Investor Day

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Nomura Holdings, Inc.

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Rebuilding our Japan business platform
Retail Division: Solid growth in recurring revenue not enough to offset decline in brokerage revenues

Factors behind revenue slump

**Market factors**
(Lower market volumes, weaker investor sentiment due to geopolitical risks, etc.)

**Disconnect between client type / needs and our approach**

1. Product, service and marketing
   - P. 3

2. Organization and sales structure
   - P. 4-12
Current

- Partners offer clients products and services from broad lineup
- Not necessarily matched to client type or amount of assets held

New

- Enhanced support from head office to develop and improve products and services
- Ensure products / services better matched to client types and needs

New approach to product lineup (illustrative)

<table>
<thead>
<tr>
<th>Client asset size and level of sophistication</th>
<th>Product risk and complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Mass affluent</td>
<td>Plain vanilla products</td>
</tr>
<tr>
<td>HNWI</td>
<td>Brokerage products</td>
</tr>
<tr>
<td>Corporates and UHNWI</td>
<td>Portfolio products</td>
</tr>
<tr>
<td>High</td>
<td>Non-traditional products</td>
</tr>
<tr>
<td>Structured finance</td>
<td>Derivatives</td>
</tr>
<tr>
<td>Alternatives (PE, HF, VC)</td>
<td>Traditional products</td>
</tr>
</tbody>
</table>

- ABS
- Strategy index products
- Derivatives
- New types of subordinated debt, Tier 2, Tier 1 (AT1), etc.
- Alternatives (PE, HF, VC)
- ABS
- Strategy index products
- Derivatives
- New types of subordinated debt, Tier 2, Tier 1 (AT1), etc.
- Alternatives (PE, HF, VC)
Challenges: Client contact not matched to revenue mix

Revenues by client asset size and time spent by sales staff (# of client contacts)

- About 60% of revenues come from “Asset rank – I” clients, but contact with these clients is only 30% of total.
- Approx. 20% of all client contacts taken up by “Asset rank – III” clients which represents 5% of overall revenues.

1. Based on individual accounts in three Retail channels, Hotto Direct, and Net & Call. Revenues are total for Jan to Jun 2018.
### Challenges: Disconnect between client needs and organizational structure

**Average number of accounts handled by partners**

1. As of end of December 2018.

### Distribution of client accounts handled per partner

<table>
<thead>
<tr>
<th>Distribution of client accounts handled per partner</th>
<th>Corporates/Owners</th>
<th>HNWI</th>
<th>Mass affluent</th>
<th>Mass retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current partners in charge of corporates (average)</td>
<td>Over 30%</td>
<td>20-30%</td>
<td>10-20%</td>
<td>10% or less</td>
</tr>
<tr>
<td>Current partners in charge of individuals (average)</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

- Organizational structure not fully aligned to client type and needs, leading to possible lost opportunities

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1. As of end of December 2018.
Background to channel realignment

- Mismatch between client needs and relationship manager creating possible lost opportunities for both clients and Nomura

Revenues as percentage of client assets

- Simulation based on certain assumptions. Calculated using client assets for each client type and total revenues (brokerage, recurring, consulting, etc.)
- Based on accounts across three Retail channels that are managed by a partner.
- Revenue is Apr 2018 – Feb 2019 actual basis; Client assets and account numbers as of Feb 2019.

Clear relationship between matching and return on client assets

Increasing matched account ratio can help boost revenues
## Realign channels with client types

### Clarify scope of three channels

<table>
<thead>
<tr>
<th></th>
<th>Corporates/owners</th>
<th>HNWI</th>
<th>Mass affluent</th>
<th>Mass retail</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Previous</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partners in charge of corporates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life Partner section</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wealth Partner section</td>
<td></td>
<td>6,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Partner section</td>
<td></td>
<td></td>
<td>500</td>
<td></td>
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<tr>
<td><strong>New</strong></td>
<td></td>
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<tr>
<td>Partners in charge of HNWI</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Partners in charge of mass affluent</td>
<td></td>
<td></td>
<td></td>
<td>Approx. 3,800</td>
</tr>
<tr>
<td>Partners in charge of elderly HNWI</td>
<td></td>
<td></td>
<td></td>
<td>Approx. 2,800</td>
</tr>
<tr>
<td>Partners in charge of retirees</td>
<td></td>
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</tbody>
</table>

1. Section numbers are indicative and may change in future.
### Client needs

- **Corporates/owners**
  - Traditional brokerage (stocks, bonds, investment trusts) + loans
  - Basic consulting (discretionary, insurance, etc.)
  - Sophisticated brokerage (private placements, OTC)
  - Sophisticated consulting (estate, real estate, etc.)

- **HNWI**
  - Estate planning, real estate and other sophisticated consulting services
  - Newly established team to manage HNWI clients

- **Mass affluent**
  - Provide services to broader range of clients
  - Introduce account managers, increase client contact time efficiently through branch visits and telephone contact
  - Newly establish team to manage mass affluent clients

### Our sales structure and initiatives

- **Corporate solutions** (core business, balance sheet management, etc.) and other multi-product services
- Manage by Partners in charge of corporates
- Corporate solutions (core business, balance sheet management, etc.) and other multi-product services
- Manage by Partners in charge of corporates
- Estate planning, real estate and other sophisticated consulting services
- Newly established team to manage HNWI clients
- Provide services to broader range of clients
- Introduce account managers, increase client contact time efficiently through branch visits and telephone contact
- Newly establish team to manage mass affluent clients

### # accounts per sales staff (ave.)

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. 300</td>
<td>40% reduction (improved services)</td>
</tr>
<tr>
<td>Approx. 450</td>
<td>20% reduction (improved services)</td>
</tr>
<tr>
<td>Approx. 330</td>
<td>Double</td>
</tr>
</tbody>
</table>

### Expected results

- Increase return on client assets
- Boost revenues
- Increase return on client assets
- Boost revenues
- Lift overall revenues
Organization closer aligned to client needs

**Average number of accounts handled by each Partner after changes**

<table>
<thead>
<tr>
<th>Distribution of client accounts handled per partner</th>
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<th>Mass retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>In charge of corporates (average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In charge of HNWI (average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In charge of mass affluent (average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Over 30%
- 20-30%
- 10-20%
- 10% or less

- Take strategic approach that clearly aligns products and services with client type and needs
Clearer collaboration between branches and head office

Before

- Shareholder community
- M&A
- Financial academy
- Aircraft leasing
- Testamentary trusts
- Treasury stock management
- Mortgages
- Real estate
- Asset management

Each Partner managing various types of clients and have to check with different head office functions depending on inquiry

After

- Asset management
- Real estate
- M&A
- Testamentary trusts
- Treasury stock management
- Business growth support
- Mortgages
- Succession/preservation of assets
- Aircraft leasing
- End-of-life planning seminars

Clear lines of collaboration with head office to improve efficiency for Partners
Organization matched to changing client needs

- Consolidate some branches in metropolitan areas where there is overlap in coverage.
- Maintain at least one branch in each prefecture and optimize headcount allocation.
- Review nationwide concepts such as having branches in expensive train station and road-facing locations.
- Look into tie-ups with regional financial institutions.

Branch strategy

- Reassign people in line with the mission of each channel.
- Pay commensurate with job responsibilities.
  - Further focus on pay for performance.

HR

- Alleviate work load of Partners:
  - Set up Transaction Center Section, consolidate some branch office functions in head office.
  - Further focus on pay for performance.
  - Consolidate transaction management (identify calls that need to be recorded, etc.).
  - Consolidate confirmation of transaction details (monitoring ATM withdrawals, etc.).
Timeline

**2019**
- Shift to coverage matched to client type/needs
- April: Establish Transaction Center section; Consolidate some branch functions into head office
- April: Introduce new HR system; Focus on pay for performance

**2020**
- August: Determine Partner coverage scope
- Start closing/consolidating some branches

**2021**

**2022**

**Branches**
- Improve work efficiencies
- Account opening fully paperless
- Paperless forms

**Reduction**
- Reduce workload by 2.4 million hours per year
Reduce costs by about 10% over three years

(billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY17/18 Actual</th>
<th>(by FY19/20)</th>
<th>(FY20/21)</th>
<th>(FY21/22)</th>
<th>FY21/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected progress</td>
<td>(45%)</td>
<td>(25%)</td>
<td>(30%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Cost reduction initiatives

- **Initiatives**
  - Completion of depreciation period for upgrade of main systems
  - System integration
  - Reduce headcount through natural attrition and limiting new hires
  - Focus on pay for performance
  - Business support expenses
    - Work process efficiencies
      - Cut work by 2.4 million hours per year over three years by going paperless
      - Simplification of Corporate functions
  - Real estate expenses
    - Consolidate overlapping branches in metropolitan areas
    - Reduce real estate costs through relocations
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