

## **Japanese institutional investors – an opportunity for the Russian companies to expand the shareholder base**

5 November 2007

# Japan added significant value in major European equity issues

## Incremental Demand

EUR 1.2 billion



## Additional Value

EUR 80 million

*Best ever terms for a KfW exchangeable*



EUROMONEY



Equity Issue of the Year, 2005

*"We were delighted with the result as the deal was better in almost every facet than we might have been able to achieve in any other markets at that time – all in all it was a rare and special deal"*

**Gunther Braeunig – CEO**

**KFW**

**February 2006**

## Incremental Demand

EUR 3.2 billion



## Additional Value

EUR 410 million

*Enabled €1-2 on the offer price*



*"Japanese retail demand showed zero price sensitivity at the top end of the range. Effectively allowed a gain of EUR 1-2 on the offering price"*

**Bruno Bezard, APE, French Treasury**

**November 2005**

## Incremental Demand

EUR 1.8 billion



## Additional Value

EUR 90 million

*Allowed to price the deal at no discount to market*



*"EUR 1.5bn of demand, generated in the first week in Japan, representing over 50% of the international offering size created momentum for the entire transaction ... this IPO was the first fully marketed transaction since 2000"*

**Enel Management**

**October 2004**

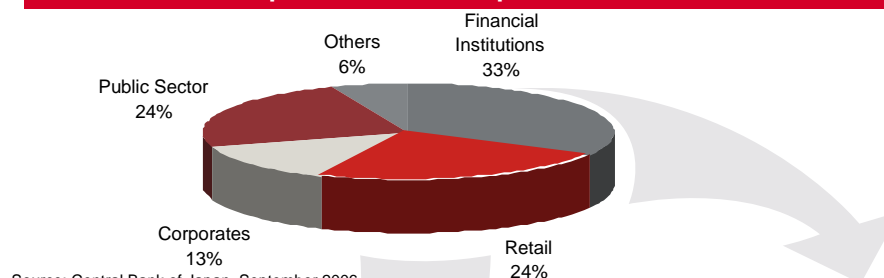
European issuers recognise that Japan creates real value for their issues

# Japan - liquid asset base

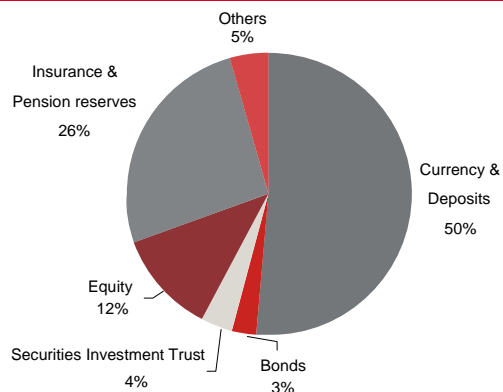
- Japan is the 2<sup>nd</sup> largest capital market in the world, with financial assets of **EUR 41.0tr**
- The Post Office has deposit assets of **EUR 1.2tr**, and is soon to be privatized
- Financial institutions' assets are flowing into pension funds, which have shown massive growth over the last 20 years
- Retail assets amount to **EUR 16.6tr**, with 50% held in liquid assets

## Ownership of EUR 41.0tr Japanese Financial Assets

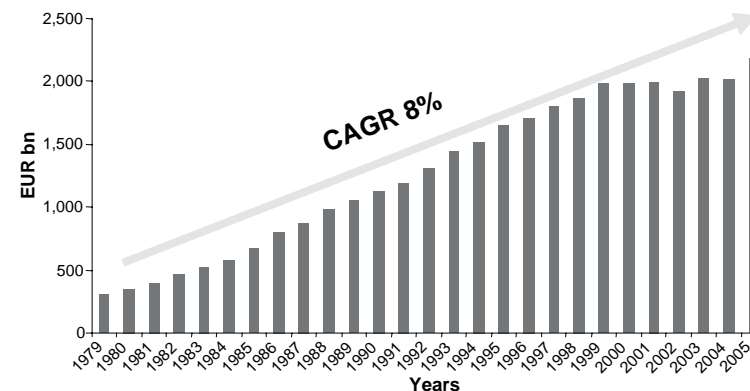
Asset Allocation	Japan	US
Currency & Deposits	50%	13%
Equity	12%	31%
Bonds	3%	8%



## Japanese EUR16.6tr Retail Financial Assets Breakdown



## Japanese Pension Fund Growth Over 20 Years



# Japanese institutional investors

Although there is a sizeable retail market in Japan, the major investors in equities are institutions

- Trust Banks, Investment Management companies of City and Regional Banks and Life Insurance companies are the most important institutional investors in terms of total securities invested
- Using bottom-up analysis and our knowledge of the Japanese investor universe, we believe that investment in foreign equity is currently approx 6.4% of the total amount of investments by these managers **i.e. €165 bn**
- Japanese investment in foreign equity is generally based on the MSCI Kokusai index\*. By following the MSCI Kokusai index, investment in European equity, should be 34.61% of total global allocation **i.e. €57.1bn**
- Nomura's Japanese sales representatives believe that Japanese institutional investors are currently underweight in European investment and the current investment is approx 23% of global allocation **i.e. €38bn**

**Japanese Financial Assets**  
EUR 41.1 tr

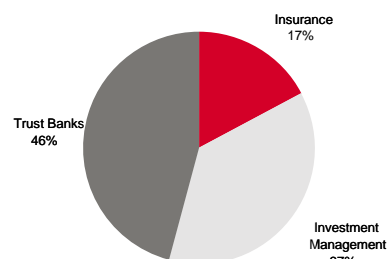
**Institutional Investor Assets**  
EUR 13.4 tr

**Foreign Equity**  
EUR 165 bn

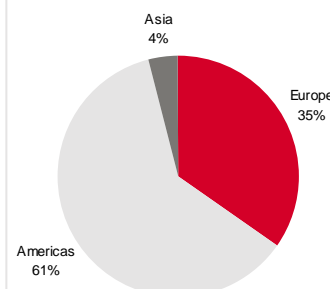
**Capacity for European Equity**  
EUR 57 bn

**Estimated actual investment**  
**in European Equity**  
EUR 38 bn

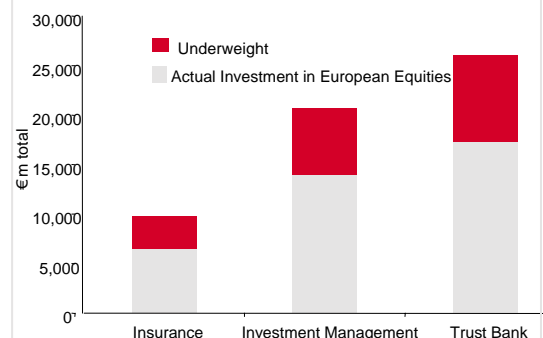
**Breakdown of major investors in non-Japanese Equity**



**MSCI Regional Weighting**

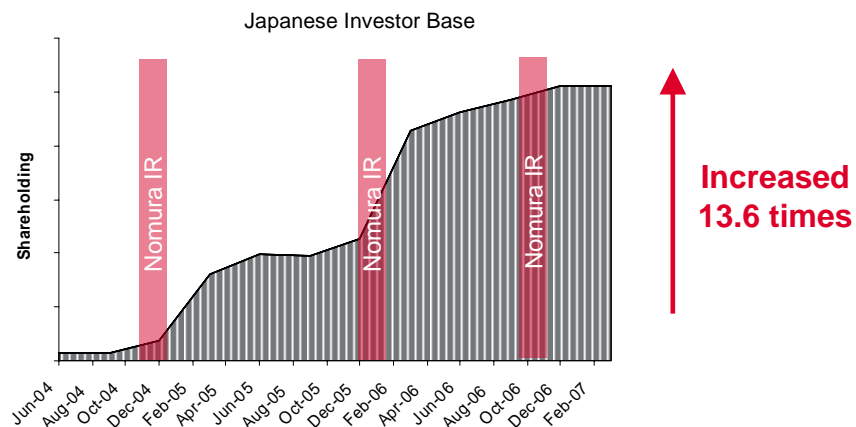


**Estimated Allocation to European Equities (plus est. underweight element)**



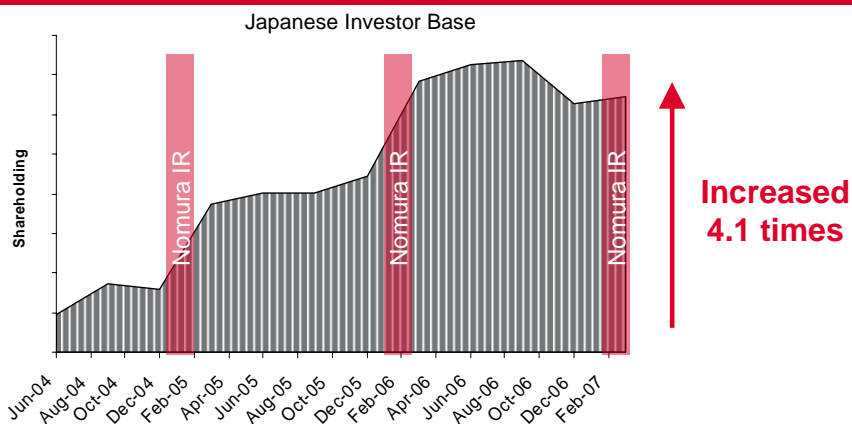
# Impact of IR on Japanese shareholder base

## Dexia



- Regular Nomura IR visits to Tokyo by management
- Includes 2 days of investor meetings
- Meeting with Nomura's Investment Strategy Department (retail)
- Most recent visit to Japan - September 2007

## TNT

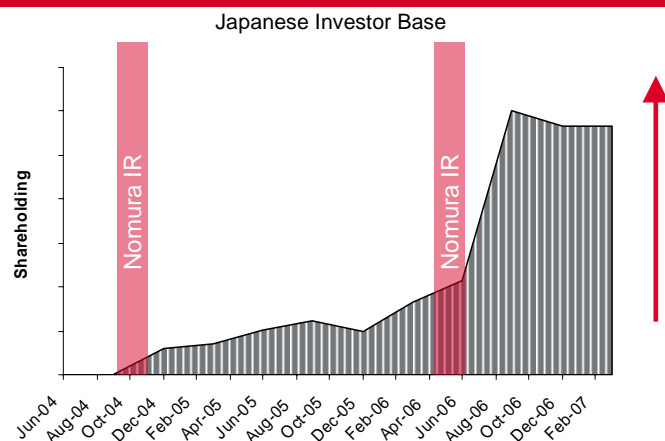


- Regular Nomura organised IR meetings in Tokyo & London
- Steady growth with step increases in Japanese investor base

Source: Factset, disclosed holdings

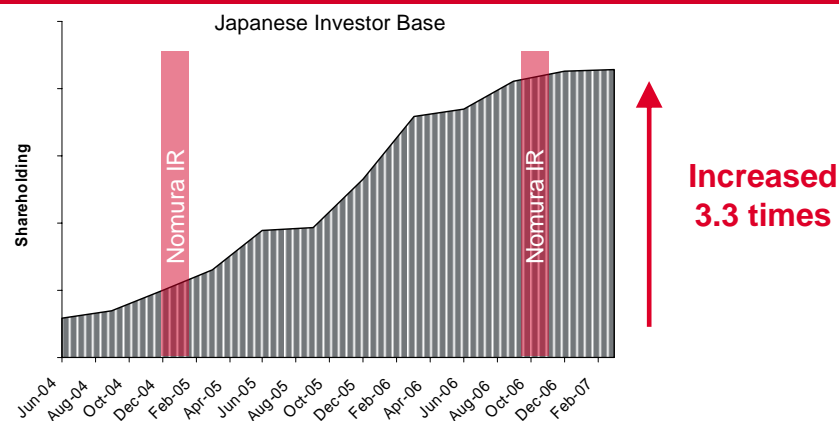
# Impact of IR on Japanese shareholder base (cont.)

## Philips



- Regular and well established IR meetings with Japanese investors in London & Tokyo
- Japanese investor base grown from zero to be more in line with peers
- Further Nomura IR undertaken in June 2007

## BBVA



- Regular Nomura organised IR meetings in Tokyo & London
- Steady increase in Japanese investor base
- Further Nomura IR undertaken in Tokyo in May 2007

Source: Factset, disclosed holdings

# A non-deal roadshow in Japan and Asia



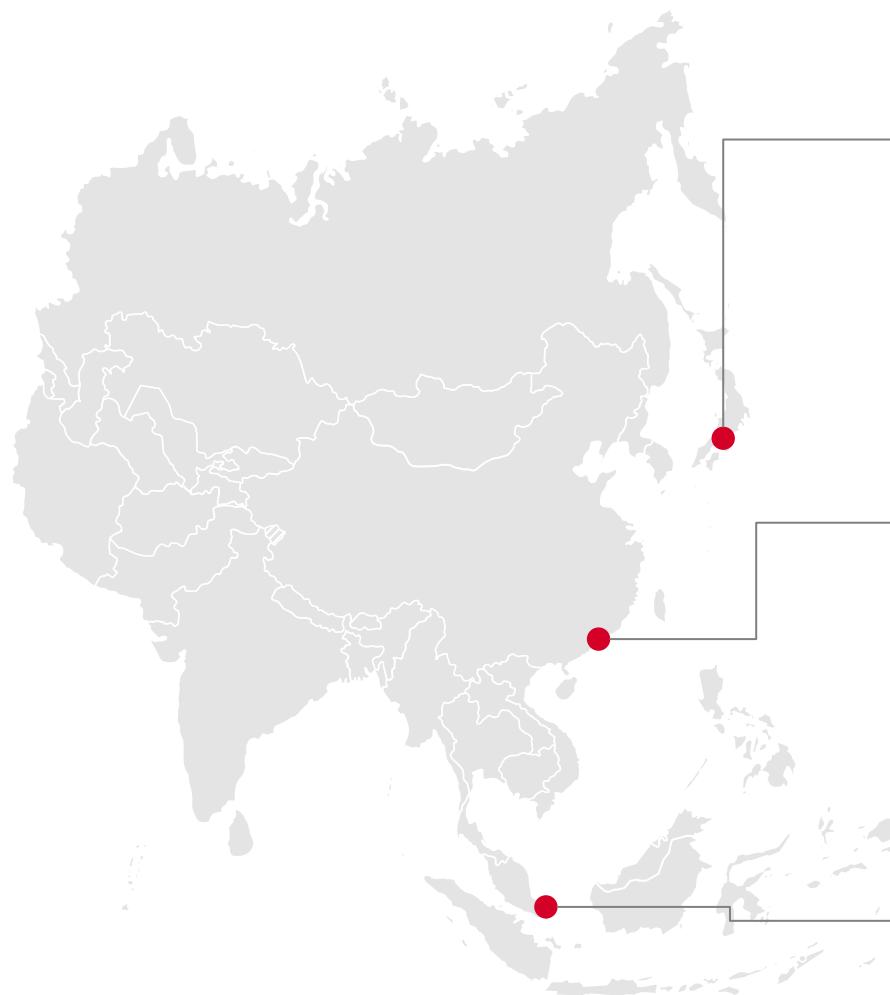
# Japan is the key stop on your Asian road show

Generally recommend a programme of meetings as follows:

- Tokyo – 2 days
- Hong Kong – 1 day
- Singapore – 1 day

This series of meetings could target:

- Japanese strategic investors
- Japanese institutional investors
  - European equity investors
  - Retail & luxury goods investors
- Asian sovereign funds
- Asian institutional investors
- Asian High Net Worth clients



## Tokyo

### Two days of meetings

- One on one meetings
- Small group meeting



## Hong Kong

### One day of meetings

- Meetings with local regulators and stock exchange
- One on one investor meetings



## Singapore

### One day of investor meetings

- Meetings with local regulators and stock exchange
- One on one investor meetings

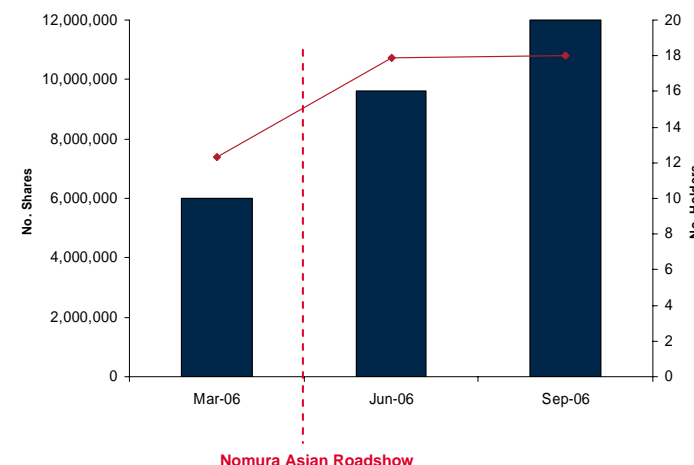


# Nomura doubled Lukoil's Asian shareholder base



- In May 2006 Nomura organised LUKoil management to meet with top Asian investors
- LUKoil is the top holding in a number of Nomura's emerging market funds, and Japanese investors were keen to gain further insight into the company
- Feedback from these Japanese investors was positive, demonstrating their continuing interest in Russian equity, in particular they:
  - were impressed by LUKoil's leading position in the oil market
  - positive on the regional outlook and potential benefits
  - had a positive view towards the companies significant growth potential in Russia
- A mixture of 1-1 meetings and group lunches allowed LUKoil management to speak with top Asian investors
- There is clear momentum for Japanese institutions to initiate investment in global Emerging market and BRIC (Brazil, Russia, India and China) funds
- Following the meetings, LUKoil's Asian investor base doubled to 20 institutional shareholders

## LUKoil: Asian Shareholder base 2006



Source : Factset, Lionshares

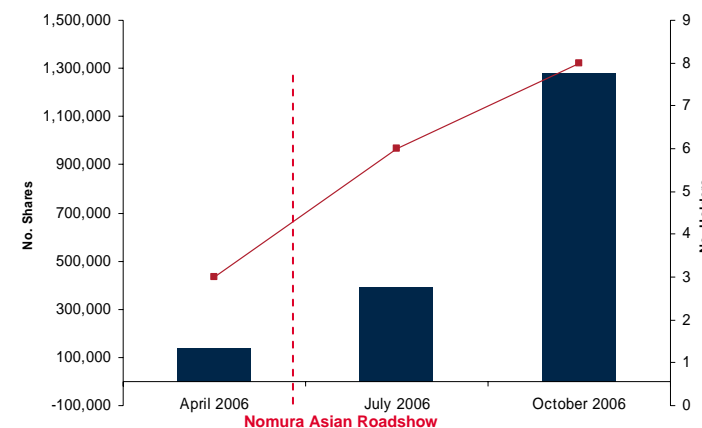
**Asian investor base doubled following Nomura's introduction to key investors**

# Successful introduction to Asia for Sistema JSFC



- In June 2006 Sistema JSFC travelled to Japan to meet
  - Japanese institutional investors
  - Nomura's representatives from the investment strategy, product marketing and retail network- the largest in Japan with 134 branches and 5,400 sales executives
  - Nomura's Emerging Market funds
- A mixture of 1-1 meetings and group lunches allowed Sistema management to speak with top Asian investors
- The trip was popular and Japanese investors demonstrated strong interest, in particular they:
  - were impressed by the enormous growth potential the Russian market presents
  - had a positive view towards the companies leading position
  - were impressed with management and strategy
- There is clear momentum for Japanese institutions to initiate investment in global Emerging markets
- Sistema's shareholder base diversified as Asian investors bought shares, increasing Asian holdings from a negligible portion to over 5% of the total shareholder base

## Sistema: Asian Shareholder base 2006



Source : Factset, Lionshares

**Asian investor base grew by more than 9x following Nomura's Asian investor meetings**

# Access to Asian investors – crucial in volatile markets

## Wider Asia



## Japan



## Key benefits of Asian investors

- ✓ Long-term investors
- ✓ Price insensitive demand
- ✓ Strong interest in the CEE region



31%



64%



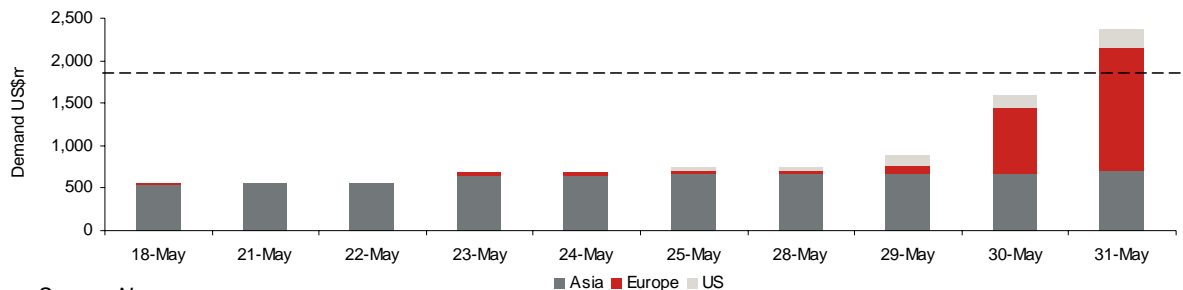
17%

Placed with Asian investors

## Generating significant Asian demand – PIK

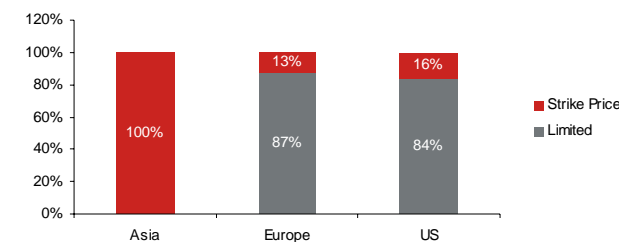


### Building demand momentum...



Source: Nomura

### ...with no price sensitivity



Source: Nomura

## Conclusion

- Japan and Asia offer a new and distinct investor base
- No listing in Japan or Asia is required to access institutional investors in these markets
- Japanese and wider Asian investors are interested in Russian success stories