NOMURA
Connecting Markets East & West

Investor Day

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Nomura Holdings, Inc.

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Rebuilding our global business platform

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1 Radical Simplification of Operating Model

- ✓ Overhaul business and regional matrix structure
- ✓ Simplify Corporate structure

2 Transform business portfolio

- ✓ Reduce lower growth, lower profitability businesses (Flow businesses, etc.)
- ✓ Right-size platform in EMEA

3 Pivot to client businesses and growth areas

- ✓ Pursue growth in large single markets
- ✓ Expand business with corporate clients
- ✓ Strengthen Origination businesses including Advisory, Solutions, Financing
- ✓ Increase profitability by using AI for Flow Trading

Wholesale

$1bn cost reduction

- ➢ Cut costs by $1bn (~19%) compared to FY2017/18 over medium term
  - – Over 60% to be completed by end FY2019/20

$0.3~0.4bn revenue upside

- ➢ Up to 60% by growing client businesses => P11 (Solutions, Advisory, etc..)
- ➢ 40% driven by technology => P12 (Trading efficiencies using AI, etc.)

Build Wholesale platform that delivers consistent pretax income of $1.0bn

Challenges facing Wholesale

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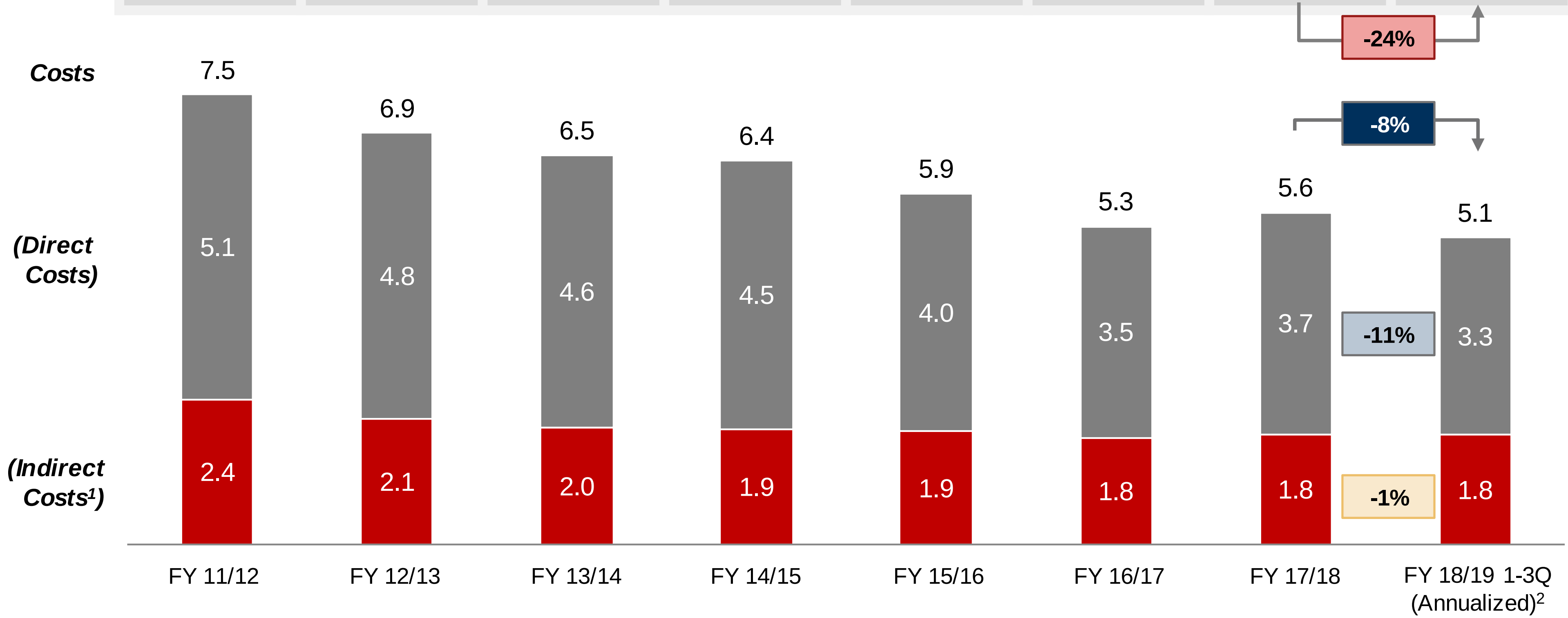
- **Fixed Income revenue declining against market backdrop …** 1
- **Cost flexibility constrained owing to rigid indirect costs …** 2

Wholesale revenue, costs, PTI

(billions of USD)

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19 1-3Q (Annualized)[2]
Revenue	7.0	7.7	7.6	7.2	6.0	6.8	6.5	4.9
PTI	-0.5	0.8	1.1	0.7	0.1	1.5	0.9	-0.2



1. Indirect costs include Corporate expenses directly related to Wholesale and other Corporate expenses allocated to Wholesale based on certain criteria.
2. On April 1, 2018, Nomura adopted Accounting Standards Update 2014-09 "Revenue from Contracts with Customers" and revenues and expenses related to certain Execution Services transactions are now shown as net value rather than gross value. As a result, revenues and expenses for FY2018/19 1-3Q declined by approx. 13.4 billion yen. Excluding Goodwill impairment charge of 81 billion yen in Q3 FY 18/19.

Challenges facing Wholesale

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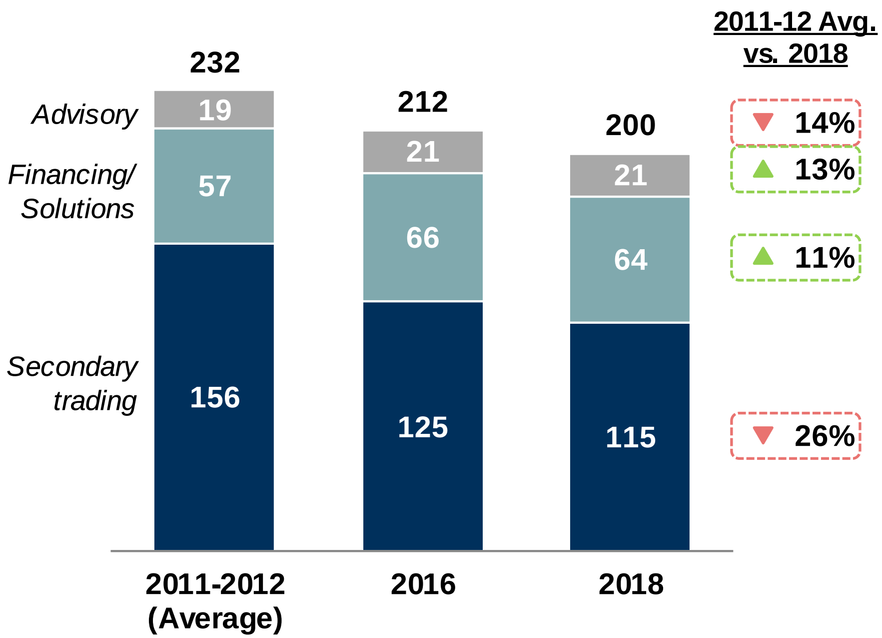
1

External factors: Secondary trading environment worsening

(billions of USD)

Global Wholesale fee-pool[1]

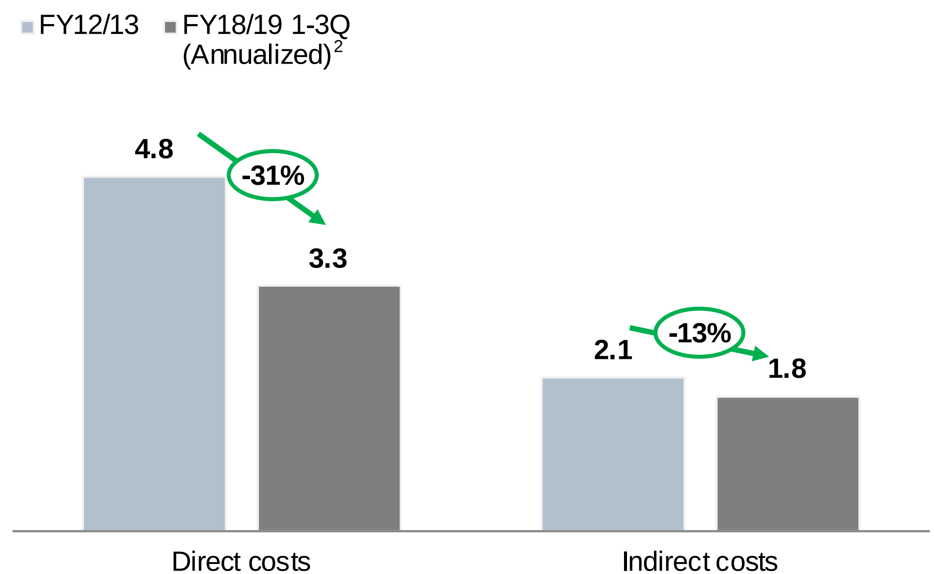


2

Internal factors: Rigid cost structure

(billions of USD)

Wholesale direct costs vs. indirect costs



- **Margin compression with electrification**
- **Leverage ratios, MiFID-II, other regulatory requirements**
- **Shift from active investments to passive**

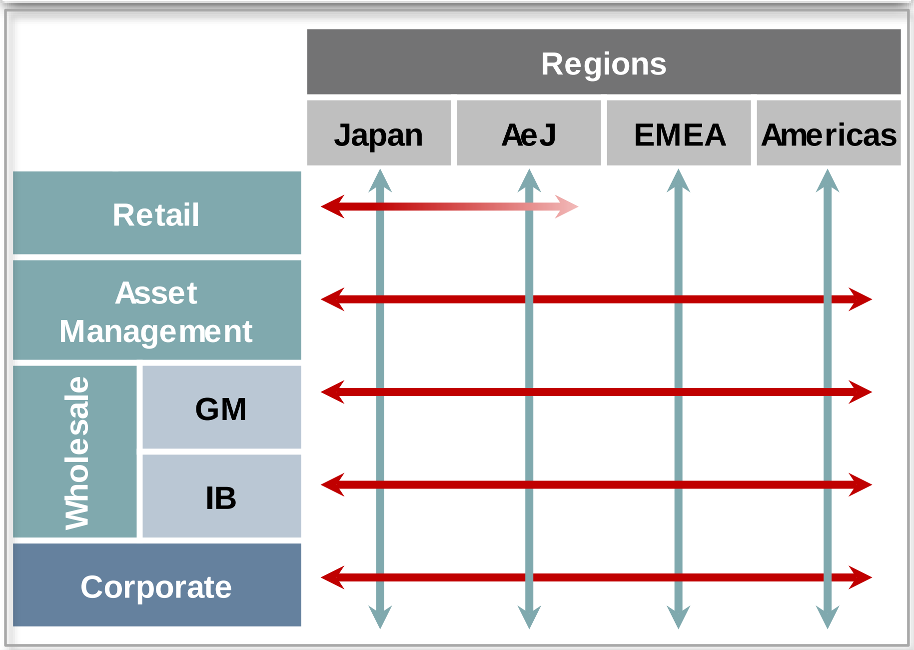
- **Complicated organization structure**
- **Remain high indirect costs due to responding to regulatory requirements, lagging peers in reducing costs**
- **Behind the curve in strategic digital transformation**

1. *Source: Coalition, Nomura estimates*
2. *Excluding goodwill impairment charge of Y81bn in Q3 FY18/19*

1 Overhaul matrix management structure

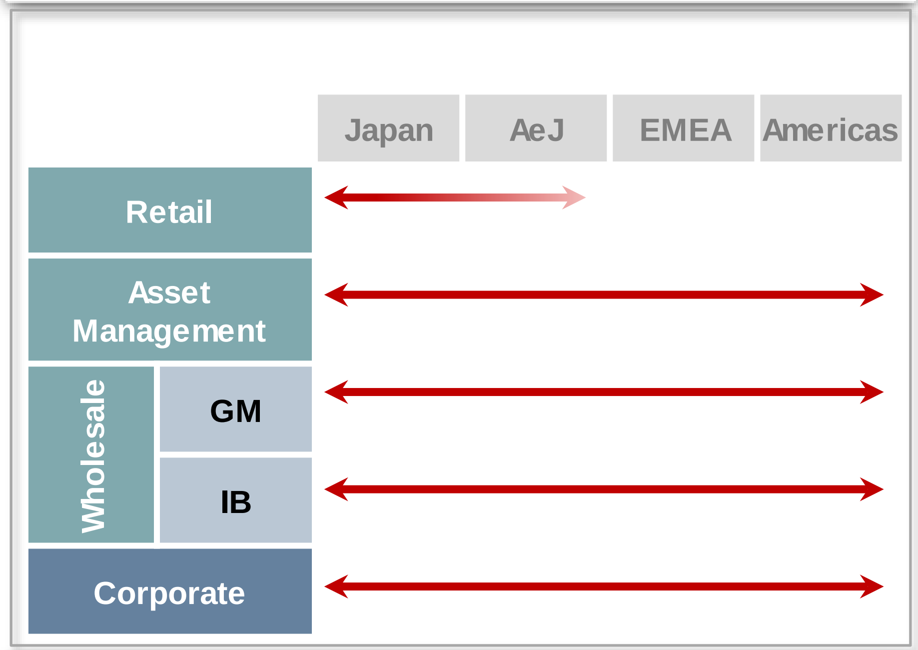
- Eliminate the concept of regions to alleviate duplication between business and region
- Corporate departments will continue to act as management control functions

Until April 30, 2019



- Significant operational complexity
- Duplication in business / regional roles
- Build-up of sticky costs over years

From May 1, 2019



- Simpler, leaner organizational structure
- Agile and efficient decision making
- Enabler of cost reduction across regions

1 Simplification of Corporate structure

- **Reduce number of functions to create simpler organization and avoid duplication**
- **Reduce costs while ensuring speedy decision making**

Example of Competitor

Shared Services
(Technology, Operations, Strategy, etc.)

Risk Management

Finance

Shared processes

Legal

HR

- Functions: approx. 3~6
- Globally aligned
- Indirect cost ratio[1] ~30%

Nomura Model

- Finance
- Operations
- Risk Management
- Legal
- Compliance
- HR
- Corporate Communications
- Strategy
- Headquarters
- IT
- Internal Audit

- Functions: 10 (excl. Internal Audit)
- Regionally aligned
- Indirect cost ratio[1] ~36%

New Corporate Model

- Chief Financial Officer
- Chief Risk Officer
- Chief Compliance Officer
- Chief Strategy Officer
- Chief Administrative Officer
- Internal Audit

- Functions: 5 (excl. Internal Audit)
- Globally aligned
- Indirect cost ratio[1] ~30%

1. *Indirect cost ratio is ratio of Corporate costs to total cost base for Wholesale division*

2 Transform business portfolio

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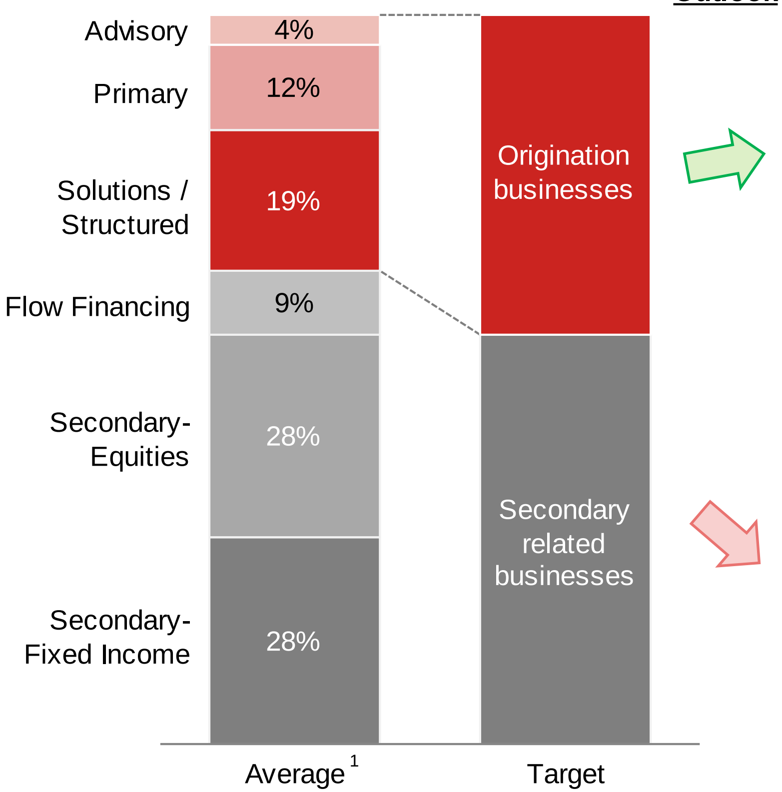
- **Scale-back international Fixed Income, digitize trading platform, shift towards origination business**
- **De-emphasize platform in EMEA, while increasing focus in growing geographies**

Shift towards Growing Areas

Revenue mix

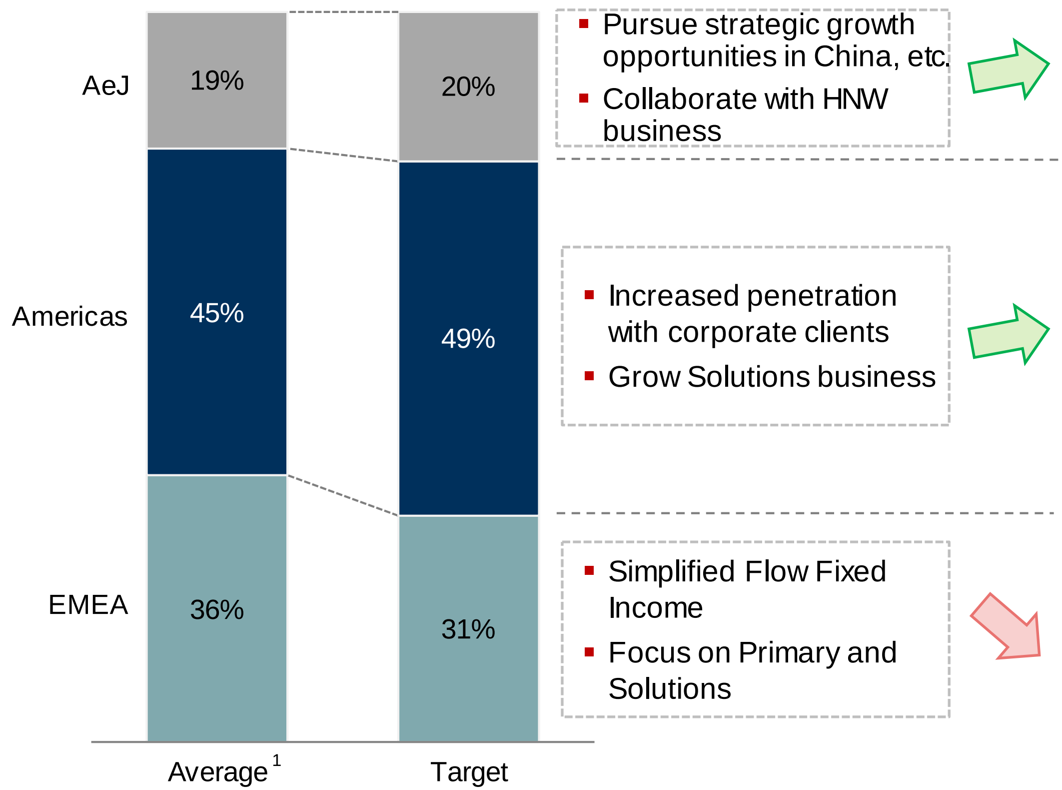
Market Outlook



Focus on Growing Regions

Cost mix

Market Outlook



1. *Average of FY15/16, FY16/17 and FY17/18, exclude some non-core business lines*

2 Right-Size international franchise: Summary of actions

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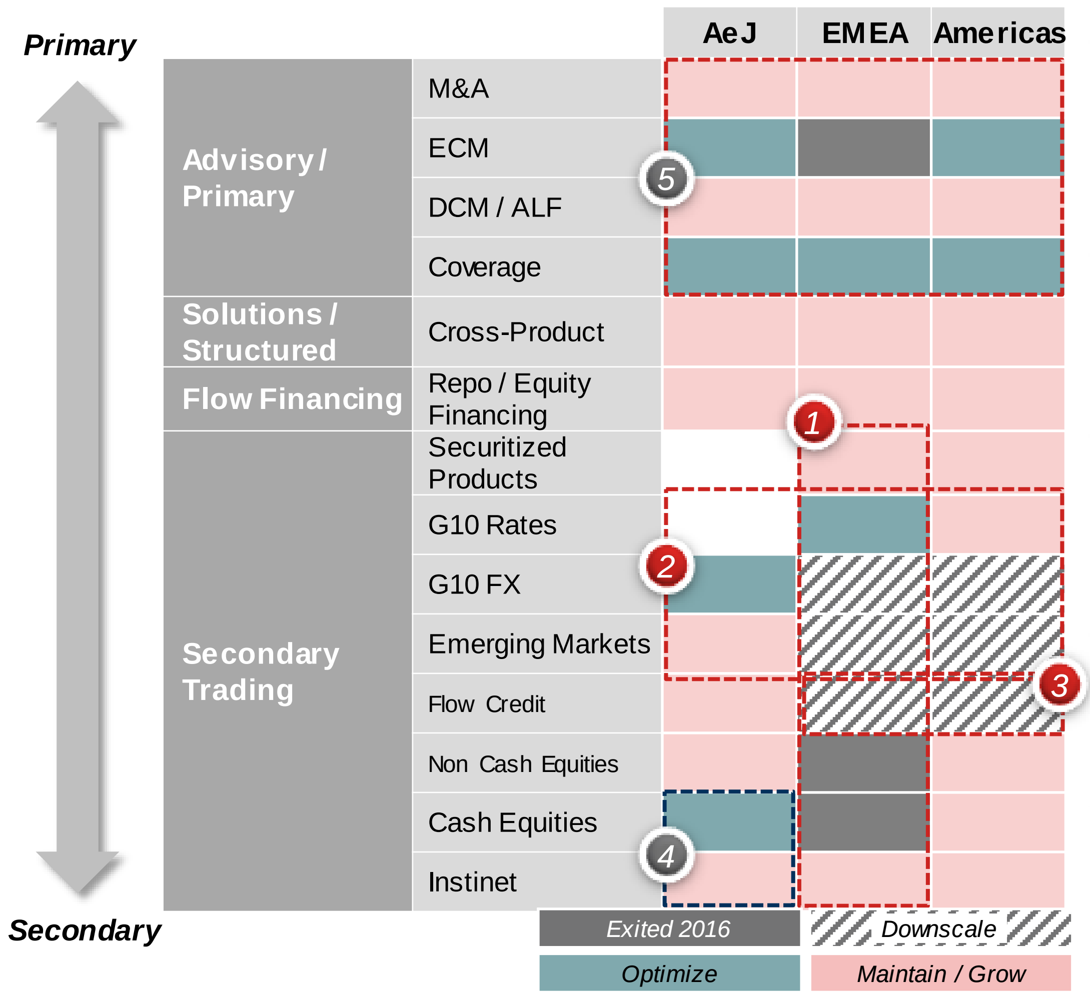
- **Right-sizing of international platform**
- **Protecting client franchise to ensure sustainable performance**

Summary of Actions



1. **EMEA Flow business**
   - 50% cost reduction
   - Downscale footprint and capital
   - Streamline continental presence

2. **International Flow Macro (Rates, FX)**
   - Digitization of Flow Fixed Income
   - Optimize part of Rates business while enhancing capabilities as a core product

3. **Flow Credit in Americas and EMEA**
   - Shift to risk-light model in Americas and EMEA, dedicated to CFS support
   - Exit from high-yield bonds (maintain ALF support function)

4. **Optimize Cash Equities platform**
   - Consolidation of Nomura-Instinet in Asia
   - Leverage Instinet technology in Japan

5. **Optimize international Investment Banking**
   - Optimize ECM in Asia and Americas
   - Optimize coverage banker footprint

2 Right-Size international franchise

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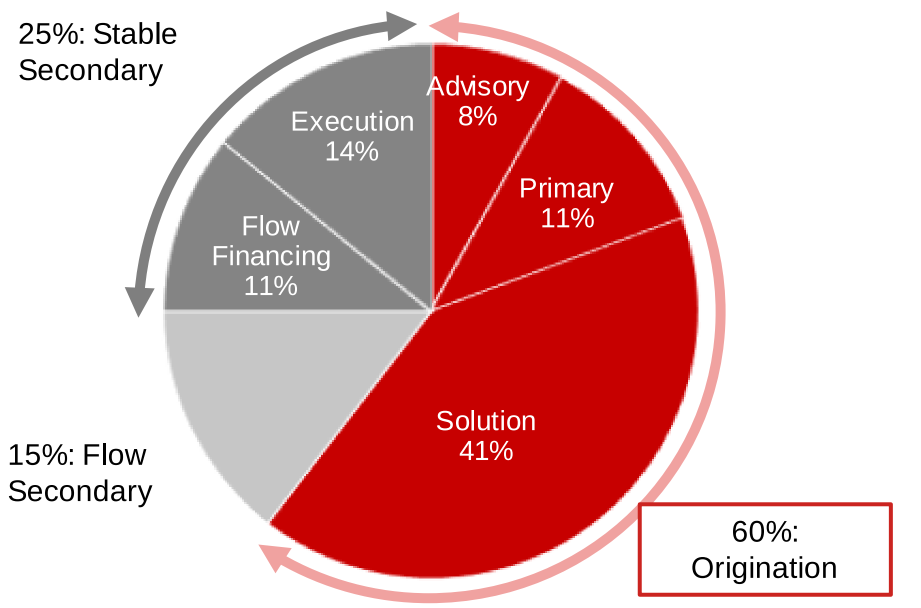
1 Reshaping and downscaling the EMEA Platform

- Downscale EMEA Flow Trading excluding areas of our competitive advantage such as Euro Rates
- Maintain traditional strength in client franchise and increase revenue contribution from origination

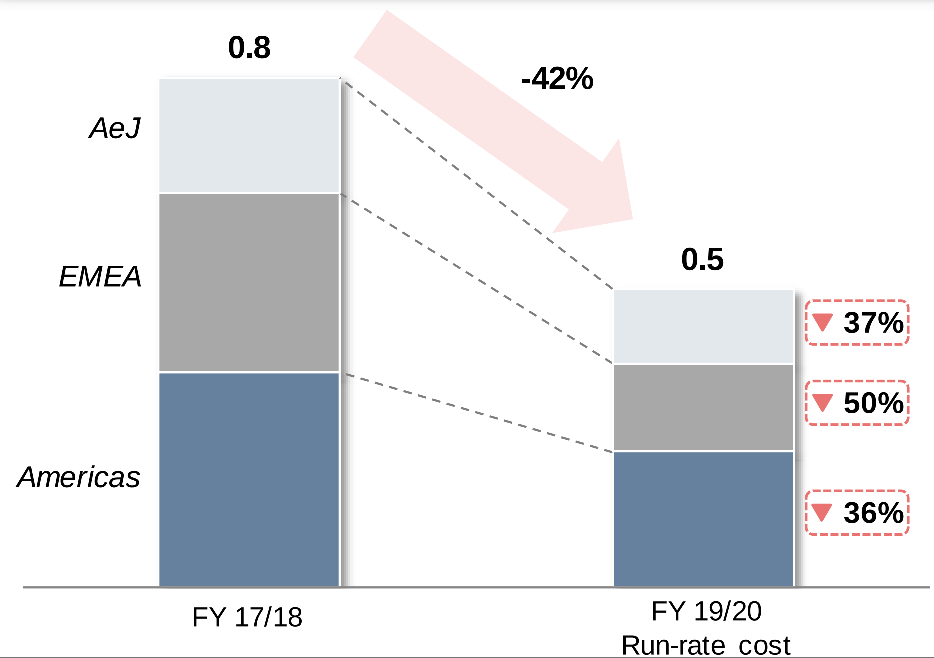
EMEA Wholesale Revenue mix (illustrative)



2 3 International Flow Fixed Income Resizing

- Cut Flow Fixed Income direct costs and part of indirect costs by 42%
- Shift towards more stable business mix
- Increased focus on digitization

Flow Fixed Income[1] direct costs and certain indirect costs[2]

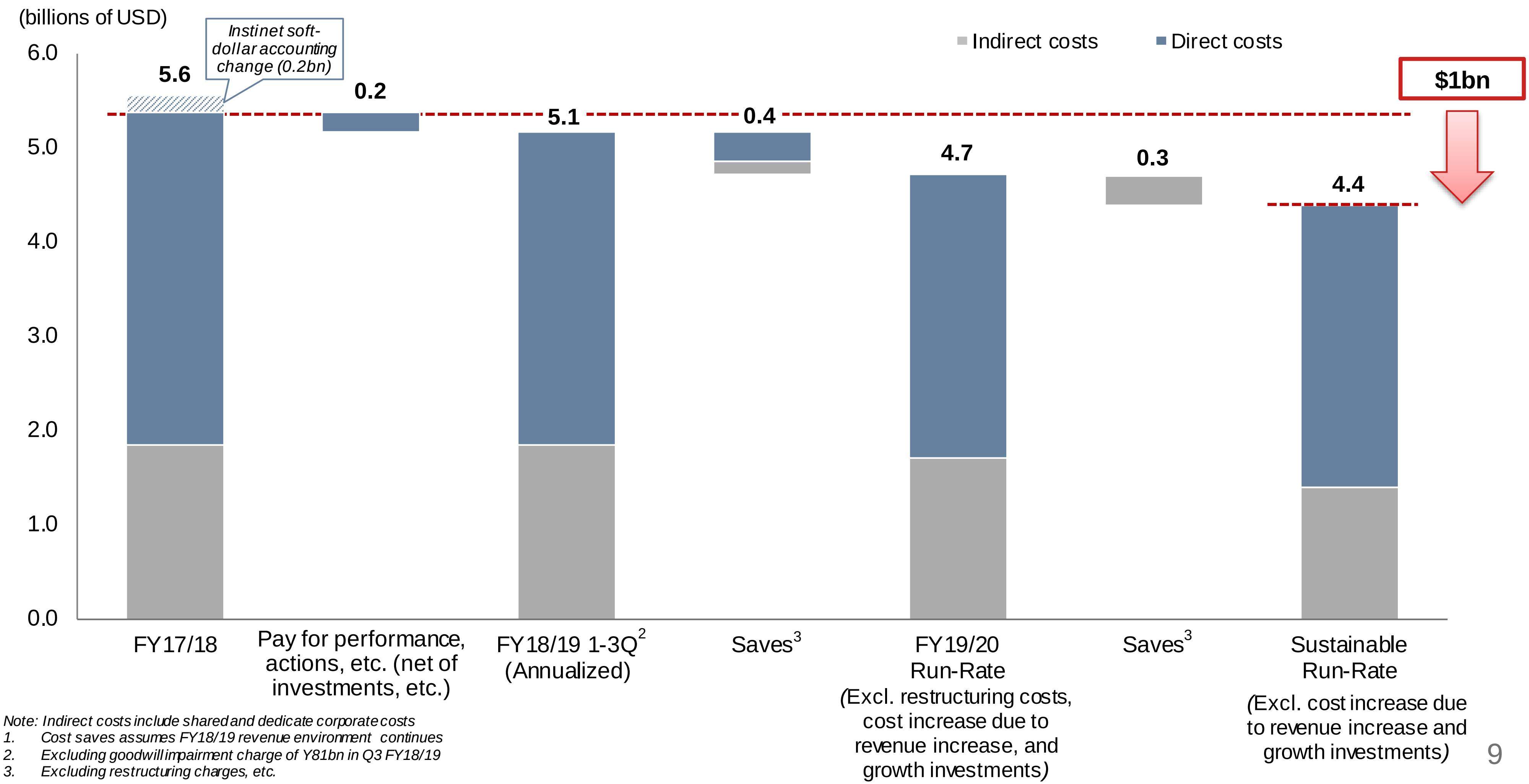


1. Flow Fixed Income includes trading, sales and research for Flow Rates, Flow Credit and FX/ EM, excluding Flow Financing and Structured
2. Includes IT and product control expenses allocated directly to Wholesale.

2 Reduction in Wholesale cost base

- $1bn reduction in Wholesale cost base versus FY17/18
- Building flexible cost structures to stay resilient across business and market cycles

Wholesale run-rate cost[1]



Note: Indirect costs include shared and dedicate corporate costs
1. *Cost saves assumes FY18/19 revenue environment continues*
2. *Excluding goodwill impairment charge of Y81bn in Q3 FY18/19*
3. *Excluding restructuring charges, etc.*

Future of Wholesale business

- **Client-centric business mix centered on origination**
- **Consolidate resources into high profitability businesses with competitive advantage to maximize revenues**

Efficient operations focused on large single markets

China
- Pursue medium term growth opportunities
  - Nomura Orient International Securities, first JV majority-owned by a Japanese securities firm
  - Set up Japan-China Industrial Cooperation Fund

Japan
- Enhance businesses with regional financial institutions and corporates
- Enhance IPO business

Americas
- Focus on businesses / sectors of competitive strengths
- Enhance cross-border business
- Client strategy focused on middle market

Strengthen business with corporate clients
- Bring together GM and IB capabilities with particular focus internationally on enhancing cross selling opportunities through CFS
- Grow business with corporate clients; Deliver consistent earnings

Grow origination businesses

Optimize secondary businesses
- Increase revenues from origination businesses
- In secondary business, Rates and Equities will be core businesses in which we aim to strategically enhance our competitiveness
- Embed AI into flow trading businesses

3 Grow client businesses

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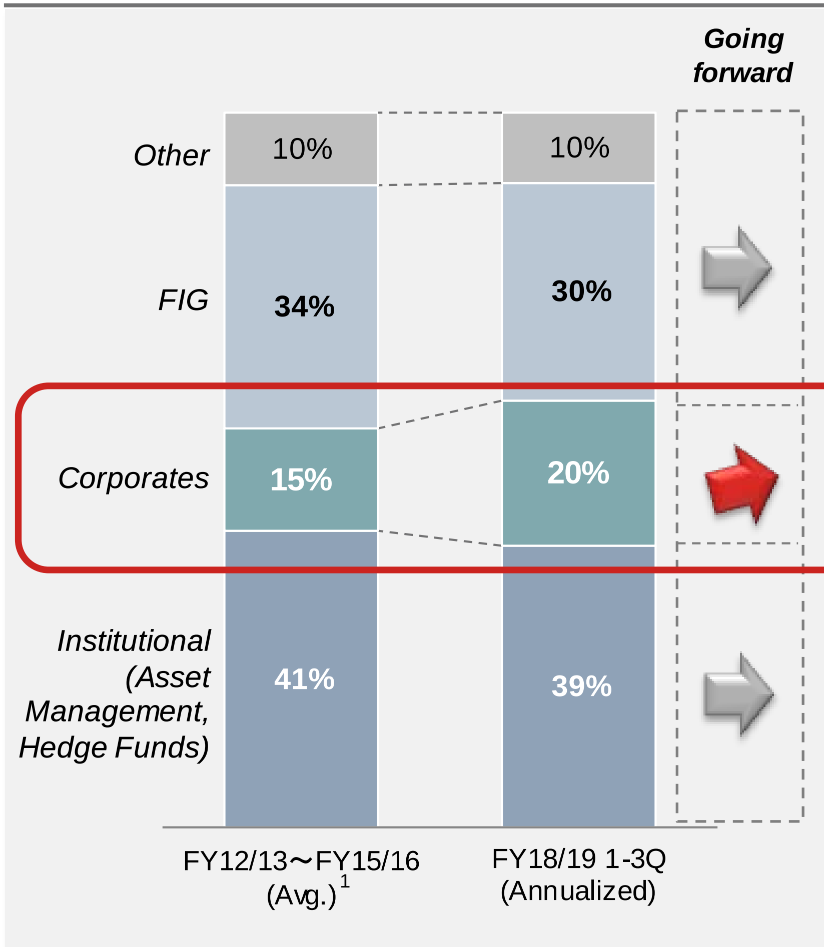
- In addition to financial institutions and institutional investors, focus on growing business with corporate clients to diversify client base and ensure stable business
- Broad service offering for corporate clients led by CFS

Client revenue in international region



Grow services for corporate clients through CFS

- Client approach: Provide broad range of services centered on corporate clients with various business needs
  (e.g.: Offering FX Solutions unassociated with M&As to IB clients)
- Products/service: In addition to existing underwriting related businesses (DCM, ECM, ALF) and hedging solutions (Rates, FX, Equities, etc.), expand into services such as infrastructure financing in Americas

Maintain/strengthen business for institutional investors and financial institutions

- **Institutional**: Use AI in market-making to increase wallet share
- **Agency**: Expand product line-up and enhance quants and technology capabilities
- **FIG**: Continue to target hedging solutions; grow penetration with Advisory and CFS offering

$200 - $300m Revenue Upside

1. *Corporates include Sponsor; FIG includes banks, insurers, publics, CBs/SWFs and SSAs; Others include other Divisions and non-institutional clients*

3 Pursue growth opportunities by leveraging technology

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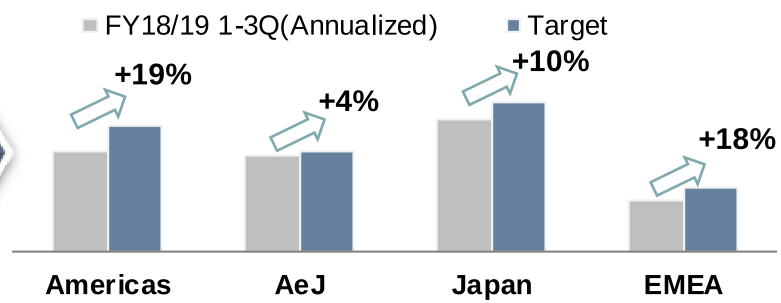
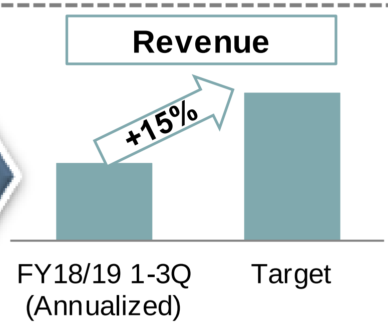
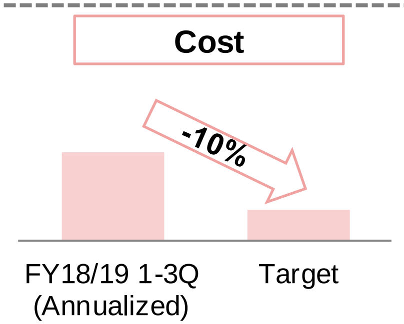
Instinet



- Pursue a strategy for further deepening relationships with largest institutions
- Expansion of BlockCross (acquisition in 2017) platform to Europe and Asia
- Expansion of software and technology business

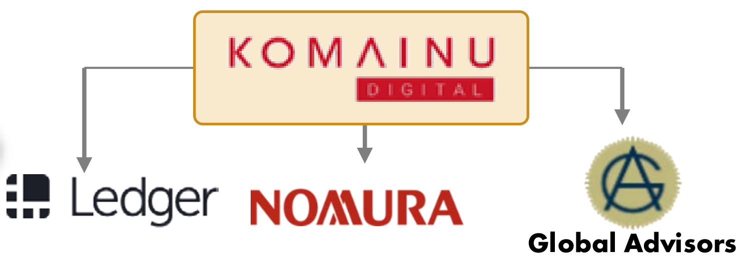
AI Led Flow Market Making





- Joint Venture with Brevan Howard for AI-led market making platform, roll-out in progress
- Increase hit ratio leveraging AI tools

Digital Asset Custody Solutions



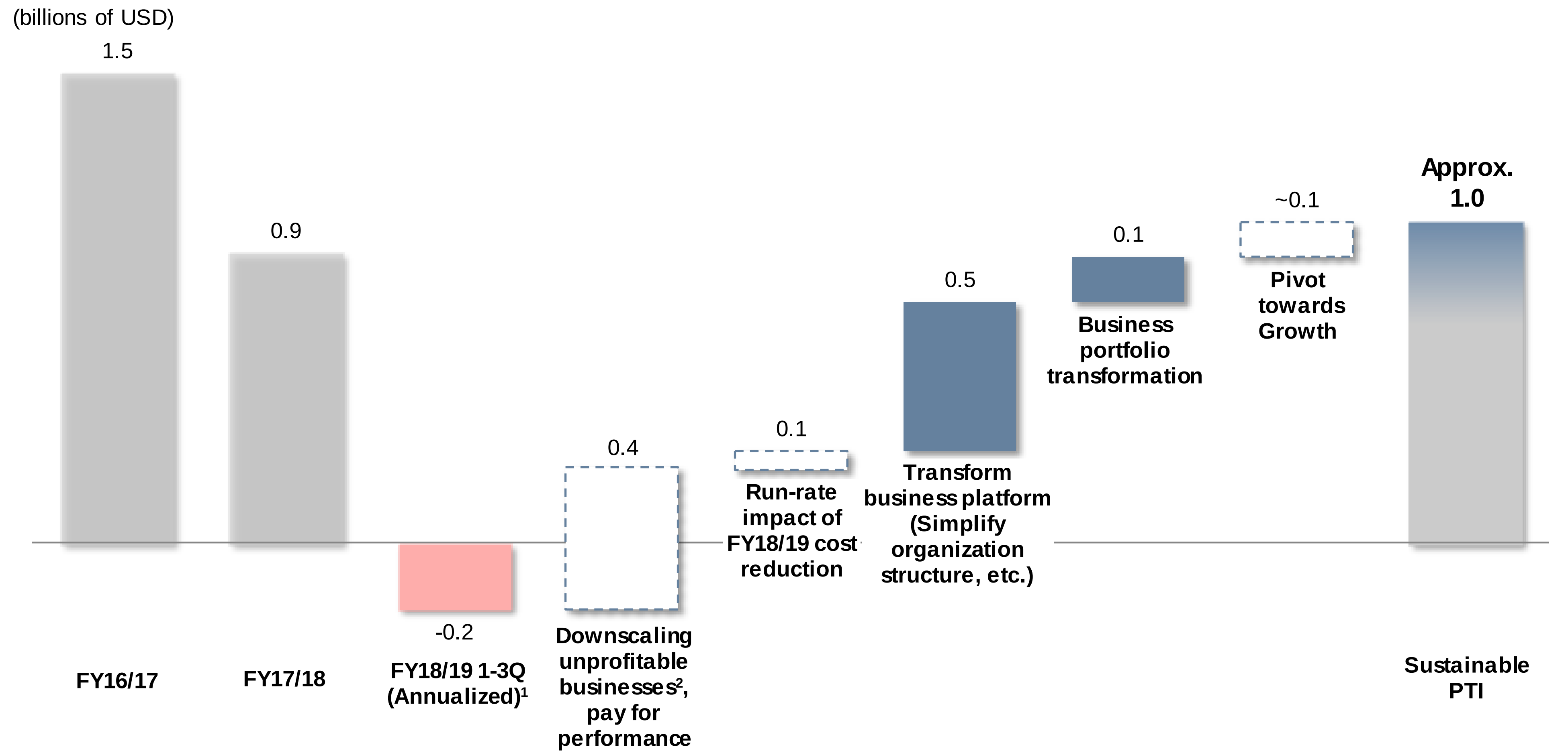
- Provide custody solutions for digital assets that meet the needs of institutional investors
- High-level of security that meets demands of commercial bank clients and can be used for various digital assets

$100 - $150m Revenue Upside

Generating sustainable PTI

- **Structural changes to build a platform capable of delivering consistent PTI of around $1bn**

Wholesale PTI



1. *Excluding Goodwill impairment charge of Y81bn in Q3 FY18/19*
2. *Revenue normalization due to scaling back of negative risk-revenue businesses*

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