

**We continue to transform ourselves and take on new challenges to improve satisfaction among clients, shareholders, and employees.**

**Looking Back**

It is now four years since I took over as Group CEO in August 2012.

At that time, Nomura faced an unprecedented number of complaints from our clients and dissatisfaction about our slumping share price in the wake of a scandal. Our internal culture had become restrictive and our organization was outdated. This caused satisfaction levels of our stakeholders to drop dramatically. I made it my first mission to raise the satisfaction levels of clients, shareholders, and employees, while rebuilding the firm from the ground up.

To improve client satisfaction, I announced that our underlying approach would be to put clients at the heart of everything we do. This meant moving away from a product-driven sales approach where we pushed products to the clients. Instead, we would have to listen closely to what they had to say and work to be chosen by our clients as a true partner. For instance, the needs of retail clients extend beyond just financial products. They require services for all their assets, including real estate. To respond to these needs, we established new organizations and introduced more training programs so our employees can improve their consulting skills.

To improve employee satisfaction, we changed our corporate culture to an open one by bringing down the walls between divisions and creating a workplace where everyone

can feel excited about their job. We have kept refreshing our organization by promoting younger managers and have proactively rotated people between divisions. In addition, we are conducting regular employee surveys that target our entire population in order to gauge the current understanding of the firm. We have also focused on promoting a risk culture by having all employees understand and follow the firm's stance towards risk.

For shareholders, although we could not make a commitment regarding our share price, we committed to returning our EPS to ¥50 by March 2016, the end of the range it was at before we conducted two capital raisings and our earnings slumped. We achieved this target two years ahead of schedule.

**Our Founder's Principles and Nomura's Corporate Culture**

Nomura celebrated its 90th anniversary in December 2015. Although Nomura was established in 1925, we can trace our roots back further to 1872 when Nomura Shoten was established as a moneychanger.

Nomura grew from a moneychanger to a huge conglomerate before the end of World War II when it was dismantled. Nomura then embarked on an extensive international push on the back of the rapidly expanding Japanese economy. Driven by the shift to financial

**Koji Nagai** Group CEO

deregulation, Nomura then transformed itself from a securities firm to a financial services group. In this way, Nomura has continued to transform itself in line with the changing times and take on new challenges.

We have been able to survive for 90 years thanks to our ability to transform ourselves to adapt to the unpredictable markets in which we operate.

Nomura has ten principles that we follow called Our Founder's Principles (see p.6). Our philosophy of putting clients at the heart of everything we do comes from one of these

principles: "Principle of putting the customer first." Based on this philosophy, it is critical that we continue to transform ourselves.

We also place great importance on corporate ethics. In 2015, we established Nomura Founding Principles and Corporate Ethics Day so that employees never forget the fact that we lost the trust of society and learned many lessons from the insider trading incidents related to capital raisings in 2012. This is an opportunity to reflect on our founding principles and for all officers and employees to understand our past and recognize the heavy social responsibility we bear.

### Towards Further Growth

In August 2014, we outlined a long-term management vision targeted at the fiscal year ending March 2020. We expect our operating environment to change more than ever. But we see this as the perfect chance to change ourselves. That is why we named this Vision C&C.

There are two main themes for this vision:

1. Transforming our domestic business model
2. Further improving the profitability of our international operations

In addressing these issues, we are laying the ground for all divisions to achieve continued growth in any market environment.

In Retail, we aim to gain client trust and expand our business, focusing on delivering products and services matched to the individual needs of each client. Our Retail key performance indicators (KPIs) are Retail client assets of ¥150 trillion and a recurring revenue cost coverage ratio\*1 of approx. 50% by 2020. As of March 2016, we had Retail client assets of ¥100.6 trillion and our recurring revenue cost coverage ratio was 25%.

Asset Management is making steady progress to achieving its target of assets under management of over ¥50 trillion. With our strategic alliance with American Century

Investments announced in December 2015, we are accelerating our growth to become a global asset manager.

To improve profitability in Wholesale, we have stringently managed costs and taken a number of steps to raise our global market share to the high 3% range.

However, in the current environment, we are seeing the impact of monetary policies around the world coupled with heightened geopolitical uncertainties. At the same time, U.S. and European firms that played the role of liquidity providers have significantly reduced their operations due to regulatory requirements. This has resulted in volatile markets and a deeper than expected drop in market liquidity.

Based on a conservative assumption that this environment will continue in the foreseeable future, we decided to step up our focus on core businesses and significantly reduce our cost base. Specifically, while we will maintain our current business lineup in Japan and the rest of Asia, we have decided to close or streamline certain businesses in EMEA and the Americas. We remain focused on improving profitability to deliver consistent earnings under any environment.

\*1 Total Retail expenses divided by recurring revenue. Recurring revenue refers to revenue received from ongoing services related to client assets such as investment trust administration fees.

### Achieving Continued Growth

Nomura's social mission is to contribute to economic growth and social development through the securities business by promoting the appropriate flow of funds in the capital markets. Aside from our core business, we are actively involved in contributing to society by providing opportunities for people all around Japan to learn about economics and finance in order to expand Japan's financial markets and enhance financial literacy.

Internationally, we have participated in the UN Global Compact since 2015. We support the voluntary actions advocated by the UN and are working to ensure sustainable growth based on Our Founder's Principles and the Code of Ethics of Nomura Group.

Communication with all stakeholders is becoming increasingly important. Transparent corporate governance is a critical factor in

raising stakeholder satisfaction levels.

In the year ended March 2016, we established our Corporate Governance Guidelines as a way to ensure transparent, fair, swift, and decisive decision-making.

### Transforming Ourselves and Taking on Challenges

Our operating environment will continue to change not only until 2020 but through to our 100th anniversary in 2025. Nomura will transform itself to deliver continued growth under any environment and contribute to economic growth and social development by promoting the shift from savings to investment for Japan's more than ¥1,700 trillion in personal financial assets.

We look forward to your continued support as we transform ourselves and take on new challenges.

FY2019/20  
management  
target

EPS  
¥100

#### Key Performance Indicators (KPI)

to reach our FY2019/20 management target

FY2019/20

to reach our FY2019/20 management target			FY2019/20
Income from three Segments before income taxes			¥450-470 billion
Division	Retail	Income before income taxes	¥195-205 billion
		Client assets	¥150 trillion
		Recurring revenue cost coverage ratio	Approx. 50%
	Asset Management	Income before income taxes	¥55-60 billion*2
		Assets under management	¥50 trillion + α*2
	Wholesale	Income before income taxes	¥200-220 billion*2
		Fee pool market share	3% plus

\*2 Revised in December 2015 in line with the changed environment



August 2016

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