

## Nomura Sustainability Day 2022 Q&A

Date: October 6, 2022

Speakers: **Chie Toriumi**, Group Sustainability Officer, Nomura Holdings  
**Takumi Kitamura**, Chief Financial Officer, Nomura Holdings  
**Hiroyasu Koike**, President & CEO, Nomura Asset Management  
**Jeffrey McDermott**, Global Co-Head of Investment Banking, Nomura Securities International  
**Tomohisa Murakami**, Senior Managing Director, Investment Banking Product, Nomura Securities

**Q1: The energy crisis, rising interest rates and credit spread widening has led to a 50 percent drop in investment banking fee pools compared to last year. How has this impacted your Greentech Industrials and Infrastructure (GII) Group? What sectors and products have been affected, either positively or negatively?**

A1: Many IPOs have been postponed and heightened volatility is having a real impact on fundraising activities. The sectors covered by GII have also been affected. Investors with mandates for stable management such as sovereign wealth funds and private equity funds focused on generating returns are holding off on M&A related investments as they wait to see the impact on the market.

At the same time, concerns over geopolitical risks have led to a spike in fossil fuel prices, which has become the new normal, setting a price umbrella for clean energy. This new normal is accelerating the transition to a low-carbon society, resulting in GII fee pools remaining roughly unchanged from last year driven by strategic M&A deals. Recently, a German utility announced plans to acquire a renewable energy operator in the US so such large-scale strategic acquisitions have not been affected by the volatility. This morning's announcement by oil producers that they have agreed to reduce supply will add further momentum to the energy transition and we believe the next frontier of the sustainable transition will be investors looking for clean energy.

**Q2: In regards to your asset management business, have the recent energy crisis and inflation had an impact on proxy voting and engagement? In its recently announced proxy voting policy, Nomura Asset Management clearly states it would vote against environmental social proposals that place limitations on business execution. Some international asset managers are also reducing the number of approvals of such shareholder proposals. What discussions have you been having in this area?**

A2: We follow the voting guidelines we set out on exercising voting rights. As such, voting won't change based on the external environment such as financial conditions, inflation, or the energy crisis.

Last year, we established an Engagement Department to exercise voting rights in line with our guidelines and based on a clear understanding of the current state of each company, close dialog, and robust debate on whether a proposal will improve enterprise value, rather

than just making decisions digitally. We will not change this stance each year based on the external environment.

**Q3: What is Nomura Greentech's share of the GII sector? Advisory accounts for a large part of international GII revenues. What are you doing in ECM and DCM?**

A3: We do not disclose specific figures, but our M&A market share in certain sectors is very high. In other sectors, we've hired five experienced MDs over the past six months and we aim to grow our market share in sectors where fee pools are expected to grow.

The integration of Greentech and the alliance with Wolfe Research have led to multiple high-profile ECM mandates in the US. The market has become particularly challenging since February, but we look to grow our share in the US driven by the GII sectors.

In DCM, in addition to green bonds, we expect to achieve synergies between GII's relationship network and private credit offering by our infrastructure financing team with sophisticated expertise and unique know how. Further, we expect carbon offsetting to grow strongly over the next five years and we will look to meet the needs of our clients.

In Japan, we set up the Sustainable Finance Department which will collaborate globally with GII and bring the international model of multiproduct M&A, debt and equity deals to Japan. We believe this will have a positive effect on our existing ECM and DCM businesses.

**Q4: The Taskforce on Natural-related Financial Disclosures (TNFD) is emerging as a new discussion agenda. What position do you take on this and what potential business opportunities are there?**

A4: We are aware of the public draft. While there are two angles, disclosure proposals and business aspects, we will start considering how the final rules might look and how we can be involved as an investment bank. In terms of business opportunities, we feel we can leverage our capabilities in the areas of infrastructure financing and forestry funds.

**Q5: Is the profitability of sustainability-related transactions higher than for other transactions? If the sustainability-related business grows rapidly, will fees come down and if so will it still be able to contribute to revenues if transaction volumes increase?**

A5: If we limit the discussion to traditional publicly offered bonds, just because the deal is a green deal doesn't make it more profitable. That said, sustainable financing deals that involve various structures including M&A, IPOs and Advisory are relatively higher in profitability. When it comes to the fees, we are being evaluated for areas beyond traditional services so we won't blindly go after transaction volumes, but instead leverage our global network and high expertise as we continue to stay close to our clients and focus on expanding our range of services such as M&A, DCM and ECM.

**Q6: You mentioned that underwriting transactions might be included in calculations of GHG emissions. Do you have a rough estimate of emissions related to underwriting and what impact will there be on your business if it is included?**

A6: PCAF has issued a draft for public comment on how to calculate emissions related to underwriting, which may or may not be finalized by the end of the year. Any rough calculations will differ greatly depending on if it covers the entire value of underwriting or if some sort of discount factors is used. But it's not as if current emissions will increase by tenfold.

Even if underwriting comes in scope, it doesn't mean we will cut back or not underwrite, but through engagement we will see how much issuers can reduce emissions and work together on laying a path for transition. In such cases, our GHG emissions will not decline linearly as there will be times when they increase slightly.

**Q7: How much contribution do you expect to see from GII revenues?**

A7: We don't disclose GII as a category. If we look at the broader sustainability-related business which includes revenues from sales of ESG investment trusts, it was about 40 billion yen for the fiscal year ended March 2022.

**Q8: What is your outstanding volume of sustainability-related leveraged finance? If you plan prioritize using balance sheet for such deals going forward, could you give us a sense of the scale and the rigor you will put around it.**

A8: While we do take part in leveraged finance transactions, volumes are not that large. The key point is how much we expand our M&A business and accompanying businesses. As part of our risk appetite, our business model is to conduct leveraged finance deals, and not to generate revenues through carry trades. Our exposure is something we can sell down quickly.

**Q9: What are you doing in the Retail business in regards to sustainability?**

A9: In order to contribute to the realization of a sustainable society through investment, we started selecting and offering our ESG Lineup of ESG/SDG-related investment trusts from two years ago. Client assets as of the end of March topped 700 billion yen. Recently, we launched the TASUKI Project which contributes a part of revenues to SDG-related projects run by local governments. So we are contributing to society through the Nomura Sustainable Select fund.

In addition, as we said today, we provide information and human capital to SMEs, particularly companies facing succession problems, and introduce potential successors using search funds. As shown in today's presentation, M&A transactions for SMEs are steadily increasing, including M&A transactions for hospitals having trouble finding a successor.

1. *This document is produced by Nomura Holdings, Inc. ("Nomura"). Copyright 2022 Nomura Holdings, Inc. All rights reserved.*
2. *Nothing in this document shall be considered as an offer to sell or solicitation of an offer to buy any security, commodity or other instrument, including securities issued by Nomura or any affiliate thereof. Offers to sell, sales, solicitations to buy, or purchases of any securities issued by Nomura or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials or a prospectus prepared and distributed according to the laws, regulations, rules and market practices of the jurisdictions in which such offers or sales may be made.*
3. *No part of this document shall be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Nomura.*
4. *The information and opinions contained in this document have been obtained from sources believed to be reliable, but no representations or warranty, express or implied, are made that such information is accurate or complete and no responsibility or liability can be accepted by Nomura for errors or omissions or for any losses arising from the use of this information.*
5. *This document contains statements that may constitute, and from time to time our management may make "forward-looking statements" within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Any such statements must be read in the context of the offering materials pursuant to which any securities may be offered or sold in the United States. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Important factors that could cause actual results to differ from those in specific forward-looking statements include, without limitation, economic and market conditions, political events and investor sentiments, liquidity of secondary markets, level and volatility of interest rates, currency exchange rates, security valuations, competitive conditions and size, and the number and timing of transactions.*
6. *The consolidated financial information in this document is unaudited*