Case Study: Nomura’s Strategies on Globalization and Transformation

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President & CEO
Nomura Financial Investment (Korea) Co., Ltd.

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Consolidation in Banking Industry and Brokerage Houses

1995

Banking Sector
- Fuji
- IBJ
- Dai-Ichi Kangyo
- Sumitomo
- Sakura
- Asahi
- Mitsubishi
- Tokyo
- Tokai
- Sanwa
- LTCB
- Daiwa

Securities Sector
- Nikko
- Yamaichi
- Nomura
- Wako
- New Japan
- Kokusai
- Kankaku
- Sanyo
- Okasan
- Cosmo

Current (2015)

- Mizuho
- Sumitomo Mitsui
- Resona
- Shinsei
- Mitsubishi UFJ
- SMBC Nikko
- Daiwa
- Nomura
- Iwai Cosmo
- Others

Source: NICMR
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
</table>
| 2001 | Establishment of Nomura Holdings, Inc.: Introduction of Holding Company Structure  
 | Listing Nomura’s American Depository Receipt (ADR) on the New York Stock Exchange |
| 2003 | Adopting “Committee System” on Nomura’s Board of Directors Structure |
| 2007 | Instinet (execution services provider) became a subsidiary of Nomura Holdings Inc. |
| 2008 | Acquisition of Lehman Brothers' Asia-Pacific franchise and certain operations in Europe and the Middle East.  
 | Acquisition of Lehman Brothers’ service platform in India. |

Source: NICMR
Overview of Nomura’s Strategic Moves (Concept)

Company Philosophy

- Client First
- Focus/Capital Market Oriented
- Globalization

Basic Strategies During the Last Decade

- Matrix Management
- “Double Wheels” Business Models

Strategic Moves

- Change in Corporate/Group Structure
- Transforming Business Models (in Domestic Market)
- Going Overseas

Source: NICMR (Nomura Institute of Capital Markets Research)
Roles of Securities Firms in Financial Services Industry

Advices and Values Provided by Securities Firms: More Diversified and More Technically Demanding

<table>
<thead>
<tr>
<th>Major Business Types</th>
<th>Significances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker (Agent)</td>
<td>Capital formation/raising</td>
</tr>
<tr>
<td>Dealer (Principal)</td>
<td>Providing investment opportunities</td>
</tr>
<tr>
<td>Underwriter</td>
<td>Intermediaries of public securities market</td>
</tr>
<tr>
<td>Offering/ Selling</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Major Business Lines</th>
<th>Significances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail (Distribution/Wealth Management)</td>
<td>Financial planning/consulting</td>
</tr>
<tr>
<td>Asset Management</td>
<td>Financial product manufacturing</td>
</tr>
<tr>
<td>Wholesale</td>
<td>Advisory/Providing solutions</td>
</tr>
<tr>
<td>– Global Markets (Equity/Fixed Income/ Derivatives)</td>
<td>Providing risk capital to economy</td>
</tr>
<tr>
<td>– Investment Banking</td>
<td></td>
</tr>
<tr>
<td>Others (Banking, Trust etc.)</td>
<td></td>
</tr>
</tbody>
</table>

Source: NICMR
Historical Transition of Retail Investment Service in Japan

**Background**
- Fixed Commission System
- High Growth Economy and Inflation

**Core Products/Services**
- Brokerage of Individual Equities
  - Large-scale IPOs
- Foreign Currency-denominated Bonds
  - Mutual Funds (Investment Trusts)
- Separately Managed Account (SMA)
  - Mutual Fund Wrap

**Revenue Source**
- Brokerage Commissions
- Up-front Commissions
- Asset Management Fees, Wrap Account Fees (Asset-based and Recurring)

**Management Goals**
- Increase of Number of Customers
- Acquiring Profitable Clients
- Advising for Clients’ Inheritance or Life Events
- Maximizing Brokerages Commissions
- Maximizing Sales Commissions
- Maximizing Client Assets (AUM)

Source: NICMR
Nomura’s Retail Division:

- Historically it has been told Nomura’s Retail segment is good at distributing financial products.
- Currently the number of retail accounts surpassed approx. 5.2 million, representing almost 25% of all Japanese securities accounts, which provides various business opportunities.
- With its over JPY 100 trillion AUM, Nomura is by far the largest securities company in Japan.

Source: Financial Results of Nomura Holdings
Nomura’s Retail Division: Changes in Major Revenue Accounts

- Create synergies between wholesale (manufacturing of investment products) and retail (distribution) businesses
- At the same time, enhance consulting sales, wealth management, DC/employer related businesses for expanding investor base

Source: Financial Results of Nomura Holdings
Nomura’s Net Revenues (Revenue after Financial Charge Deduction): Overseas vs. Domestic

Net Revenue (Overseas)/ Net Revenue (Consolidated)


Source: Financial Results of Nomura Holdings
Global Markets: Growth of client

Client business growth driven by expansion of business platform

Fixed Income
Clients who rank Nomura as a meaningful counterparty¹

<table>
<thead>
<tr>
<th>2008</th>
<th>2014 ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>86%</td>
</tr>
<tr>
<td>Americas</td>
<td>1%</td>
</tr>
<tr>
<td>EMEA</td>
<td>2%</td>
</tr>
<tr>
<td>AEJ</td>
<td>5%</td>
</tr>
</tbody>
</table>

Equities
Market share on major stock exchanges²

<table>
<thead>
<tr>
<th>2008</th>
<th>Jan-Jun, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>7%</td>
</tr>
<tr>
<td>US</td>
<td>3%</td>
</tr>
<tr>
<td>UK</td>
<td>1%</td>
</tr>
<tr>
<td>HK</td>
<td>1%</td>
</tr>
</tbody>
</table>

## Investment Banking: Stronger international franchise

### Marked improvement in international service and product capabilities

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<tbody>
<tr>
<td>ECM 1</td>
<td>1,080 (millions of USD)</td>
<td>5,598</td>
</tr>
<tr>
<td>ALF 2</td>
<td>782</td>
<td>4,326</td>
</tr>
</tbody>
</table>

### Jump in international revenues

International Investment Banking revenues (Rebased, pre-integration=100)

| Pre-integration FY03/04 – FY07/08 | 100 |
| Post integration FY09/10 – FY13/14 | 393 |

### Non-Japan M&A mandates

<table>
<thead>
<tr>
<th>Global league table</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 – 2008 (annual average)</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>2010 – 2013 (annual average)</td>
</tr>
<tr>
<td>55%</td>
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1. Source: Nomura, based on data from Thomson Reuters; Deals in which Nomura was involved as Co-Manager or higher role.
2. Source: Nomura, based on data from Bloomberg.
3. Source: Nomura, based on data from Thomson Reuters; Percentage on transaction value basis of M&A deals not involving Japanese companies in which Nomura played a role.
Wholesale revenues and expenses rose sharply after integration. The exercise has also contributed to cementing a team spirit across business divisions and boarders.

1. Five year annual average.
2. Exchange rate is six month average of month-end spot rate. FY2011/12: 1H=Y79.16, 2H=Y78.48; FY2012/13: 1H=Y78.87, 2H=Y87.66; FY2013/14: 1H=Y98.58, 2H=Y102.18.
Human Resource – Driver of our business

- Lehman integration was a stepping stone for Nomura’s globalization.
- Higher profile in the industry thanks to the integration has made it possible for Nomura to attract talents across the regions and countries.
- While we appreciate a diversity of our staffs, we’re trying to achieve sharing the same level of understanding in Nomura founding principles and corporate ethics.

Source: Nomura
Leveraging global platform to diversify revenues

- The foundation has been built.
- Listening well to and working hard with our clients on the highest level of corporate ethics sharing our founding principles should enable us to achieve the goal.

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<tbody>
<tr>
<td>Firm-wide annual revenues (average)</td>
<td>Approx. Y1trn</td>
<td>Approx. Y1.5trn¹</td>
</tr>
<tr>
<td>International revenues</td>
<td>Approx.16%</td>
<td>Approx.30%</td>
</tr>
</tbody>
</table>

- Japan equities business
- Foreign bonds and niche products for Japanese institutional investors

- Products and services for global clients
- Increase in cross-border deals
- Further develop client businesses
- Expand non-Wholesale international businesses

International contribution

- Loss
- Break-even
- Approx. 25% of firm-wide pretax income

Note: 1. Excluding Nomura Real Estate Holdings
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