

I will continue to strive to contribute to the enhancement of Nomura's competitiveness and the creation of value by offering advice as well as acting as a check

Please discuss the merits and challenges with respect to Nomura's corporate governance.

In 2003, Nomura became one of the first companies in Japan to adopt the "Company with Three Board Committees" structure. Today, a majority of the Board of Directors is comprised of independent Outside Directors, and the Company has a clear separation of supervisory and business execution functions.

In one year since I was appointed Outside Director, I have come to clearly understand that Nomura's corporate governance structure is in no way superficial, and that the nomination, audit, and remuneration committees, all of which comprise a majority of Outside Directors, function extremely well. I think this stems from a strong awareness on the part of senior management. Every year, August 3 is designated as Nomura Founding Principles and Corporate Ethics Day, and this day is used to renew awareness of the lessons learned from past mistakes. I, too, watched the video prepared by the Company and took an oath. I sense a strong determination to achieve sustained growth based on the principle of putting the customer first as found in the ten principles set out by our founder Tokushichi Nomura, while making sure to prevent a "business above all else" culture from taking hold.

After assuming my post, I visited the Kyoto and Osaka branches, along with offices in New York, London, Hong Kong, Singapore, and Powai. I interviewed executives and held group discussions with mid-level employees, and what struck me was how much traction top management's philosophy has gained among the staff in all of the different regions.

One of the roles of an Outside Director is to give counsel on whether any particular business is consistent with Nomura's excellent principles. I am happy to report that Nomura's senior executives take such external opinions very seriously, and the effectiveness of governance has steadily improved.

Please discuss the specific roles and activities of the Audit Committee.

In terms of how we operate, the Audit Committee has adopted a new approach since 2016, under which Outside Directors who are not Audit Committee members are invited to attend monthly meetings. At Audit Committee meetings, we invite leaders such as the Group CEO, Group COO, division heads, and heads of subsidiaries to join us, and we spend about an hour talking with them. This gives us access to the thinking of the executive side. The aim here is to eliminate disparities in the amount of information available to each Director, to the maximum extent possible.

In FY2016/17, the Audit Committee debated four main topics and reported back to the Board of Directors. The first matter was about creating something that would make it easier for employees to understand top management's thinking, in order to ensure an even healthier corporate culture. Secondly, we discussed enhancing Nomura's corporate value by ensuring a balance between earnings in Nomura's core businesses, while at the same time adhering to the customer-first principle. Thirdly, we talked about monitoring the specific strategies of different departments to ensure that efforts are aligned towards realizing Nomura Group's overall management strategies. Finally, with respect to internal control, we looked to build a strong platform to bolster management control, and both expand the earnings base and generate higher earnings than before through appropriate risk-taking. In our dealings with the authorities and our independent auditors, we focused on establishing relationships of trust with an element of "tension" that prizes extensive communications but also welcomes healthy pressure.

In such ways, the Audit Committee has been going a little beyond simple oversight, as we have been monitoring business activities and giving advice targeting additional growth for Nomura.

We also hold meetings limited to Outside Directors four times in FY2016/17. At about two of these meetings, we invite the Group CEO, Group COO, or other executives, and spend considerable time discussing detailed strategies, the medium-term management plan, and other matters.

Noriaki Shimazaki

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Advisor of the IFRS Foundation Asia-Oceania Office;
Former Executive Vice President of
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What is needed to raise Nomura's presence overseas?

Nomura Group has declared its aim to be "Asia's global investment bank," but I think it is one of the few companies taking up the challenge of globalization. Above all, the key to success is people. The quality of Nomura's people abroad, both in terms of abilities and awareness, is higher than I had imagined. This is true not only for people in management positions, but it applies to people throughout the organization, including sales staff and the people working in such areas as IT, human resources, general services, and business support centers. The staff in Tokyo who work in cooperation with these people overseas are also outstanding. Nomura's head office is becoming an increasingly international place. Surely we can raise our presence overseas by further strengthening systems to better enable our diverse human resources to demonstrate their individuality and abilities to the fullest extent.

Nomura Group has adopted a matrix system of management across divisions and regions, under which appropriate authority is delegated to division and regional heads in order to enhance expertise in each area. I think we need to look to more precisely define assignments and further clarify responsibilities so that this management approach does not become overly complicated, and I believe that close cooperation centered on each division and regional head will enhance competitiveness overseas. It is also important to integrate operations in Japan and Asia, and to bring the know-how and expertise that Japan possesses to the rest of Asia.

What needs to be done in order to enhance Nomura's corporate value?

I see two main themes crucial to achieving Nomura Group's long-term management vision targeting the fiscal year ending March 2020: reforming the business model in Japan and further improving profitability overseas. We must work to build a foundation for sustainable growth regardless of the business environment. Progress here requires top management to clearly delineate strategies and give a clear sense of direction. At the same time, it is important to make sure that people throughout the group gain a firm understanding of these strategies and the overall direction that Nomura Group is heading in.

In addition, I think it is vital to listen to the opinions of our people on the ground regarding these strategies in order to factor their views into new strategies and tactical approaches. Moreover, we also need to aim higher on the back of repeated PDCA (plan, do, check, action) cycles.

It is also important to learn from best practices. While studying U.S. and European investment banks, Japanese megabanks, and others that have succeeded in steadily expanding earnings in Japan and overseas, thereby increasing corporate value, Nomura needs to create its own, unique value. Outside Directors have a role to play in overseeing executive officers and providing advice that supports corporate strategies and growth. As an Outside Director and Chairman of the Audit Committee, I will continue to strive to contribute to the enhancement of Nomura's competitiveness and the creation of value by offering advice as well as acting as a check.