

# Investor Day

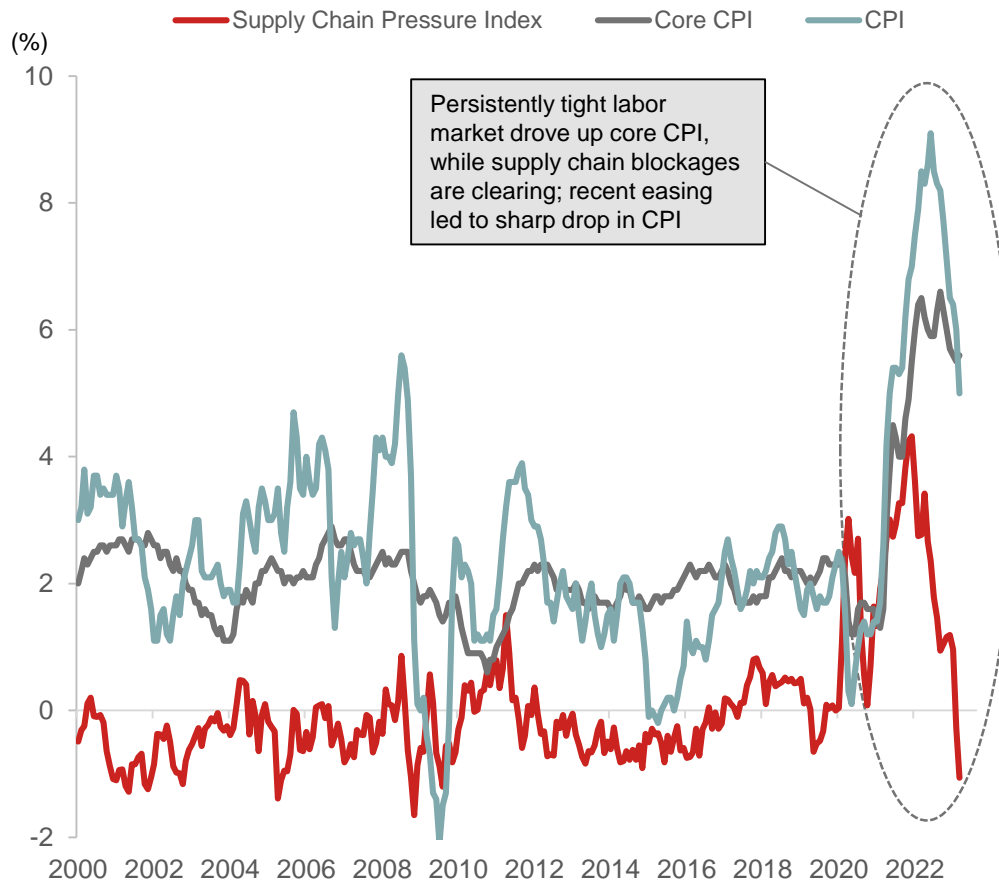
Kentaro Okuda  
Group CEO  
Nomura Holdings, Inc.

May 18, 2023

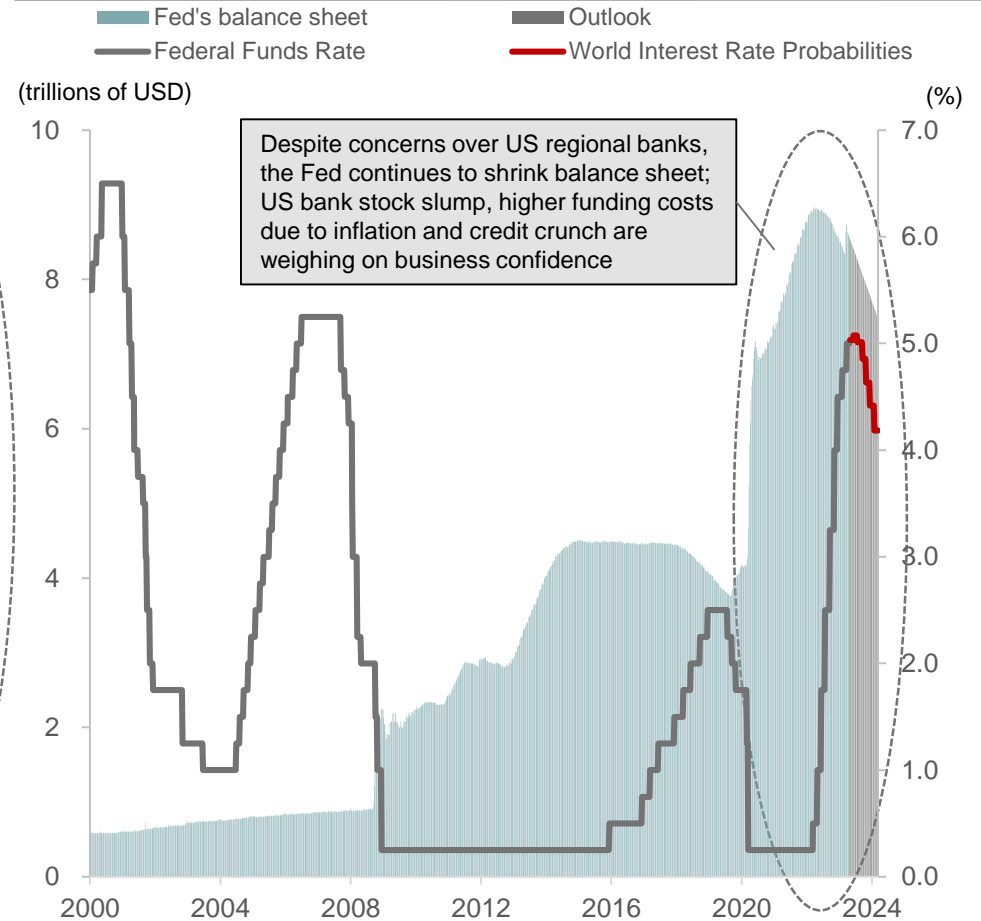


# Macro changes and major market shifts (1)

## High inflation in US in 2022 starting to ease

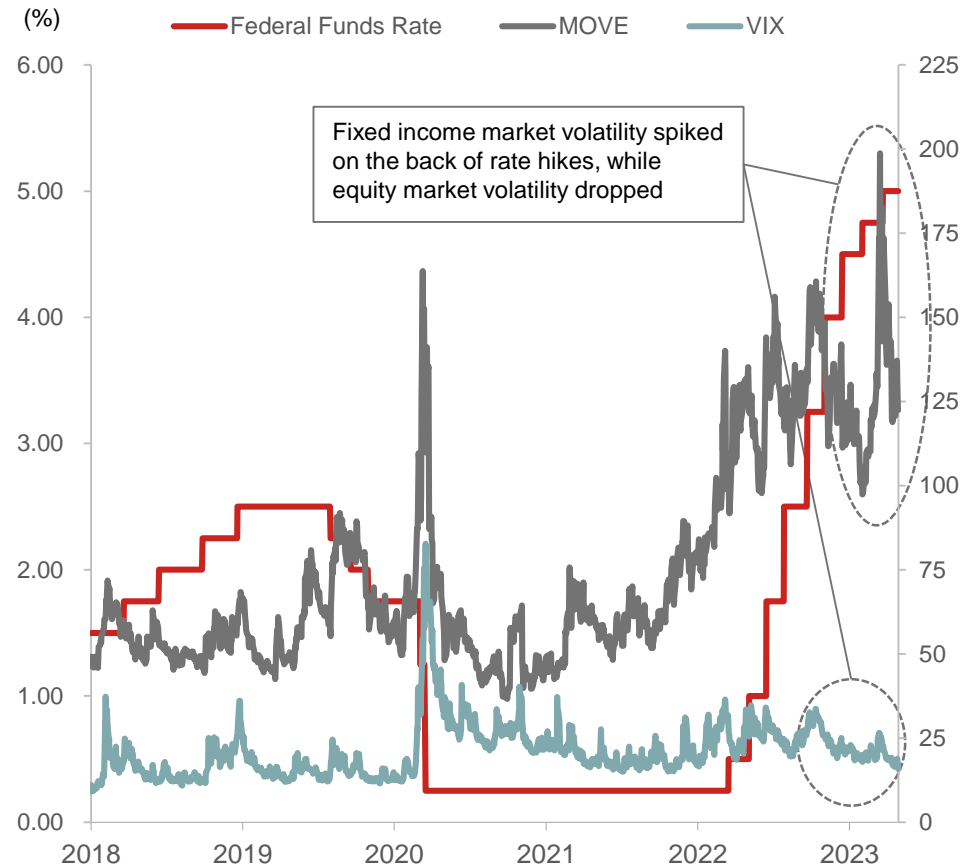


## Shift in monetary policy

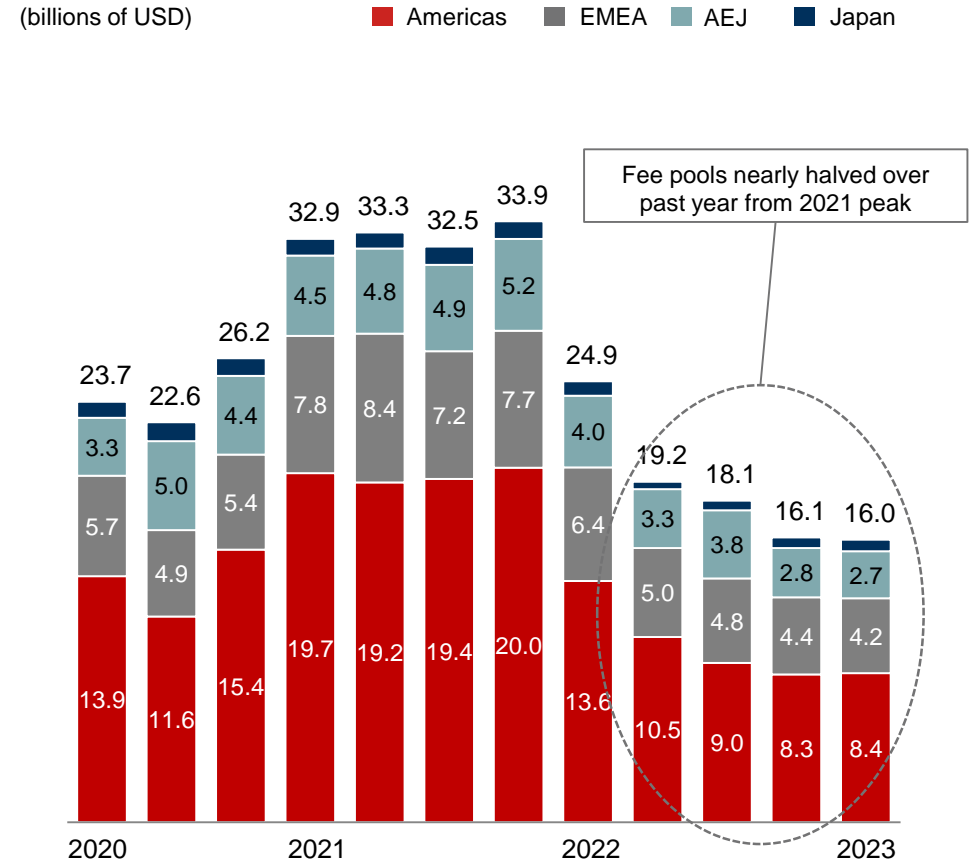


# Macro changes and major market shifts (2)

## Rate hikes impacted fixed income and equity market volatility



## Investment banking fee pools halved



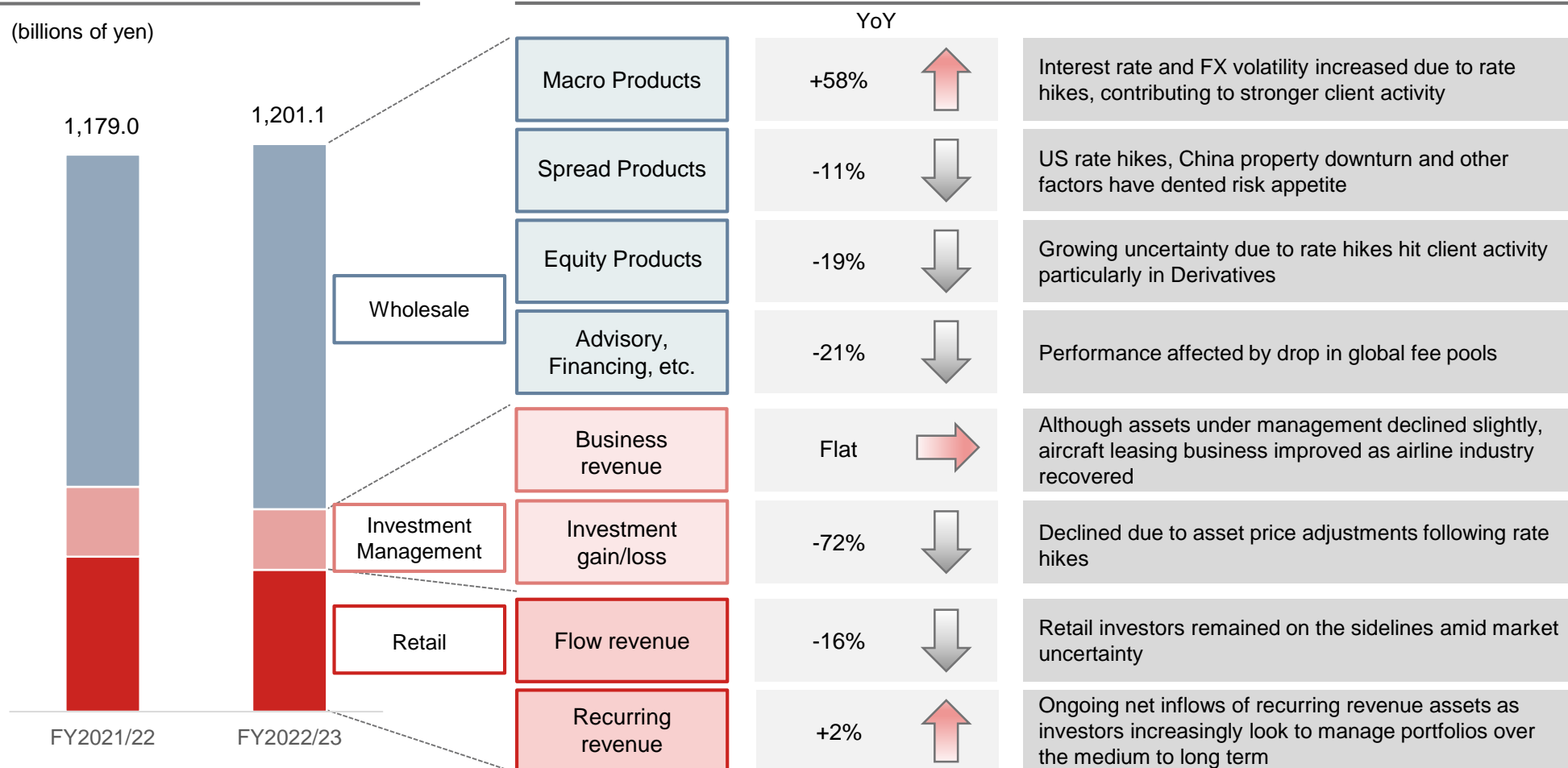
# Business performance

- Changes in external environment led to strong results in Macro Products and resilient performance in broader asset management business
- However, other main businesses faced challenging markets

## Three segment net revenue

## Recent shift in external environment has affected performance of main businesses

(billions of yen)



# Macro uncertainty and geopolitical risk also bringing new business opportunities **NOMURA**

- **Changes to environment such as global rate hikes, supply chain issues and energy problems present business opportunities**

## Changes to macro environment and client needs

Shift to higher rate environment

Demand for private solutions driven by market volatility and uncertainty

Decarbonization

Corporates reassessing supply chain strategy

## Growing business opportunities

- Greater investment opportunities due to valuation adjustments
- Revival of Japan Rates business
- Improvement in US government MBS business

- Stronger demand for risk hedging and other solutions
- Increased use of private markets to raise funds
- Demand for investing in alternative assets

- Growth and diversification of sustainable finance
- Increased demand for sustainability-related advisory services

- Supply chain diversification, decentralization and shift back to home market leading to strategic investments and industrial realignment

## Positive impact on revenues

- JGB business revenues returned to levels pre introduction of negative interest rate policy for first time in seven years

- Private placement and other equity advisory revenues quadrupled YoY
- Alternative AuM up 1.5 times over past year

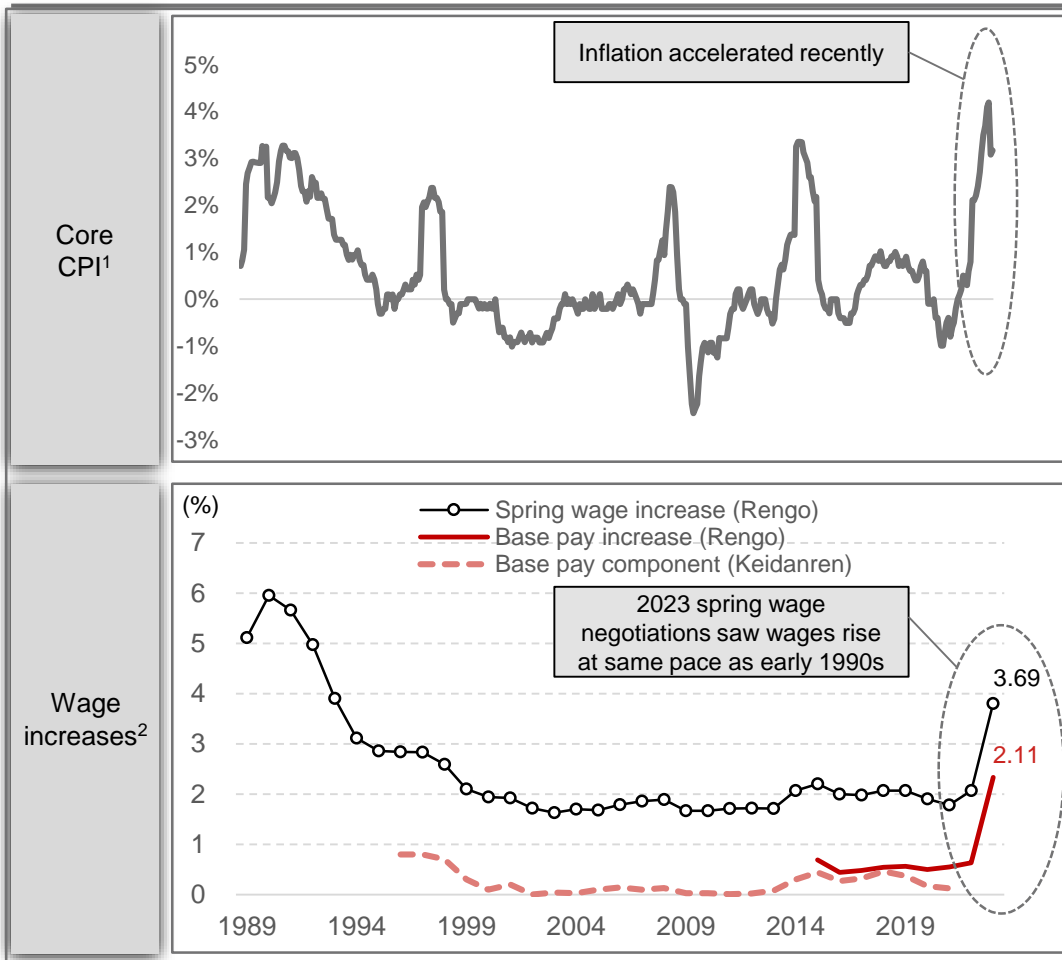
- Infrastructure Finance revenues up 1.8 times YoY
- Leveraged Greentech expertise with approx. 150 dedicated bankers covering globally

- Supported many strategic investments by Japanese companies to strengthen supply chains both at home and abroad

# Expect money to shift to risk assets in Japan

- We are building out our platform to capture business opportunities as they arise in changing landscape

## Economic indicators hinting at escape from deflation



## Initiatives to promote shift from savings to investment

### Growth of NISA

- ❖ One in seven people have a NISA account<sup>3</sup>
- ❖ Purchases have exceeded Y31.6trn<sup>3</sup>
- ❖ Using both incremental and growth investment tracks, a total of Y36m is excluded from taxation annually (from 2024)

### Financial education

### Client-first approach by financial service providers

Household financial assets parked in savings and deposits (Y1,000trn) could flow into capital markets

**Increase investor base**

**Increase overall pie of securities investment**

**Corporate growth, higher corporate value**

1. Source: Nomura, based on data from the Statistics Bureau of Japan.  
 2. Source: Nomura, based on data from the Japan Trade Union Federation and Keidanren.  
 3. Source: As of December 2022 (preliminary) from Financial Services Agency report on usage of NISA accounts.



**Raising corporate value**



# Initiative to expanding our scope of business from public to private

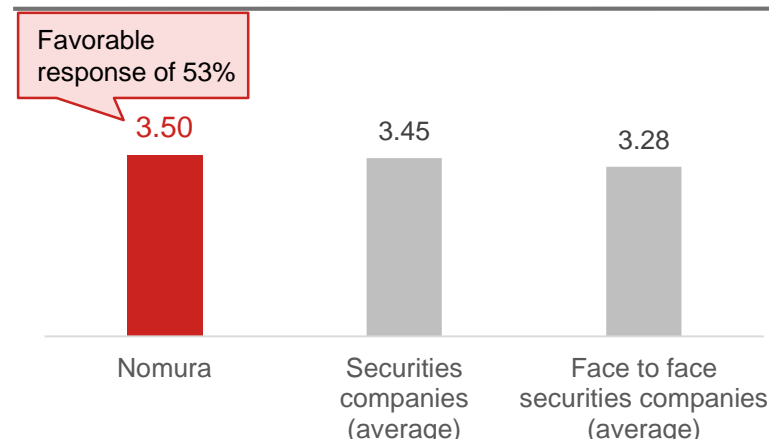
**NOMURA**

	FY2020/21	FY2021/22	FY2022/23
Efforts to provide private services	<ul style="list-style-type: none"> <li>❑ Introduced high value-added advisory model (CIO service)</li> </ul>	<ul style="list-style-type: none"> <li>❑ Established Investment Management</li> <li>❑ Established Nomura SPARX Investment</li> </ul>	<ul style="list-style-type: none"> <li>❑ Reorganized for segment based approach, introduced level fees</li> <li>❑ Acquired stake in New Forests</li> <li>❑ Established Nomura Real Estate Investment</li> <li>❑ Set up international high-net-worth business office in Dubai</li> </ul>
Promoting partnership strategy	<ul style="list-style-type: none"> <li>❑ Strategic alliance with Wolfe Research</li> <li>❑ Comprehensive alliance with San-In Godo Bank</li> </ul>	<ul style="list-style-type: none"> <li>❑ Comprehensive alliance with Awa Bank</li> <li>❑ Strategic alliance with Jarden Group in Australia</li> </ul>	<ul style="list-style-type: none"> <li>❑ Comprehensive alliance with Oita Bank</li> <li>❑ Comprehensive alliance with Fukui Bank</li> </ul>
Sustainability initiatives	<ul style="list-style-type: none"> <li>❑ Established Nomura Greentech</li> <li>❑ Issued TCFD report</li> <li>❑ Formulated “Drive Sustainability.” concept to express contribution to ESG/SDG promotion</li> </ul>	<ul style="list-style-type: none"> <li>❑ Announced commitment to achieve net zero emissions</li> <li>❑ Set target for sustainable finance transactions</li> <li>❑ Issued Nomura Group PBR report</li> </ul>	<ul style="list-style-type: none"> <li>❑ Published book on steps to achieve a sustainable economy and enhance corporate value</li> <li>❑ Search Fund activities gain momentum</li> </ul>
Digital utilization, Innovation	<ul style="list-style-type: none"> <li>❑ Established Nomura SRI Innovation Center</li> </ul>	<ul style="list-style-type: none"> <li>❑ Introduced Nomura Navigation, an all asset portfolio management tool</li> </ul>	<ul style="list-style-type: none"> <li>❑ Established Digital Company</li> <li>❑ Established Laser Digital (Switzerland)</li> <li>❑ Appointed Group CIO</li> </ul>
strategic capital reallocation	<ul style="list-style-type: none"> <li>❑ Sold stake in BDO Nomura Securities (Philippines)</li> </ul>		<ul style="list-style-type: none"> <li>❑ Sold stake in CNS (Thailand)</li> <li>❑ Sold stake in Nomura Asia Investment (Vietnam)</li> </ul>
Strengthening the structure	<ul style="list-style-type: none"> <li>❑ Established Content Company</li> </ul>	<ul style="list-style-type: none"> <li>❑ Enhanced governance (BoD diversity)</li> <li>❑ Further enhancement of risk management</li> </ul>	<ul style="list-style-type: none"> <li>❑ New Wholesale management</li> </ul>



# Highly evaluated from outside

## Retail client satisfaction survey



## Investment Management awards

### ■ R&I Funds Awards 2023

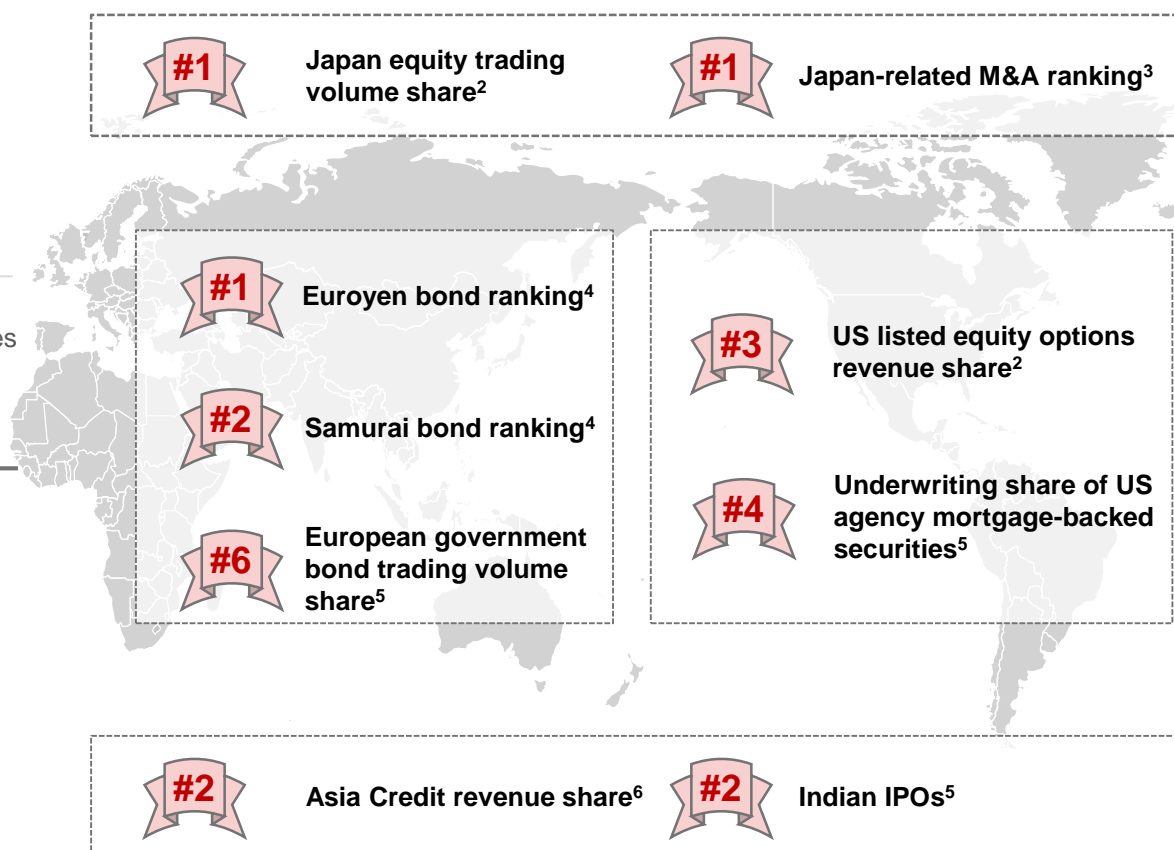
- Won eight first prize awards
- Won nine second prize awards



### ■ Refinitiv Lipper Fund Awards Japan 2023

- Investment trusts category
  - Eight out of eleven funds won best funds award
- Defined contribution pension category
  - Four out of six funds won best funds award
- Defined contribution pension equity category
  - Won best funds award

## Wholesale core product market share rankings



1. CX index is a client loyalty index for Japanese financial institutions provided by Nomura Research Institute calculated by combining three indices (intent to continue, intent to purchase, intent to recommend). Each item is evaluated on a five point scale (five being the highest). Securities companies average and face-to-face securities companies average are based on 2022 FD/CX benchmarking survey conducted by Nomura Research Institute.  
 2. Source: Third parties, Jan – Dec 2022. 3. Source: Dealogic, Jan- Dec 2022.  
 4. Source: Refinitiv, Jan – Dec 2022. 5. Source: Bloomberg, Jan – Dec 2022. 6. Coalition Greenwich Competitor Analytics and Nomura, Jan – Dec 2022.

# Medium-term initiatives to raise corporate value

**We are building a business model over the medium term to consistently achieve ROE of 8% to 10% while capitalizing on business opportunities**

## Top line growth

### Retail

**Strengthen segment based approach and alliances**

- Establish dominant presence in the growing HNWI market
- Retail transformation
- Expand alliances

### Investment Management

**Continue to grow AuM; High value-added fund management**

- Strengthen internal fund management internationally
- Increase products in private markets and real assets

- Scale up core products
- Develop client strategy to increase wallet share for key clients
- Strengthen Investment Banking business
- Enhance private businesses and IWM

**Diverse, consistent revenues**

### Wholesale

**Create Group premium**

Pursue inorganic growth opportunities

## Improve earnings structure and resource efficiency

Structural reforms to reduce costs

Allocate capital to ensure sustainable corporate value

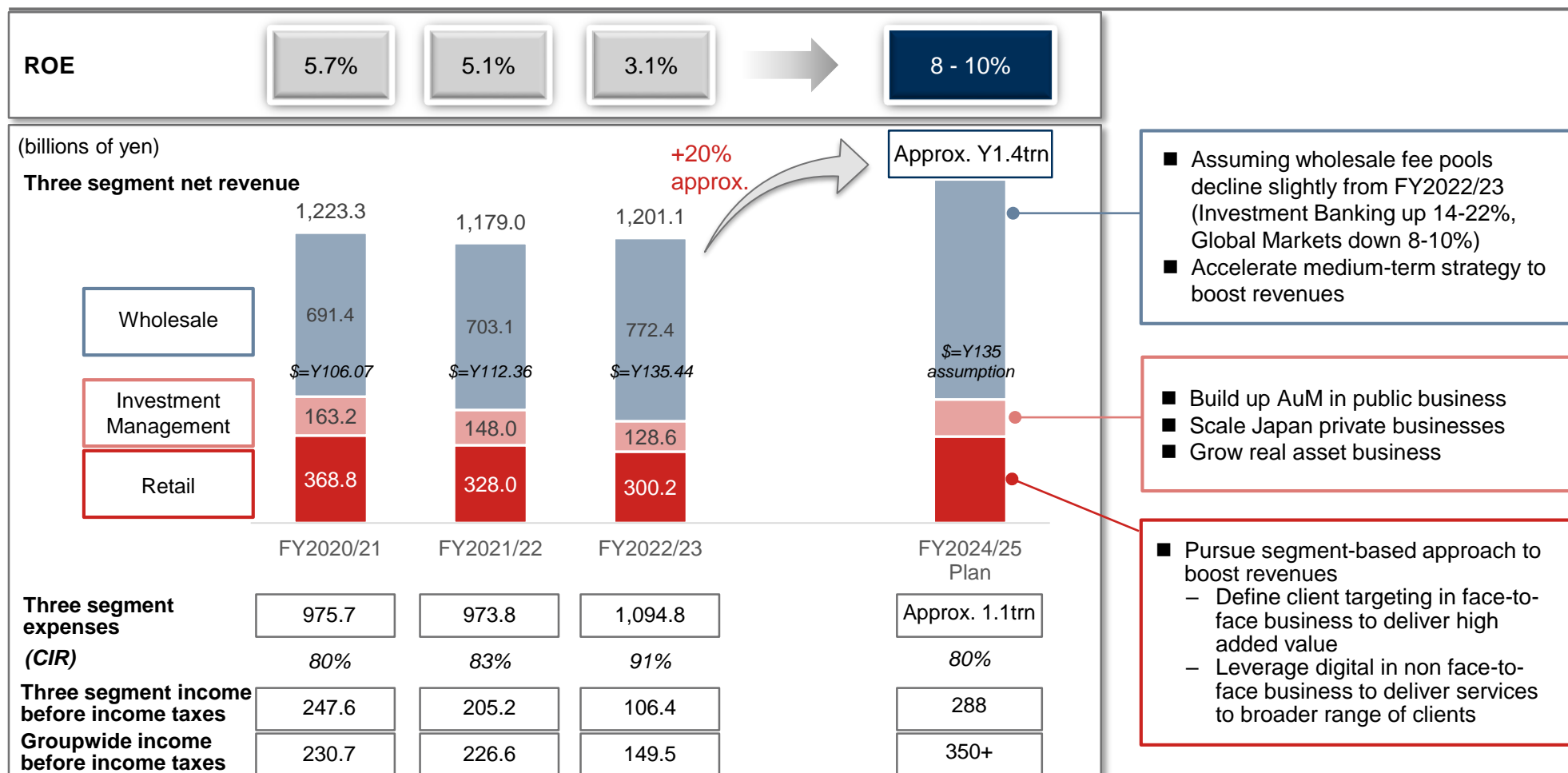
Deliver added value to clients, pursue people strategy to underpin growth

Stringent risk management

Conduct and compliance

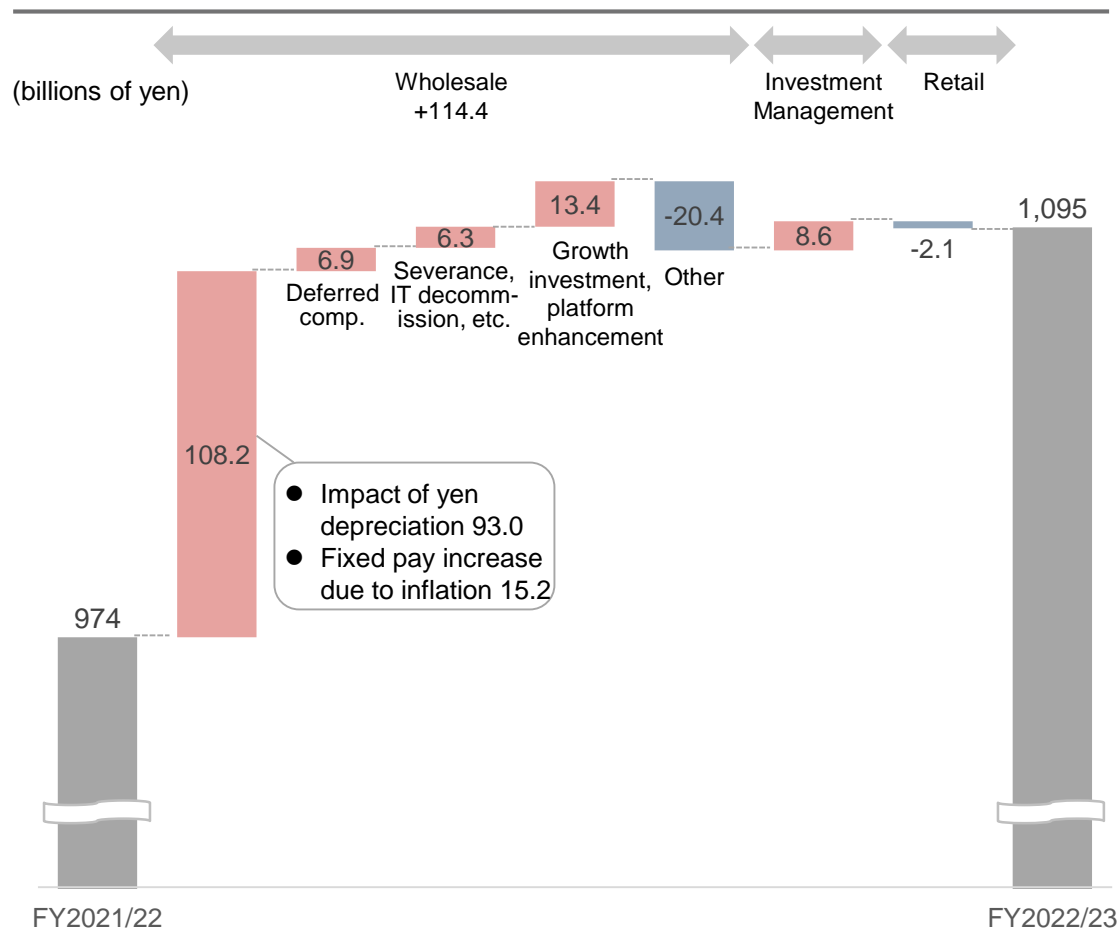
Governance structure capable of overseeing global strategy

- Aim for three segment revenue growth vs. FY2022/23 of about 20% by FY2024/25
- Control costs and improve ROE as soon as possible



# Continue to control costs so we can deliver positive earnings even if market conditions don't improve

## FY2022/23 costs jumped due to macro and one-off factors



## Run-rate cost reductions<sup>1</sup>

Reviewing costs by taking a groupwide approach

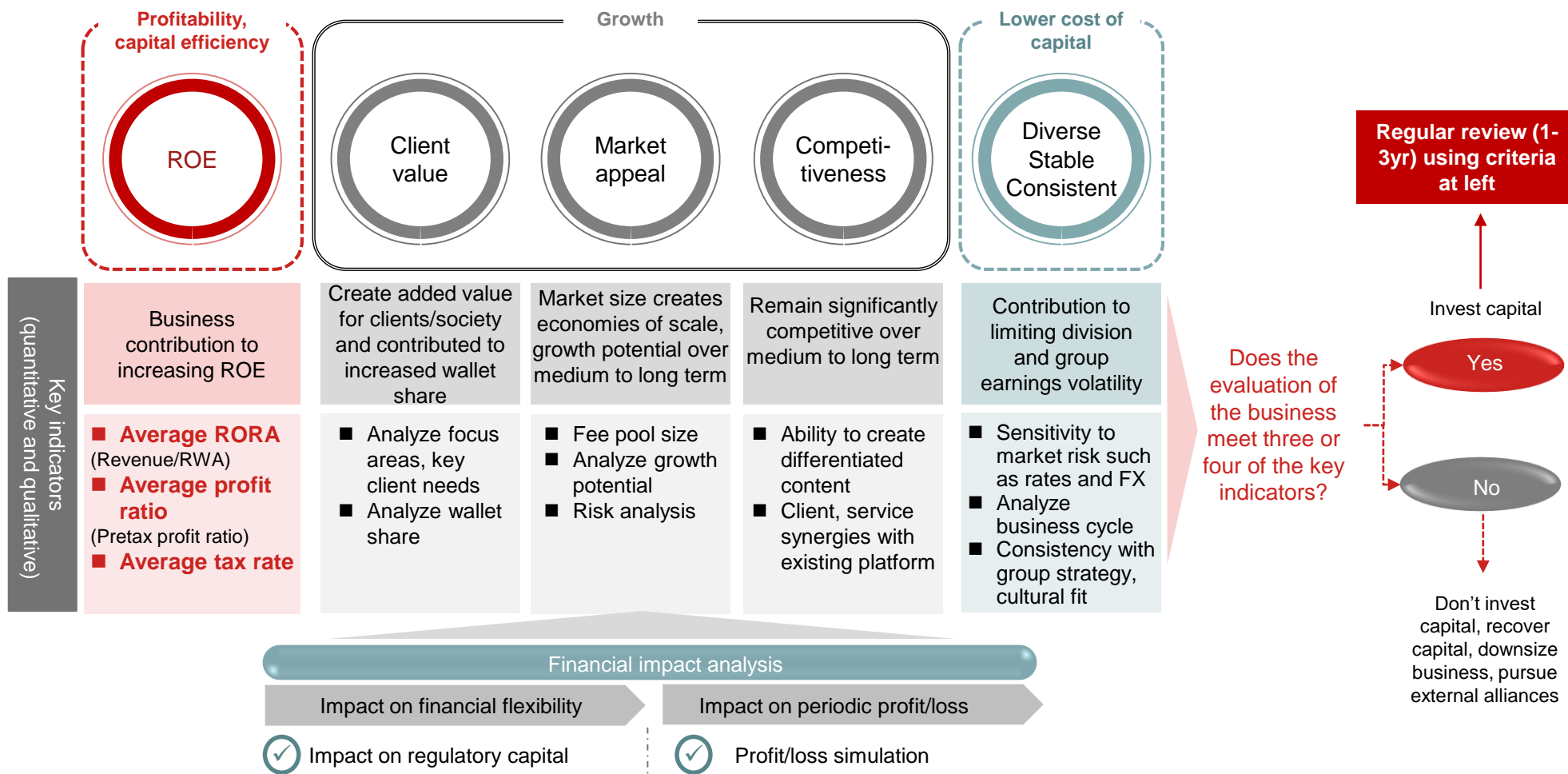
Short term (by end of March 2025)	<ul style="list-style-type: none"> <li>Global procurement and vendor strategy</li> <li>Globalization of regional support functions</li> <li>Cost reductions through Retail structural reform</li> <li>Run-rate impact of actions executed in FY2022/23</li> <li>Non-recurrence of certain costs that increased in FY2022/23</li> </ul>	Y50bn
Medium term	<ul style="list-style-type: none"> <li>Location strategy</li> <li>Consolidation of processes/functions</li> <li>Infrastructure and data center consolidation</li> </ul>	Y12bn

1. Excluding increase in expenses due to inflationary items (e.g. wage inflation, energy prices etc.), increase in variable expenses linked to revenue growth, and investment in business growth initiatives. The saves are on run-rate basis and also exclude one-off costs required to execute the structural reform initiatives

## Capital allocation to continue enhancing corporate value (1)

- Allocate and manage capital to ensure sustainable enhancement of corporate value using quantitative and qualitative assessments from the viewpoint of ROE, growth and consistency
- Evaluate not just at business and regional level but at divisional and group level

### Capital allocation process



## Capital allocation to continue enhancing corporate value (2)

- Approach to raising corporate value aligned to specific nature of each division; Retail and Investment Management aim to boost profit levels by expanding stable revenues, while Wholesale will focus on boosting capital efficiency

### Risk-weighted assets by division (usage basis) and nature of business

(Percentage of modified RWA total)

Wholesale	64%	<ul style="list-style-type: none"> <li>■ Groupwide product sourcing and market making</li> <li>■ Regulatory capital burden and risk management costs consolidated here</li> </ul>
Investment Management	8%	<ul style="list-style-type: none"> <li>■ Regulatory capital-light business, aside from investment business</li> </ul>
Retail	4%	<ul style="list-style-type: none"> <li>■ Concentrated on human capital and IT platform, but not using much regulatory capital</li> </ul>
Other	24%	

RWA  
**¥17.4trn**  
 (March 2023, reported)

### Divisional approach to raising corporate value

- Portfolio management prioritizing revenue/modified RWA, pretax margin and CIR
- Boost profit margin by scaling up core products, while stabilizing and diversifying revenues by growing risk-light businesses
- Increase stable revenues by growing AuM
- Inject additional capital if we see growth opportunities of stable revenues in private and real asset markets
- Aim to increase pretax income by growing revenues through segment-based approach and reducing costs



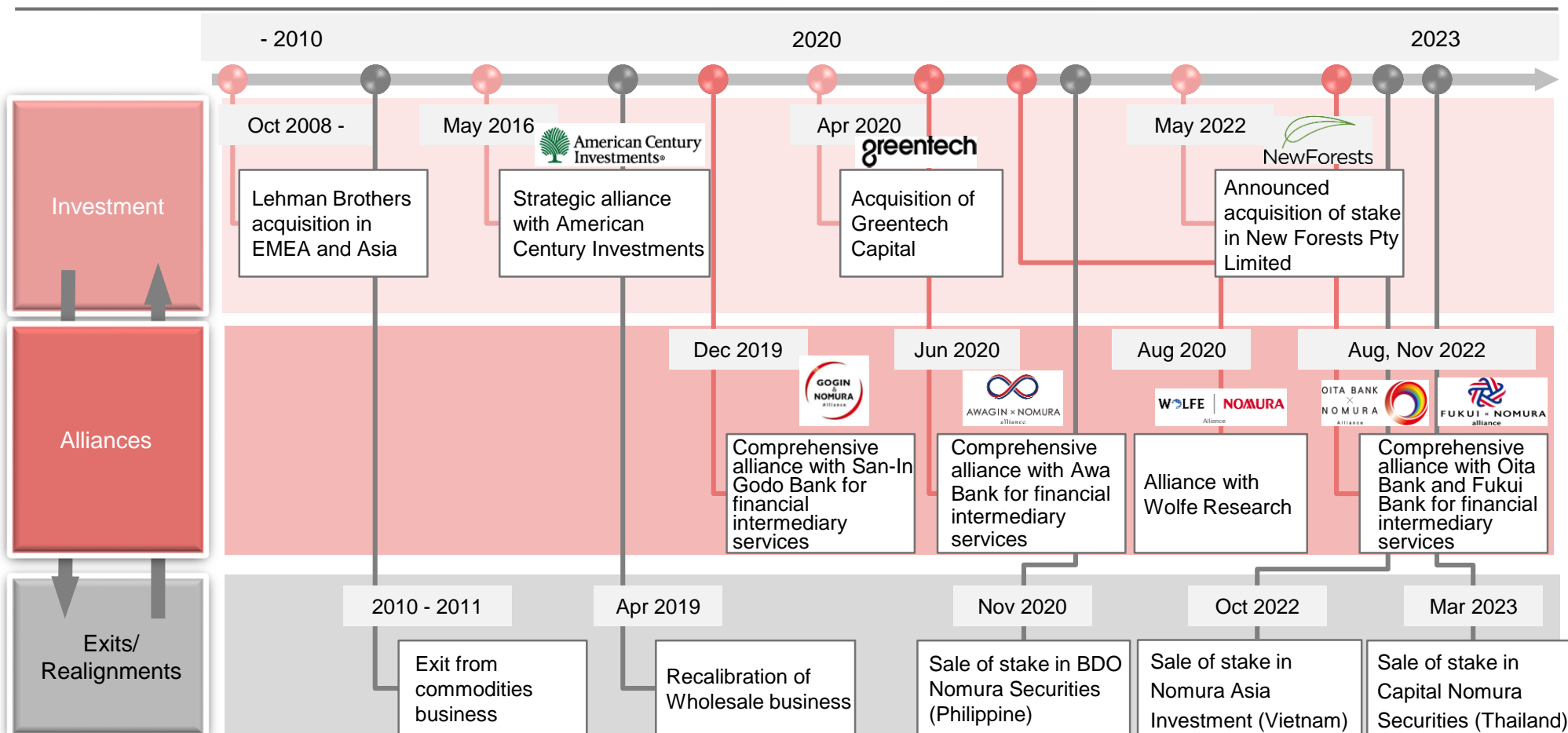
Continue organic and inorganic investment to strengthen growth areas while maintaining capital discipline

**Continue to enhance corporate value**

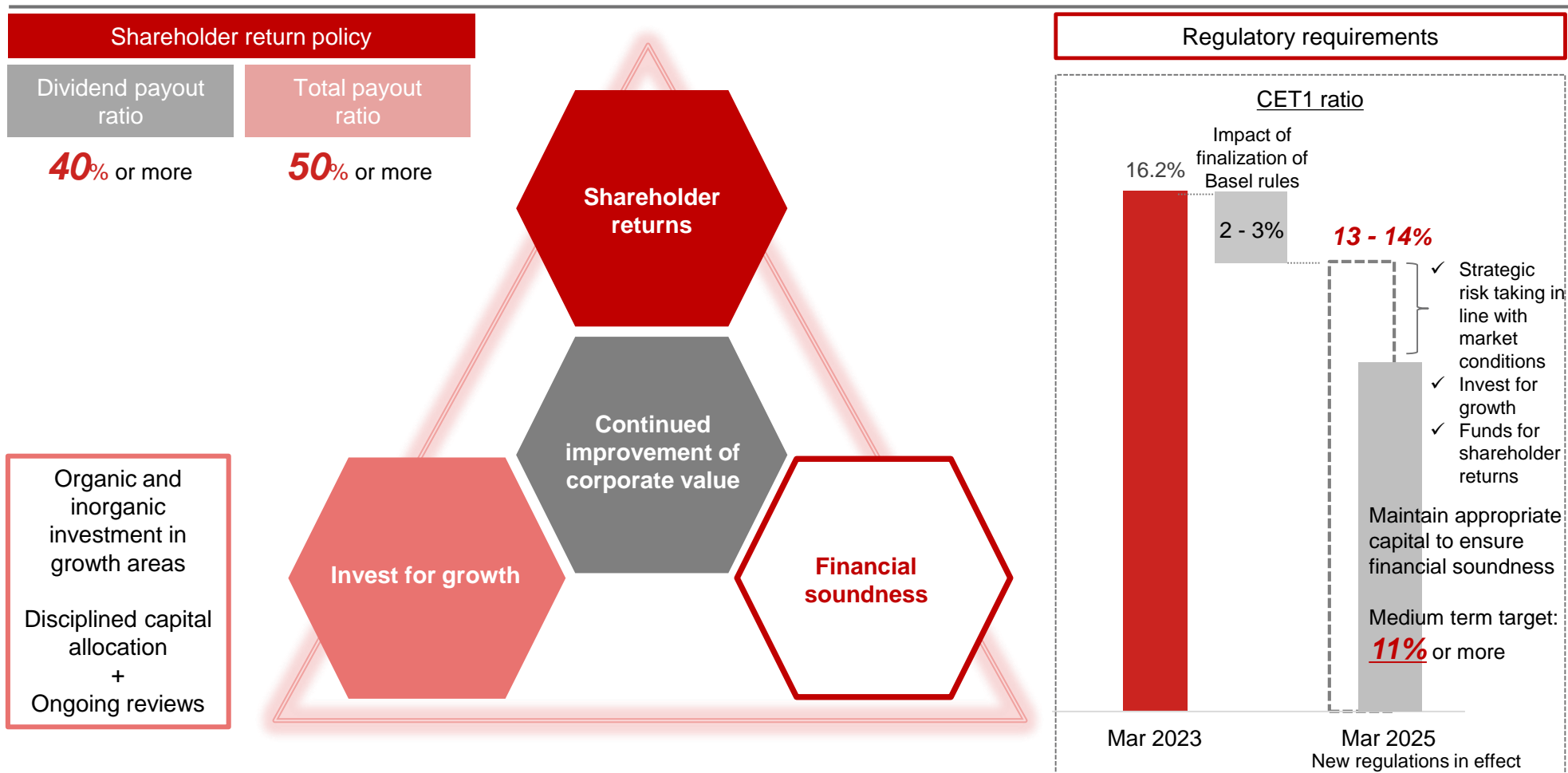


- Reallocate capital strategically through disciplined management and selling off non-core assets and businesses to continually readjust business portfolio
- Leverage partnerships to create value together with clients

Strengthening our platform through strategic alliance and readjusting our business portfolio



- Over past 10 years profits have been distributed mainly for shareholder returns and regulatory capital
- Moving forward, profits and surplus capital will be deployed for shareholder returns and selective investments for the future



## **Underpinnings of growth**



# Addressing financial wellbeing

- We have been a pioneer in financial and economics education since the 1990s supporting initiatives from schools to the workplace
- We are promoting expansion of activities through collaboration with partner companies, as interest from society has grown

## Vision

Create a well-being society where everyone has the freedom to choose their future and feels enriched both mentally and economically

## Financial education at every stage of life

Primary, middle and high school	University	Young adults	Mid-career	Seniors
Support for financial education at schools <sup>1</sup>		Support for government, corporates, business groups <sup>2</sup>		
Financial education recipients	1,028,000	Support for in-house training	5,000 times	
Financial education classes	14,000	Consulting	800 companies	
Nikkei STOCK League participants	145,000	Life planning seminars	9,000 times	
Original teaching materials	1,115,000			

## Financial education collaborations

### Working with alliance partners



Held 5 seminars<sup>1</sup>  
245 participants



Held 20 seminars<sup>1</sup>  
1,085 participants

- Blending our expertise and programs with regional banks' brand recognition, trust and strong network
- Bank employees conduct lessons to improve financial literacy of local community

### Working with companies outside financial services



Collaboration such as Nomura's lesson program and in-person lessons included in new service for children (comotto)



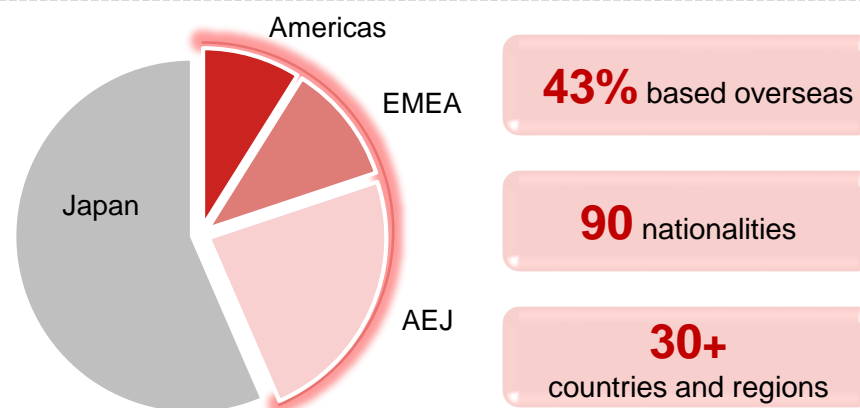
Joint development of app to teach incremental investing and started co-development of program of lessons and seminars

1. By March 2023.  
2. By September 2022.

# Diverse talent

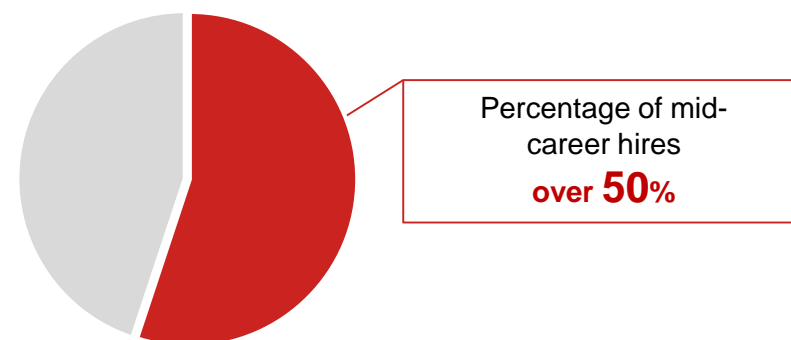
Leveraging our talent pool of diverse backgrounds and high expertise to enhance our corporate value

## Employees by region<sup>1</sup>



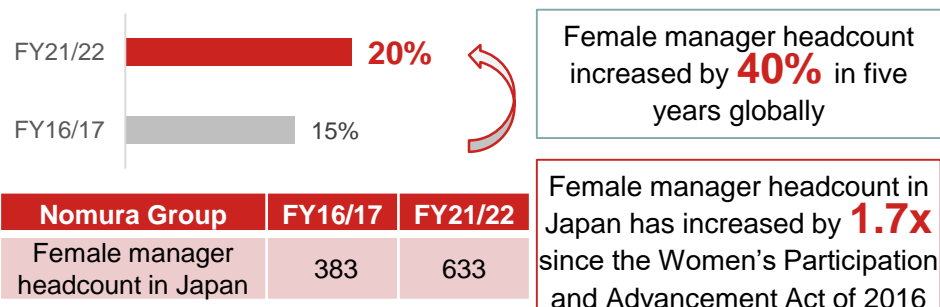
## Mid-career hires

### Hiring in Japan<sup>2</sup>

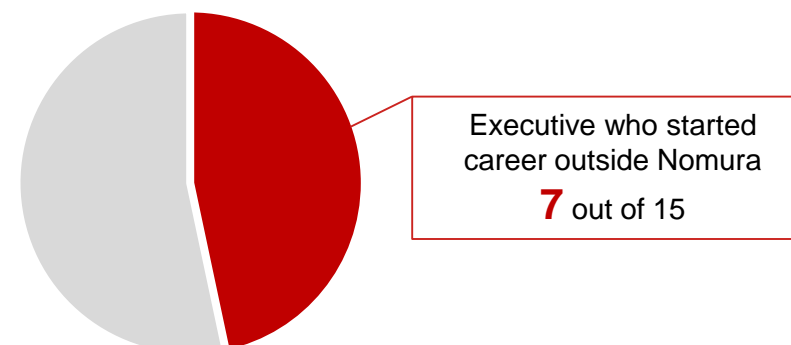


## Women's participation and advancement at Nomura Group

### Ratio of female managers and female manager headcount in Japan



### Nomura Group newly appointed executives (Apr 1, 2023)



1. End March 2023.  
2. Nomura Securities, FY2022/23.



## Our people deliver added value

### Key initiatives

- Promote training and acquiring licenses
- M&A University - Learn skills for Advisory business
- Digital IQ - e-Learning program to increase digital knowledge and skills for all employees



Training to drive strategy

Support people taking on new challenges

Attract people who can deliver added value

**Virtuous cycle to create added value**

DEI

Appropriate evaluation and compensation based on performance

Healthy management

- Diversify hiring channels to increase mid-career hires
  - Nomura Passport<sup>1</sup>
  - Alumni<sup>2</sup> rehiring
  - Referral program
- Hire, train digital talent
- Internships to find potential talent

- Compensate by pay for performance
- 360 degree reviews for managers
- Introduced ERCC<sup>3</sup> performance metric

### Key initiatives

- Expand Nomura Career internal recruitment system
- Overseas exchange student program
- Increase second career support program
- Secondment to venture companies



### DEI working group



### NOMURA healthy management statement



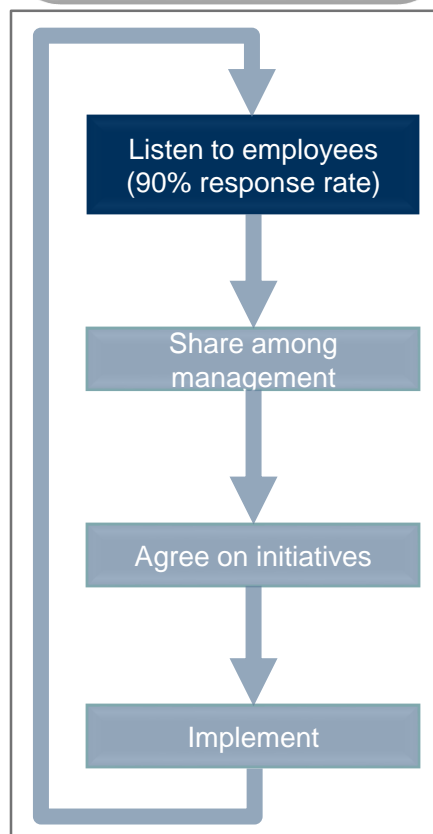
1. Hiring of late stage PhD candidates for mathematical and statistical professional positions and IT engineering positions. Students with Nomura Passport can extend their entry into Nomura until the year they are due to receive their PhD.  
 2. Use alumni network of former employees to maintain beneficial relationship for both parties and enhance hiring branding.  
 3. Globally introduced performance metric based on ethics, risk management, compliance, conduct.



# Enhancing employee engagement

- Initiatives to enhance employee engagement based on results of employee survey
- Increase in number of employees saying they are proud to work at Nomura to 85% (vs. 80% in 2016)

## Annual employee survey



## Understand key drivers of employee engagement

**Management** listening to employees and explaining

Working for **clients** as one organization

**Diverse** talent working together to take on **new challenges** and pursue **growth**

## Examples of initiatives to drive employee engagement

### Hearing from CEO

Employee questions: **490**  
Responses from CEO: **90**  
Updates from CEO: **50**  
(from Sep 2020)

If you have any questions, please let me know.



### Half Time video series

Discussions with management



### Internal recruitment system

Applicants: **540**  
Employees changed jobs: **210**  
(FY2022/23)



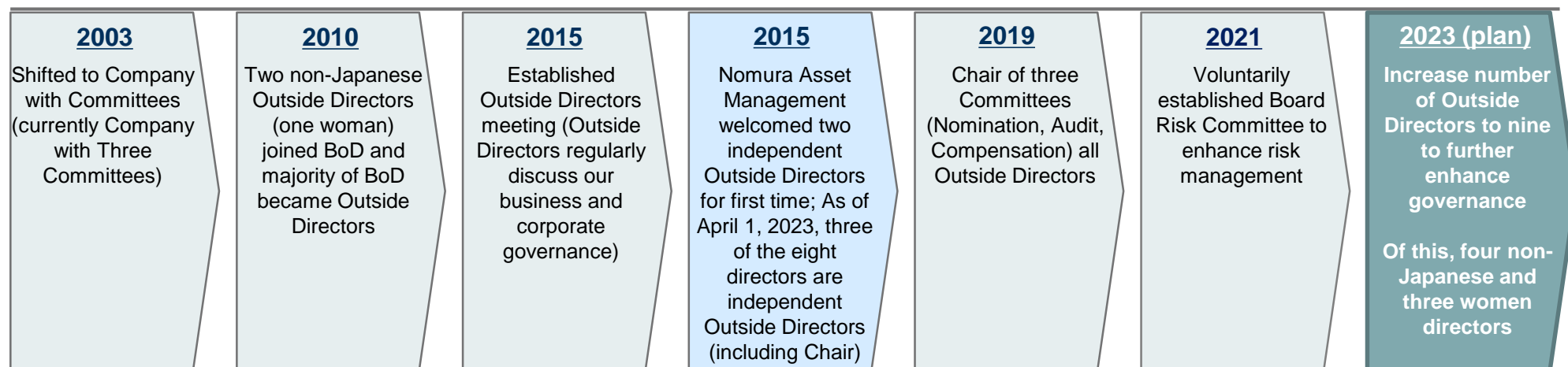
### Overseas exchange student system

Continued for **62** years since 1960

Total of **631** employees have gone to Americas, EMEA, AEJ

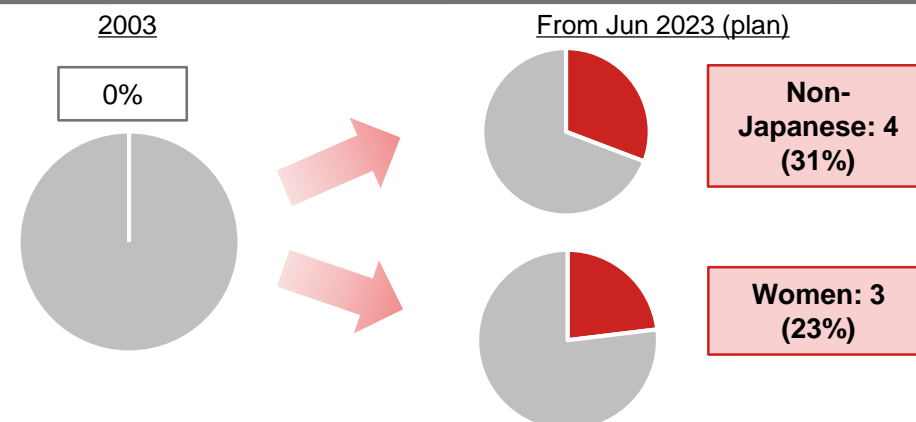
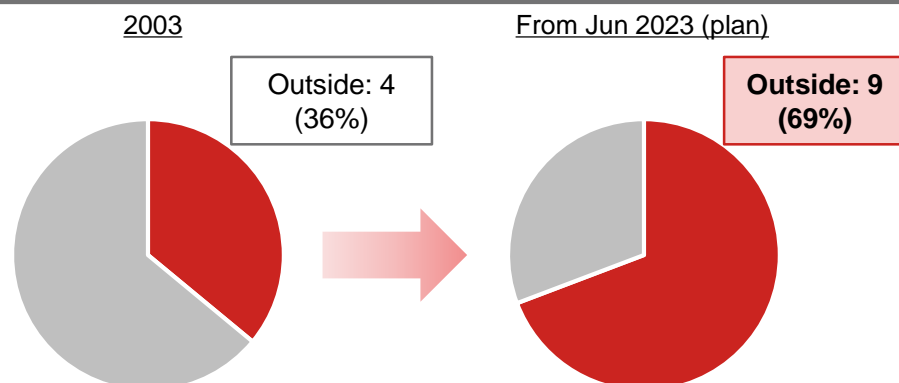
# Continually overhauling governance system

## Enhanced governance



## Outside Directors

## Non-Japanese and women directors



# Appendix

# FY2024/25 divisional KGIs and KPIs

- Some KGIs and KPIs have been revised in line with current operating environment

			FY2022/23 full year or March 2023	FY2024/25 target (announced in May 2023)	FY2024/25 target (announced in May 2022)
KPI	Retail	Recurring revenue assets	Y18.7trn	Y21.6trn	Y25.8trn
		Net inflows of recurring revenue assets	Y333.7bn	Y800bn	Y1.4trn
		Flow business clients	1.45m	1.46m	1.6m
		Services for salaried employees	3.49m	3.66m	3.66m
	Investment Management	Asset under management	Y67.3trn	Y75.8trn	Y79.1trn
		Net inflows	-Y0.8trn	Y3.0bn	Y2.9trn
	Wholesale	Revenue/modified RWA <sup>1</sup>	6.5%	Approx. 6%	Approx. 6%
		Fee and commission revenue	US\$1.1bn	US\$1.3bn or more	US\$1.5bn or more
		Expenses/revenue	96%	86% (Exit RR: 80%)	Approx. 80%
KGI	Retail	Income before income taxes	Y33.5bn	Y95bn	Y110 – 130bn
	Investment Management		Y43.5bn	Y63bn	Y80bn
	Wholesale		Y29.4bn	Y130bn	Y160 – 180bn
	Three segment		Y106.4bn	Y288bn	Y350 – 390bn

1. Wholesale net revenue divided by modified risk-weighted assets (daily average for the accounting period, annualized) used by Wholesale. Modified risk-weighted assets (daily average for the accounting period) is a non-GAAP financial measure and is the total of (i) risk-weighted assets (as calculated and presented under Basel III) and (ii) an adjustment equal to the regulatory adjustment to common equity tier 1 capital calculated and presented under Basel III divided by our internal minimum capital ratio target

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