

# Investor Day

Kentaro Okuda  
Group CEO  
Nomura Holdings, Inc.

May 19, 2020

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**Introduction**

2

Management vision

3

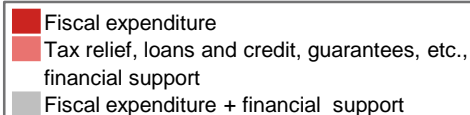
Business strategy

4

In closing

# Economic and monetary policies far outstrip global financial crisis in hopes of avoiding economic disaster

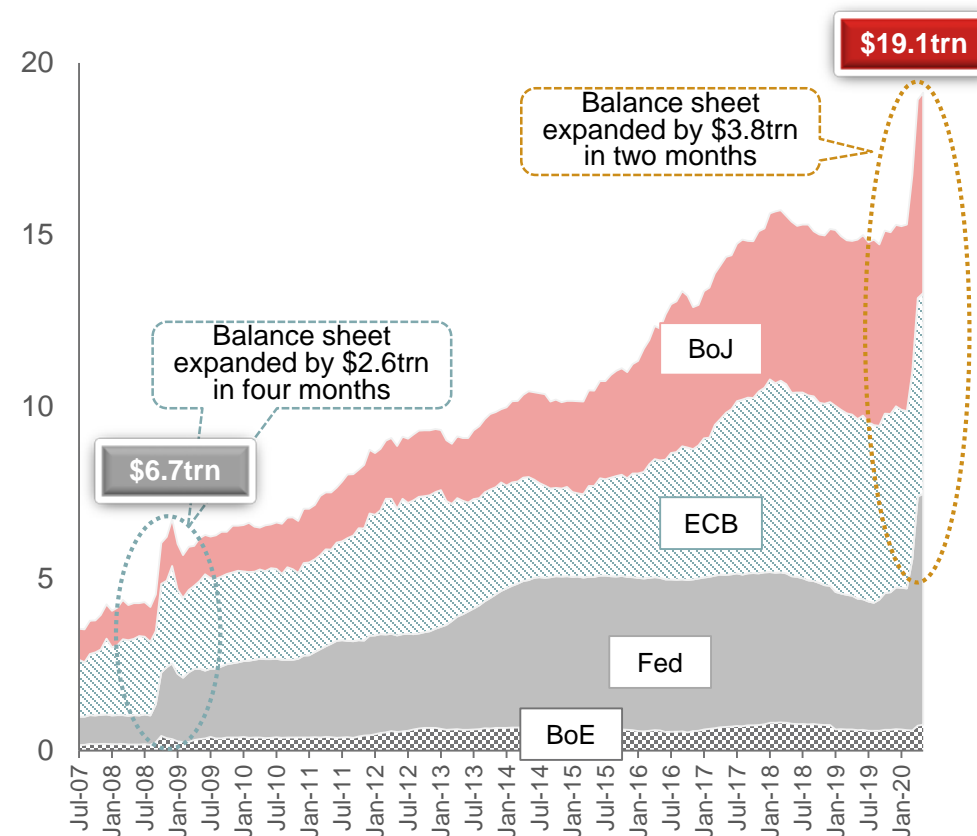
## Fiscal policy<sup>1</sup>



## Central bank balance sheets expand threefold from global financial crisis<sup>2</sup>

(trillions of USD)

Liquidity provision significantly larger than global financial crisis

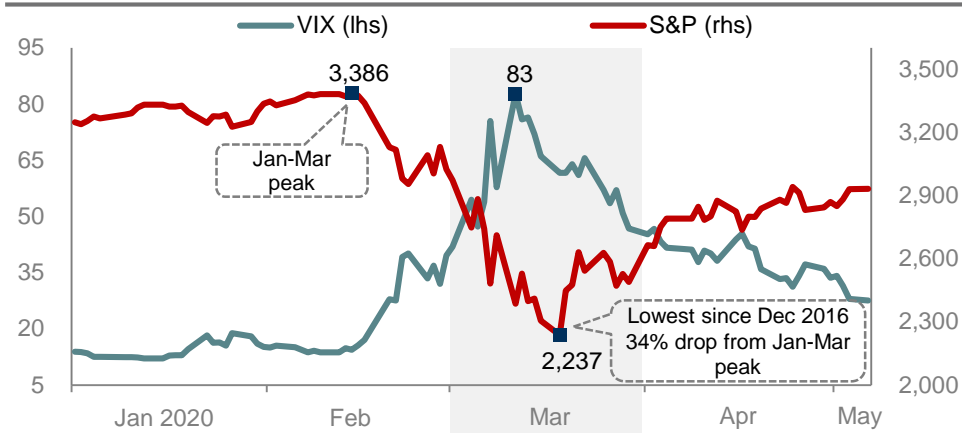


<sup>1</sup> Source: Nomura, based on documents by Bruegel and Japan Cabinet Office.

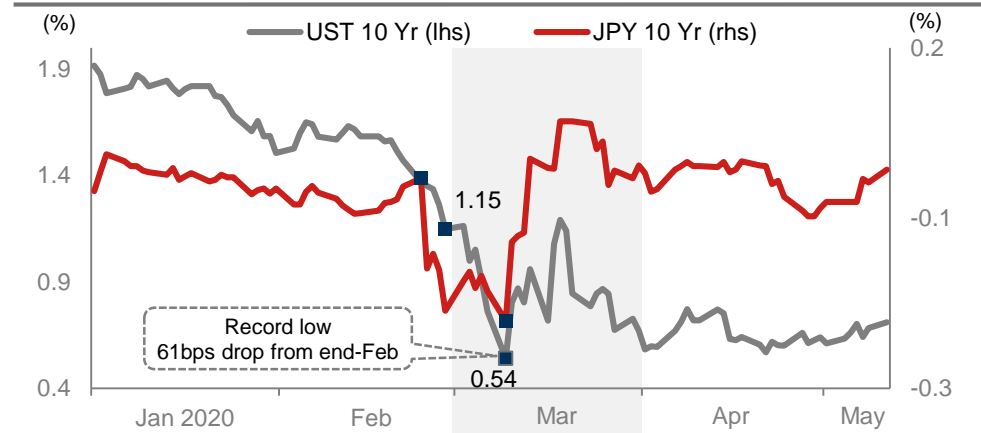
<sup>2</sup> Source: Nomura, based on data from Reuters and central banks.

# Market turmoil

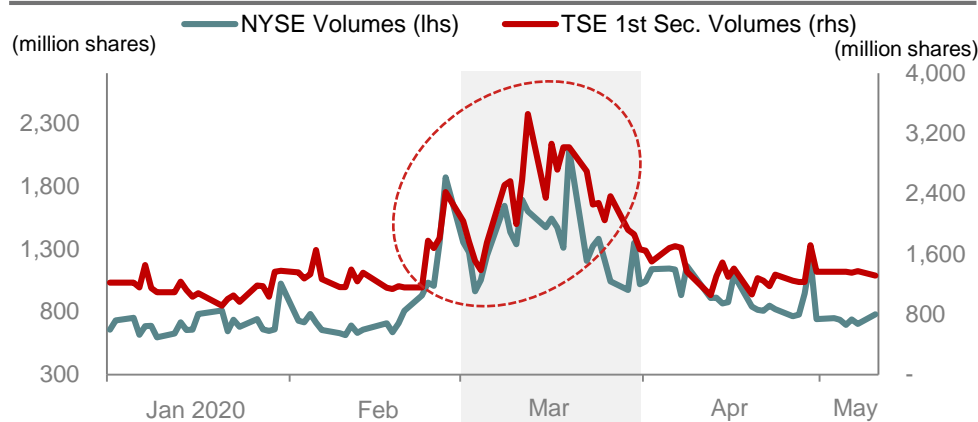
## Volatility spikes, share prices plunge



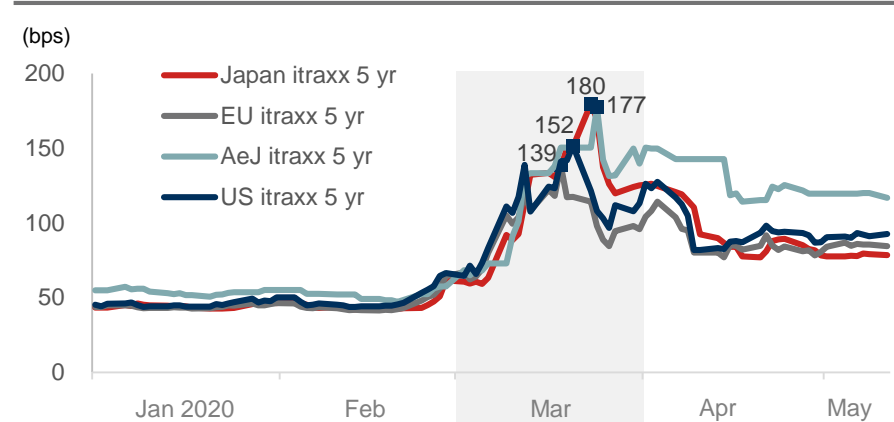
## Government bond yields hit historical lows



## Share market volumes surge



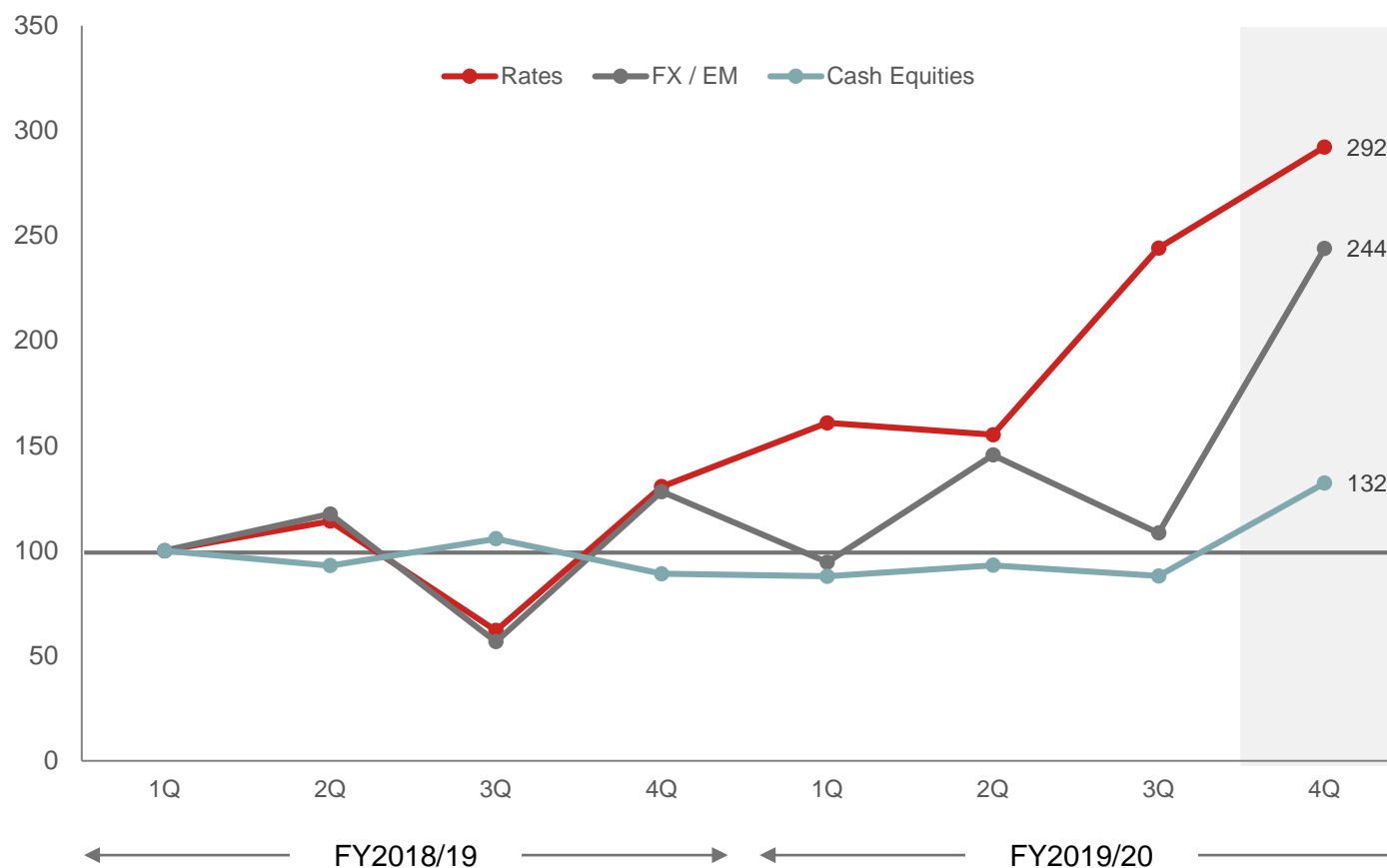
## Credit spreads widen sharply



# Continued to play critical role as liquidity provider

## Increased client activity reflected in trading performance

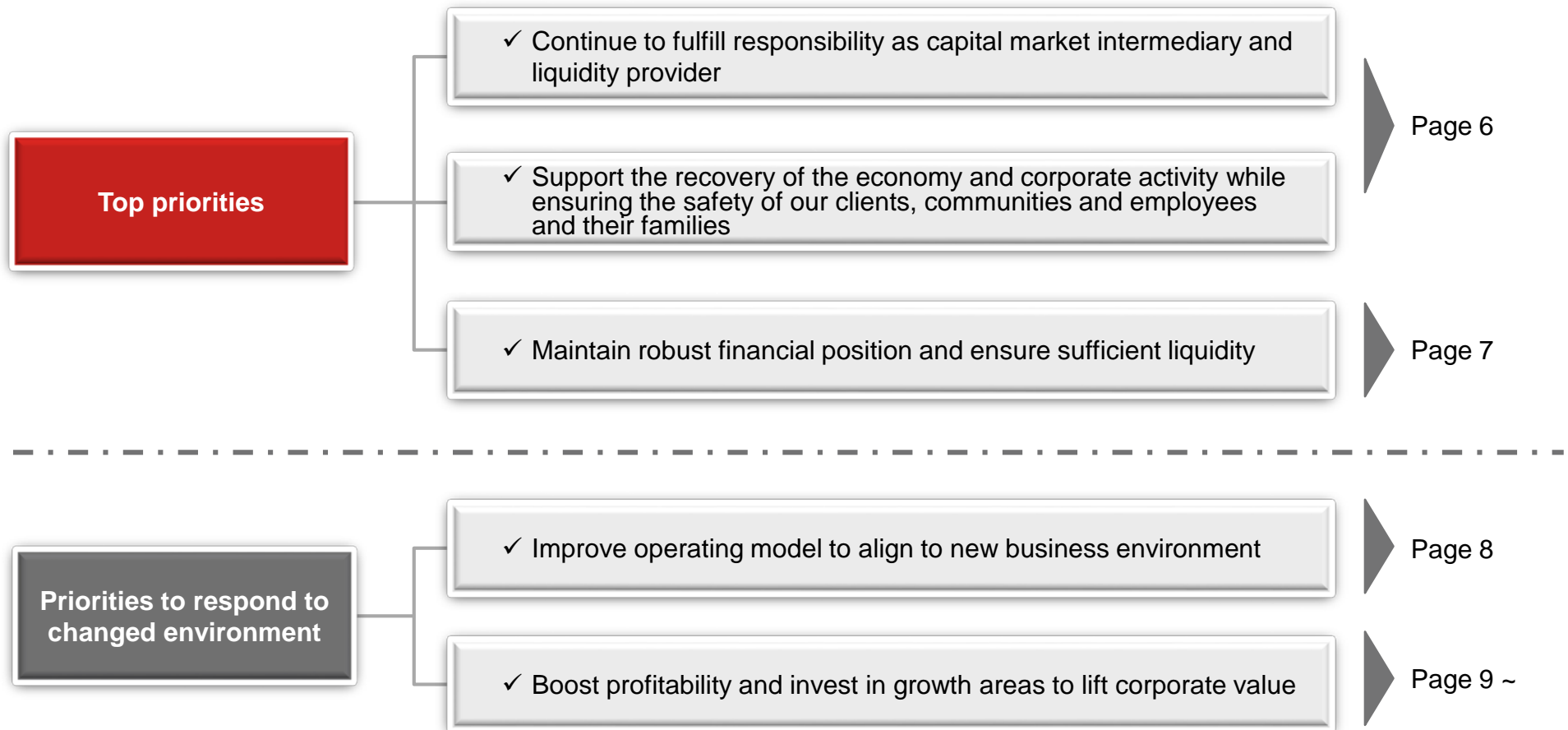
Wholesale revenues (indexed, FY2018/19 1Q = 100)



- Higher client activity driven by interest rate volatility and flight to safe assets
- Global Rates business and FX/EM in AEJ showed strong growth
- Demand for Macro Products has continued since April

- Robust equity trading volumes due to market downturn and higher volatility
- Cash Equities performed strongly in Japan and international markets

# Priorities



# Response to spread of coronavirus

## Employees

- Activated Business Continuity Plans ensuring safety of employees and their families
  - Over 70% of employees working from home
  - Provided employees with technology to work from home (laptops, monitors, IP phones, software)
  - Moved quickly to limit international business travel, ensuring continuation of market functions
  - Started social distancing in international offices ahead of lockdowns
  - Closed Retail branch offices in seven prefectures on April 8 and nationwide on April 20, communicating with clients via telephone, email, and online
- Virtual induction ceremony and training for new graduates held in April
- International intern program “2020 Summer Analyst program” to be modified and held in each region
- Wellness initiatives offered to employees including phone/video consultations with specialists, mental health and well-being counseling
- Distributed masks to all employees in Japan and AEJ

## Clients

- Focused on providing liquidity to financial and capital markets amid market turmoil in March
- Supported fundraising needs of issuers
  - Bookrunner on total US\$83bn<sup>1</sup> of bond issuance globally in March and April
- Continued to facilitate access to capital markets via broad range of solutions including Private Equity, DCM solutions, Financial Restructuring Advice, etc.
- Set up Capital Advisory Group in EMEA to offer solutions to clients by conducting stress tests and identifying funding shortfalls
- Provided research and market outlooks
  - Retail enhanced delivery of information to clients via email (increased distribution of market commentary videos and reports, and product and service videos)
  - One-on-one videoconferences between economists/strategists and regional financial institutions
  - Held virtual client events for corporates

## Communities

- Donated a total of Y55m+ to charities globally
  - Donated RMB1.5m to Chinese Embassy in Japan in February
  - Donations from international offices, including executives and employees (Y32m)
  - In UK, donated funds to support National Health Service (NHS) Charities Together
  - In US, donated funds equivalent of 230,000+ meals so far to Virtual Food Drives benefitting the Food Bank for New York, etc.
- Develop Nomura Group Employee Donation Matching Program<sup>2</sup>
- Donation of masks and hand sanitizer
  - Procured one million masks from Orient International (Holding) and donated to the Japanese government and Japanese Red Cross Society to assist medical institutions and welfare facilities
  - Donated masks and hand sanitizer to charities in AEJ
- Launched virtual volunteer opportunities for our employees to support our charity partners

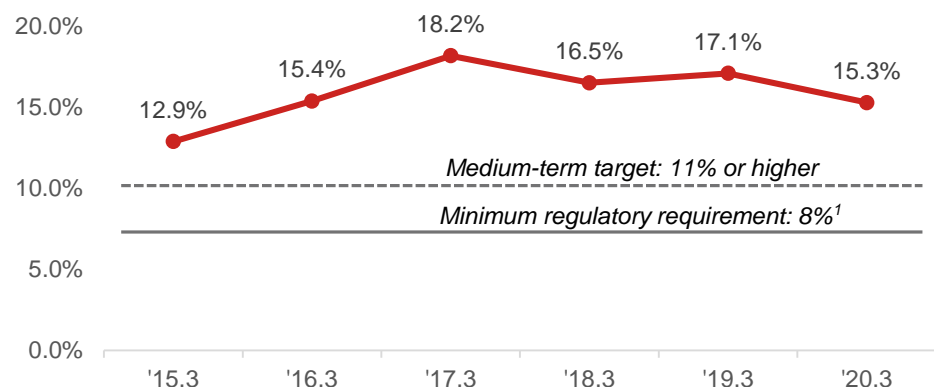
1. Source: Dealogic

2. When employees make donations to NGOs, the company matches or adds to the total amount of employee donations.

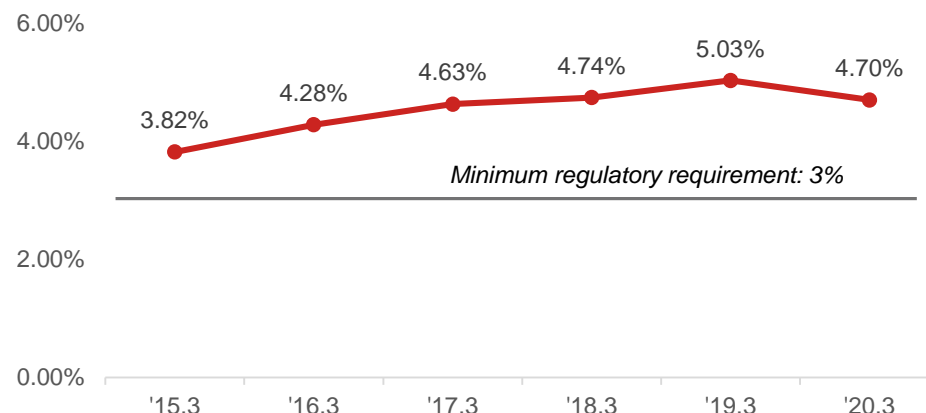
# Robust financial position, sufficient liquidity

## ■ We maintain sufficient financial flexibility and liquidity even under extreme market stress

### CET 1 capital ratio

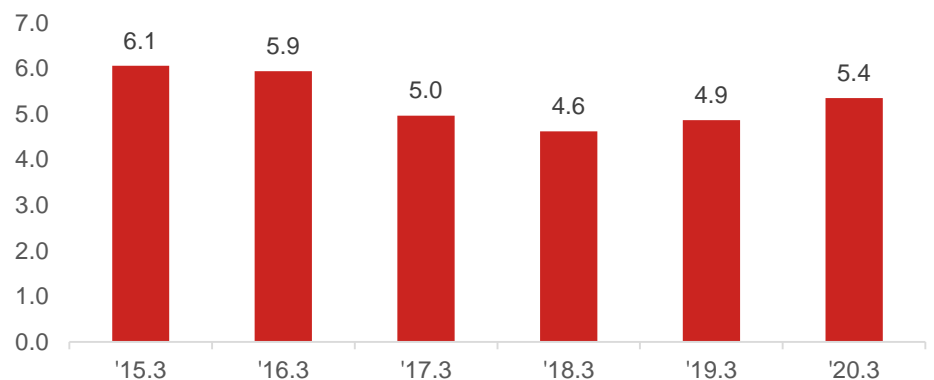


### Leverage ratio

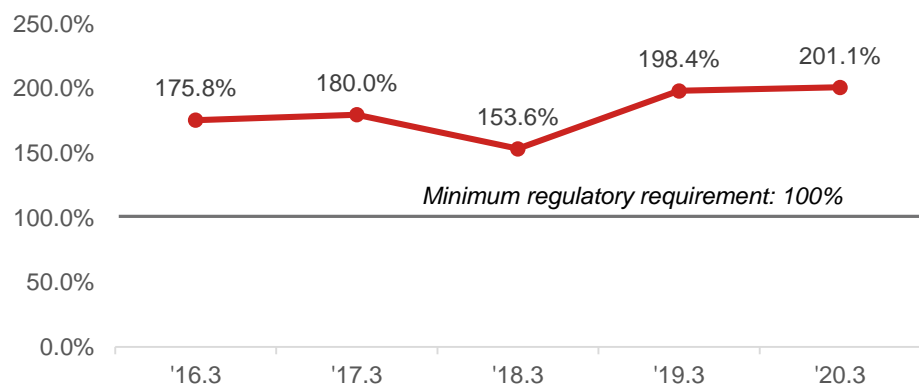


### Liquidity portfolio

(trillions of yen)



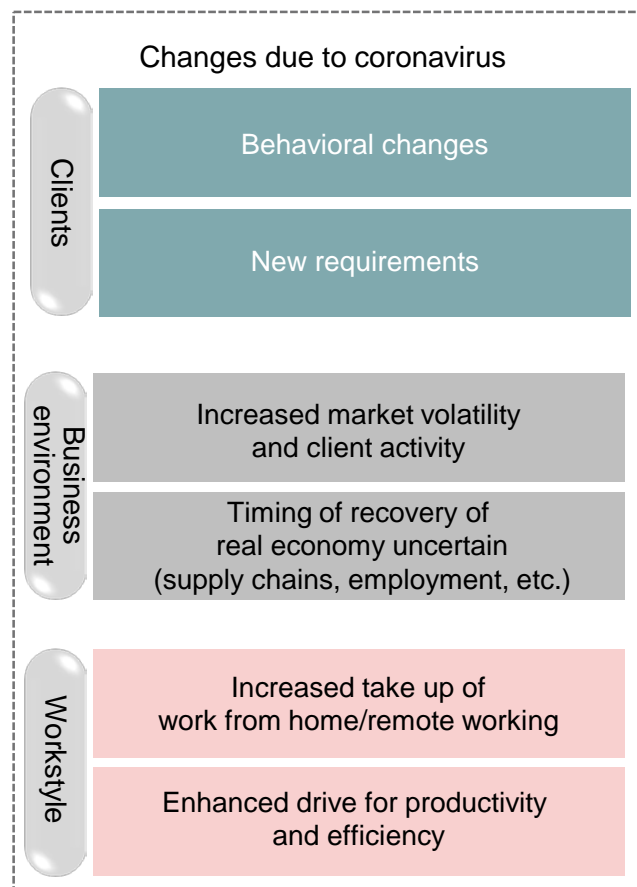
### Liquidity coverage ratio



1. Could change slightly as counter cyclical buffer is updated each quarter. Most recently disclosed minimum regulatory requirement was 7.61% in December 2019. For previous minimum regulatory requirements, please see documents including our Pillar 3 Regulatory Capital and Liquidity Coverage Ratio Disclosures.



# Improving our operating model to align to new business environment



## Firm-wide initiatives

Client interface	Operations
<ul style="list-style-type: none"><li>■ Diversify our approaches so we can best respond to changes in client behavior and their new requirements<ul style="list-style-type: none"><li>➢ Create system where clients can choose in-person meetings, telephone, email, or online services</li><li>➢ Go paperless</li></ul></li></ul>	<ul style="list-style-type: none"><li>■ Work from home and other initiatives to enhance employee productivity<ul style="list-style-type: none"><li>➢ Invest in IT infrastructure</li><li>➢ Step up digitalization</li><li>➢ Reform HR system (flexible working arrangements, etc.)</li><li>➢ Reconsider office footprint</li></ul></li></ul>

## Review of business strategies

Retail	Wholesale
<ul style="list-style-type: none"><li>■ Enhance non-face-to-face channels<ul style="list-style-type: none"><li>➢ Change how branch offices operate</li><li>➢ Build up digital marketing and online content</li></ul></li></ul>	<ul style="list-style-type: none"><li>■ Review business platform<ul style="list-style-type: none"><li>➢ Allocate resources in line with business opportunities</li><li>➢ Reprioritize regions and products</li></ul></li></ul>

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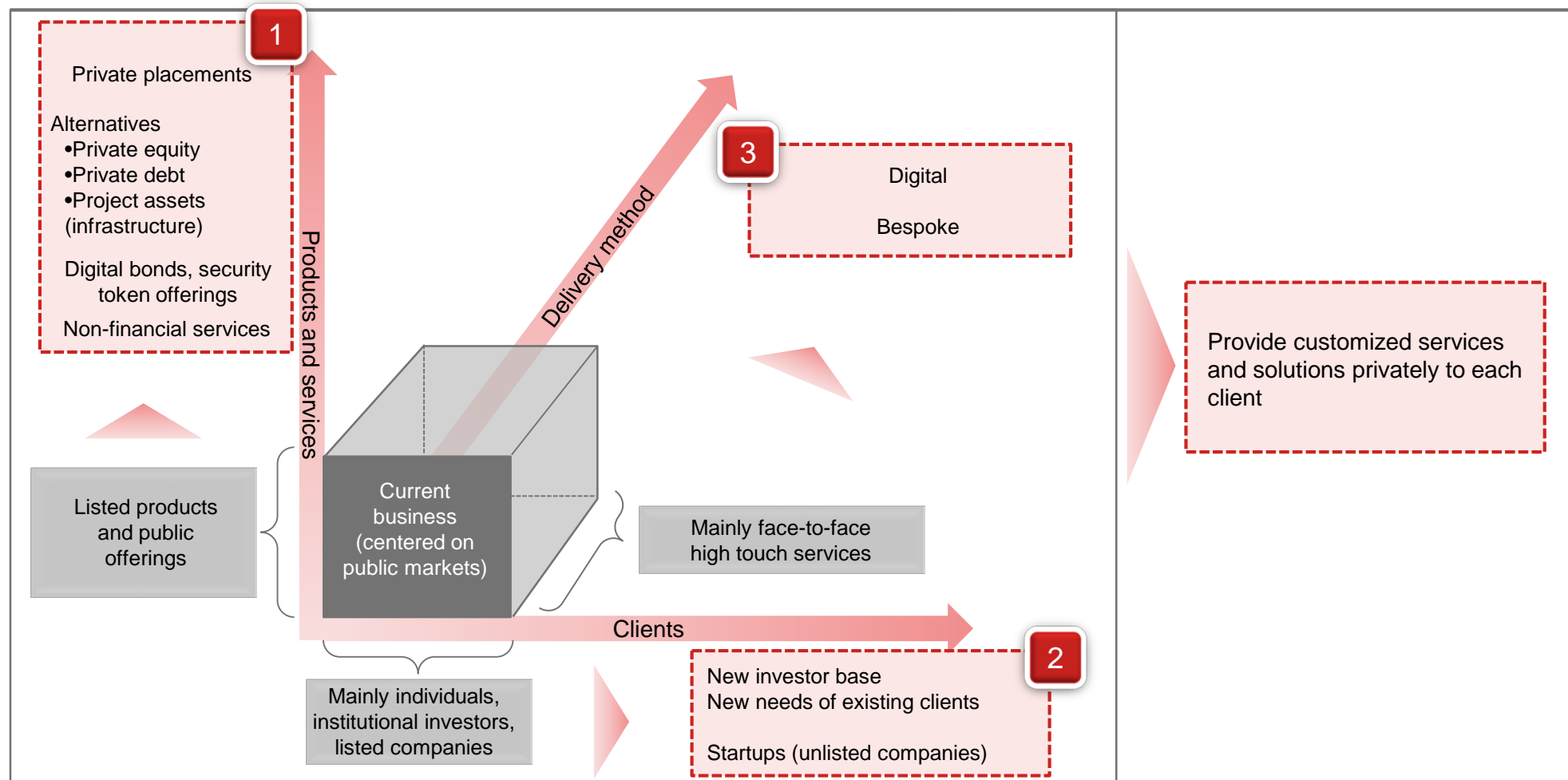
Business strategy

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# Expanding our scope of business from public to private

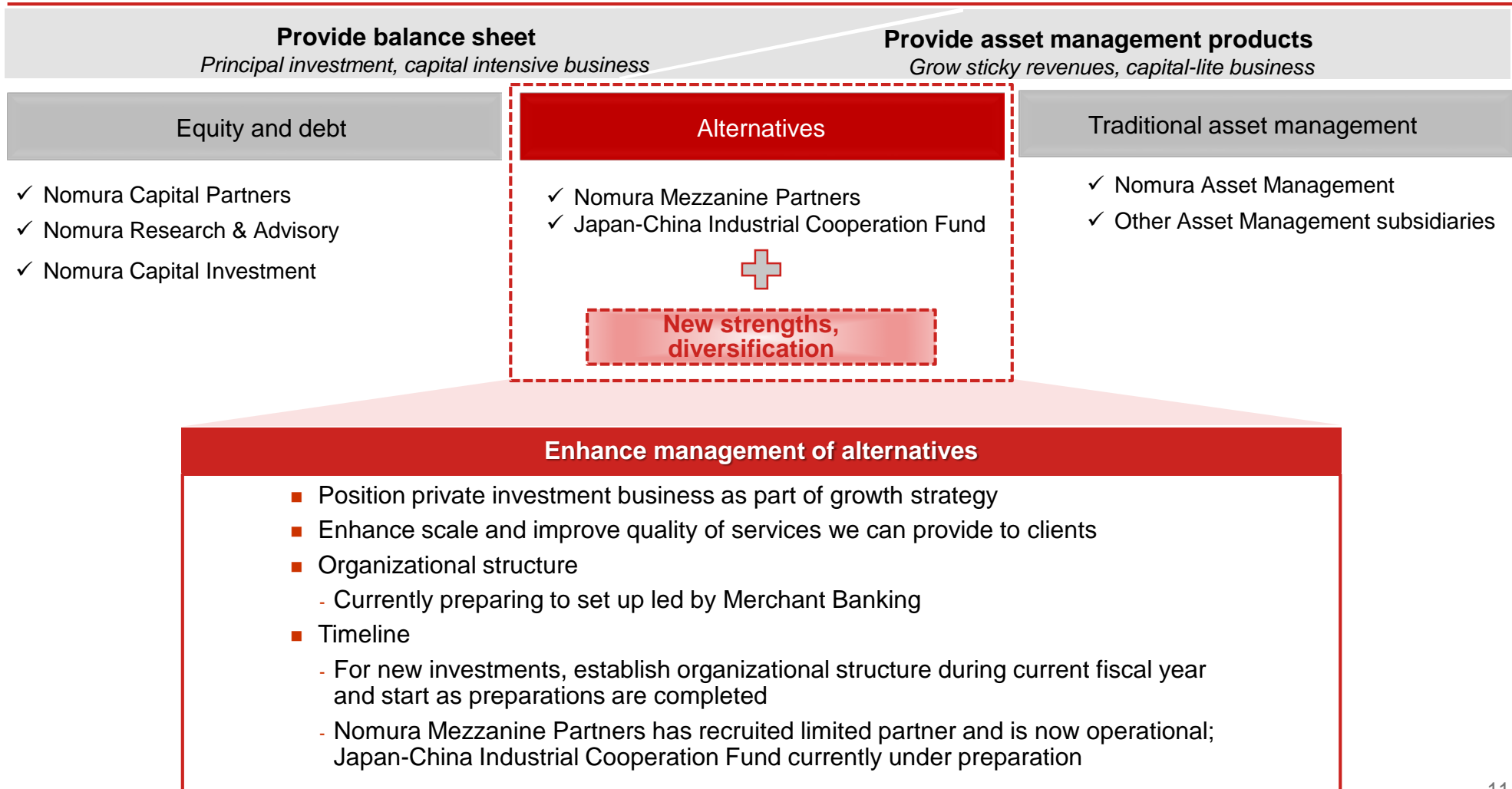
Leverage our strengths in the public markets to enhance our presence in private markets



# Enhancing alternative asset management: Strengthening our response to investor demand

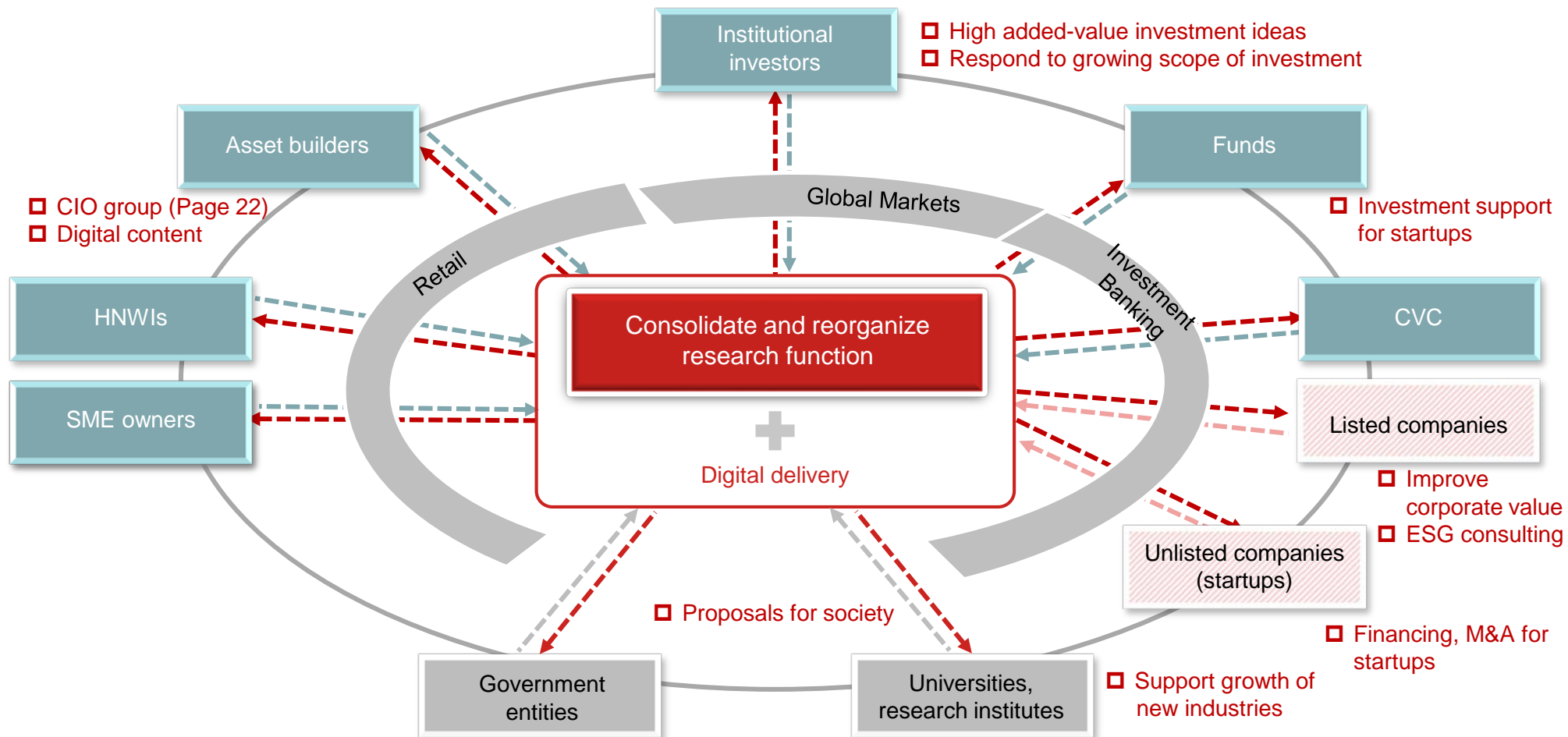
NOMURA

## Delivering value through Nomura Group



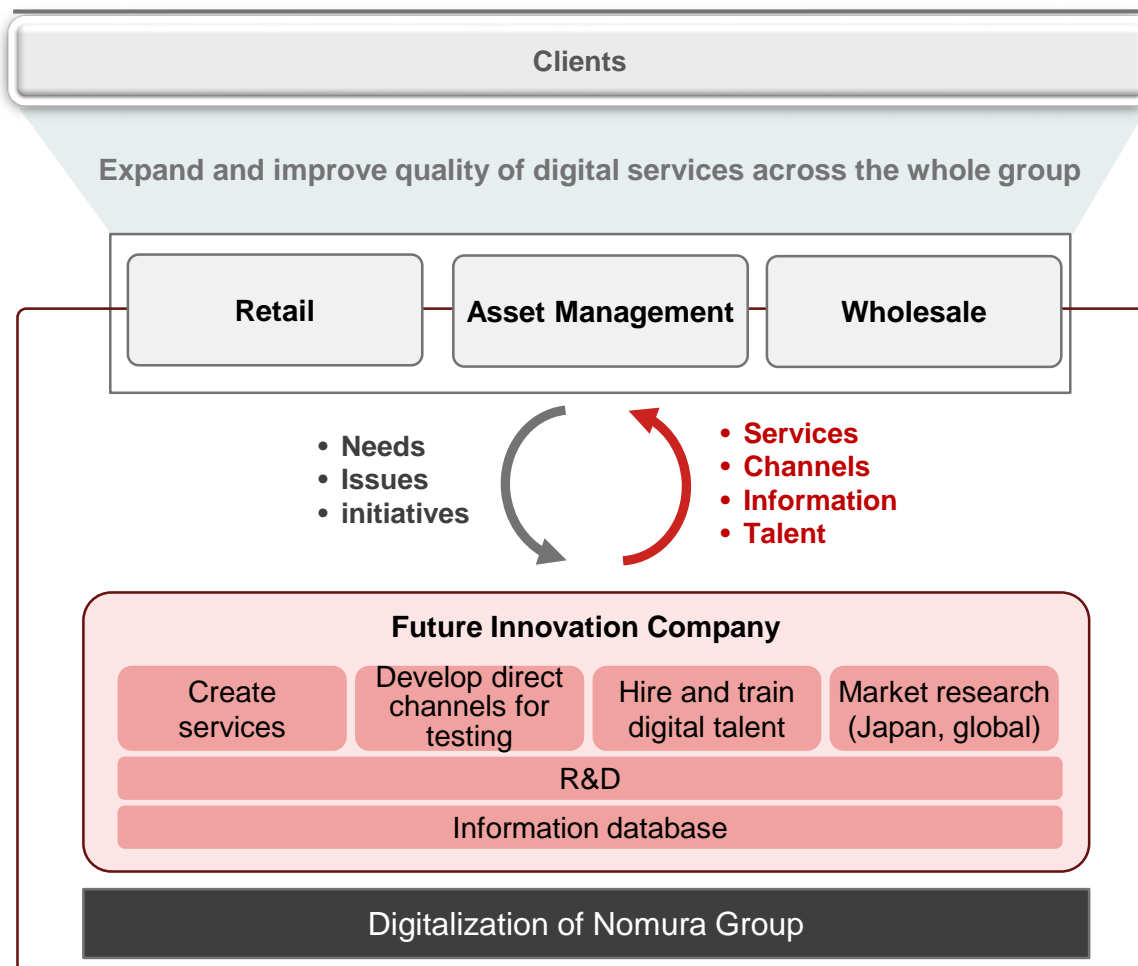
# Deliver higher value added by consolidating content

- Strengthen offering for private domain
- Expand consulting businesses
- Help resolve social issues

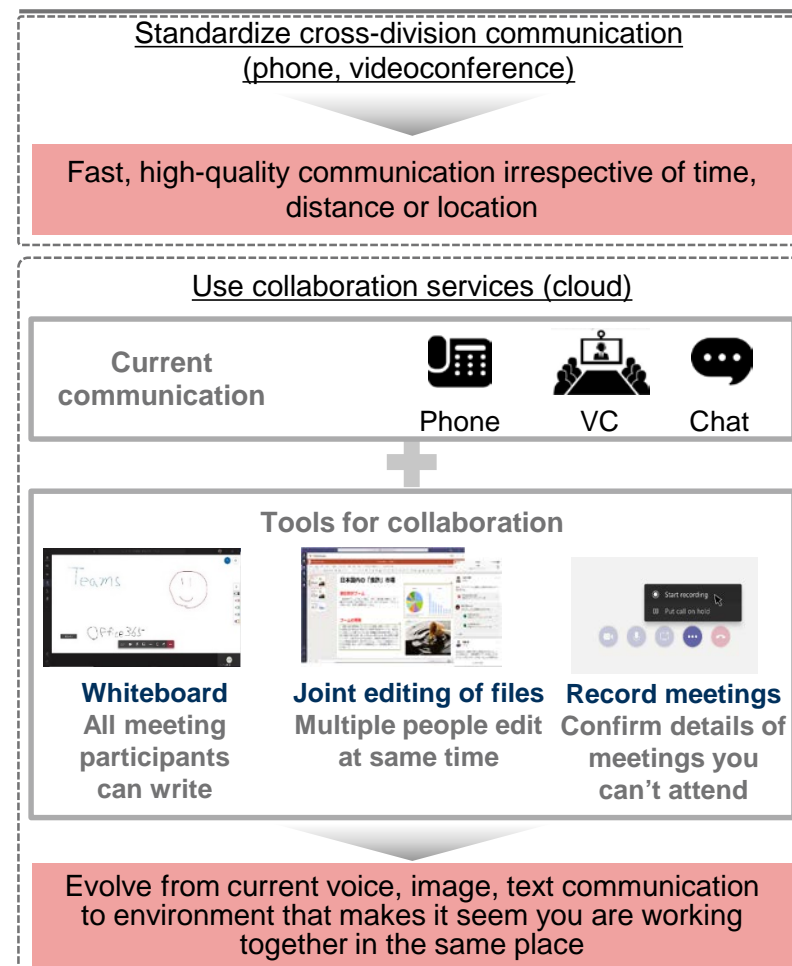


# Firm-wide digitalization

## Digital approach to clients



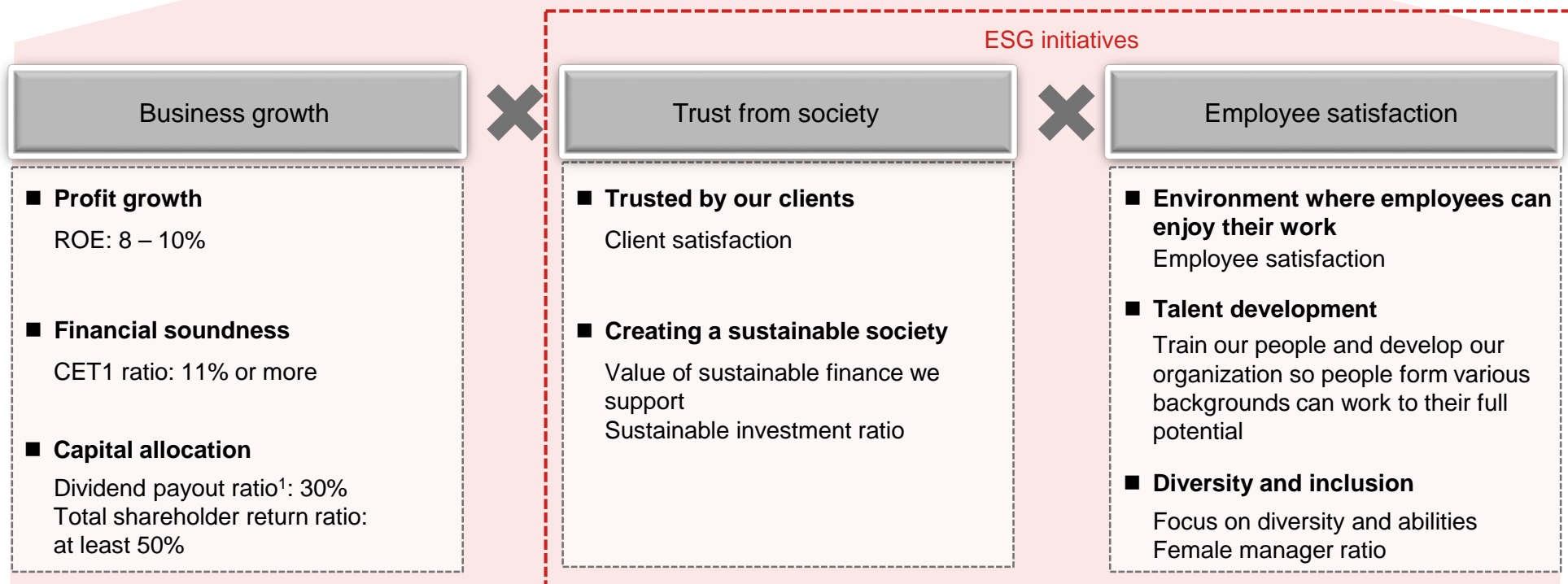
## Build work environment not restricted by location



# Management vision

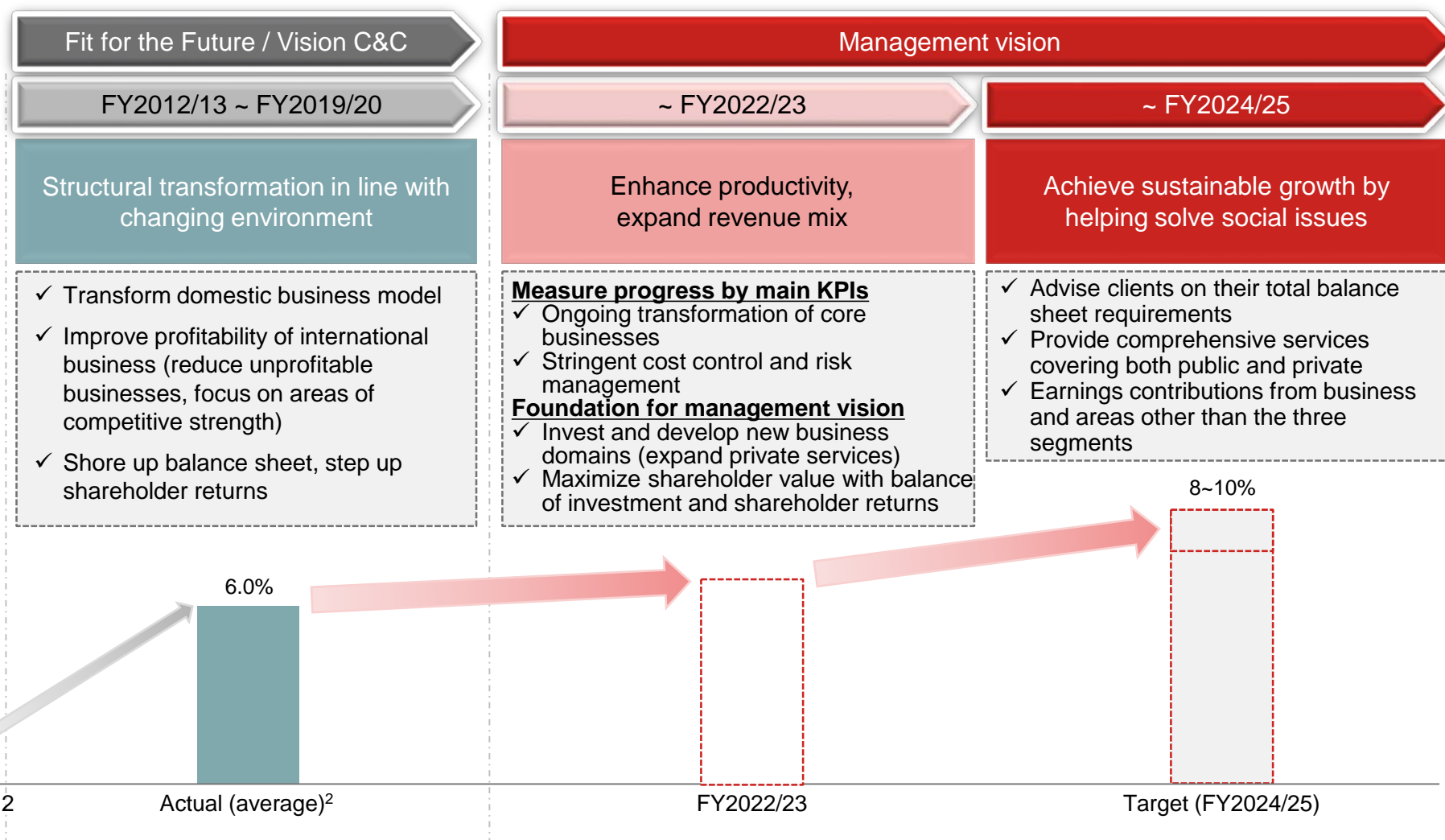
Achieve our long-term vision through business growth, trust from society and employee satisfaction

Management vision: Achieve sustainable growth by helping solve social issues



1. We will strive to pay dividends using a consolidated pay-out ratio of 30 percent of each semi-annual consolidated earnings as a key indicator. Dividend payments are determined taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment as well as the Company's consolidated financial performance.

# Path to achieving our management vision



1. Average of FY2009/10 – FY2011/12.  
2. Average of FY2012/13 – FY2019/20.



## Agenda

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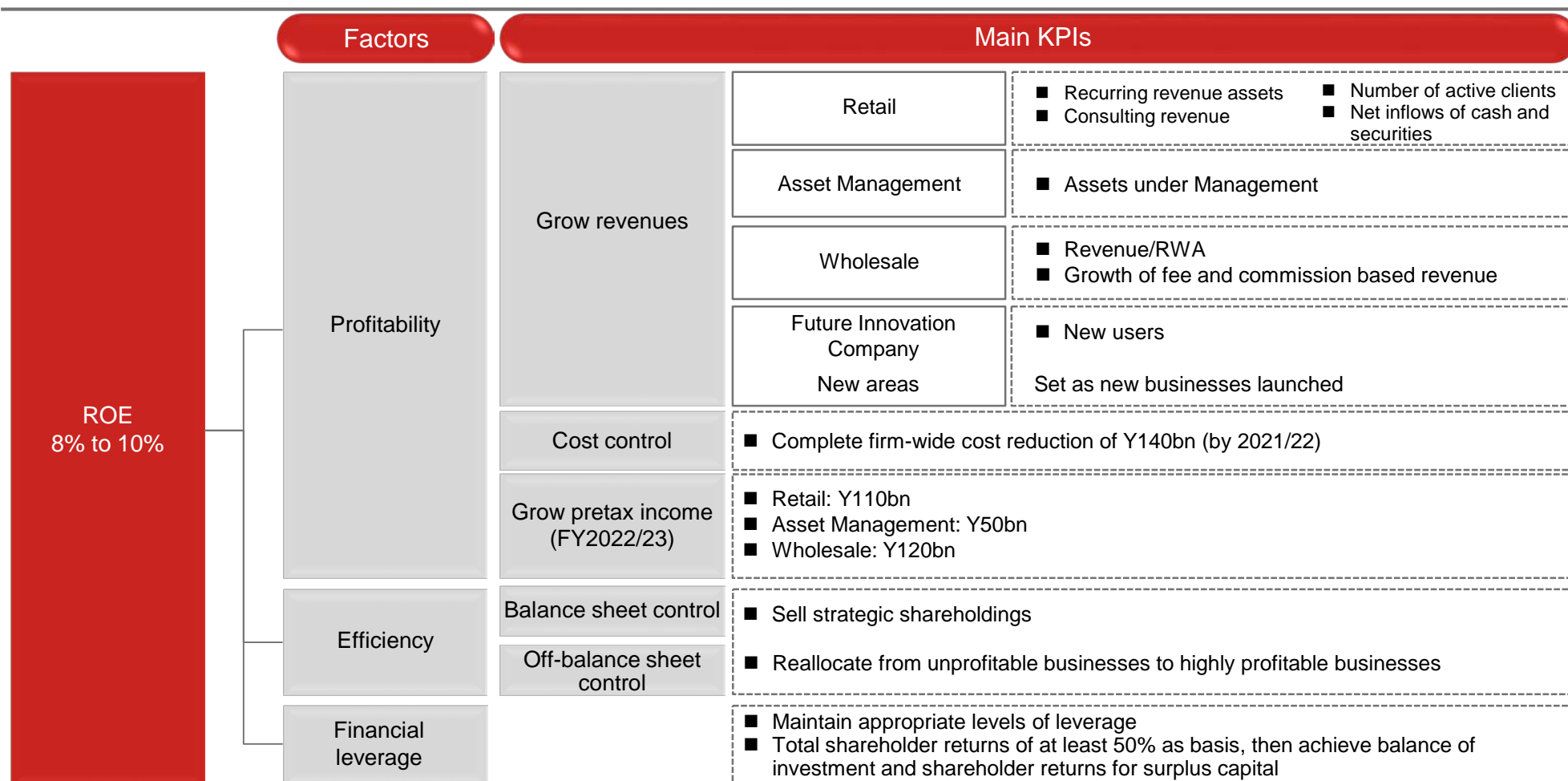
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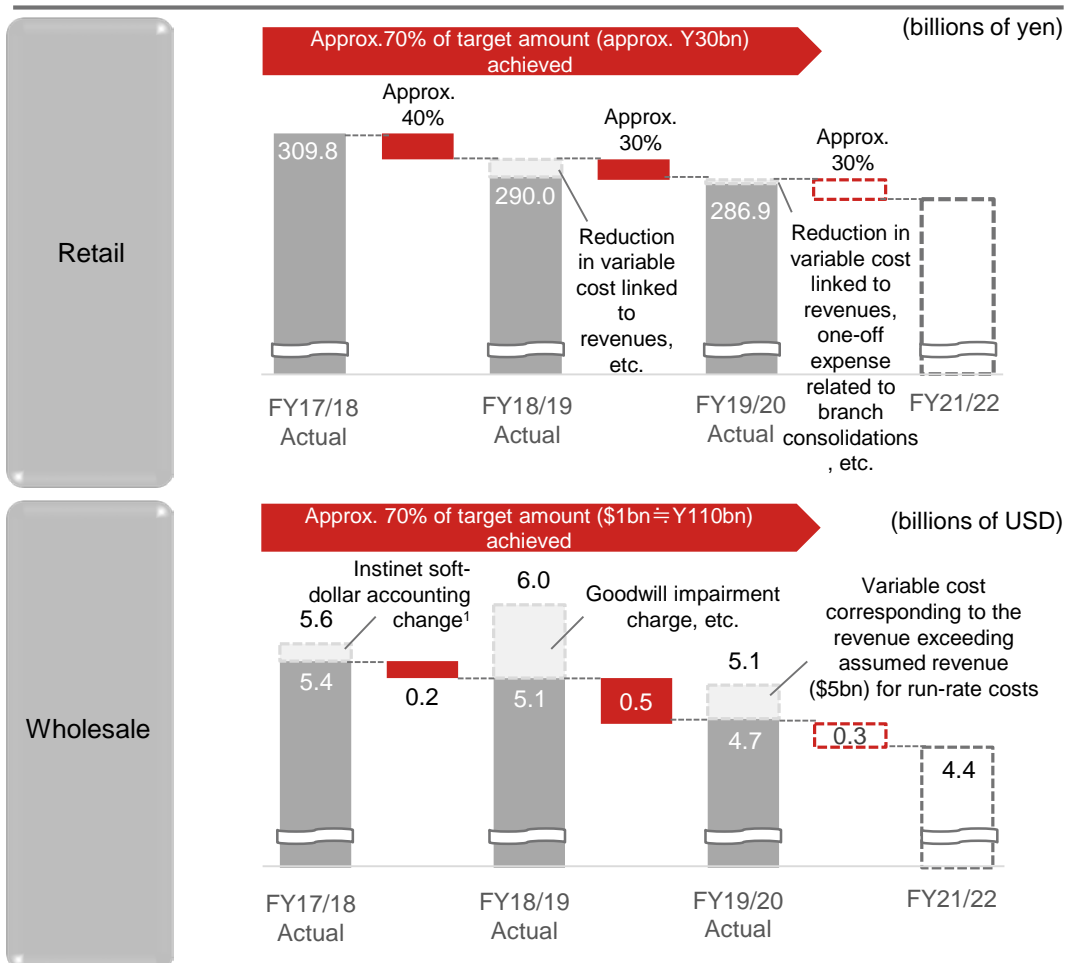
# Key performance indicators: ROE tree

## FY2024/25 Main KPIs

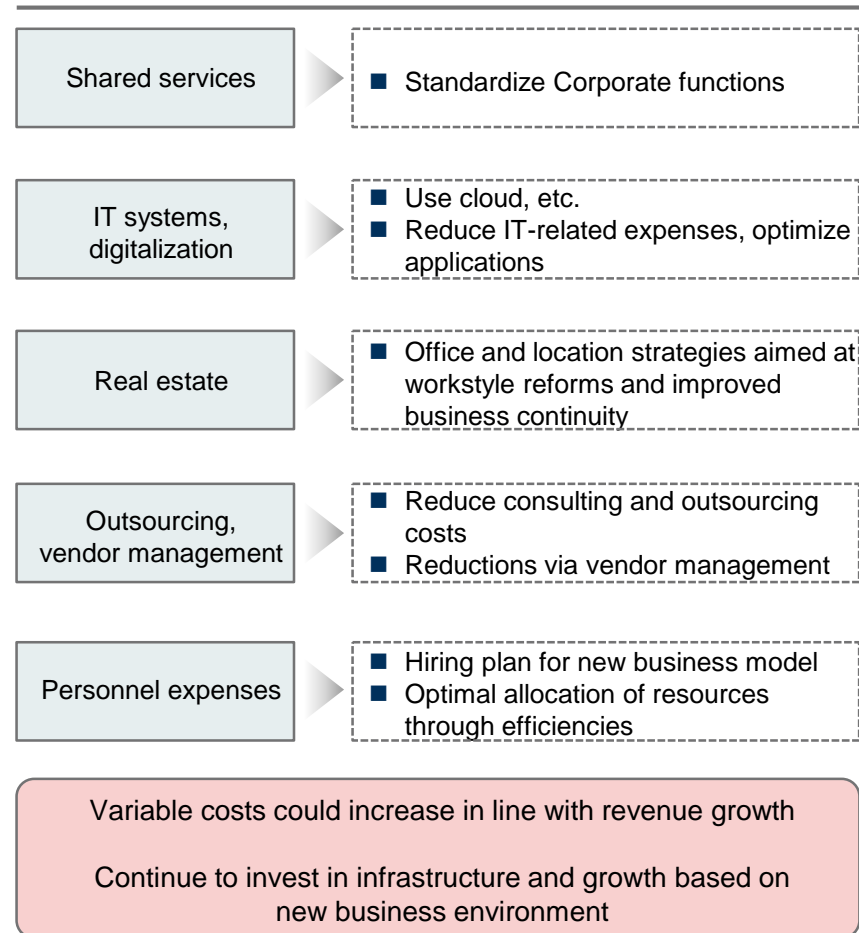


# Continue to focus on controlling costs

## Approx. 70% of cost reduction (Y140bn) complete



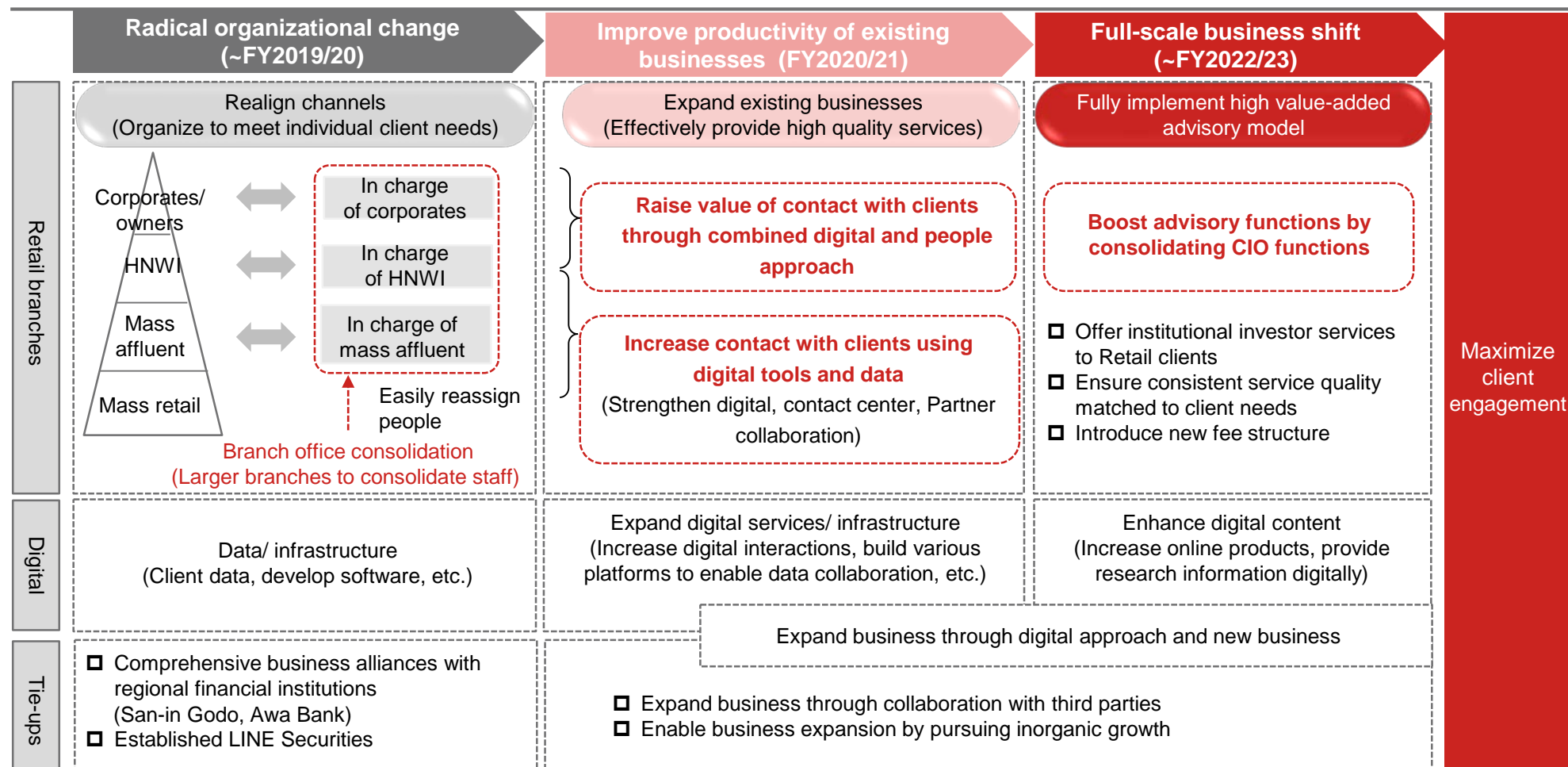
## Cost reductions from April 2020 onwards



1. In conjunction with the application of Accounting Standard Update No. 2014-09 "Revenue from Contract with Customers from April 2018, gross revenues and related expenses for certain transactions have been changed to net amounts. This resulted in offsetting of FY2018/19 revenues and expenses, leading to Y17.4bn reduction.

# Retail: Creating value through diverse touch points

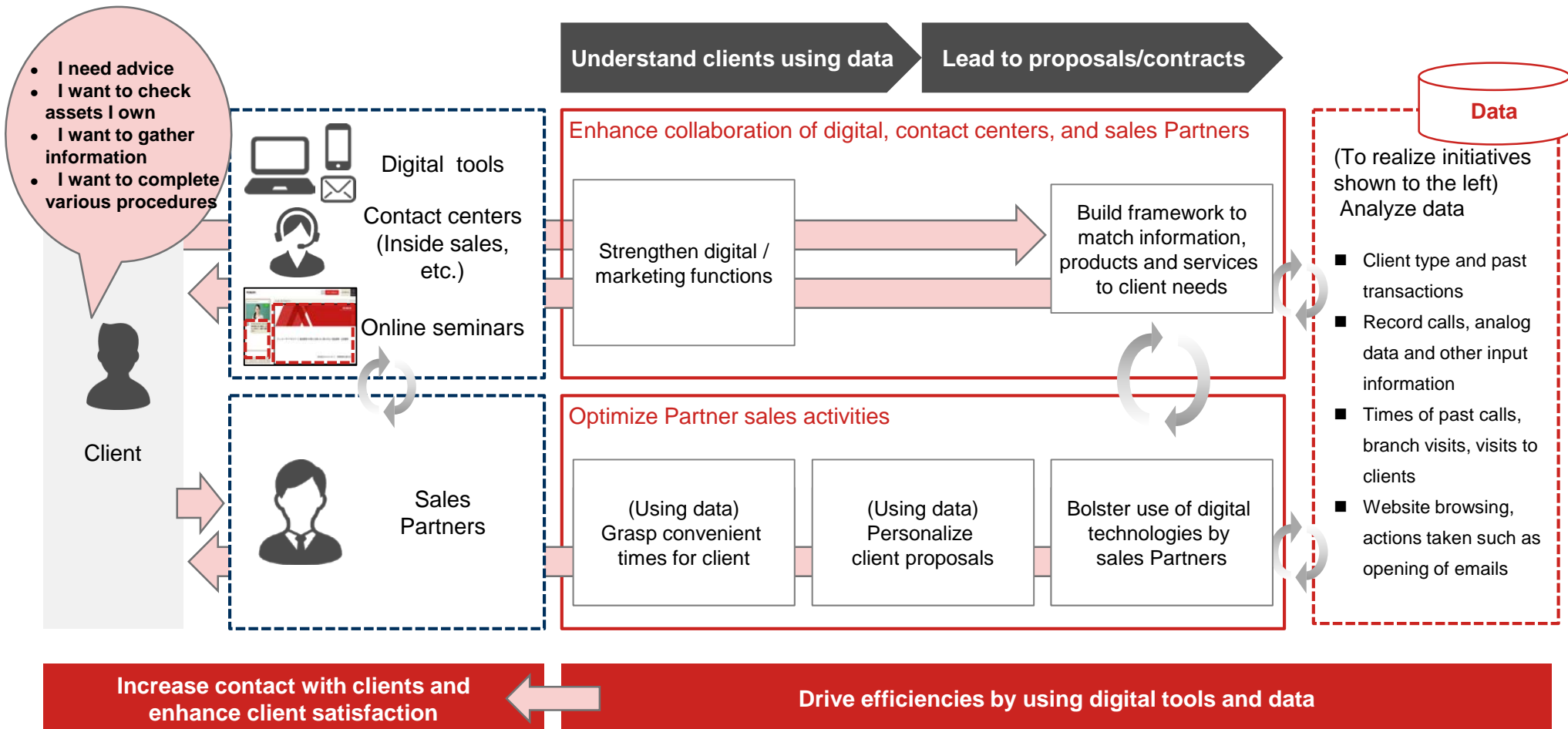
Offer clients advice on entire balance sheet to maximize client engagement



# Retail: Enhance productivity of existing businesses

- Combined approach of personal and digital coupled with stronger collaboration of digital, contact centers, and sales Partners
- Provide enhanced value to clients and optimize Partner sales activities

Provide services using digital marketing



# Retail: Build out existing businesses

B Brokerage commissions  
R Recurring revenue  
C Consulting revenue

Further expand products and services to offer clients advice on entire balance sheet

Vision

Diversify revenue sources by offering clients advice on their entire balance sheet

Focus areas

✓ Provide products and services to more clients

Increase active clients

✓ Broaden range of products and services

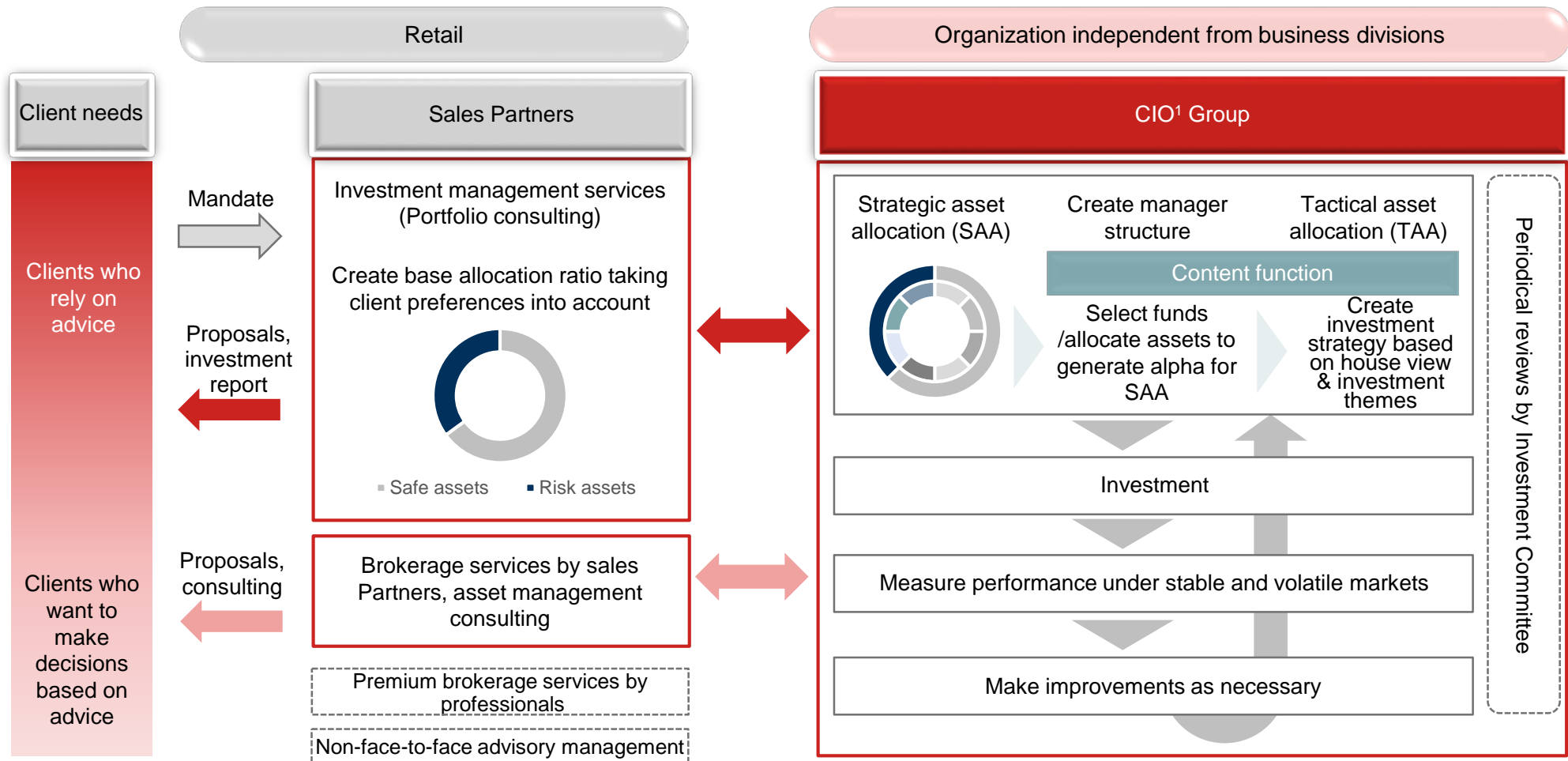
Offer combinations of products and services

		Common products and services	Products/services by segment
Consulting by sales Partners	Corporates, owners	<ul style="list-style-type: none"> <li>Strengthen support framework by assigning dedicated insurance sales staff <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">C</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span></li> <li>Provide some intermediary services for real estate sales in-house <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">C</span></li> <li>Inheritance services (Wrap/testament trusts) <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">C</span></li> <li>Diversify securities-backed loans <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span></li> <li>Strengthen portfolio proposals <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">B</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span></li> <li>Improve discretionary investment services <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span></li> </ul>	<ul style="list-style-type: none"> <li>Help clients raise value by supporting core business <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">C</span></li> <li>Promote workplace NISA, iDeCo (benefit services) <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">C</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span></li> </ul>
	HNWIs		<ul style="list-style-type: none"> <li>Launch of Nomura Equity Premium Service (Equity advice program for HNWIs) <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">B</span></li> <li>Expand product offering for HNWIs <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">B</span></li> </ul>
	Mass affluent Mass retail		<ul style="list-style-type: none"> <li>Launch low cost products <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">B</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span></li> <li>Enhance webinar program</li> </ul>
Online	Online users	<ul style="list-style-type: none"> <li>Improve user interface and user experience</li> <li>Expand services (competitively priced products, lower interest rate for margin loans via online branches (3% → 0.5%), start offering foreign stocks) <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">B</span></li> </ul>	

# Retail: Laying the groundwork for a business shift

- Leverage insights from independent CIO<sup>1</sup> Group
- Enhanced investment strategies based on house view and investment themes

Provide new asset management services: Create high value-added advisory model



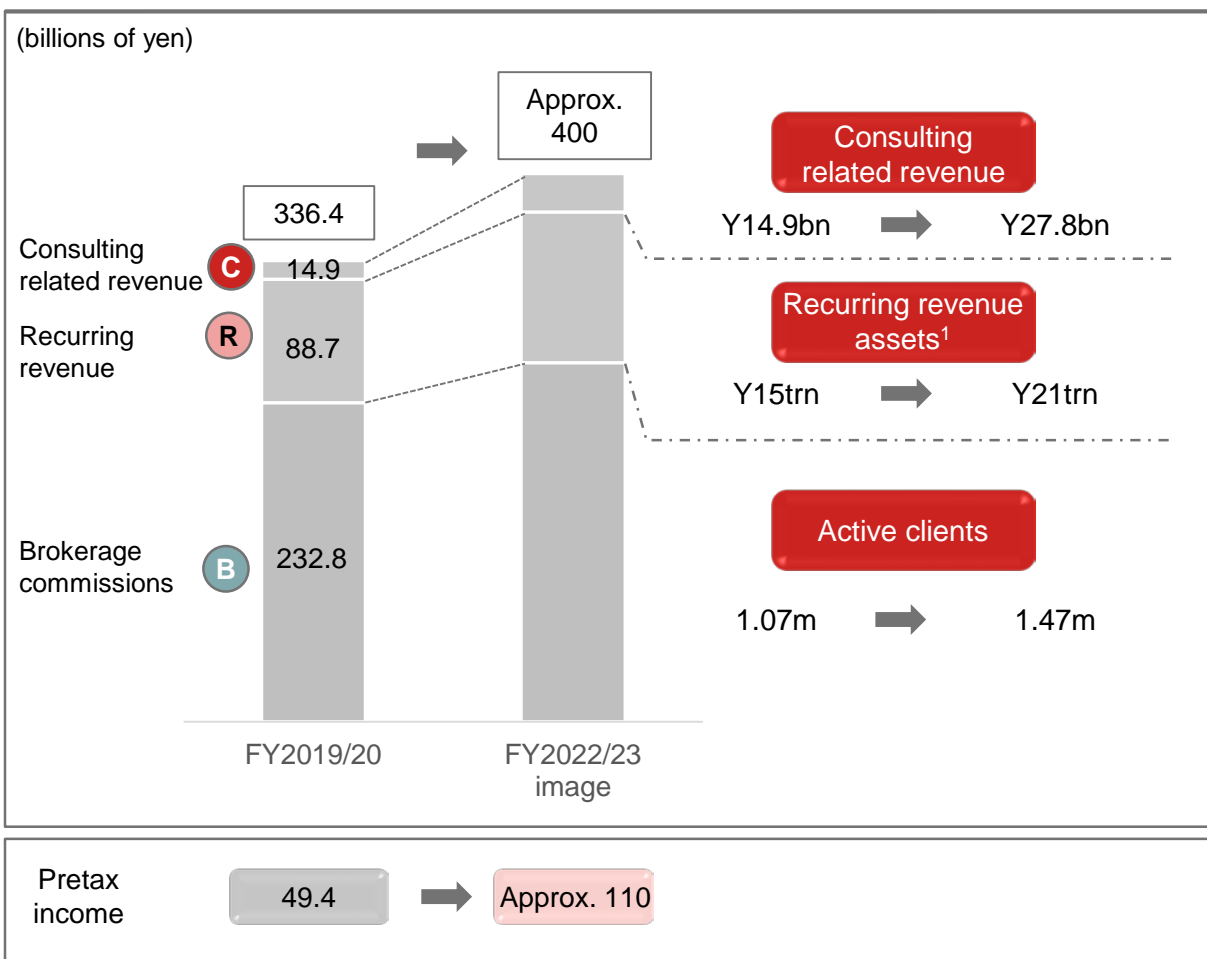
# Retail: FY2022/23 KPIs and KGIs

  = Key performance indicator (KPI)

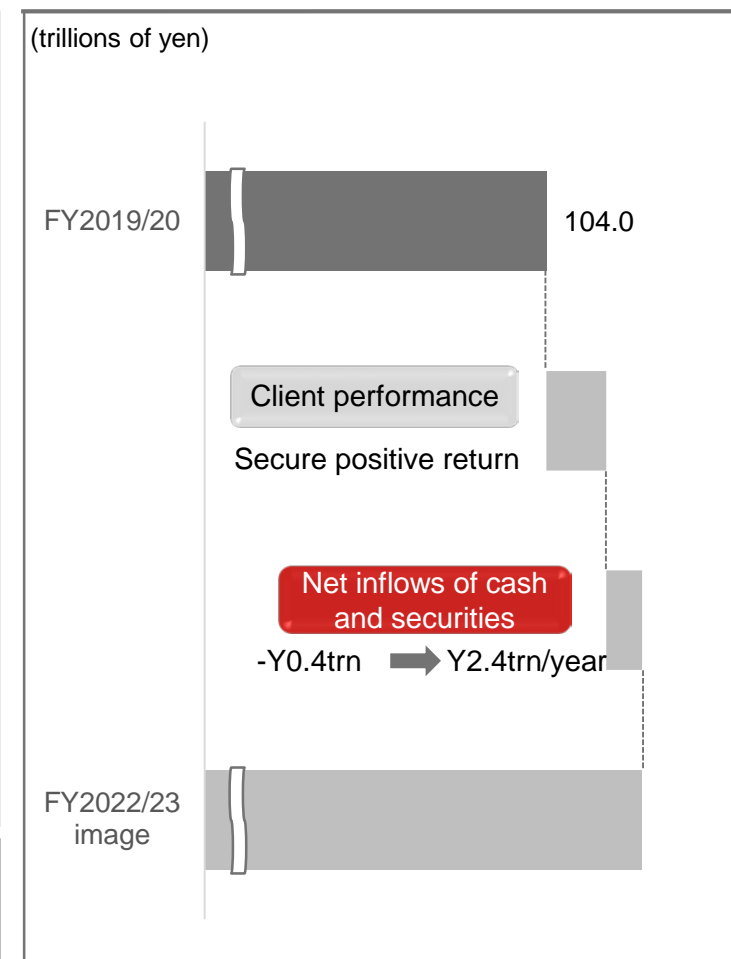
  = Key goal indicator (KGI)

Each KPI shown as FY2019/20 → FY2022/23 target

## Financial indicators



## Client assets



1. Investment trusts (stocks, foreign), discretionary investment services, insurance, loans.



# Asset Management: Accelerating growth towards FY2022/23

NOMURA

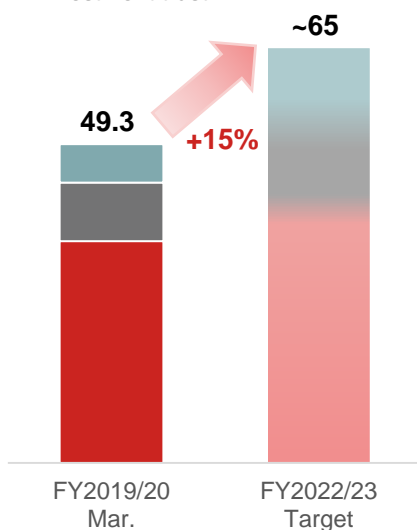
Pretax income  
(billions of yen)

28.8<sup>1</sup>

~50

AuM  
(trillions of yen)

- Foreign business
- Discretionary investment
- Investment trust



Vision

- Asset manager of choice for investors worldwide
- Unrivalled leader in Japan
- Asset manager that adapts to change and grows consistently

Firm-wide measures

## Develop products in growth areas

- ✓ **Multi-asset:** Combine investment expertise from various asset classes to provide solutions matched to diverse needs
- ✓ **ESG:** Incorporate ESG factors into investment process, and grow ESG/SDGs focused product lineup
- ✓ **Alternative:** Consolidate Group know-how in addition to funds of funds

## Strengthen collaboration between investment and sales: Swiftly respond to broad range of needs

- ✓ Boost product management functions to bring out maximum investment and sales strengths; Swiftly create products and offer enhanced proposals

## Increased productivity and efficiencies

- ✓ Drive business automation and efficiencies
- ✓ Make use of digital technologies for marketing and provision of information

Sales measures for each channel

## Investment trusts

- ✓ Enhance products and services for asset building segment and retirees
- ✓ Boost defined contribution pension solutions

## Investment advisory in Japan

- ✓ Enhance profitability by developing high value-added products and services

## International business

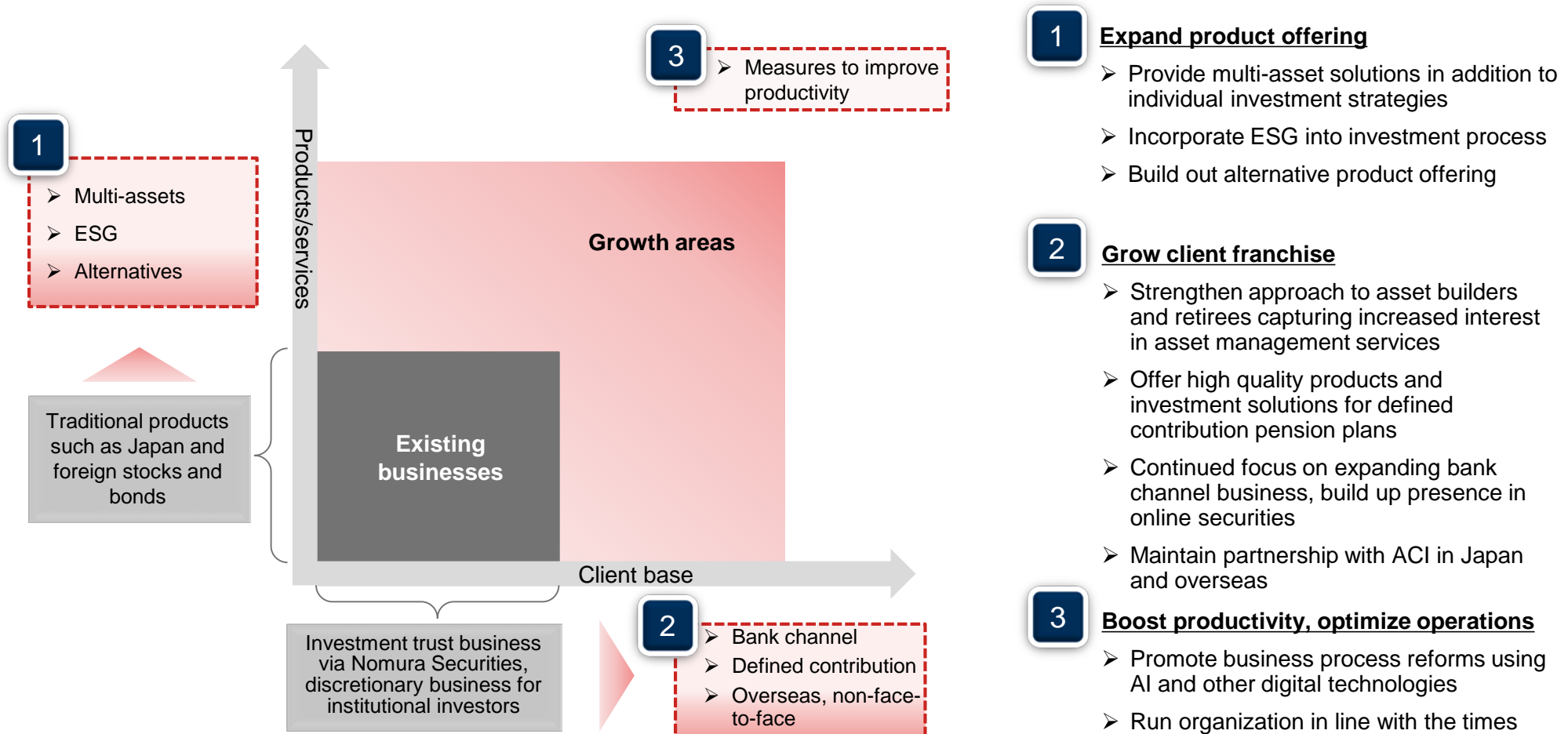
- ✓ Increase competitive flagship products and build on brand strength
- ✓ Deepen relationship with local distributors including private banks

1. FY2019/20 includes American Century Investments related gain/loss (-Y7.6bn)

# Asset Management: Growth strategy

- Intensify focus on key existing products and businesses, boost product strategy in growth areas and strengthen initiatives to expand client franchise
- Review and optimize current business operations making use of digital technologies

## Product and marketing strategy



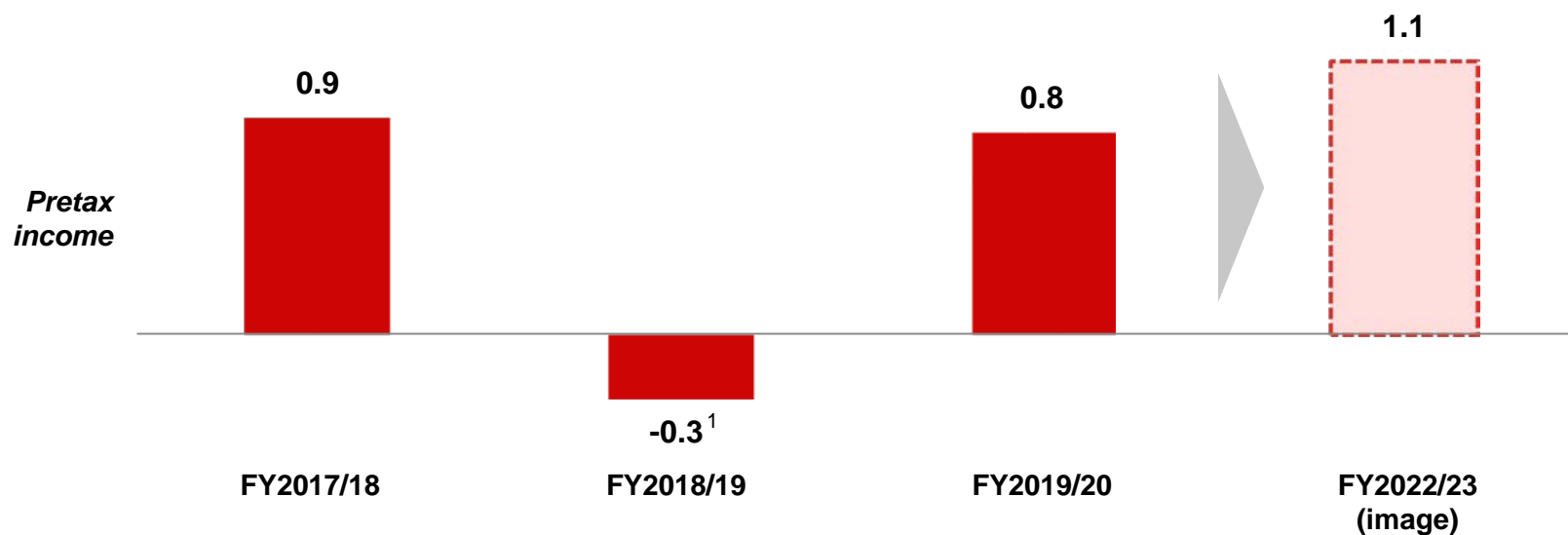
# Wholesale: FY2022/23 targets

Establish platform to deliver consistent pretax income of \$1.1bn by FY2022/23

(billions of USD)

(billions of USD)

<b>Net revenue</b>	6.5	5.0	6.0	6.3
Revenue/RWA	6.5%	5.0%	6.5%	Run-rate cost <sup>2</sup> excluding increase in expenses due to revenue growth is \$4.7bn; Progressing to plan
<b>Expenses</b>	5.6	5.3 <sup>1</sup>	5.1	
<b>Expenses/Revenue</b>	86%	105% <sup>1</sup>	86%	82%



1. Excluding goodwill impairment charge attributable to Wholesale (Y81bn).

2. Pay-for-performance related to higher revenues, new hiring for growth, etc. excluded from run rate.





# Wholesale: FY2022/23 KPIs

## Improve profitability and efficiency

	Indicator	FY2022/23 target	Key actions
Improve resource efficiency	■ Revenue/RWA	<b>Approx. 6%<sup>1</sup></b> Currently: 5.0% to 6.5%	<ul style="list-style-type: none"> <li>✓ Strengthen four main products in Global Markets</li> <li>✓ Monetize liquidity and hedging needs amid high volatility</li> <li>✓ Dynamic resource allocation in line with changing external environment</li> </ul>
Improve operational efficiency	■ CIR (Expenses/Revenue)	<b>82% or lower</b> Currently: 86% to 105%	<ul style="list-style-type: none"> <li>✓ Enhance control over desk-level budget</li> <li>✓ Operational efficiencies through digitalization</li> </ul>
Revenue diversification	■ Growth of fee and commission based revenue (Revenue from Execution Services, M&A, etc.)	<b>+15% or higher</b> vs. FY2019/20 actual (approx. \$1bn)	<ul style="list-style-type: none"> <li>✓ Selective investment to further develop fee-based revenue streams</li> <li>✓ Make full use of the Group</li> <li>✓ Pursue digitalization to create new revenue streams</li> </ul>

1. Uncertain impacts such as regulatory changes are not considered at present.

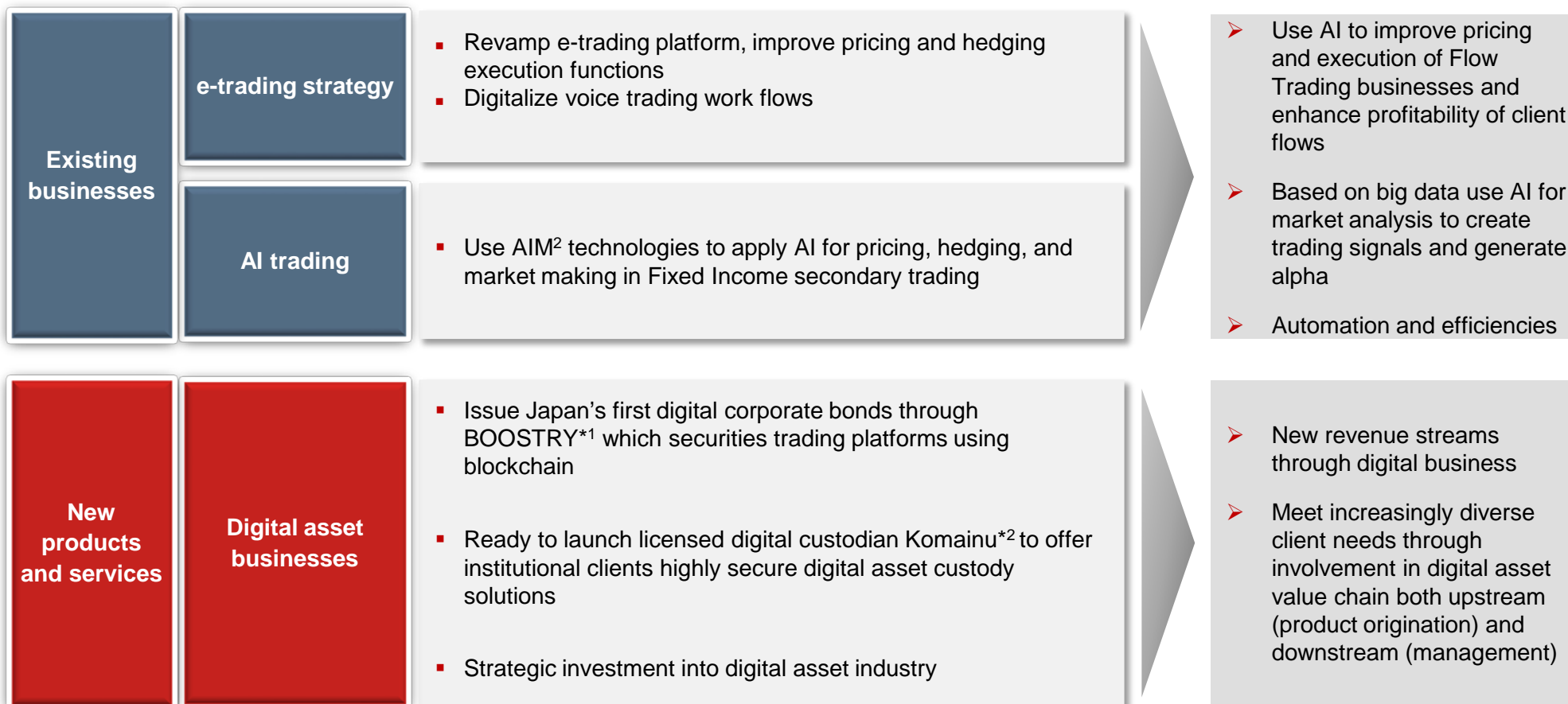
# Wholesale: Business mix geared to operating environment

Business	Revenue contribution <sup>1</sup>	Operating environment	Strategic focus	Future outlook
Execution Services		<ul style="list-style-type: none"> <li>Higher client activity from increased volatility in short term</li> </ul>	<ul style="list-style-type: none"> <li>Further gain in market share</li> <li>Expansion of non-brokerage revenue streams to expand wallet share through multi-product services</li> <li>Continued focus on cost efficiency</li> </ul>	Grow
Secondary Trading		<ul style="list-style-type: none"> <li>Followed by normalization and return to robust activity in steady state</li> </ul>	<ul style="list-style-type: none"> <li>Continued growth in core areas</li> <li>Improved monetization and differentiation in Flow Trading by use of technology</li> <li>Monetize demand for liquidity</li> </ul>	Maintain
Origination / Financing		<ul style="list-style-type: none"> <li>Slowdown in deal flow in short term</li> </ul>	<ul style="list-style-type: none"> <li>Support client financing through structured and solutions offerings</li> <li>Drive resource efficiencies, prudently manage exposure</li> </ul>	Opportunistically pursue
Advisory		<ul style="list-style-type: none"> <li>Expected to pick up as economy recovers</li> </ul>	<ul style="list-style-type: none"> <li>Capitalize on new opportunities</li> <li>Scale-up of key focus sectors (collaboration with Greentech)</li> </ul>	Grow
New business opportunities			<ul style="list-style-type: none"> <li>Pursue partnerships with third parties</li> <li>Invest to build new digital businesses</li> </ul>	Grow

# Wholesale: Digital transformation for revenue growth

- Accelerate digital transformation of existing businesses
- Offer new high value-added products and services, create new revenue streams through differentiation

## Initiatives



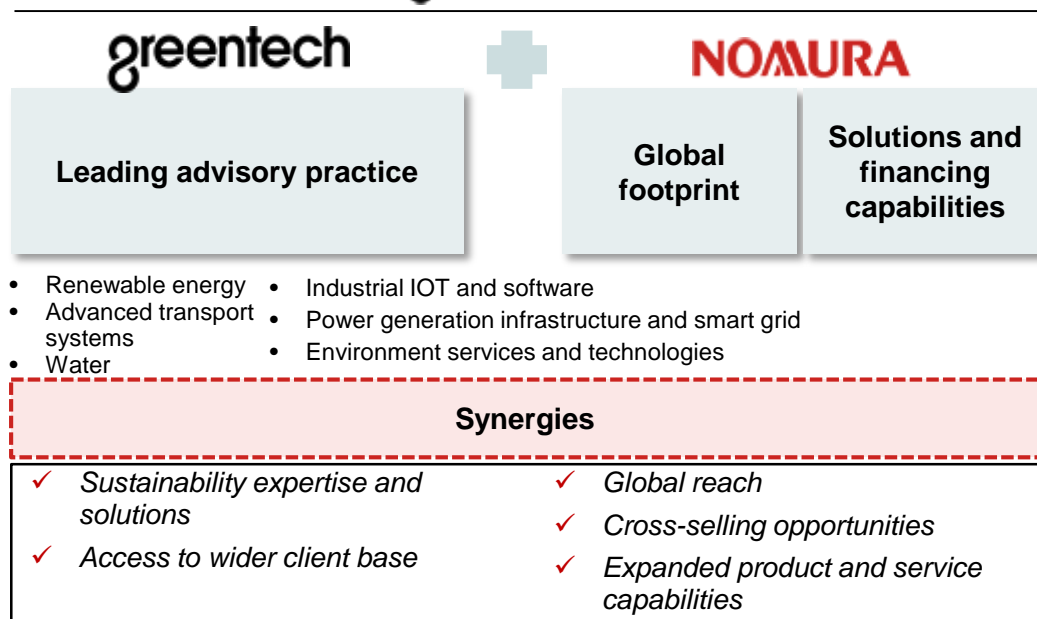
\*1. Joint venture with Nomura Research Institute.

\*2. Joint venture with Ledger and Global Advisors.

# Wholesale: ESG initiatives

- Acquired Greentech Capital Advisors, a leading player in sustainable technology and infrastructure sectors
- Synergies with Nomura franchise will allow us to contribute to sustainable society

**NOMURA**  
greentech



- Completed acquisition in April 2020
  - Soon compete seamless integration of strategies, sales teams, operations and systems for regions and products
- Cross-selling opportunities
  - Advisory  
Advisory services with specialized content
  - Solutions  
Deal contingent hedging and other hedging solutions
  - Financing  
Sustainable bonds, public offerings, private placements, private equity/infrastructure funds financing, financing for sustainable projects/companies

**Build ESG-related financing and advisory platform meet social needs and increased demand for sustainable products**

*Medium term revenue upside: \$100m+ (annual)*

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