First inquirer (analyst, attendee)

Q1: About the non-recurring product sales for securities, had these sales and operating profit numbers already been figured into your first half performance forecast? And if they had, roughly how much do they contribute to operating profit?
A1: These sales had already been figured into our first half performance forecast in terms of both sales and operating profit. As for as how much they contribute to operating profit, I cannot provide specific details, but I can say that if these product sales had not occurred, our operating profit margin would be on par with what it was during the financial IT peak a few years ago. In other words, even excluding the effects of these product sales, our recent profitability in financial IT solutions is rising. This is a result of outsourcing cost control and of the shift or resources away from the financial IT segment and toward the industrial IT segment which we executed last year. It is also attributable to rising capacity utilization of our resources as we have picked up more new implementation projects in shared online services, and systems development projects for individual companies.

Q2: Are these product sales related to new implementations of THE STAR which you mentioned at the end of the previous fiscal year?
A2: Indeed. These were also included in order backlog as of the end of the previous fiscal year.

Q3: Even after these product sales, can we assume there will be development projects related to new implementations of THE STAR, and that these will be recorded as sales in system management & operation services going forward?
A3: We have multiple projects, and the timing may be sooner or later according to
the size and other characteristics of the project, but yes that is correct.

Q4: Among orders overall, domestic order backlog in industrial IT solutions seems to be increasing at a slightly more sluggish rate. Is this due to selective acceptance of orders with focus on profitability, or is it due to circumstances in the macro environment such as worsening performance for some companies—mainly in manufacturing? What is your future outlook on the business climate?

A4: Very few of our clients are the type whose performance is influenced by effects of the macro environment. The main reason is that our activities to acquire more orders have been rather restrained because NRI resources are at a high level of capacity utilization. We will keep an eye on the availability of resources and accelerate our efforts to acquire more orders as resources become available.

Q5: This year you have started disclosing DX-related sales, but is your ratio of sales that is DX-related increasing year-on-year? Also, please tell us if there are any areas showing particular growth among DX-related business.

A5: We aim to increase the ratio of our sales that is DX-related to approximately 75% over the four years of the current Medium-Term Management Plan. I think it would be better to look at this in terms of full fiscal year comparisons, rather than looking at short-term changes each quarter. One area that is showing particular growth is infrastructure reform, which is classified as DX 1.0, with lots of projects that utilize the cloud.

Second inquirer (analyst, attendee)

Q1: Performance is strong in financial IT solutions overall, but please tell us more about which industries and fields contributed to growth in sales and orders.

A1: In financial IT solutions, systems development projects continued to progress smoothly in both insurance and banking, contributing to increases in sales and orders. Non-recurring product sales accompanying new implementations of THE STAR contributed to higher earnings in securities. However, the business climate in securities remains harsh, and our sales there have only just returned to the levels of two years ago.

Q2: What exactly are you doing in systems development for new-format banks, which has been a source of increased earnings from banking?

A2: These are mainly development projects for online banks that do not have
physical business locations.

Q3: Since resource capacity utilization in industrial IT solutions increased, activities to acquire orders have been restrained and orders have thus not increased much compared to the past, but is your mid-career hiring that could immediately address this proceeding according to plan? And about when would you expect the effects from this to be reflected in terms of business performance?

A3: Mid-career hiring is proceeding according to plan, and we are hiring the human resources that we need. While we are hiring people that we believe can be immediately helpful, they will not be able to contribute to performance right away. It will take a certain amount of preparation time before their contributions are reflected in performance.

Q4: Your total number of employees did not increase year-on-year, but can we assume that mid-career hiring is progressing as anticipated, and that you have reinforced your skilled resources?

A4: That is correct.

Q5: How is the business climate in Australia, such as movements in government-related projects, and what is your forecast for orders there?

A5: In terms of the business climate, there is not much movement in government-related projects overall due to the effect of the election and other developments, and shifts to the cloud have caused the concentration of orders that used to occur around the end of the fiscal year to level out, so earnings have decreased in 1Q even on a foreign-currency base. However, orders and fiscal year-end order backlog are increasing on a foreign-currency base, and trending toward improvement. We have also reached the point of concluding one contract for a large government-related project, and we expect this to contribute to sales in 2Q and onward.

Q6: How is your profit and loss status in Australia?

A6: Compared to the same time the previous year, profits have decreased in 1Q of this year and are more or less break-even after goodwill amortization. However, we expect profit to improve in 2Q and onward.
Third inquirer (analyst, attendee)

Q1: Sales to Seven & i Holdings increased, but what kind of projects contributed to this result?
A1: These were systems development projects for dealing with matters such as the change in the consumption tax.

Q2: Will dealing with the change in the consumption tax also contribute to performance in 2Q?
A2: Since work needs to be done to deal with the consumption tax increase before it takes effect in October 2019, we believe this will also contribute to performance in 2Q. At the same time, while it may be difficult to accurately predict what will happen in 2Q, usually the trend with development projects is for the peak of development to happen slightly before the release, so we believe the contribution that we saw in 1Q will be larger.

Q3: In your news release the other day, you anticipated roughly a 15% increase in ROE from the 160 billion yen share buyback by tender offer. How will this change your financial strategy in the current Medium-Term Management Plan? And if there are any changes to what you have explained before about cash being used one-third for shareholder returns, one-third for growth investments, and one-third for normal investments, please tell us what the changes are.
A3: In terms ROE, we will achieve our targeted 14% earlier than originally planned. Also, as previously explained we would like to continuously maintain a high level of ROE rather than transitory increases.
For growth investments, we have considered our base lines to be 50 billion yen for M&A and 10 billion yen for establishing DX 2.0 joint ventures. This is not changed.
On the other hand, our net cash is negative for the first time, but we aim to achieve a balance between growth and returns that enables us to maintain financial discipline while also becoming a company that delivers strong capital efficiency relative even to European and North American companies.

Q4: While this tender offer share buyback is for Nomura Holdings, do you plan to consider purchasing treasury stock from other shareholders as well, or any similar transactions?
A4: We would like to meet expectations for shareholder returns by having a dividend
payout ratio of around 35% for our normal dividend. We would also like to recover to the current equity level after the current Medium-Term Management Plan is finished in four years, and we will work on continuously producing shareholder returns while maintaining high capital efficiency.

Q5: Please tell us if there is any change to your approach to your thinking about debt ratio (debt-to-equity ratio).
A5: From the standpoint of financial discipline and as a company that supports financial infrastructure, we carry a large amount of immediate cash and our standards are a net debt-to-equity ratio of at most 0.3 and an EBITDA-to-interest coverage ratio of 1.0 or more.

**Fourth inquirer (analyst, telephone attendee)**

Q1: Is there any change to your basic policy of retiring treasury stock in excess of 5%?
A1: At the moment there is no change to our basic policy of holding around 5% of our shares as treasury stock.

Q2: This tender offer share buyback is large-scale, so is there a possibility that it could be treated as an exception?
A2: We are currently in the middle of the application period for the tender offer share buyback, and neither the timing for the retirement of shares nor the amount has been decided. At the moment we have no plans to treat this as an exception.

End