Q1: Your Global Markets net revenue was hit by the spike in volatility in March, but that doesn't seem to be the case for your US peers. How did the revenue environment change from January to March?

A1: In March, the markets were hit by the most severe spike in interest rate volatility since the global financial crisis. In their calls with analysts, our US peers acknowledged that their rates businesses struggled during the quarter but they were able to get by. That's the same for us as revenues from our Rates business were up year on year. The only difference would be that the US firms have multiple stable revenue sources outside trading such as sourcing capabilities in primary markets. Many US firms generally post sequential gains for the January to March quarter while we didn't so there's seasonality factors where they book about a third of their annual revenues in that quarter. Compared to other quarters, it seems as if they have varied revenue sources to offset a slump in one product.

Q2: Did you book any provisions or markdowns for CMBS or commercial real estate loans in the fourth quarter?

A2: We mark to market our trading inventory daily, so we can't say that there wasn't any, but there was nothing of significance.

Q3: Fourth quarter ROE was 0.9 percent. What is preventing you from lifting ROE and PBR? Could you answer in order of importance and describe what specific steps will you take this year?

A3: We have some issue with our top line. Given the current unfavourable market environment, we can't expect our top line to grow just with our existing businesses. So we are launching several businesses in growth areas. New businesses generally require investment before they start contributing revenues (J-curve). With recent market conditions, we have been slow to monetize these new businesses.

Inflation has been a drag on costs. We've had to raise salary levels to hire and retain talented people and energy costs have risen globally. To cut IT infrastructure expenses in the future, we need to make investments now.

The most important thing to raise ROE is for each business line to boost its top line. We also want to monetize businesses that have fallen through the gaps between divisions.
We are also looking at how we can allocate our resources optimally. This includes looking at pretax margins and revenue/modified RWA of each business and seeing how they contribute to diversifying and stabilizing our overall business portfolio, or in other words stabilize our bottom line and lower our cost of capital.

**Q4:** If the environment remains the same, will your current initiatives help improve ROE during the current fiscal year, taking into account contributions to the top line, cost reductions, and capital savings?

**A4:** Many items are on the table for our 20 billion yen cost reduction program in Retail and we are working to see the results of this come through. Investment Banking faced very challenging market conditions last year, but we hope to be able to execute the pipeline of deals we build up in the second half of the year. We are also taking action to allocate capital away from businesses that have lost their strategic importance.

**Q5:** What was the monthly trend for Fixed Income revenues?

**A5:** The breakdown was 50 percent in January, 40 percent in February and 10 percent in March. As I said on our call last quarter, January got off to an exceptionally strong start. But as the tone changed around the pace of rate hikes in February, revenues slowed due to higher uncertainty. March was particularly tough.

**Q6:** Did you book any realized or unrealized losses on inventory of single names in March?

**A6:** No, we didn’t book any special losses on single names.

**Q7:** Why did you increase your dividend payout ratio to “at least 40 percent” and why now?

**A7:** Our shareholders have high expectations for us to pay a steady dividend. Until now we had been saying 30 percent, but actually we were paying out higher than that. So we decided to change to “at least 40 percent”. Our total payout ratio of at least 50 percent is by no means low for a Japanese company. Not many companies have declared a total payout ratio, but 30 percent for a dividend payout ratio is not that high. That was another factor in our decision.

**Q8:** If you take into account the impact of RSUs (around Y40bn), the total payout ratio is below 50 percent. Did you consider RSUs when deciding on the share buyback program of 20 billion yen?

**A8:** Yes, we took into account dilution from RSUs.

**Q9:** Do you conduct share buybacks by factoring in the dilution impact of RSUs to be granted from next year onwards? Is it safe to say that it’s not necessarily linked to each fiscal year and the impact is seen in subsequent years?

**A9:** We are not looking to dilute through RSUs so we factor in the portion for RSUs when doing share buybacks. We don’t necessarily buy shares for RSUs granted this year straight away in the current year. There is some time until RSUs are exercised and we will buy the shares before then.
Q10: What initiatives are currently underway that will deliver cost reductions in a relatively short time?

A10: Quarterly expenses are difficult to get a grip on as there is so much noise. So when we look at cost strategy, we take a longer lens. Short-term cost reductions will be losses related to decommissioning of IT systems which increased costs in FY2022/23 and expenses related to severances conducted mainly in our international business in January 2023. These costs won't occur in FY2023/24.

Another factor that increased costs is that because some compensation is deferred on an accounting basis, a part of deferred compensation granted in FY2021/22 was accounted for as an expense in FY2022/23. Because we further heightened our focus on pay for performance in FY2022/23, the amount of deferred compensation booked as an expense in FY2023/24 should decline.

Q11: You changed your dividend payout ratio to at least 40 percent. Given its difficult to project your earnings, wouldn't it have been better to shift to the securities industry’s first ever dividend on equity as a new metric?

A11: Our performance fluctuates a lot and is difficult to predict as you say. While we understand the logic behind DOE, our issue is to stabilize and boost revenues and we aim to pay dividends as a result of those efforts.

Q12: How has recent performance been in Global Markets?

A12: March was not normal and we are seeing a recovery in April.

Q13: When markets move like they have recently, I feel that Nomura’s Global Markets business loses market share?

A13: Our analysis doesn't show that we are losing market share. To be sure, the US firms generally perform better in the January to March quarter, while we perform better in the October to December quarter. But on a full-year basis, our market share hasn't dropped and we are increasing our market share in our focus areas.

Q14: Does that mean you are not considering an external growth strategy such as M&A to boost revenues?

A14: There are several businesses where the global fee pool is large but our market share is very small. For some of these, we want to increase our market share to diversify revenues. But rather than M&A, we think it's more effective to hire teams. People from European financial institutions are now coming onto the market and by actively hiring teams we believe we can go after further revenue opportunities.

Q15: In that case, will you reap the reward quickly to prevent any impact to earnings or will you build teams over a few years?

A15: When building new businesses, it takes time for revenues to reach the level you planned for. The depth of this J-curve and the time it takes to reach breakeven differs for each business. We need to take this into account along with overall divisional performance as we work to pave the way for future growth.
Q16: With the recent up-front expenses, when you look out across this fiscal year, what areas, regions, or products do you expect to contribute to the top line?

A16: The most promising is International Wealth Management. Since we hired a new head we have been busy building our platform over the past few years. And while doing that client assets have doubled. We established an office in Dubai and recently hired a head for the North Asia team. We aim to monetize this business going forward.

In Retail, we have strengthened our segment-based approach and completed the organization with the personnel reshuffle in March. We expect to boost our top line by focusing on supporting our clients.

Q17: Can you keep the Wholesale cost-income ratio consistently below 100 percent even if the revenue environment doesn’t change for the next two to three quarters?

A17: We can’t allow the cost-income ratio to exceed 100 percent. Keeping it below 100 percent is a commitment from management.