

## Message from CFO



**Takumi Kitamura**  
Chief Financial Officer

### Controlling costs to achieve the long-term management vision for 2020

In FY2016/17, we succeeded in nearly doubling income before income taxes, on revenues that were roughly unchanged from the prior year.

The international regions have been a long-lasting challenge for Nomura. In the spring of 2016, we performed a strategic review of the Wholesale business in EMEA and the Americas, exited some businesses, and scaled back others in order to reallocate resources in the areas where Nomura has competitive advantages. In FY2016/17, all international regions returned to profitability and generated close to 30% of the Company's total income before income taxes, primarily due to the difficult decisions made overseas. The international business contributed to our success in maintaining stable firm-wide revenues and dramatically lowering costs, which resulted in a significant improvement in profitability. In fact, net income attributable to our shareholders came to ¥239.6 billion, the second

highest level since we introduced US GAAP in 2001.

Our expanded client base and thorough risk management culture have contributed to a more stable revenue stream. We are, however, not insulated from the impact of uncertain financial markets and, in order to continue to improve profitability, we must maintain stringent cost controls. For example, personnel expenses represent close to 50% of our total cost base and, to closely manage these costs, we will continue to emphasize the concept of "Pay for Performance." In addition, we are able to control our IT and occupancy costs through the use of Cloud technology and a thorough review of office space usage. At the same time, we will be conducting an overhaul of all costs, including our centralized, firm-wide purchasing system, and introducing new technologies that will improve business process efficiency. These initiatives will allow the Finance to support the Company's initiative to "grow in a sustainable manner, no matter what the external environment."

### Execute a flexible capital policy while considering the needs of various stakeholders

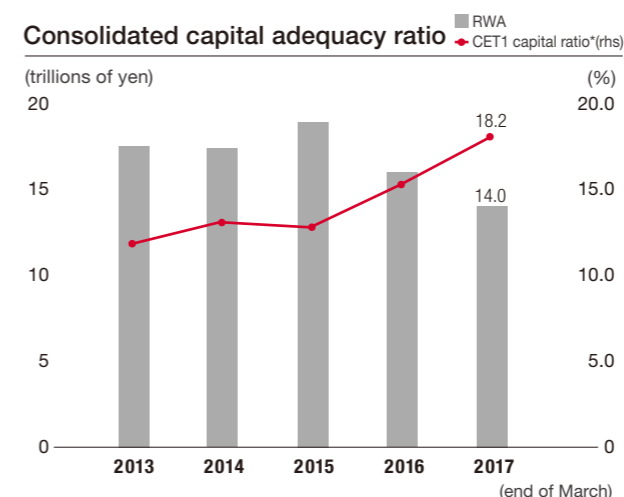
As a global financial institution, various capital adequacy regulations, including those laid out by the Basel Committee on Banking Supervision, impact the way we conduct business. As of March 2017, our Common Equity Tier 1 (CET 1) ratio was 18.2%, up significantly from 11.9% four years ago, as a result of our efforts to accumulate Tier 1 capital and reduce risk-weighted assets, while actively conducting shareholder returns.

While we intend to retain a CET 1 ratio of 11% or more in the medium term, we are currently retaining an excess in anticipation of potentially tighter regulations and their uncertain impact on Nomura.

Nomura has a broad range of stakeholders including clients, shareholders, creditors and regulators. In FY2016/17, we held more than 300 one-on-one meetings with equity investors and sell-side analysts,

and maintained an open dialogue with other stakeholders to share information about Nomura and obtain feedback about our business and capital planning policies. While the opinions of different stakeholders vary and sometimes conflict with one another, my mission as CFO is to balance the desires of each stakeholder to identify the best course of action for Nomura.

In our shareholder return policy, we have adopted a dividend payout ratio of 30%, based on half-year performance. Therefore, after we pay 30% of profits to shareholders in the form of a dividend, we theoretically add the remaining 70% to our capital base. Looking ahead, we will pay close attention to the market environment and the impact of regulatory changes to appropriately allocate our capital surplus to business investment, share buyback, etc. In addition, we will regularly review the capital allocated to each business to continue to improve capital efficiency.



\* CET 1 capital ratio is defined as Tier 1 capital minus Additional Tier 1 capital divided by risk-weighted assets.

### Dialogue with stakeholders in FY2016/17

Conference	No.
Conference call following results announcements	4
Presentations on strategies	2
<b>One-on-one meetings (incl. small meetings)</b>	<b>No.</b>
With analysts and institutional investors	302
With debt investors	67
With credit rating agencies	42
<b>Individual investors</b>	<b>No.</b>
No. of individual shareholders (March 2017)	374,769
No. of attendees at 113th General Shareholders Meeting	545