>FY16/17</td>
<td>-306</td>
</tr>
<tr>
<td>FY17/18</td>
<td>-403</td>
</tr>
<tr>
<td>1H FY18/19</td>
<td>645</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Age</th>
<th>Outflows (billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 and older</td>
<td>-991</td>
</tr>
<tr>
<td>35 ~ 44</td>
<td>-274</td>
</tr>
<tr>
<td>45 ~ 54</td>
<td>355</td>
</tr>
<tr>
<td>55 ~ 64</td>
<td></td>
</tr>
<tr>
<td>65 ~ 74</td>
<td></td>
</tr>
<tr>
<td>75 and older</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Cash and securities inflows minus outflows, excluding regional financial institutions.
Accomplishments
Asset Management AuM at all-time high

Asset Management AuM at record high

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>24.6</td>
<td>24.6</td>
<td>27.6</td>
<td>33.2</td>
<td>40.2</td>
<td>45.2</td>
<td>52.8</td>
</tr>
<tr>
<td>Results</td>
<td>0.0</td>
<td>0.0</td>
<td>2.0</td>
<td>2.1</td>
<td>2.4</td>
<td>2.1</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Continued inflows

<table>
<thead>
<tr>
<th>(trillions of yen)</th>
<th>1H</th>
<th>2H</th>
<th>1H</th>
<th>2H</th>
<th>1H</th>
<th>2H</th>
<th>1H</th>
<th>2H</th>
<th>1H</th>
<th>2H</th>
<th>1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12/13</td>
<td>-0.4</td>
<td>0.9</td>
<td>1.1</td>
<td>1.3</td>
<td>2.1</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>FY13/14</td>
<td>-0.1</td>
<td>1.1</td>
<td>1.3</td>
<td>2.1</td>
<td>3.6</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>FY14/15</td>
<td>-0.2</td>
<td>0.9</td>
<td>1.1</td>
<td>2.1</td>
<td>3.6</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>FY15/16</td>
<td>-0.2</td>
<td>0.9</td>
<td>1.1</td>
<td>2.1</td>
<td>3.6</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>FY16/17</td>
<td>-0.2</td>
<td>0.9</td>
<td>1.1</td>
<td>2.1</td>
<td>3.6</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>FY17/18</td>
<td>-0.2</td>
<td>0.9</td>
<td>1.1</td>
<td>2.1</td>
<td>3.6</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>FY18/19</td>
<td>-0.2</td>
<td>0.9</td>
<td>1.1</td>
<td>2.1</td>
<td>3.6</td>
<td>1.1</td>
<td>2.4</td>
<td>1.2</td>
<td>2.1</td>
<td>0.8</td>
<td></td>
</tr>
</tbody>
</table>

Cumulative inflows (from April 2012): ¥16.2tn
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

**Achievements from the collaboration**

- **U.S. Value Strategy Fund** that invests in US company stocks
  - AuM: Approx. $3.2bn
- **Nomura ACI Advanced Medical Impact Investment** that invests in global medical technology and biotechnology related stocks
  - AuM: Y165bn

**Provide high yield bond products managed by NCRAM**
- Manage the high yield bond component of target date funds
- Products also distributed to US retail investors

- AuM: Approx. $1.2bn

---

1. Nomura Corporate Research and Asset Management.
Accomplishments
Wholesale: Improving profitability and risk management

Improve profitability by reviewing business portfolio

Focus on prudent risk management

Profitability by region and by strategy

High

PTI

[Graph showing profitability by region and by strategy]

Increase highly-profitable businesses

Portfolio rationalization and optimization

Reduce unprofitable businesses

% of Revenue Loss Days to Total Business Days

- FY13/14 ~ FY15/16: 12%
- FY16/17 ~ FY17/18: 3%
- 1H FY18/19: 3%
## Challenges
### Wholesale: Slowdown in secondary trading revenues

### Secondary trading revenues decline

(millions of USD)

<table>
<thead>
<tr>
<th></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>
<th>FY17/18</th>
<th>FY18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>2,782</td>
<td>4,254</td>
<td>4,405</td>
<td>3,840</td>
<td>3,782</td>
<td>3,661</td>
<td>3,466</td>
<td>3,271</td>
</tr>
<tr>
<td>Liquidity and market making</td>
<td>2,723</td>
<td>3,533</td>
<td>3,293</td>
<td>3,041</td>
<td>3,273</td>
<td>3,293</td>
<td>3,041</td>
<td>3,442</td>
</tr>
<tr>
<td>Advisory</td>
<td>3,041</td>
<td>3,041</td>
<td>3,041</td>
<td>3,041</td>
<td>3,041</td>
<td>3,041</td>
<td>3,041</td>
<td>3,041</td>
</tr>
<tr>
<td>Primary</td>
<td>3,442</td>
<td>3,442</td>
<td>3,442</td>
<td>3,442</td>
<td>3,442</td>
<td>3,442</td>
<td>3,442</td>
<td>2,575</td>
</tr>
<tr>
<td>Client Financing &amp; Solutions</td>
<td>2,596</td>
<td>2,596</td>
<td>2,596</td>
<td>2,596</td>
<td>2,596</td>
<td>2,596</td>
<td>2,596</td>
<td>2,596</td>
</tr>
</tbody>
</table>

### Profitability down despite cost control efforts

(millions of USD)

- **Income (loss) before income taxes (rhs)**
- **Net revenue**
- **Non-interest expenses**

|       | 1H FY11/12 | 2H FY11/12 | 1H FY12/13 | 2H FY12/13 | 1H FY13/14 | 2H FY13/14 | 1H FY14/15 | 2H FY14/15 | 1H FY15/16 | 2H FY15/16 | 1H FY16/17 | 2H FY16/17 | 1H FY17/18 | 2H FY17/18 | 1H FY18/19 |
|-------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Income (loss) before income taxes | 3,892      | 3,892      | 3,892      | 3,892      | 3,100      | 3,100      | 3,100      | 2,900      | 2,900      | 2,900      | 2,900      | 2,900      | 2,900      | 2,900      | 2,900      |
| Net revenue | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      | 2,000      |
| Non-interest expenses | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      | 4,500      |
Challenges:
More work to do to improve international business profitability

International income (loss) before income taxes

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>One-off factors</th>
<th>Excl. one-off factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12/13</td>
<td>-79.4</td>
<td>-24.7</td>
</tr>
<tr>
<td>FY13/14</td>
<td>-16.4</td>
<td>-24.7</td>
</tr>
<tr>
<td>FY14/15</td>
<td>-79.6</td>
<td>-24.7</td>
</tr>
<tr>
<td>FY15/16</td>
<td>88.1</td>
<td>-0.7</td>
</tr>
<tr>
<td>FY16/17</td>
<td>-0.7</td>
<td>-0.7</td>
</tr>
<tr>
<td>FY17/18</td>
<td>-39.9</td>
<td>-39.9</td>
</tr>
</tbody>
</table>

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 (Y16.9bn), 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

Sale of share holdings: Y363bn

- Feb-Mar 2016
  Sale of Chi-X Canada, Chi-X Australia, Chi-X Japan, Chi-X Global Technology (HK)

- Feb 2014
  Sale of stake in Fortress ($363.4mn)

- Mar 2014
  Partial sale of JAFCO stake (Y10.8bn)

- Mar 2014
  Partial sale of stake in Daiko Securities (Y1.9bn)

- Nov 2015
  Sale of Mitsui Life

- Apr 2017
  Sale of Takagi Securities

- Jul 2017
  Sale of entire JAFCO stake (Y38.7bn)

- Jun 2018
  Judgement issued in FHFA litigation case against US subsidiaries (Payment of $806mn upon receipt of RMBS)

- Oct 2018
  Settlement with U.S. DOJ over legacy transactions (Penalty of $480mn)

Winding up legacy assets: Y176bn

- Mar 2018
  Sale of Asahi Fire and Marine Insurance

- Dec 2012
  Sale of stake in UK Annington

- Mar 2013
  Partial offering of Nomura Real Estate Holdings shares

- Mar 2014
  Partial sale of stake in Daiko Securities (Y1.9bn)

- Mar 2014
  Partial sale of JAFCO stake (Y10.8bn)

- Mar 2013
  Sale of stake in UK Annington

- Feb-Mar 2016
  Sale of Chi-X Canada, Chi-X Australia, Chi-X Japan, Chi-X Global Technology (HK)

- Nov 2015
  Sale of Mitsui Life

- Jul 2017
  Sale of entire JAFCO stake (Y38.7bn)

- Jun 2018
  Judgement issued in FHFA litigation case against US subsidiaries (Payment of $806mn upon receipt of RMBS)

- Oct 2018
  Settlement with U.S. DOJ over legacy transactions (Penalty of $480mn)
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
Megatrend 1: Breakdown of balance sheet dependent business model

Global financial institutions' leverage, ROE from 2000

- Leverage (rhs)
- ROE (lhs)

Change in US bank earnings composition

- Financial crisis beginning with Subprime mortgage problems
- Euro debt crisis

Ratio of trading revenues to firmwide revenues: Decline to approx. 20% from pre-financial crisis average of mid-30%

Wealth and investment management revenues increased

1. 9 competitors: Goldman Sachs, Morgan Stanley, Bank of America, Merrill Lynch, Citibank, JPMorgan, Credit Suisse, Deutsche Bank, UBS, Barclays
2. Source: Nomura, based on disclosures by Goldman Sachs, Morgan Stanley, JPMorgan, 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

Indexed, Dec 2010 = 100

- BoJ
- Fed
- ECB

Dealer inventories decline

(billions of dollars)

Japanese government bonds and US Treasury liquidity declines

VIX Index

1. Source: Federal Reserve Bank, inventories of government bonds, agency bonds, corporate bonds, commercial paper, etc., held by primary dealers.
Megatrend 1: Increase in electronic transactions and lower commissions

Increase in electronic trading¹

Electronic trading account for growing share of market volume

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equities (US)</td>
<td>75%</td>
<td>77%</td>
</tr>
<tr>
<td>FX (Global Top Tier)</td>
<td>45%</td>
<td>44%</td>
</tr>
<tr>
<td>UST (US)</td>
<td>40%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Lower commissions for high-touch equity execution business²

Possible changes due to MiFID-II

1. Source: Nomura based on Greenwich Associates data
Megatrend 2: Advances in digital innovation: Change in consumer behavior

Change in financial service channels in UK and US

**UK**
Access by bank channel

<table>
<thead>
<tr>
<th>Year</th>
<th>Internet</th>
<th>Mobile phone</th>
<th>Branch</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>40%</td>
<td>7%</td>
<td>46%</td>
<td>20%</td>
</tr>
<tr>
<td>2015</td>
<td>20%</td>
<td>3%</td>
<td>34%</td>
<td>43%</td>
</tr>
<tr>
<td>2020</td>
<td>8%</td>
<td>17%</td>
<td>73%</td>
<td></td>
</tr>
</tbody>
</table>

**US**
Online banking at major banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Internet</th>
<th>Mobile phone</th>
<th>Branch</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>74%</td>
<td>7%</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>2015</td>
<td>80%</td>
<td>5%</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>2020</td>
<td>80%</td>
<td>5%</td>
<td>13%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Situation in Japan

30 - 40 percent decrease in client visits to branches of major banks in Japan over past 10 years

Digitization progressing in US where there is culture of using checks

<table>
<thead>
<tr>
<th>Age</th>
<th>Total # digital clients</th>
<th># of digital clients using mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>30's</td>
<td>33%</td>
<td>41%</td>
</tr>
<tr>
<td>40's</td>
<td>35%</td>
<td>41%</td>
</tr>
<tr>
<td>50's</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>60's</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>70's</td>
<td>13%</td>
<td>8%</td>
</tr>
</tbody>
</table>

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

1. British Bankers Association, based on volume of access.
2. Prepared using disclosure materials from three large financial groups: JP Morgan, Bank of America and Wells Fargo.
3. Source: Nomura, based on materials from each bank.
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

Digital innovation

- Change in consumer behavior (demand convenience and low costs)
- Business efficiencies, cost reduction
- Overhaul of business models

Financial institutions

Rise of Fintech

Entrants from other industries

Threat

Collaborate

Consumers (clients)

New value

Business efficiencies, cost reduction

Overhaul of business models

Changing consumer behavior (demand convenience and low cost)
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 age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2015</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>75 and older</td>
<td>24%</td>
<td>Up to 46%</td>
</tr>
<tr>
<td>65~74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55~64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40~54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20~39</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

% change in personal financial assets

- 0% ~ under 10%
- -10% ~ 0%
- -20% ~ under -10%

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
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
### Areas of growth

<table>
<thead>
<tr>
<th>Megatrends</th>
<th>Nomura focus/growth areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demise of traditional investment banking business model centered on trading</td>
<td>1. Enhancing Client Financing &amp; Solutions and Advisory businesses</td>
</tr>
<tr>
<td>Normalization of unconventional monetary policies</td>
<td>2. Building up presence in US</td>
</tr>
<tr>
<td>Geopolitical risks (Brexit, US-China trade friction, etc.)</td>
<td>3. Providing face-to-face consulting services</td>
</tr>
<tr>
<td>Digitization (Changing consumer behavior; Margin compression)</td>
<td>4. Tapping into mass retail segment using digital platform</td>
</tr>
<tr>
<td>Changing demographics in Japan (aging population/declining birthrate; concentration of personal financial assets into metropolitan areas)</td>
<td>5. Business build out in high growth markets in AEJ (esp. China)</td>
</tr>
<tr>
<td>Policymaking and geopolitical trends</td>
<td>Global</td>
</tr>
<tr>
<td>Changing client needs</td>
<td>1. Enhancing Client Financing &amp; Solutions and Advisory businesses</td>
</tr>
<tr>
<td></td>
<td>2. Building up presence in US</td>
</tr>
<tr>
<td></td>
<td>3. Providing face-to-face consulting services</td>
</tr>
<tr>
<td></td>
<td>4. Tapping into mass retail segment using digital platform</td>
</tr>
</tbody>
</table>
Selective expansion in areas and businesses with competitive advantage

<table>
<thead>
<tr>
<th>Business strategy</th>
<th>Products</th>
<th>FY2017/18 Net revenue</th>
<th>Medium term growth</th>
<th>Strategic priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory</td>
<td>M&amp;A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Execution</td>
<td>Agency Execution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>ECM, DCM, ALF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solutions</td>
<td>Solutions, Client Financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity and market making</td>
<td>Flow Fixed Income</td>
<td>Macro (Rates, FX), Spread Products (Credit, Securitized Products)</td>
<td></td>
<td>Americas growth plan (anchored on Advisory and Execution and CFS businesses)</td>
</tr>
<tr>
<td>Non-Cash Equities</td>
<td>Equity Products</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Americas growth plan**
(anchored on Advisory and Execution and CFS businesses)

**Client diversification**
(leverage CFS for opportunities in financing and solutions with corporates and financial institutions)

**Digitization**
(use of AI in flow business; digital custody, etc.)
### Client diversification: Client Financing & Solutions (CFS)

**Diversification of client franchise: Aim to grow in focus sectors**

#### Client sectors targeted for franchise growth

<table>
<thead>
<tr>
<th>Client Sectors</th>
<th>2012/3</th>
<th>2015/16 Average</th>
<th>2017/18 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks/Insurers</td>
<td>38%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Asset Managers</td>
<td>24%</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>Hedge Funds/Publics/SWF</td>
<td>12%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Corporates</td>
<td>22%</td>
<td>19%</td>
<td>21%</td>
</tr>
</tbody>
</table>

#### Focus areas

- **Solutions**
  - Expand FX business with corporates

- **Asset Finance**
  - Provide asset-backed financing and other balance sheet solutions

- **ALF/DCM**
  - Increase acquisition finance business in AEJ

- **ECM**
  - Build out China-related IB platform
  - Execute block trades in AEJ

#### 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, 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

Grow Americas business in focus areas

Priorities / focus areas

- Expand business in focus sectors including Healthcare, Technology, Consumer Services, FIG, etc.
- Inorganic business growth

- Continued expansion and diversification of business and products
- Enhance risk solutions and client solutions businesses
- Grow business with corporate and sponsor clients; diversify client franchise
- Increase infrastructure financing

- Strengthen institutional investor client platform (real money, insurers, banks, pension funds)
- Increase market share in core flow businesses
- Review businesses with low profitability

International fee pools¹ (billions of US$)

- AeJ 35
- Europe 63
- Americas 98

Wholesale RWA allocation (trillions of yen)


Future²

1. Source: Oliver Wyman, based on 2017 fee pools.
2. Excluding impact of Basel 3 final rules.
B2B: Paving the way to create value added using digital technologies (1)

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)

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr:</td>
<td>Nov- Dec: Prepare for Full operation</td>
<td>Jan: EMEA Rates product roll out</td>
</tr>
<tr>
<td>Launched AI Lab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May-Oct:</td>
<td></td>
<td>Feb~: Phased roll out for US and AEJ flow products</td>
</tr>
<tr>
<td>Proof of concept for Italian government bonds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
B2B: Paving the way to create value added using digital technologies (2)

Streamline and monetize existing platform

Consolidate client data (names, supplemental info, updates) and use effectively

Client data
- 29,000 Consolidated client data

Ongoing management of client lifecycle

Salesforce 2.0
- 1,300 Internal users

Symphony
- 14,000+ Internal users

Fenergo
- -50% Average reduction in new client onboarding time

Introduce third-party sales support tools to monetize digital assets by streamlining workflows and ensuring efficient marketing

Institutional investors

Started exploring provision of secure and regulatory-compliant digital asset custody services

New business opportunities

Ledger
- Digital asset security company
- Develop and market cryptocurrency hardware wallets

Global Advisors Holdings
- Investment advisory firm started handling Bitcoin in 2014
- Developed first Bitcoin investment strategy for institutional investors

30
Areas of growth

**Megatrends**

**Demise of traditional investment banking business model centered on trading**

**Normalization of unconventional monetary policies**

**Geopolitical risks** (Brexit, US-China trade friction, etc.)

**Digitization**
(Changing consumer behavior; Margin compression)

**Changing demographics in Japan**
(aging population/declining birthrate; concentration of personal financial assets into metropolitan areas)

**Nomura focus/growth areas**

1. **Enhancing Client Financing & Solutions and Advisory businesses**
2. **Building up presence in US**
3. **Providing face-to-face consulting services**
4. **Tapping into mass retail segment using digital platform**
5. **Business build out in high growth markets in AEJ (esp. China)**
Initiatives for clients over 75

Average life expectancy\(^1\) for 75 year olds continues to increase

- **Male**: 90.64
- **Female**: 87.03

Initiatives for elderly to put assets work with peace of mind

- **2016**: Launched financial gerontology\(^2\) research project (Oct)
- **2018**: Launched joint research team to establish the Japan Financial Gerontology Institute (Oct)

Appointed Heartful Partners across Japan since April 2018

<table>
<thead>
<tr>
<th>Branches with Heartful Partners</th>
<th>April 2017</th>
<th>Since April 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18 branches</td>
<td>149 branches</td>
</tr>
</tbody>
</table>

Contributing to increase in testamentary trust agency contracts

- **FY2017/18**: 119 (11% Heartful Partners, 89 Others)
- **Apr-Oct 2018**: 116 (21% Heartful Partners, 95 Others)

---

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.
Responding to changing demographics

Consolidating branch office network

-22 branches (-12%)

<table>
<thead>
<tr>
<th>Date</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2012</td>
<td>178</td>
</tr>
<tr>
<td>Mar 2014</td>
<td>159</td>
</tr>
<tr>
<td>Mar 2016</td>
<td>159</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>157</td>
</tr>
<tr>
<td>Sep 2018</td>
<td>156</td>
</tr>
</tbody>
</table>

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

Regions where regional banks are used the most out of all banks with personal deposits and savings accounts
- Hokkaido/Tohoku over Y32tn
- Kanto over Y57tn
- Shinetsu/Hokuriku over Y29tn
- Kyushu/Okinawa over Y44tn
- Shikoku over Y14tn
- Chugoku over Y23tn
- Tokai over Y31tn
- Kinki over Y29tn
- Tokai over Y57tn
- Chugoku over Y29tn
- Kinki over Y29tn
- Tottori over Y14tn
- Shikoku over Y14tn

Size of deposits

Retail cost reduction around 10% over next three years

Aligning our business to client circumstances and requirements: Business model transformation 2.0

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

<table>
<thead>
<tr>
<th>UHNWI/Companies</th>
<th>Enhance services</th>
<th>Our approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage full Group resources and provide broad range of services including investment management, real estate, inheritance, business succession, etc.</td>
<td>Services for elderly</td>
<td>Develop talent with high expertise (Double headcount)</td>
</tr>
<tr>
<td>Provide specific products and services</td>
<td></td>
<td>Introduce multiple coverage (incl. assistants)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HNWI</th>
<th>Enhance services</th>
<th>Face-to-face</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual face-to-face services tailored to client needs</td>
<td>Consulting (balance sheet approach)</td>
<td></td>
</tr>
<tr>
<td>Consulting (balance sheet approach)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mass affluent</th>
<th>Enhance non-face-to-face services tailored to each client</th>
<th>Online and call center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance services for salaried workers</td>
<td></td>
<td>Evolve contact centers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhance market automation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthen pipeline for salaried workers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mass retail</th>
<th>Improve usability of online services</th>
<th>Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance services for salaried workers</td>
<td></td>
<td>Support client asset formation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digitization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhance services for salaried workers</td>
</tr>
</tbody>
</table>
Enhancing business for UHNWI and companies

Comprehensive solutions for UHNWI and companies

- **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
- Inheritance
- Loans
- Business succession
- Tax planning
- Provide risk capital
- Leverage real estate

Future growth areas

- 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)

Nomura Trust and Banking outstanding loans

<table>
<thead>
<tr>
<th>(billions of yen)</th>
<th>Nomura Trust and Banking outstanding loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 2014</td>
<td>10</td>
</tr>
<tr>
<td>Mar. 2015</td>
<td>15</td>
</tr>
<tr>
<td>Mar. 2016</td>
<td>20</td>
</tr>
<tr>
<td>Mar. 2017</td>
<td>25</td>
</tr>
<tr>
<td>Mar. 2018</td>
<td>30</td>
</tr>
<tr>
<td>Oct. 2018</td>
<td>277.4</td>
</tr>
</tbody>
</table>

35
Strengthening business for companies: Creating shareholder community

Japan unlisted market remains unorganized

Share trading systems in Japan and US (Sep 2018)

Unlisted restricted securities

US

- Stock exchanges (4,331 companies)
- OTC market (15,437 companies)
- SharesPost and other private market trading platforms (Unknown)

Japan

- Stock exchanges (3,620 companies)
  - TSE 1st and 2nd (2,605 companies)
- Mothers/JASDAQ (987 companies)
- TOKYO PRO Market (28 companies)
- Shareholder community (20 companies)

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

Shareholders

1. Propose/Screen

Operator (broker)

- 1. Propose/Screen
- 2. Organize/run shareholder community
- 3. Participate
- 4. Disclose information
- 5. Trade unlisted shares

Unlisted company

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

Aligning our business to client circumstances and requirements: Business model transformation 2.0

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

**Enhance services**

- Leverage full Group resources and provide broad range of services including investment management, real estate, inheritance, business succession, etc.
- Provide specific products and services
- Services for elderly
- Individual face-to-face services tailored to client needs
- Consulting (balance sheet approach)
- Enhance non-face-to-face services tailored to each client
- Enhance services for salaried workers
- Improve usability of online services
- Enhance services for salaried workers

**Our approach**

- Develop talent with high expertise (Double headcount)
- Introduce multiple coverage (incl. assistants)
- Strengthen expertise of partners
- Product specialist and RM double coverage
- Create support tools for partners
- Evolve contact centers
- Enhance market automation
- Strengthen pipeline for salaried workers
- Support client asset formation
- Digitization
- Enhance services for salaried workers

**UHNWI + Companies**

**HNWI**

**Mass affluent**

**Mass retail**

为我们最广泛的客户服务，提供合适的价格和结构，满足客户的需求。
Approach to new asset builders and improving convenience for current clients

Establish Nomura online brand

- Financial business expertise backed by 93 year history
- 78 million MAU\(^1\) in Japan
- DAU/MAU ratio\(^2\): 85%
- Domestic MAU under 49: 74%

Business alliance with LINE

- LINE Securities (preparing to start operations)
- For smartphones only, high usability UI/UX
- Small investments into stocks and investment trusts

Improve convenience for current clients

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

Footnotes:
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.
Approach to new asset builders

Taking our own initiative to the next level

<table>
<thead>
<tr>
<th>Year</th>
<th>Action</th>
</tr>
</thead>
</table>
| 2015 | • Established Fintech Committee  
        • Established Financial Innovation Office |
| 2016 | • Fintech committees in international regions |
| 2017 | • Established San Francisco Innovation Office  
        • Established Innovation Laboratory in Asset Management |
| 2018 | • Established Wholesale Digital Office  
        • Established new business development team in Retail Strategy dept.  
        • Reorganized into Group Fintech Committee |

Further drive digital transformation in businesses at Group level

Explore possibility of providing new services that harness digital technologies to global mass retail market
Areas of growth

Megatrends

- Geopolitical risks (Brexit, US-China trade friction)
- Normalization of unconventional monetary policies
- Demise of traditional investment banking business model centered on trading
- Digitization (Changing consumer behavior; Margin compression)
- Changing demographics in Japan (aging population/declining birthrate; concentration of personal financial assets into metropolitan areas)

Nomura focus/growth areas

1. Enhancing Client Financing & Solutions and Advisory businesses
2. Building up presence in US
3. Providing face-to-face consulting services
4. Tapping into mass retail segment using digital platform
Business in high-growth AEJ: Full-scale entry into China

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.

<table>
<thead>
<tr>
<th>Nomura</th>
<th>X Co.</th>
<th>Y Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>51%</td>
<td>49%</td>
<td></td>
</tr>
</tbody>
</table>

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.

Nomura Orient International Securities

- 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.

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
Reduce capital of London intermediate holding company, which has been global booking hub, to size required for just EMEA business\(^1\) (-$2bn)

Further enhance transparency of each region and aim to create structure capable of initially delivering pretax ROE of over 5% in each international region
- Reduce less profitable businesses
- Optimal allocation of human capital
- Recover capital retained in EMEA and reallocate to growth areas\(^1\)

---

1. After receiving required regulatory approvals.
Revise business processes and office locations to reduce costs centered on Corporate functions

- Digitization, outsourcing, etc.
  - Reduce routine work by revising business processes (RPA, AI, etc.), promote outsourcing
  - 30% reduction in targeted processes

- Global real estate strategy
  - Make use of offshoring and nearshoring

- Centralized management of procurement
  - Procurement reforms to reduce marketing costs, third party professional fees, and costs for other items
  - Revise procurement of IT equipment

Firm-wide fixed costs
- Reduce by ¥60bn over four years (vs. FY2016/17)

Reduction in targeted costs
- 6-7%
Maintain robust capital base to meet future regulatory requirements

**Common Equity Tier 1 ratio**

<table>
<thead>
<tr>
<th>Minimum requirement vs. Nomura’s target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum capital requirements (expected, 2019)</td>
</tr>
<tr>
<td>~ 8%</td>
</tr>
<tr>
<td>Other Capital preservation buffer</td>
</tr>
<tr>
<td>Common Equity Tier 1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Applying final Basel 3 rules to current balance sheet (Pro-forma)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2018</td>
</tr>
<tr>
<td>Target</td>
</tr>
<tr>
<td>17%</td>
</tr>
<tr>
<td>Buffer</td>
</tr>
<tr>
<td>~ 8%</td>
</tr>
<tr>
<td>Other Basel 3 final rules*</td>
</tr>
<tr>
<td>~ 2 ~ 3%</td>
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<tr>
<td>FRTB*</td>
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<td>Around 1%</td>
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</tbody>
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**Future image**

- Invest in growth areas if above cost of capital
- Maintain robust financial position
- Enhance shareholder returns, etc.

Minimum requirement vs. Nomura’s target

- Common Equity Tier 1 ratio
- Minimum capital requirements (expected, 2019)
- Target

Future image

- Increased risk taking related to improved market conditions
- Improvement by reviewing unprofitable businesses
- Other retained earnings

Note: Estimate based on final rules as currently envisaged applied to end Sep 2018 balance sheet. Impact on CET 1 ratio could change due to movement in balance sheet, finalization of rules by Basel Committee, clarification of Internal Model, etc.
Retiring treasury stock

Outstanding shares: 3.82 billion

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

Retired on Dec 18, 2017
- 179m shares
- 4.7% of outstanding shares

Retire on Dec 17, 2018
- 150m shares
- 4.1% of outstanding shares

Outstanding shares:
- Mar-14: 3.82 billion
- Sep-14: 3.76 billion
- Mar-15: 3.71 billion
- Sep-15: 3.64 billion
- Mar-16: 3.58 billion
- Sep-16: 3.51 billion
- Mar-17: 3.44 billion
- Sep-17: 3.37 billion
- Mar-18: 3.31 billion
- Sep-18: 3.24 billion
- Add treasury stock acquired in Oct-Nov: 169m 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

Graph shows the trend of treasury stock as a percentage of outstanding shares from March 2014 to September 2018, with specific notes on retirements on December 18, 2017, and December 17, 2018.
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