

# Investor Day

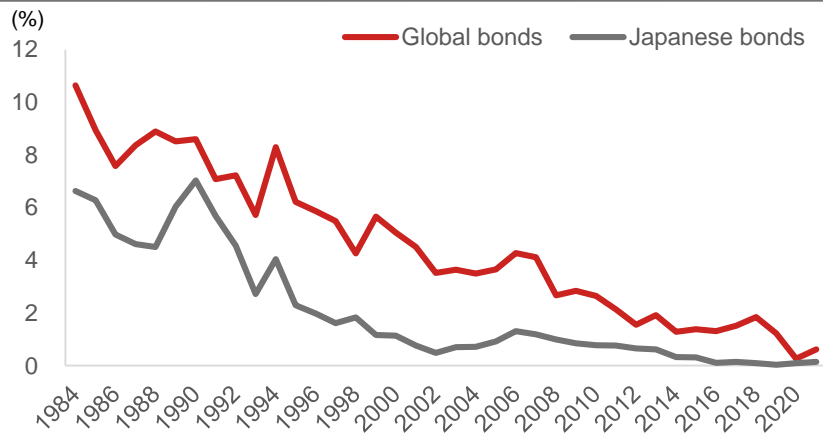
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Head of Investment Management  
Nomura Holdings, Inc.

May 12, 2021

# Investment management business environment

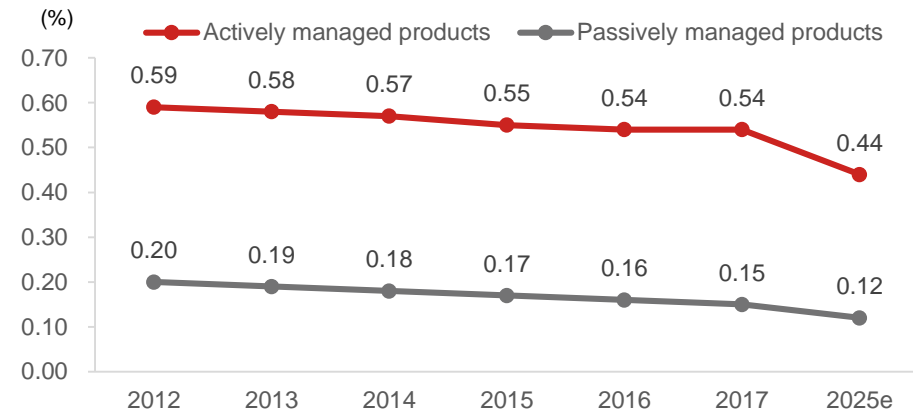
■ Challenging environment for investors marked by decline in global fixed income yields causes diverse asset management needs

Fixed income yields<sup>1</sup>

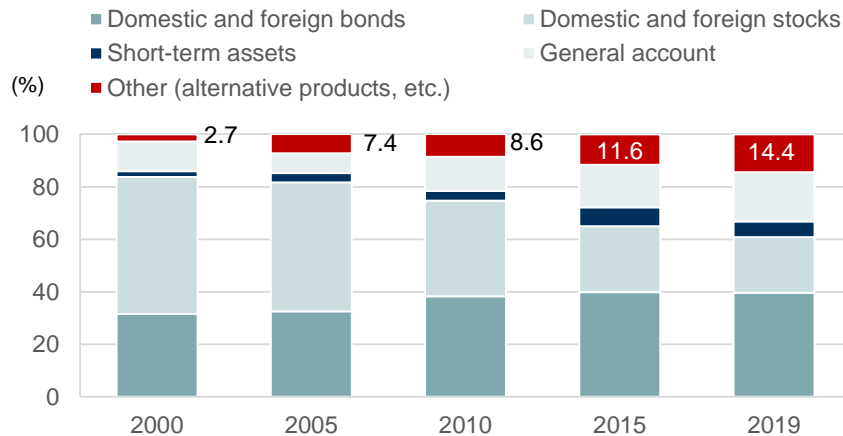


■ Declining investment management fees and growing revenues from managing alternative assets

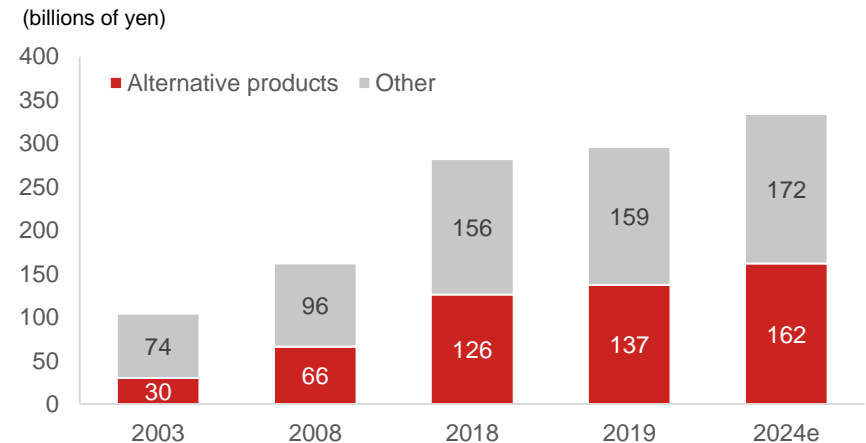
Decline in investment management fees<sup>3</sup>



Assets in corporate pension funds in Japan<sup>2</sup>



Fees by asset type<sup>4</sup>



1. Source: Nomura, based on data from FTSE World Government Bond Index (WGBI) and NOMURA-BPI.

2. Source: Assets in corporate pension funds: Pension Fund Association report on research into current state of corporate pension funds (2019).

3. Source: Investment management fee data: "Asset and wealth management revolution" by PwC.

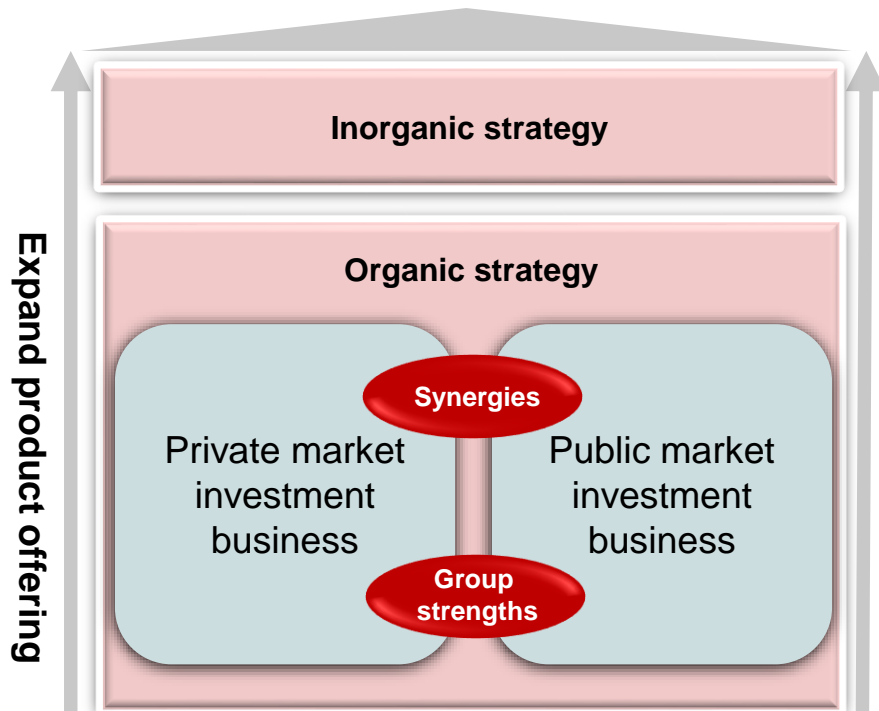
4. Source: "Global Asset Management 2020: Protect, Adapt, and Innovate" by Boston Consulting Group.

# Establishment of Investment Management division

- Set up Investment Management division as part of our strategy to expand from public markets into the private sphere and meet the increasingly diverse investment management needs of our clients

## Aim and vision of Investment Management

- Bring together groupwide expertise in equities, fixed income and other traditional assets as well as alternative assets such as private equity to deliver greater added value
- Elevate investment management business and deliver services and solutions to meet increasingly diverse client needs



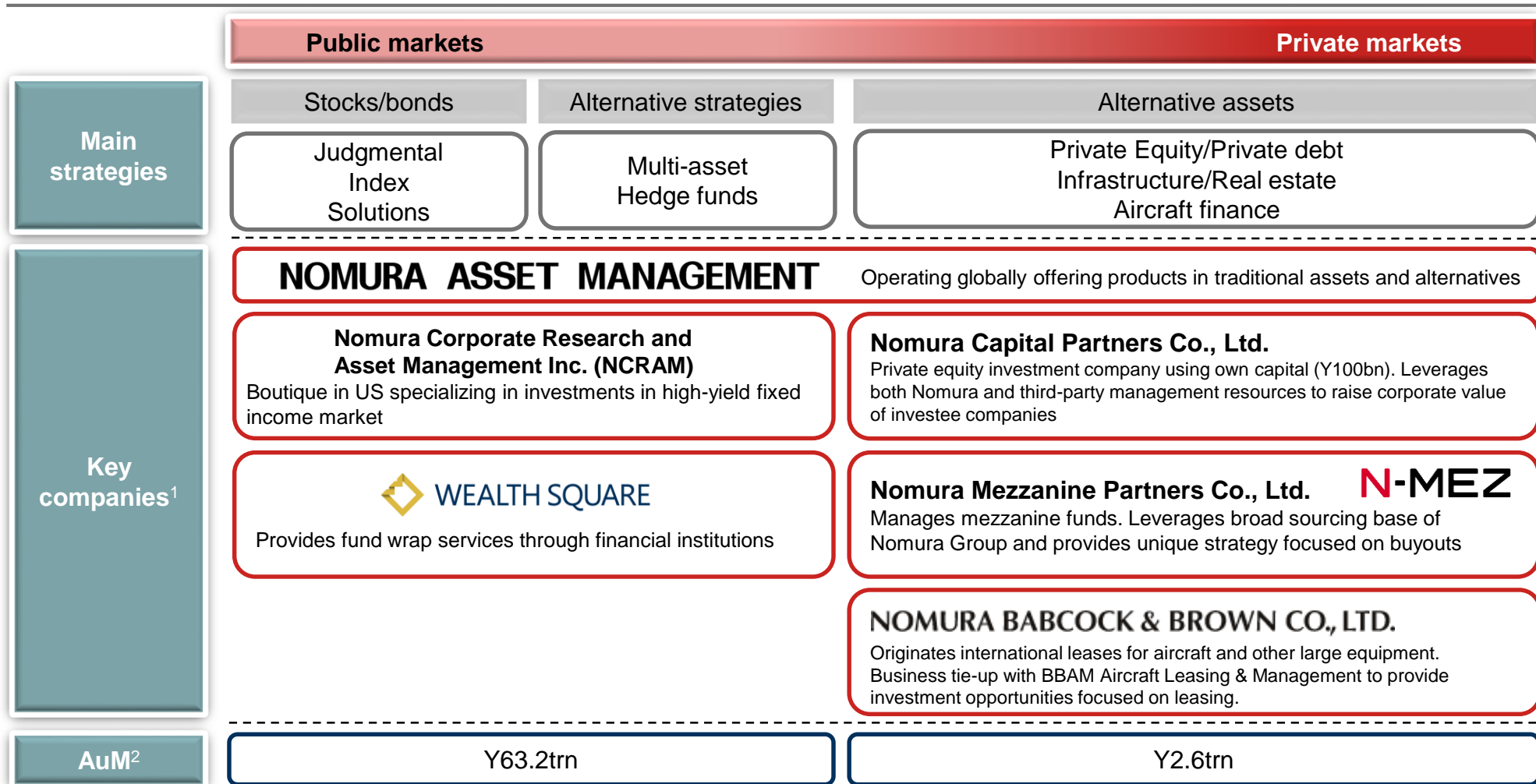
## Investment Management key attributes

- ✓ Solid track record in both public and private markets
- ✓ Enhanced growth within division and tap into full capabilities of Nomura Group
- ✓ Pursue independent investment stance and advanced expertise
- ✓ Manage business portfolio with nimble capital policy
- ✓ Growth of inorganic business investments

# Investment Management organization

- Group of investment and asset management companies with track record across diverse investment businesses spanning public and private markets

Key investment and asset management companies in Investment Management division



1. The above companies are the main group companies that come under the Investment Management division.

2. AuM includes net after deducting duplications from assets under management (gross) from Nomura Asset Management, Nomura Corporate Research and Asset Management Inc., Wealth Square, as well as money invested by Nomura Babcock & Brown client and investments by Nomura Capital Partners, Nomura Mezzanine Partners, etc.

# Enhancing growth and leveraging full capabilities of group

- To deliver on Investment Management’s aim of enhancing our product offering and expanding our client base we will leverage the full capabilities of Nomura Group and affiliates to pursue further growth

## Organizational management for enhanced growth

### Advanced investment management, expanded product offering

Ensure **independence** of each entity. Expand product offering with competitive performance backed by expertise and innovation of each group company

### Meet diverse needs, grow client base

**Collaborate** across products to better solve client issues and provide solutions and expand our client base

### Operational efficiency

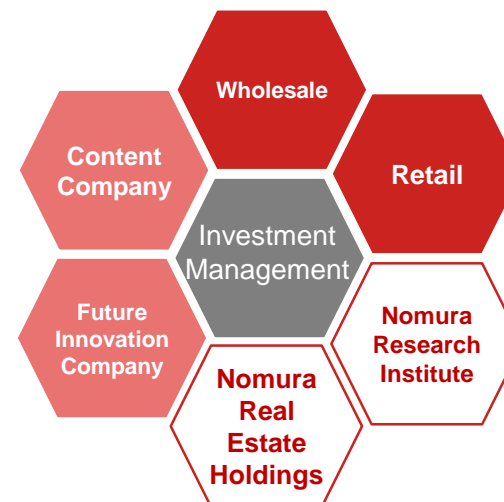
**Standardize** internal processes  
Drive efficiencies and reduce work-load through digitalization

### Accelerate division strategy

**Centralize** strategy under dedicated department  
Accelerate strategic planning and execution required for growth

## Leverage full capabilities of Nomura Group and affiliates

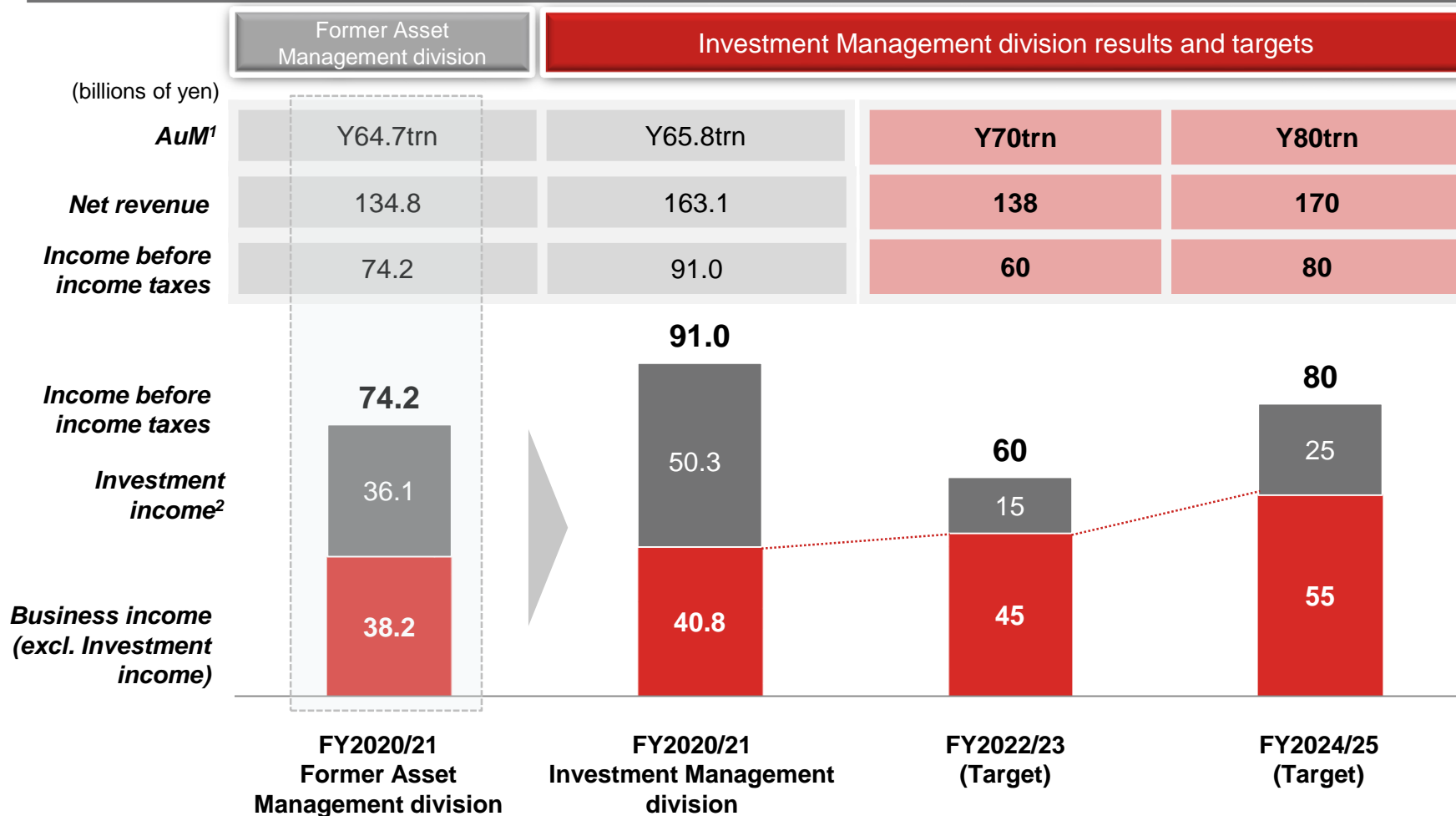
- Advanced **expertise**, knowledge management
- Leverage **full capabilities** of Nomura Group and affiliates to help resolve social issues and contribute to sustainable growth
- Global **sourcing** network
- Access to Nomura Group high-quality, extensive **client base**
- Improve business structure using **digital technologies**



# Investment Management division targets

■ Target income before income taxes of Y80bn at base case scenario run rate in FY2024/25

## Investment Management division targets



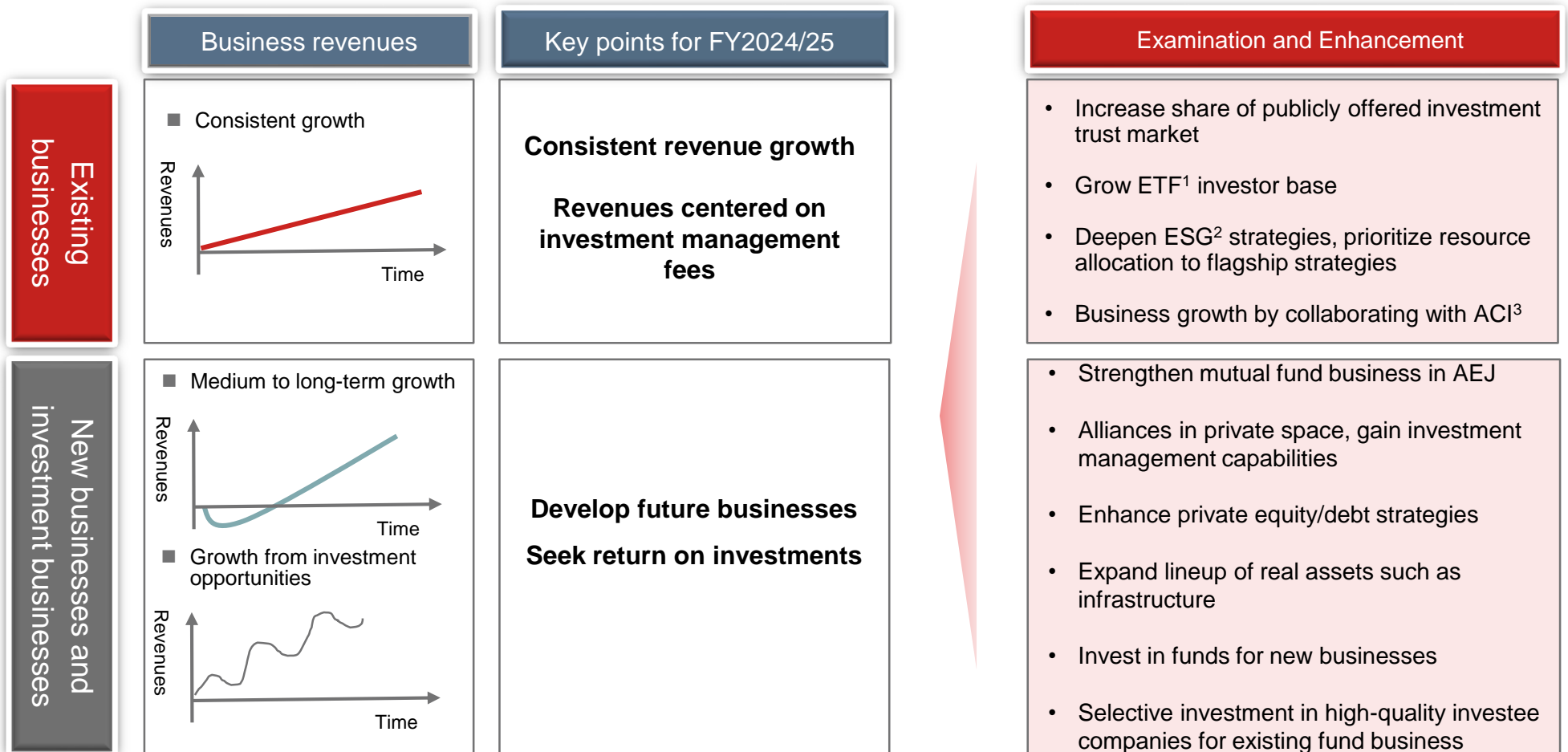
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2. Investment income includes ACI-related gain/loss (includes gain/loss on market valuation of ACI shares, interest payments on funds used to acquire ACI shares and dividends received from ACI) and gain/loss on funds of investment companies under Investment Management such as Nomura Capital Partners and investment securities under Investment Management.

# Business approach to achieve our targets

- Focus on areas to strengthen in order to achieve consistent growth in existing businesses
- Grow client base and expand product offering by launching new businesses and executing inorganic strategy

## Two-pillar approach to achieve revenue growth



# Initiatives in public market businesses

- Implement following major initiatives in Nomura Asset Management public market businesses to increase business revenues

## Major initiatives

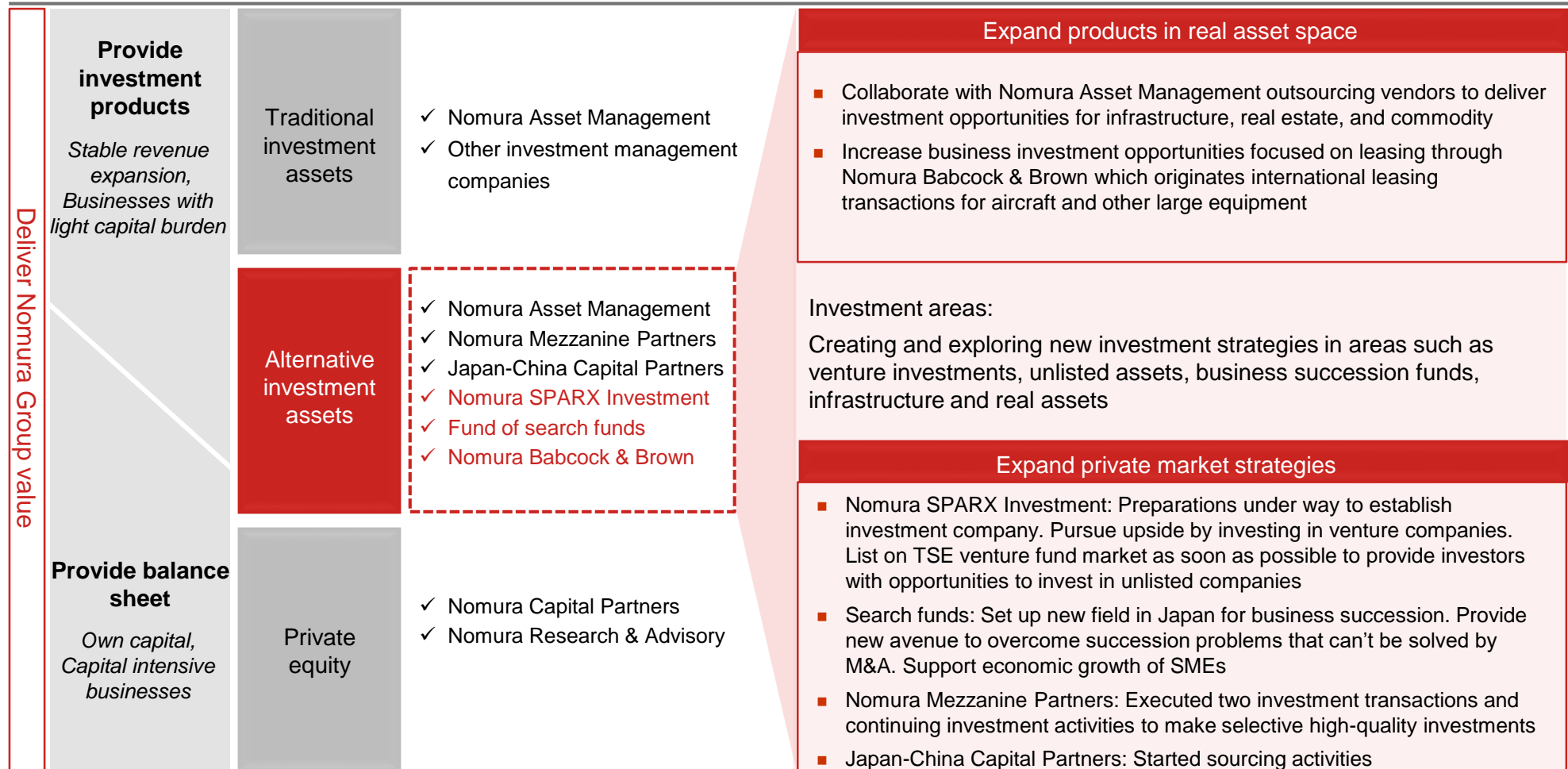
	Vision	Initiatives
ESG	Provide ESG solutions to meet increasingly diverse needs	<ul style="list-style-type: none"> <li>✓ Incorporate ESG into investment management process, and build out platform for ESG such as sustainable investment, impact investment and engagement</li> <li>✓ Provide clients with solutions for various ESG issues using in-house and third-party specialists</li> </ul>
ETFs	Expand client base to include institutional investors in Japan and international clients	<ul style="list-style-type: none"> <li>✓ Set up ESG Business Strategy Dept. to further enhance ETF business</li> <li>✓ Multi-channel approach covering broad range of clients from retail investors to institutional investors</li> <li>✓ Introduce staggered fee structure where fees decline in line with TOPIX ETF AuM</li> </ul>
Flagship strategies	Business growth by developing internationally competitive flagship strategies	<ul style="list-style-type: none"> <li>✓ Steer resources to flagship strategies to enhance investment management and product capability</li> <li>✓ Building and leveraging long-term track record, further develop multi-channel approach (Japan Retail, institutional investors, international)</li> </ul>
Digital	Swift transformation centered on high-quality people, digital technologies and IT infrastructure	<ul style="list-style-type: none"> <li>✓ Enhance support for distributors by introducing digital marketing</li> <li>✓ Drive efficiencies in passive space using IT architecture</li> <li>✓ Develop investment management strategies that leverage alternative data and cutting-edge technologies</li> </ul>



## Enhance existing alternative products

- Enhance private equity strategies and establish structure to provide real asset products. Expand lineup to include business investment opportunities

### Strengthen alternatives to increase services and scale for clients



# Examples in new private markets space

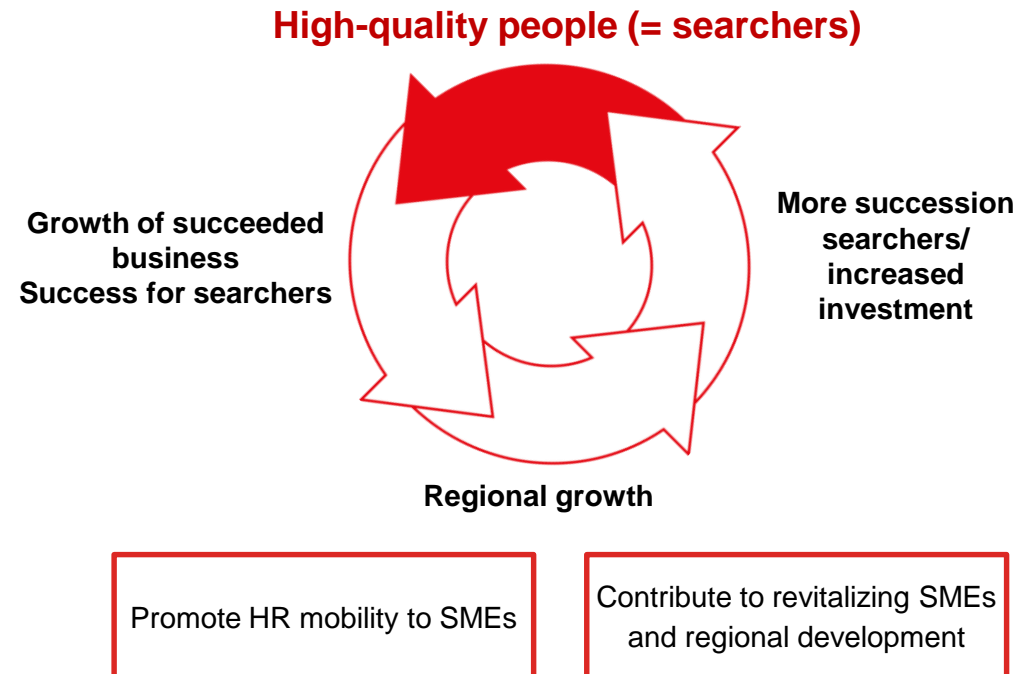
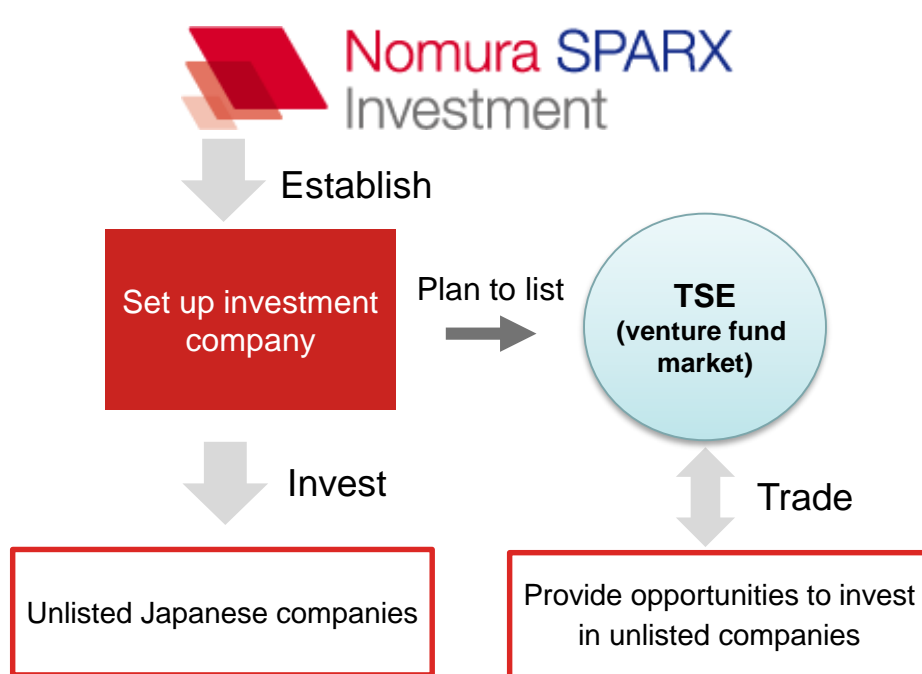
## ■ Set up businesses in new private market space that combine strengths of Nomura Group and partners

### Set up listed investment company to invest in unlisted companies

- Nomura Group and SPARX Group come together to establish Nomura SPARX Investment
- Pursue upside through investments in venture companies
- List investment company on TSE Venture Fund market to provide investors with opportunities to invest in unlisted companies

### Establish fund of search funds

- Nomura Group and JaSFA<sup>1</sup> come together to set up fund of search funds
- First fund in Japan to invest in searchers' full-time search activities nationwide coverage
- Provide new avenue to overcome succession problems that can't be solved by M&A, support economic growth of SMEs



1. JaSFA: Japan Search Fund Accelerator was established in 2018 to invest in search funds and support searchers and search funds. In 2019, established Japan's first investment fund investing in search fund. In 2021 Nomura Holdings and JaSFA announced the establishment of a fund aiming to invest in search funds.

# Areas to enhance and inorganic strategy

- Considering expansion based on four pillars of entry standards, taking organic strategy and various inorganic strategy options to build out the business for products and client base

## Inorganic strategies to strengthen business

Deciding factors



Inorganic strategic options

Degree of control →

Commitment	Outsourcing	Team lift out	Minority investment	Subsidiary
Relationship	—	Employment/Internal	Strategic alliance	Management integration
Balance sheet leverage	—	—	Collaborate with other investors	Use own funds

### Initiatives under discussion to expand product offering

- Inorganic strategy to expand product offering will require careful selection of business areas taking into account valuation levels of illiquid assets, consideration on how to ensure smooth operations and accelerated approach to get operations running
- Enter infrastructure space by expanding real asset lineup and increase investment opportunities through leasing, etc.
- Strategic expansion of private equity/debt: Launch new strategies through funds of funds, outsourcing, and alliances to shorten time needed to build track record
- Digital asset management business

### Initiatives under discussion to grow client base

- To grow client base, strengthen international Group offices and third party channels while exploring inorganic strategies in focus areas
- Increase client base outside Japan: Reinforce distribution in AEJ where demand for asset management is expected to grow on the back of rise of the middle class
- Set up marketing platform targeting younger generation using digital media

## Example of investment and strategic alliance

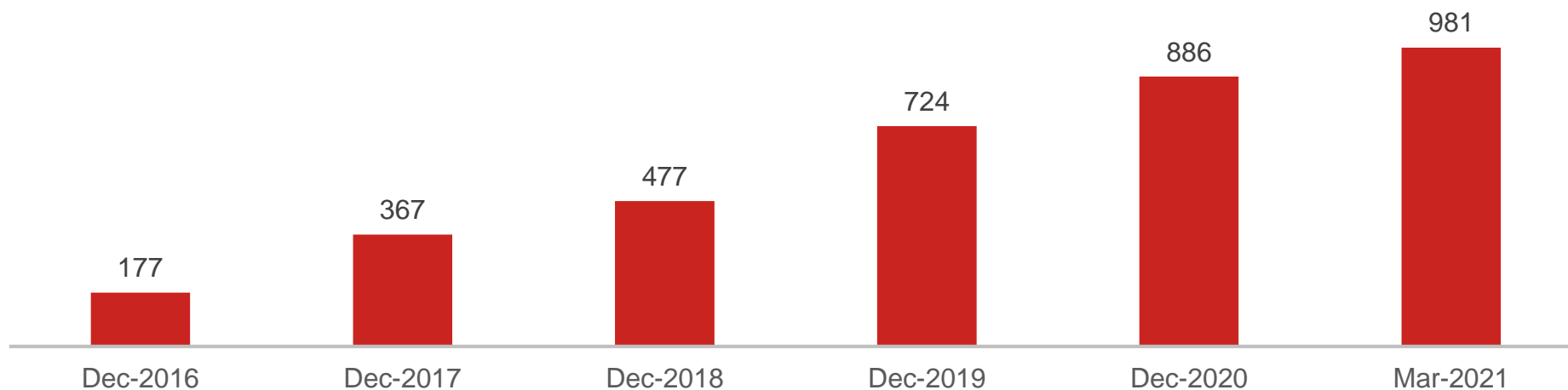
- Started strategic alliance with American Century Investments in May 2016
- Implemented initiatives to grow business over past five years and collaborative business has grown to Y1trn

### Strategic alliance with American Century Investments (ACI)

- Entered strategic alliance with American Century Investments in May 2016 (acquired 41% economic interest for approx. \$1bn)
- Continued to hold business strategy meetings between management from both firms to expand business through synergies
- Conducting business that complements the platforms and client base of both companies
- Integrated ACI funds onto Nomura's UCITS<sup>1</sup> platform in August 2019
- AuM from collaboration between both companies grew to Y1trn at end of March 2021

### AuM from collaboration with ACI<sup>2</sup>

(billions of yen)



1. Undertakings for Collective Investment in Transferable Securities (UCITS) compliant fund.  
 2. AuM through collaboration between Nomura and ACI

## Examples of independent organization and team lift out

- **NCRAM and Global Dynamic Bond Fund both operate independently and with consistent investment philosophy**
- **Long-term business growth underpinned by strong performance**

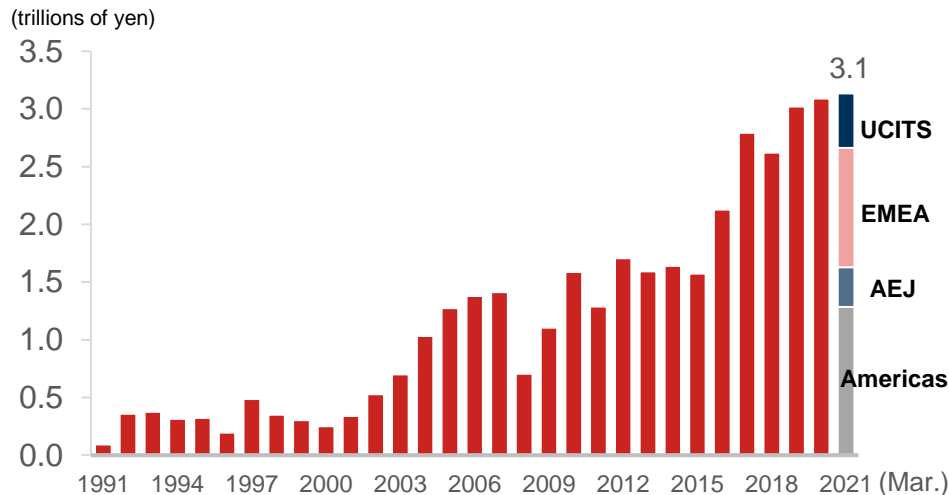
### NCRAM

- Maintained operational independence since launch in US in 1991
- Long-term team including CEO/CIO who has been with the company since it was established
- Global business expansion driven by strong performance with AuM growing to over Y3trn

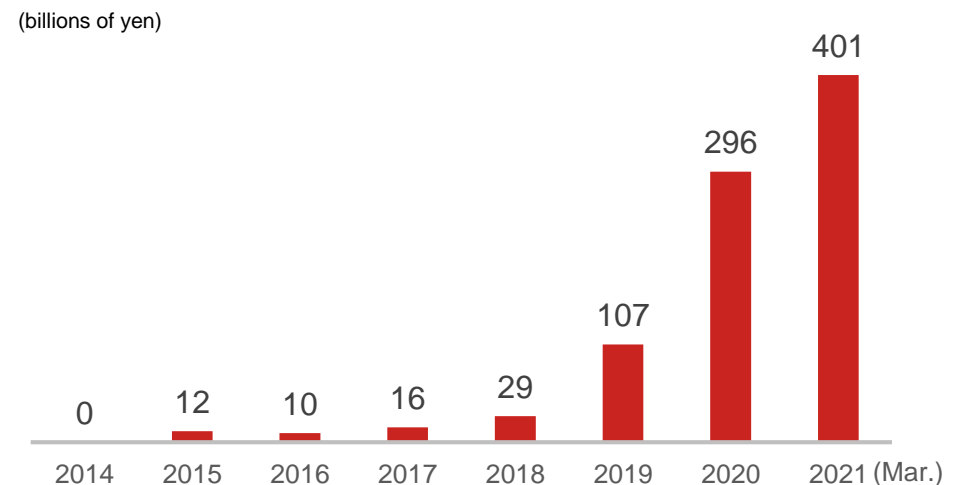
### Global Dynamic Bond Fund (GDBF)

- Lift out of total return fixed income management team into Nomura Asset Management UK in 2014
- Build up infrastructure and invested own funds to develop track record
- Strong performance recognized by winning many awards, international business growth lifted AuM to Y400bn

### NCRAM AuM



### GDBF AuM



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