

# Presentation at Nomura Investment & Global Real Estate Forum 2011

**NOMURA**



Nomura Holdings, Inc.

November 30, 2011

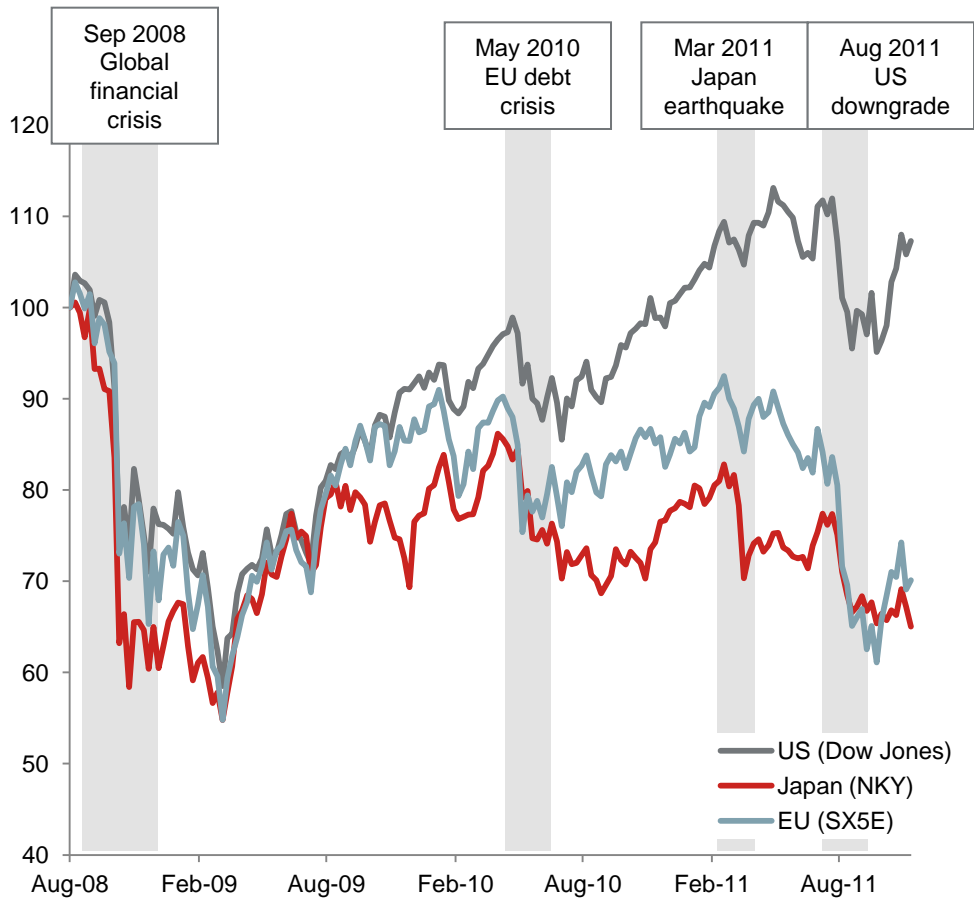
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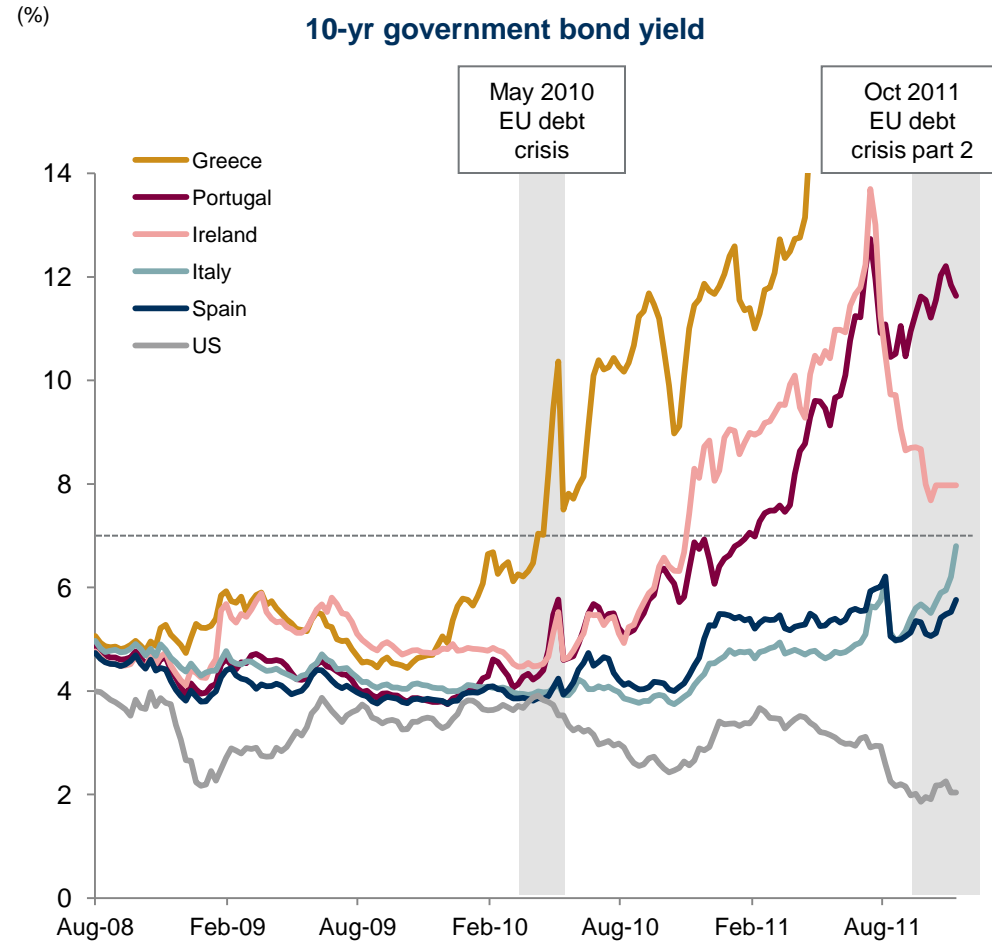


Kenichi Watanabe  
Group CEO

## Share indices by region<sup>1</sup>

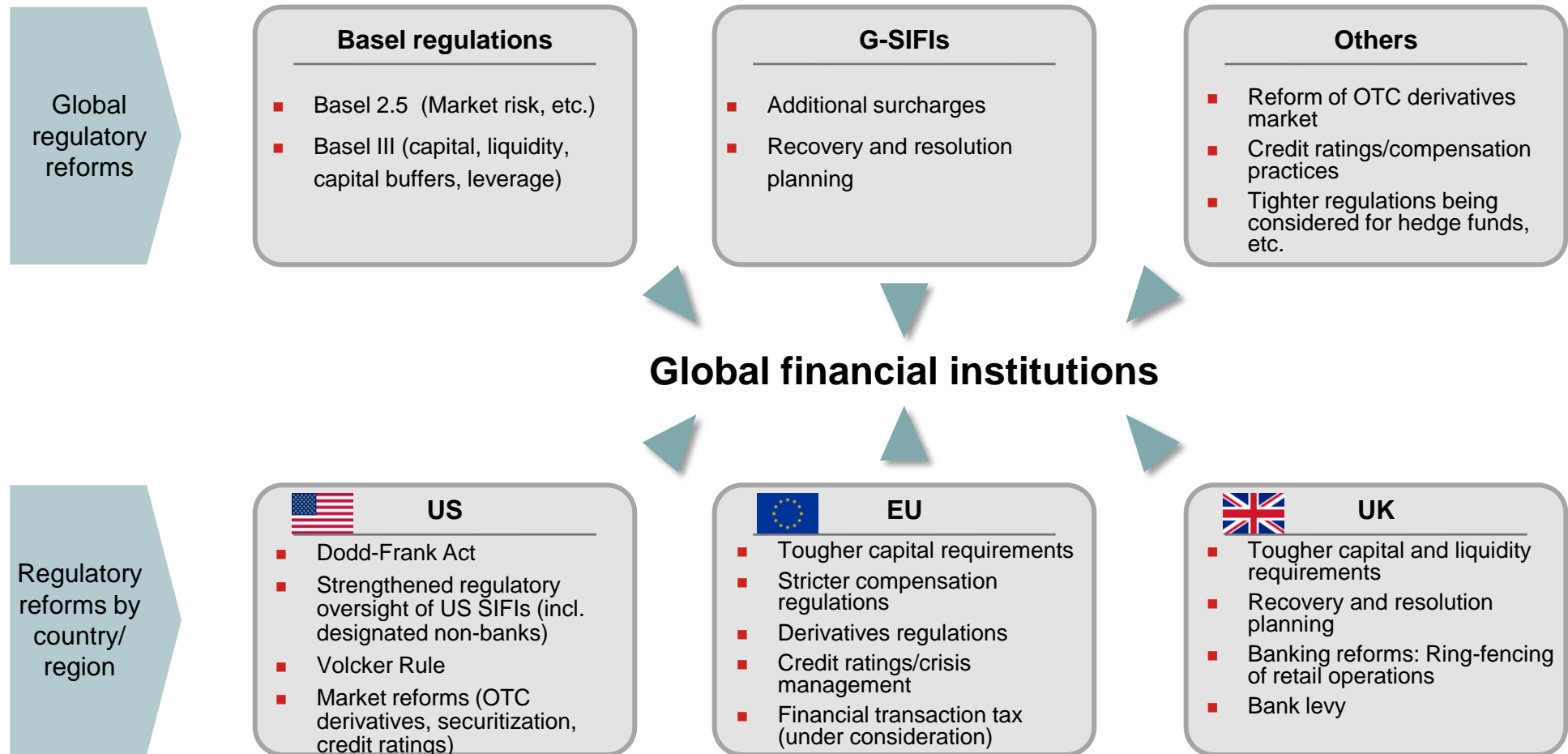


## EU debt crisis has spread to global financial markets

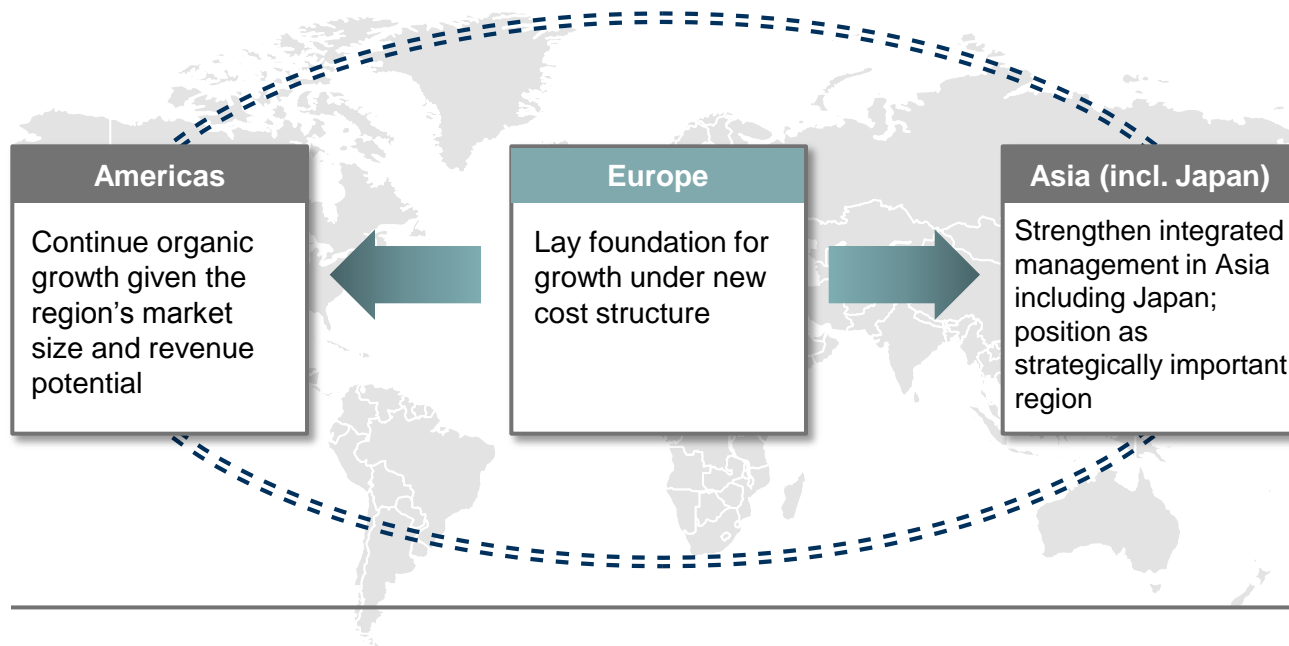


Source: Nomura, based on Bloomberg data.  
 (1) Indexed, Aug 1, 2008 = 100.

## Financial sector reform driven by global regulatory reforms



## Maintain global franchise and reallocate resources from EMEA to Americas and Asia



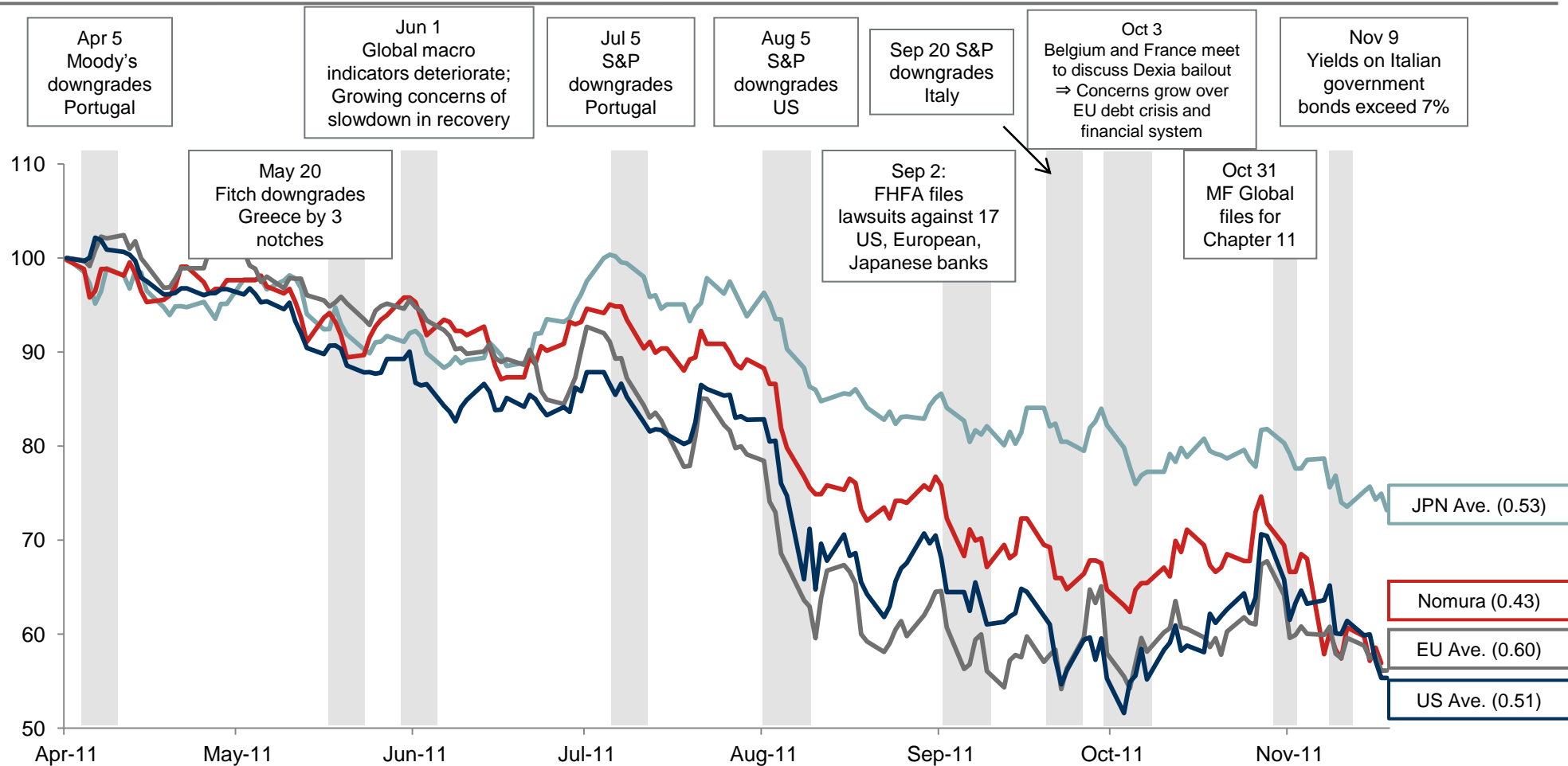
## Improving profitability

- Total cost reductions of \$1.2bn (including \$400m announced in 1Q)
  - Additional cost reductions of \$800m
    - Firm-wide initiative
    - Primarily in Wholesale
- Resize operations in line with current market and revenue opportunities to lower breakeven point
- Focus on being profitable each quarter
- Return each region to profit as soon as possible

## Asia's No. 1 Global Investment Bank

- Remain client focused
- Leverage expanded franchise to establish position as a global player

P/B ratios of global financial institutions<sup>1</sup>



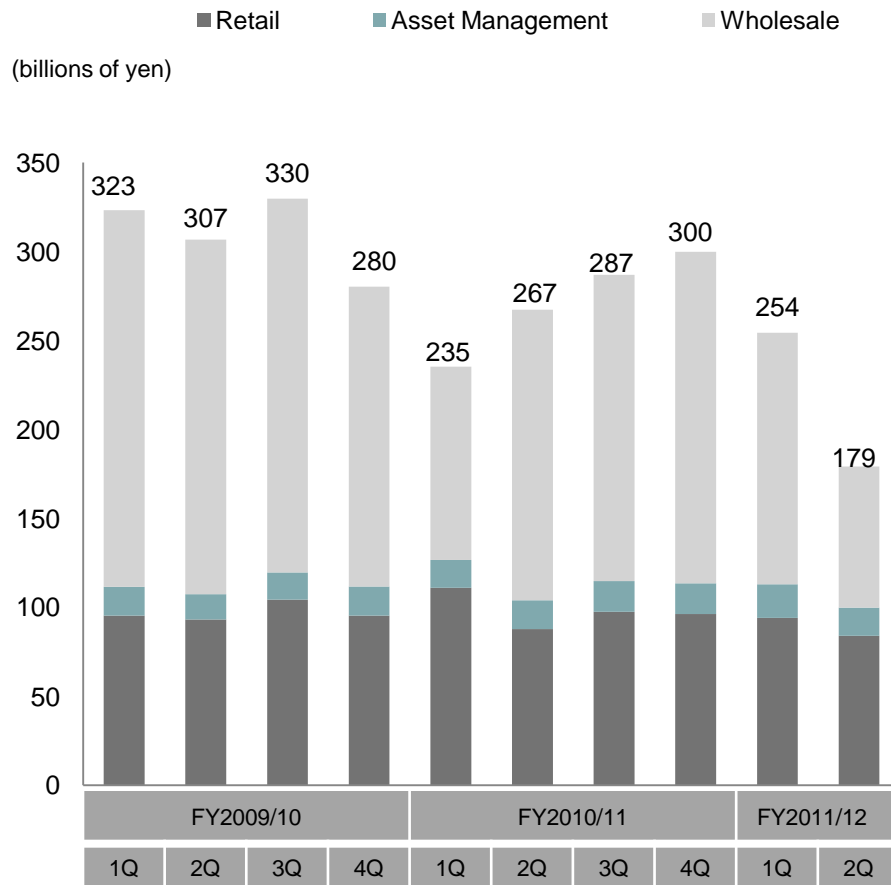
(1) Indexed, April 1, 2011 = 100.

US Ave.: Goldman Sachs, Morgan Stanley, JP Morgan, Citigroup. EU Ave.: UBS, Credit Suisse, Barclays, Deutsche Bank. JPN Ave.: Mitsubishi UFJ FG, Sumitomo Mitsui FG, Mizuho FG, Daiwa

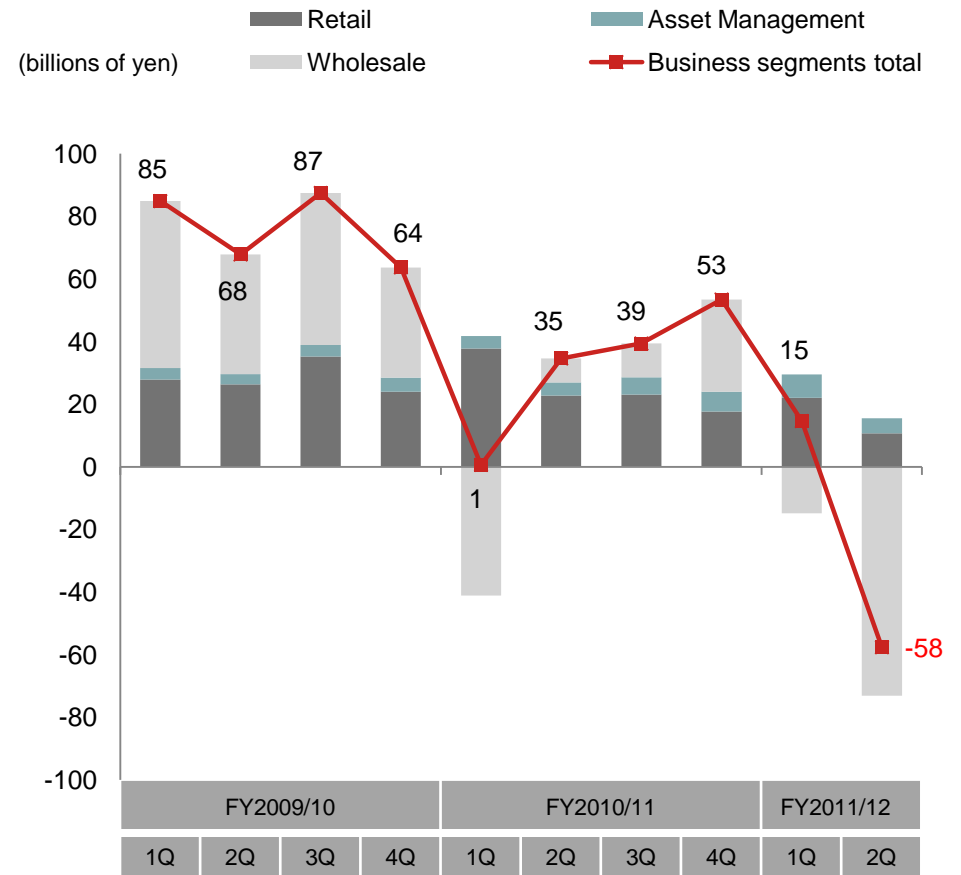
# Financial Update

Junko Nakagawa  
CFO

## Business segment net revenue<sup>1</sup>



## Business segment income (loss) before income taxes<sup>1</sup>



(1) Business segment total excludes segment "Other" and unrealized gain (loss) on investments in equity securities held for operating purposes.

## Challenges facing global financial institutions

## Our progress<sup>1</sup>

Ensure healthy balance sheet

✓  
(achieved)

- Nearly 80% of assets are highly liquid trading related assets
- Level 3 assets at 35% of Tier 1 capital
- Gross leverage of 18.1x
- Ample liquidity of Y5.6trn

Strengthen capital position

✓  
(achieved)

- Basel 2  
Tier 1 ratio: 15.8%; Tier 1 common ratio: 13.7%
- Basel 2.5 (Sep 30 balance sheet)  
Tier 1 ratio: 12.2%; Tier 1 common ratio: 10.5%
- Basel 3 (2013 standards; Sep 30 balance sheet)  
Tier 1 ratio: High 8% to 9%; Tier 1 common ratio: Over 8%

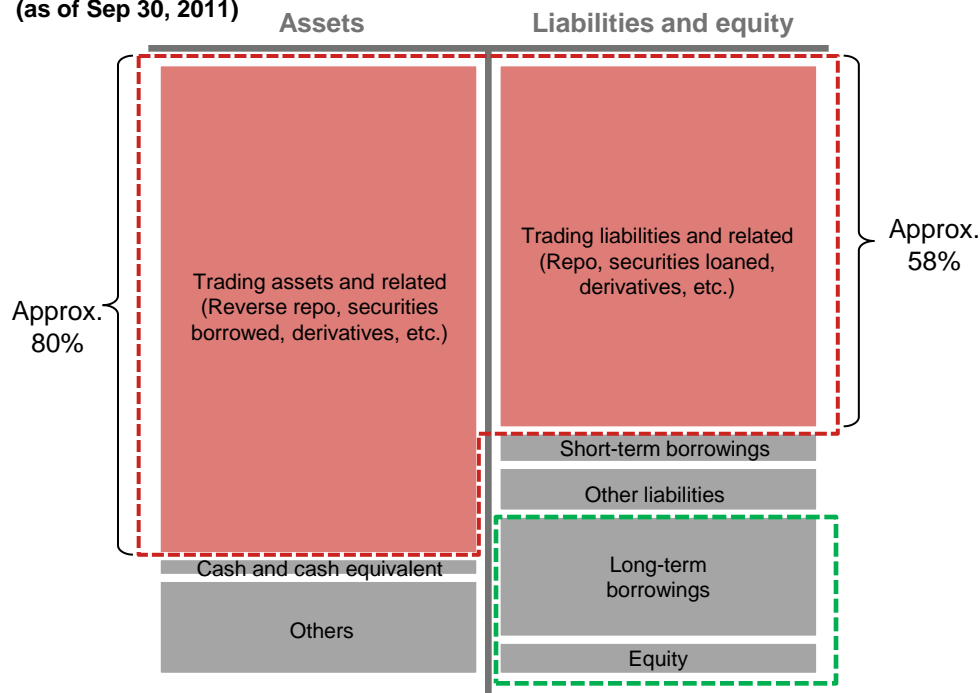
Realign cost structure

(in progress)

- Improve profitability
- Optimize cost structure in line with current market and revenue opportunities to lower breakeven point

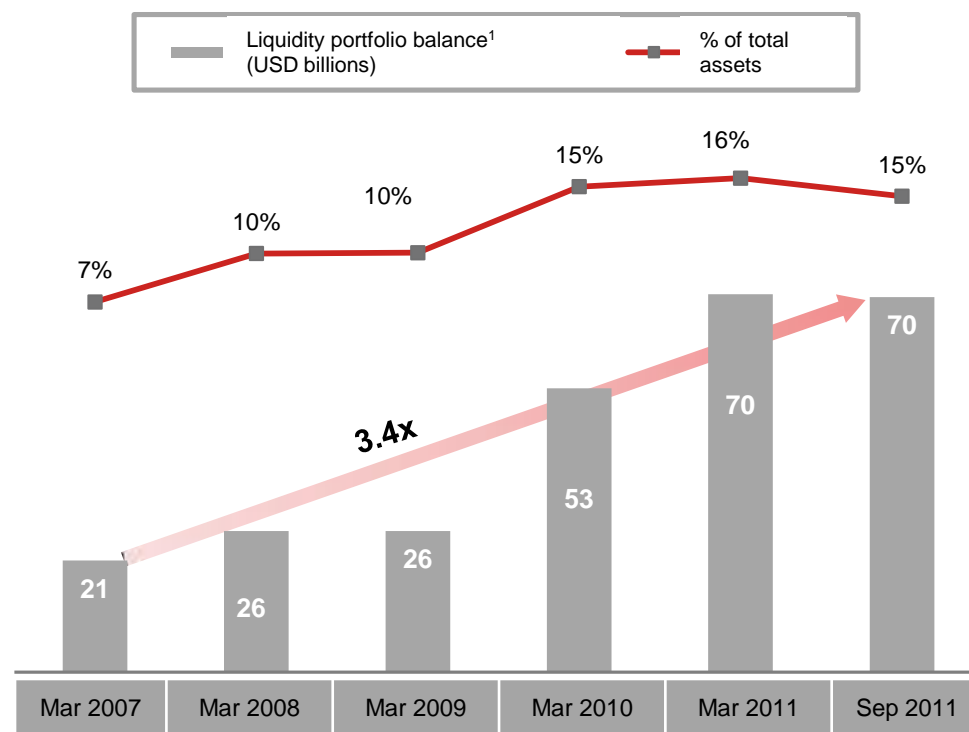
## Stable balance sheet structure

Balance sheet  
(as of Sep 30, 2011)



- Nearly 80% of assets are highly liquid trading related assets
  - Assets and liabilities matched in each region
- Weighted average maturity of long-term debt is approx. 6 yrs<sup>1, 2</sup>

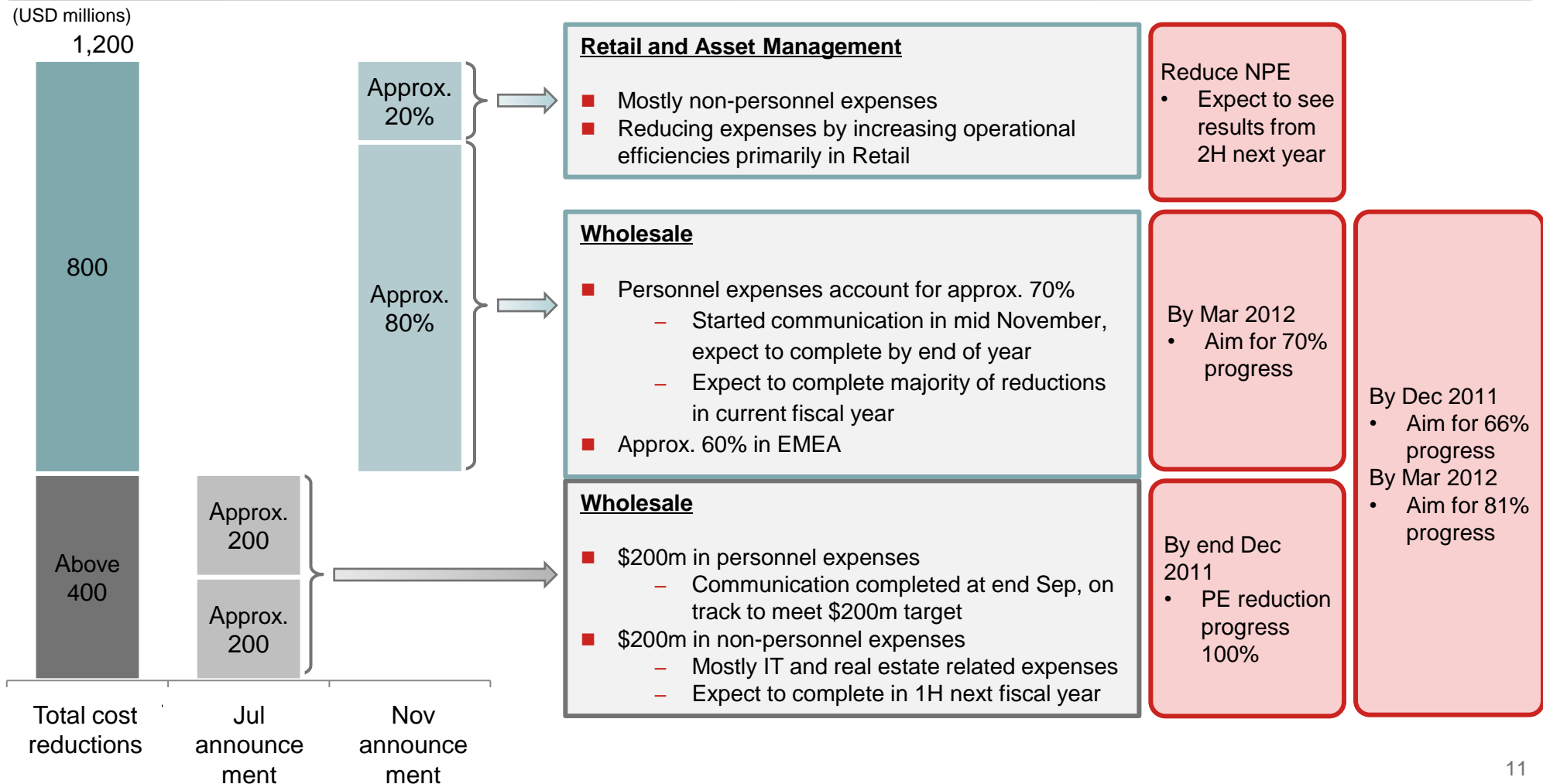
## Ample liquidity for changing market conditions



- Maintain a liquidity portfolio surplus to withstand potential outflows under severe market-wide stress that could disrupt repo markets and other secured/unsecured financing flows without the need for additional unsecured funding over one year

(1) Definition differs from financial disclosures reflecting Liquidity Management's view. Based on original maturity.  
 (2) Redemption schedule is individually estimated by considering the probability of redemption under certain stressed scenarios. Average maturity of debt excludes current portion of long-term debt.

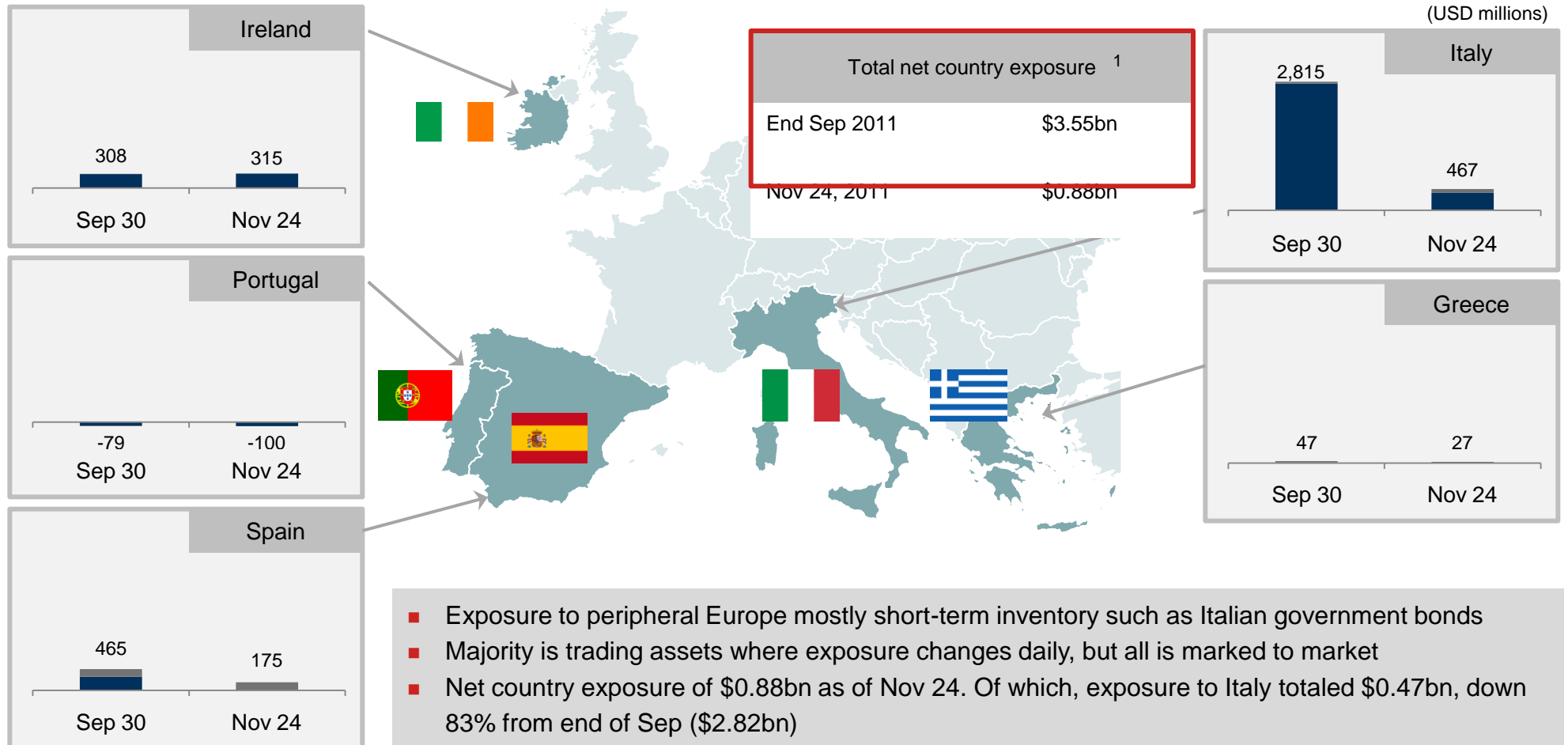
## Total cost reductions of \$1.2bn to resize business in line with current environment and lower breakeven point



# Exposure to peripheral Europe

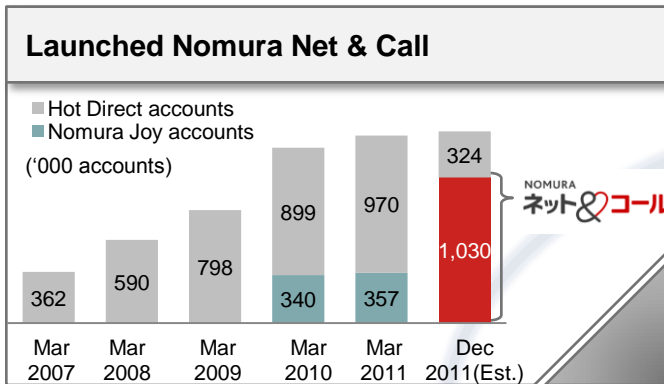
Country exposure (Sep 30, 2011 vs. Nov 24, 2011)

■ = Inventory (net)  
 ■ = Counterparty (net)



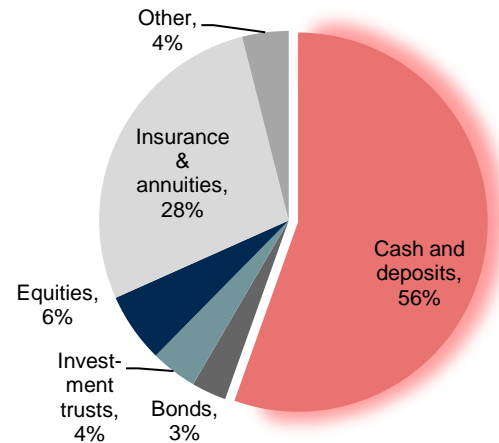
(1) Includes repo transactions (including repo-to-maturity), stock lending transactions, and OTC derivatives.

Meeting diverse needs of retail clients: Offering seamless services to expand client base and product lineup



### Branch office, online, call center collaboration

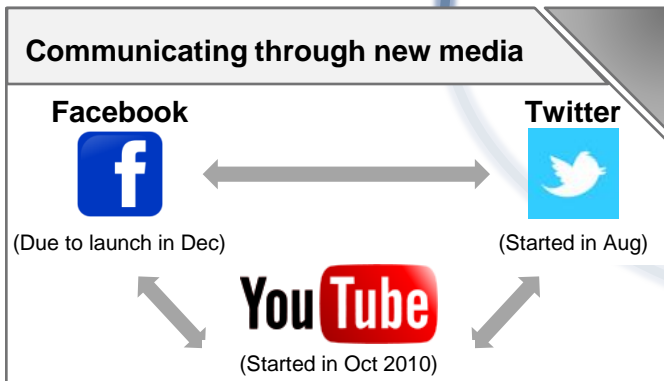
Personal financial assets in Japan:  
Y1,491trn (as of Jun 2011)



### Continued growth of branch network

178 domestic branches (as of Nov 30)

- ✓ Nov 21 Kamiooka branch opened
- ✓ Oct 5 Shonai branch opened



### Increased product offering since Oct

- ✓ Investment trusts  
Nomura Global High Dividend Stock Premium (Launched Nov 18; Y54.6bn)
- ✓ IPOs  
Nexon (90.4bn – 105.5bn)<sup>1</sup>
- ✓ Bonds  
Robust sales of JGBs for individual investors and foreign bonds

Also reducing expenses with focus on indirect costs

(1) Estimate based on IPO price range.

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# **Wholesale**

Jesse Bhattal

President and Chief Executive Officer, Wholesale Division

## Navigating near-term challenges and addressing longer-term “New Normal” landscape critical for success

### Industry Under Strain

#### Weak Economic Fundamentals

- Global economy at risk of returning to recession
- Asia resilience offset by subpar US growth, Europe
- 2012 Eurozone growth forecast cut from 1.8% to 0.5%<sup>2</sup>

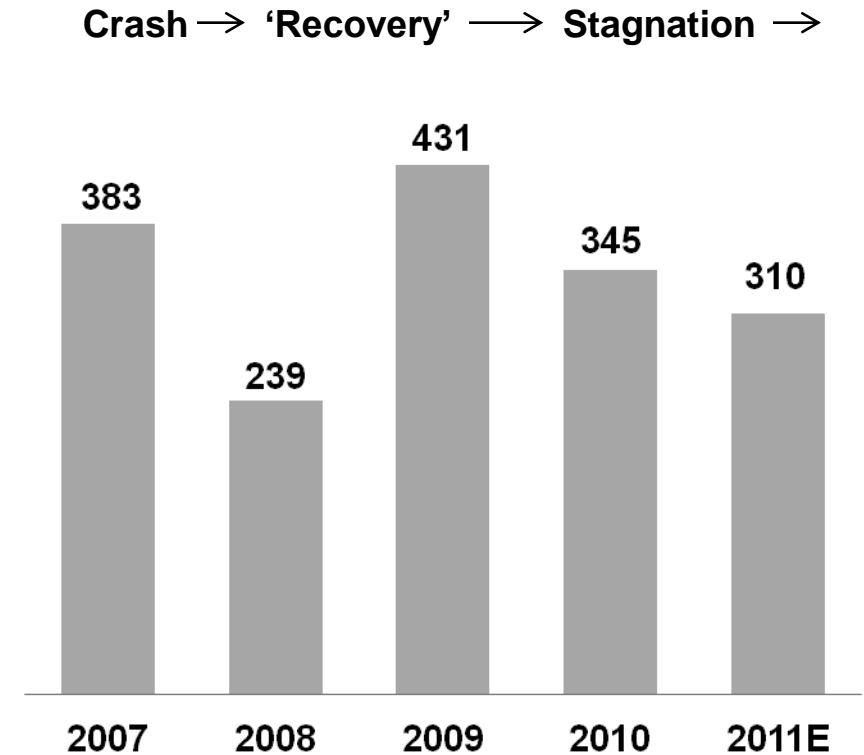
#### Uncertainty around EU debt crisis

- Contagion of sovereign spread widening
- Euro coming under increasing pressure
- Uncertain impact of EU exposure on global banks

#### New Capital and Regulatory Paradigm

- Increased regulatory requirements leading to lower returns
- Massive recapitalization expected in banking sector
- Further de-leveraging, restricting capital-intensive areas

### Declining Revenue Pools (\$B)<sup>1</sup>



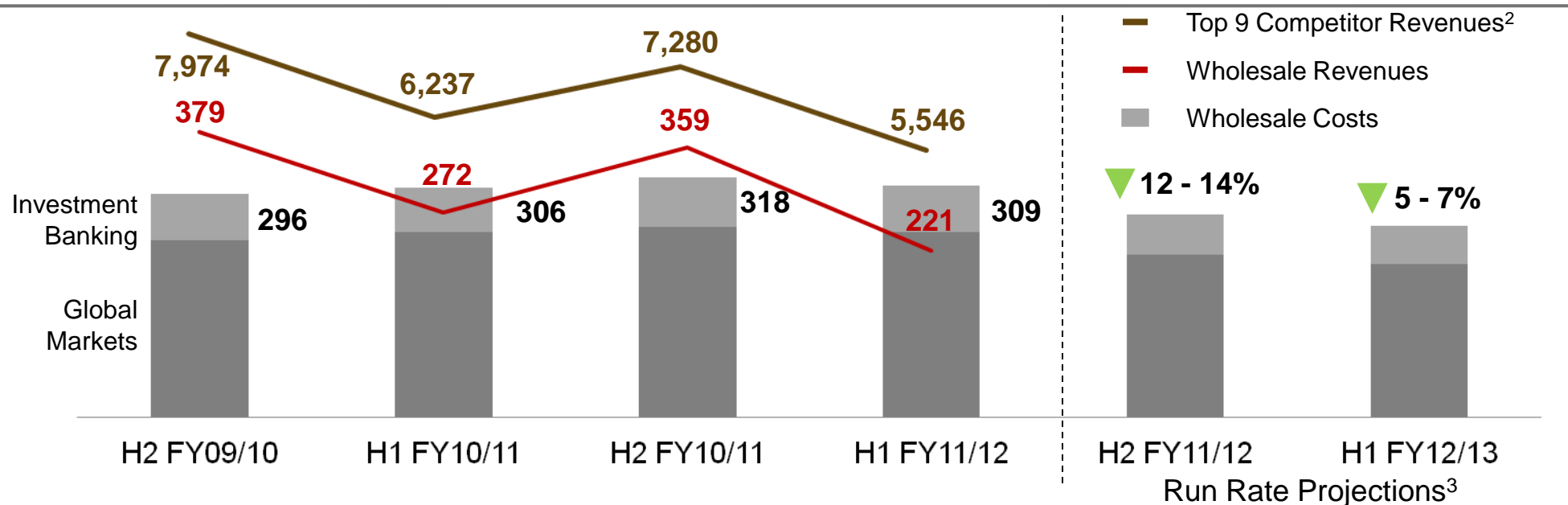
(1) Source: 2007 – 2010 McKinsey, 2011E Nomura Estimate

(2) Source: European Commission

# Critical Steps Taken to Improve Profitability

Action taken to lower breakeven threshold, re-allocate resources to proven accretive & client-centric businesses

Wholesale Revenue & Cost<sup>1</sup> (¥B)



- Over \$1 billion in annual run rate saves within Wholesale – 66% implemented
- Maintain core international franchise, emphasizing highest value-add segments
  - Global resources focused on business lines and regions which play to our strengths
- Client centric franchise – de-emphasize principal investments and proprietary risk
- Position for the ‘new normal’ capital and regulatory regime – tighten management of RWAs

(1) All figures are converted at 1 USD = 77.04 JPY

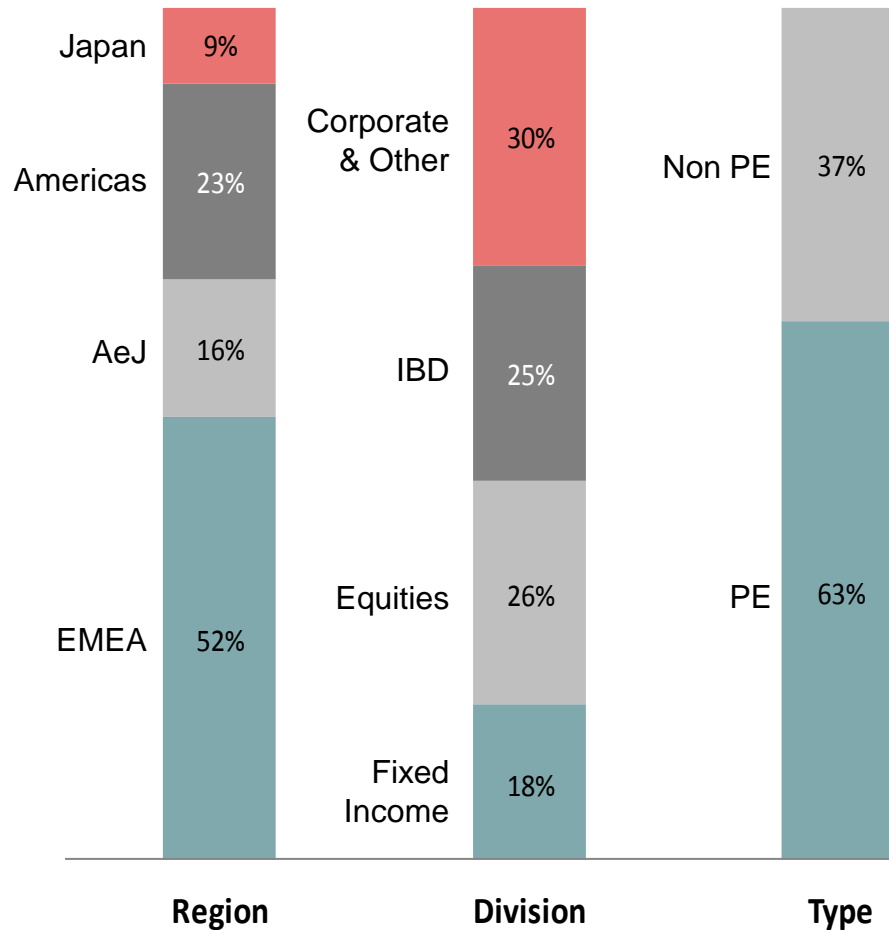
(2) Top 9 competitors: Bank of America, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley, UBS. IBD, Equity and FICC revenues excluding CVA/DVA, mark-downs

(3) Run rate projections exclude restructuring costs, include estimated compensation reductions. Run rate projections differ from fiscal/ accounting projections (e.g. latter may include impact of financial adjustments)

# Cost Reduction Program

Good progress already made towards ~\$1bn run-rate cost savings target

Breakdown of Wholesale Reductions



Projected timeline

	FY11/12 Q3	FY11/12 4Q	FY12/13 2H
PE Saves	63%	82%	100%
Non PE Saves	72%	79%	100%
Total	66%	81%	100%

Given the challenges we face, we are accelerating our strategy to be even more focused on clients, innovation, tighter resource allocation and risk management to drive profitability

## Businesses that Play to Our Strengths

### Deep Client Relationships

- Continue to capitalize on well-established relationships
  - Examples: Retail / AM synergies, M&A (esp. x-border)

### Innovation-Driven Businesses

- Using intellectual capital and innovation to win business
  - Examples: Electronic trading, Global Finance<sup>1</sup>

### Flow and Agency Businesses

- Stable agency businesses, already “in the flow” with clients
  - Examples: Flow Rates, Japan Cash Equities

### Less Resource Intensive Businesses

- Intensified focus on resource-usage, risk and returns
  - Examples: Flow Credit

## Deemphasizing More Challenged Areas

### Recent Entrant, Nascent Client Visibility

- Brand not yet established, nascent track record
- Requires longer gestation, but low immediate return

### Scale-Driven Businesses

- Nomura lacks resources and scale to compete
- Balance sheet intensive, strain on limited resources

### Credit Rating Sensitive Businesses

- Counterparty challenges
- Compounds difficulty in on-boarding new clients

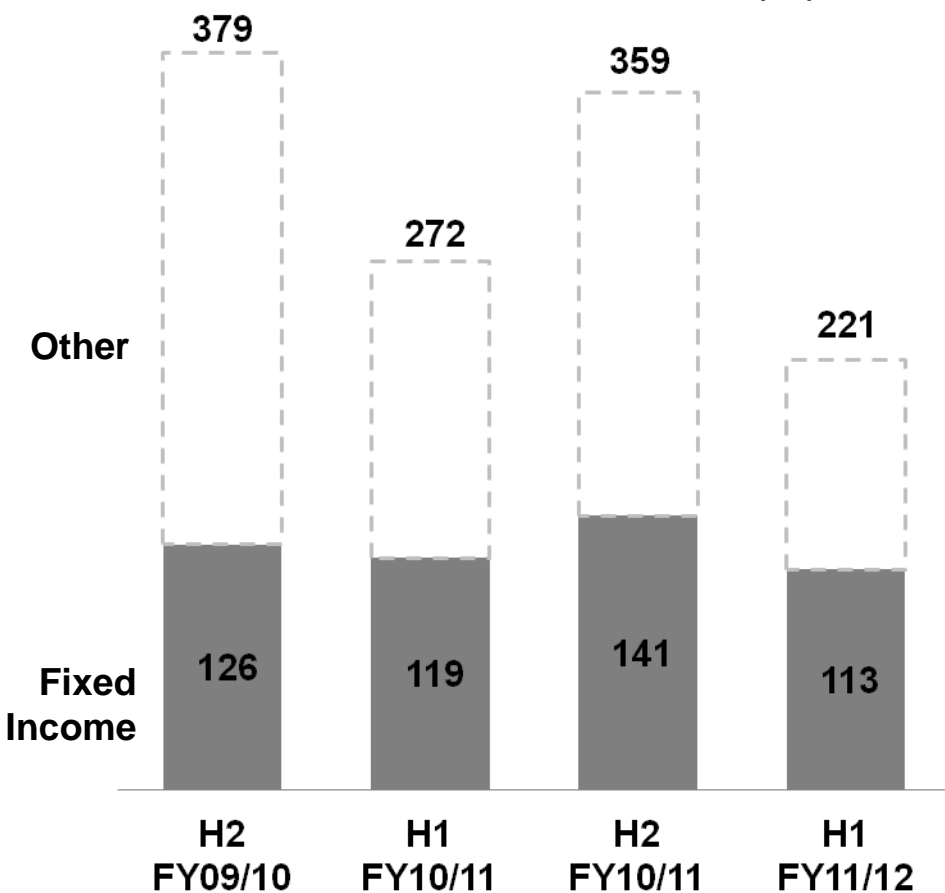
### Capital Intensive Product Lines

- New Basel 2.5/3 capital requirements
- Higher embedded risk driving greater resource consumption

(1) ECM, DCM, Acquisition and Leveraged Finance, Risk Solutions Group, Insurance Solutions Group, Leveraged Capital Markets, Global Finance Solutions

## Consistent Underlying Performance

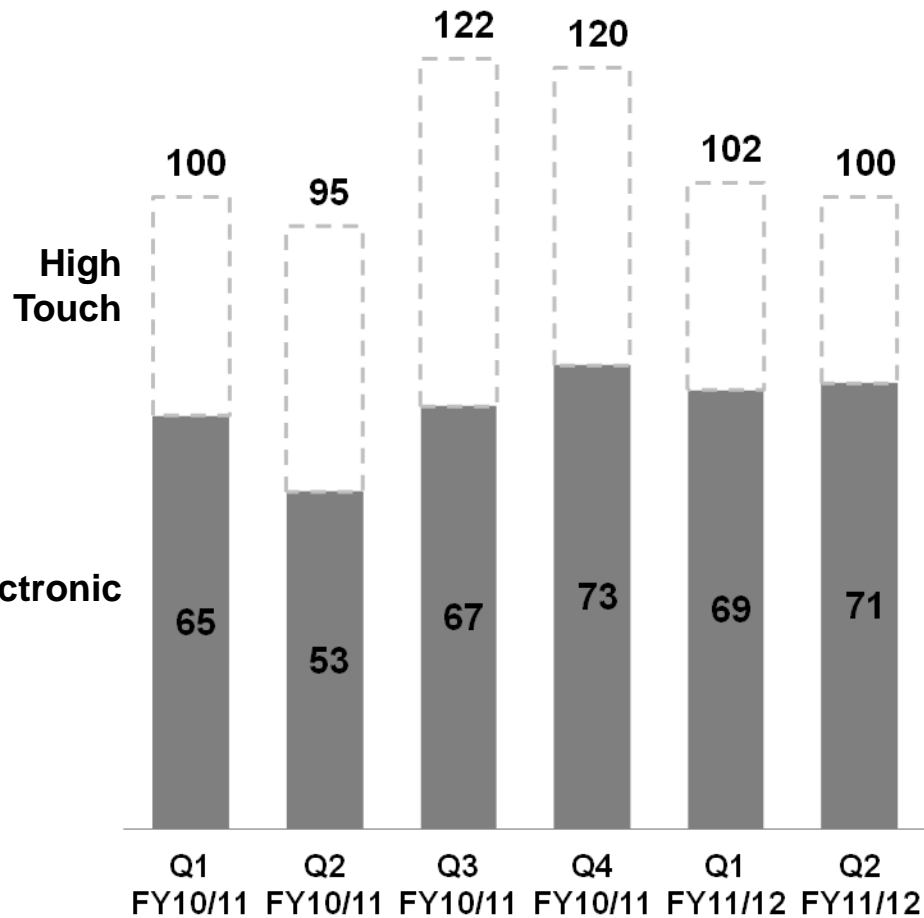
Fixed Income Share of Revenue (¥B)



## Strategy Highlights

- Global Macro (Rates / FX)
  - Build client driven, sustainable revenue streams
  - Focus on areas where we have a clear edge
  - Capitalise on Macro synergies (clients, infrastructure)
  
- Credit
  - Globalise the business
  - Focus on profitable growth areas
  - Intensify and deepen client coverage esp. Hedge Funds
  
- Securitized Products
  - Continue to deliver best in class research and analytics
  - Targeted growth in accretive businesses
  - Stringent management of capital and RWA

## Growth in Electronic Businesses (indexed)



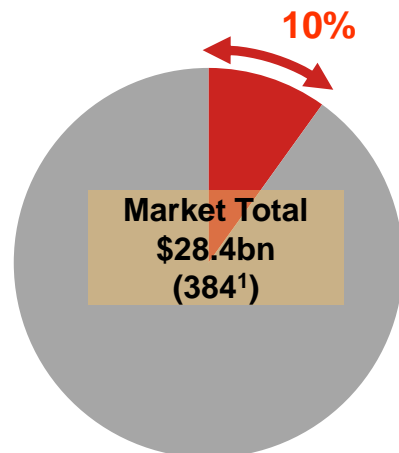
## Strategy Highlights

- Execution Services
  - Intensified client focus, narrow sector concentration
  - Content/solutions driven product offering
  - Innovative electronic execution capabilities
  
- Equity Derivatives
  - Selective growth where we are advantaged
  - Increased cross-divisional partnership
  - Recent key senior hires made
  
- Delta One, Prime Services
  - Leverage momentum
  - Client driven growth
  - Build selectively in new markets

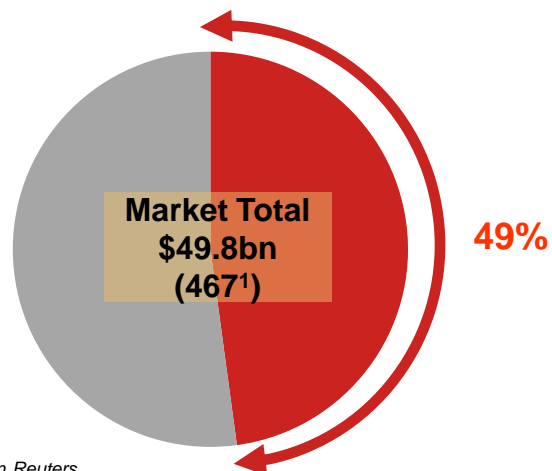
## Capturing International Flows

### Nomura Mandated Deal Volumes (Japan related outbound M&A)

Jan – Sep 2010



Jan – Sep 2011



(1) Number of deals. Source: Thomson Reuters

## Strategy Highlights

- Strategically enhanced platform
  - Created Financial Institutions Group (FIG) vertical
  - Enhanced Cross-Divisional JVs
  - Maintain global footprint, tighter sector and M&A focus
  
- Japan
  - Expand upon leading market share
  - Grow solutions business
  - Capture cross-border flows
  
- International
  - 'Go-to bank' for Asia, maintain global footprint
  - Leverage cross divisional synergies
  - Capitalize on strengths in solutions, M&A, sponsors

## Leverage Japan strengths into APAC leadership, rebalance resources across global platform

### Japan

- Further solidify leading footprint
- New product innovation
- Capture international flows
- Leverage group synergies

### Americas

- Disciplined strategy focused on profitability
- Long term growth opportunity
- Leverage global connectivity & innovation
- Strengthen infrastructure

### Asia ex-Japan

- Enhance Japan collaboration, grow leading Asia franchise
- Establish Asia-Pacific “calling card” to clients
- Further localize coverage
- Grow higher margin businesses

### EMEA

- Maintain presence to capture large fee pool
- Target massive restructuring, recapitalization opportunities
- Build on solutions and structuring track record
- Consolidate footprint

- **Partnership with clients remains highest priority**
- **Responding to short and long term industry challenges**
- **Good progress in reducing cost base**
- **Focusing on accretive businesses, growth regions**
- **Flexibility to address further changes in the environment**

Nomura Holdings, Inc.

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