Q1  Given the size of the loss arising from transactions with a US client, you must have had significant exposure to this client. Why was prime brokerage allowed to use so much balance sheet? Also, you said you don’t have any other transactions with similar issues. What do you mean by ‘issues’? What specific preventative measures have you already taken?
A1  We conducted a review of existing prime brokerage transactions. After checking from various angles such as exposure and margin, we have confirmed there are no transactions similar to the ones that had issues. So we can say the transactions were special, highly idiosyncratic ones. As for preventative measures, we have raised margin limits and revised our risk management framework.

Q2  Was your exposure to the client within the limit, or was the limit set too high? Also, is your system for requesting margin not as good as the leading players in the industry?
A2  We check every day if clients have posted enough collateral and we have a framework in place to set up additional collateral as necessary. That said, we need to check if we could have been more agile in responding to the changing circumstances.

Q3  The Americas booked strong income before income taxes of approximately 40 billion yen per quarter for the first three quarters of FY2020/21. As market conditions normalize, how do you see the Americas performing in the year ahead?
A3  Our international business including the Americas is extremely important and there is no change to our strategic direction. We have focused on our areas of competitive advantage and built franchises with top five market share in our core products. Of course, we also benefited from tailwinds, but by developing a number of competitive products we have stabilized revenues and by also cutting costs we have lowered our breakeven point, giving improved sustainability of earnings. The recent business environment has been favorable for us as steepening of the US Treasury yield curve prompted investment activity among clients who had sat on the sidelines for part of last year due to US rate volatility.

Q4  Will the 41.6 billion yen loan loss provision arising from transactions with the US client offset some of the impact in FY2021/22 (Y62bn)?
A4  We offer two types of services in prime brokerage: cash prime brokerage and synthetic prime brokerage, which uses derivatives. As part of our cash prime brokerage services we provide securities-backed loans to clients. The 41.6 billion yen loan loss provision was booked because the possibility of recovering prime brokerage loans has decreased. The provision won’t offset the impact in FY2021/22 (Y62bn).
Q5 What is the future of your prime brokerage business? Do you plan to discuss the details at your Investor Day in May?
A5 Some areas of the review are complete but still ongoing in others. We will reflect the results of the review in our management strategy which we will discuss at our Investor Day in May.

Q6 How much does the prime brokerage business contribute to US Equities revenues? Is it safe to say that even with the review of your risk management framework, the revenue contributions from the prime brokerage business won't fall significantly?
A6 We can't comment on the breakdown of Equities revenues. The strength of our US Equities business is in derivatives, which is different to prime brokerage where the event occurred.

Q7 Why did you decide to forgo share buybacks and instead reward investors through dividends?
A7 The loss related to transactions with a US client pushed full year net income down to 153.1 billion yen. Retail and Asset Management both had particularly strong performance, while Wholesale was mostly solid. The underlying revenues of our business are steadily growing. As we also have sufficient surplus capital, we decided to reward shareholders with a dividend.

Q8 You said this event was idiosyncratic, but why are you conducting a comprehensive review of your risk management framework? What impact will this have on your existing businesses?
A8 Although this was an idiosyncratic, special case, we will conduct a comprehensive review to ensure we can deal properly with such cases in future. It depends on what enhancement measures are taken as a result of the review, but at this stage we don’t see a major impact on revenues.

Q9 Even if you strip out the loss related to transactions with a US client, 4Q Americas Equities net revenue declined from 2Q-3Q. Were 2Q-3Q revenues elevated because you increased trading volumes with certain clients? What level do you think revenues will be at going forward?
A9 The scale of the transactions with the US client combined with an increase in share prices and grew from January, so it’s not that there was a large contribution in 2Q-3Q. In 4Q, flow derivatives were muted as the flow of funds between the US and Asia and investment in equity-linked notes slowed on the back of rising US rates and monetary tightening in China. Although revenues were down QoQ, on a full year basis Americas Equities was strong and overall Equities revenues continued to be driven by derivatives.

Q10 Why did Japan Fixed Income net revenue decline so much in 4Q and what is the outlook for that business?
A10 4Q was largely impacted by year-end factors and Structured Products, emerging market bonds, Credit and Flow Rates all slowed. Looking ahead, the outlook for fundamentals looks good as funds looking for yield will start moving.

Q11 Was the management of Nomura Holdings aware of the transactions with the US client for which you booked the loss?
A11 The issue was reported to Nomura Holdings management as soon as it came to light. Following that, Nomura Holdings management was responsible for decision making.
Q12  
Is the impairment charge for the listed Nomura Real Estate Holdings? Why did you book the charge now?

A12  
The impairment charge was for the listed entity Nomura Real Estate Holdings. The company’s P/B ratio has been below 1x since March last year and at the same time Nomura Real Estate Holdings’ performance has been strong so the consolidated book value we recognize had been increasing. We decided to recognize the impairment charge taking into account the period and extend of the share price dropping below book value.

Q13  
Given the size of the loss, we can assume the scale of the transactions was considerably large. If about 1 trillion yen of your 15 trillion yen of trading assets was for these transactions, it must have stood out.

A13  
Generally speaking, even if the notional principal amount of the swap is large, it wouldn’t stand out because only unrealized gains or losses are booked on the balance sheet.

Q14  
Nomura Real Estate Holdings’ share price dropped sharply at the end of March last year and has stayed sluggish since then. Did you recognize the impairment charge because the share price had been below book value for the past year or because you forecast profitability to decline over several years?

A14  
Because the share price had been below book value.

Q15  
How is the Investment Banking pipeline? Please discuss both M&A and ECM.

A15  
The Investment Banking pipeline is generally good. M&A revenues expanded into FY2020/21 2H and this trend is continuing as we are still seeing many inquiries on transactions. The environment now is the perfect time for corporates to realign their business portfolios and many companies are considering selling off certain businesses. We are also seeing M&A deals to save companies hit hard by the pandemic. We also continue to see Japanese corporates considering going overseas in search of growth opportunities. The ECM pipeline is also robust. It’s becoming more important to shore up finances amid the pandemic. There’s also demand for M&A financing. Corporate governance in Japan is catching up to international level and there is continued demand for disposing of strategic shareholdings.

Q16  
How did you decide on year-end dividend of Y15 and annual dividend of Y35?

A16  
The decision was based on multiple factors including what income before income taxes would have been without the loss arising from transactions with the US client, our underlying earnings power, and paying stable dividends.

Q17  
Is your year-end dividend a reflection of your confidence in FY2021/22? Based on your usual dividend payout ratio of 30% the Y35 annual dividend translates to EPS of Y100, which is above your KGI. Is that emerging confidence?

A17  
Without the loss arising from transactions with the US client, FY2020/21 income before income taxes was strong. Overall underlying earnings power is on the rise. We are starting FY2021/22 from negative 62 billion yen, but we want to solidly generate revenues.

Q18  
You booked an unrealized loss on the equity investment of your US subsidiary. Is that because of a change in the outlook for earnings of the subsidiary?

A18  
The unrealized loss related to Nomura Holding America in the unconsolidated financial statements of Nomura Holdings is not due to a change in earnings outlook for NHA. It is
because the net asset value of NHA declined due to a loss booked at a US subsidiary held by NHA arising from transactions with a US client. We take a view that our overall underlying earnings power in the US is increasing.

**Q19** Could Nomura Real Estate Holdings' position as a business partner change because of the impairment charge?

**A19** The impairment charge is an accounting treatment and does not affect our business relationship with the company. Retail is collaborating with the company to expand its real estate-related business. We are also discussing further collaboration as we expand our business into private markets.