

## CEO Message

# Taking on new challenges to create change

### Importance of regular communication

Throughout my career, I have always placed great importance on communicating closely with others.

As Group CEO, I meet with clients and other stakeholders regularly. Even if we only meet briefly, I always strive to listen closely to what they have to say and then give my point of view.

In team sports, daily practice and constant communication prepare players to react instantly using eye contact to make awe-inspiring plays. This is also true when it comes to running a company. Regular communication with clients gives you a better understanding of their needs and helps you provide better solutions.

Internally as well, taking the time to understand your colleagues by placing yourself in their shoes will boost motivation and collaboration, leading to better teamwork.

Three years ago we launched a CEO Corner on our intranet to connect more closely with our people. In addition to giving updates on some of my activities as CEO and sharing my thoughts on various issues, I also answer questions submitted by employees. I am pleased to receive many questions from people around the world and I look at all of them and write the answers myself.

One question that came in was about why I have been able to continue working at Nomura for so

long. I replied that I find it a fun place to work because I can be myself. I will continue to communicate with our people to create an exciting workplace where everyone can be accepted for who they are and feel that they can continue to grow.

### Improving employee engagement

Another area I focus on as the head of the Group is employee engagement. Again, communication, and ensuring that people fully understand the reason behind what they are doing, is key. Each year all Senior Managing Directors from across the Group come together to discuss how we can improve employee engagement based on feedback from an all employee survey.

Thanks to these efforts, about 80 percent of employees respond favorably when asked about the direction the firm is taking. We will continue to focus on initiatives to enhance employee engagement.

Drawing competitive strength from diverse talent pool and values

We also take diversity seriously. Nomura is made up of a diverse group of people from both in and outside Japan, where the number of new joiners starting their career each April is now surpassed by those who join us mid career. Inclusion within the organization is essential to ensure that this group of people from different backgrounds can maximize

their true potential. Equally important is to ensure we have the systems in place to evaluate everyone fairly. As CEO, I have focused on creating these systems and making sure we communicate them across the Group.

The composition of our Board of Directors has been transformed in recent years. Of the 13 Directors, nine are Outside Directors, including four from outside Japan and three women. With such a diverse Board, we are able to receive advice from many different viewpoints. We often receive critical feedback and tough questions, making for very lively, high-quality discussions.

Indeed, diverse people and diverse values underpin our competitive strengths.

In writing this report, we discussed at length what we wanted to focus on as a company and as a senior management team, as well as what we wanted to share with our stakeholders. We hope you find it informative.



# NOMURA

Message

## The road ahead

Nomura Group's management vision is to achieve sustainable growth by helping resolve social issues.

Some people may question whether a company can meaningfully contribute to combating social issues while at the same time seeking profits.

Decarbonization is an area where financial services firms are well placed to create new value.

Launched in April 2006, the Principles for Responsible Investment now has over 5,300 institutional investors as signatories, representing more than US\$120 trillion in assets under management. All signatories, including Nomura Asset Management which joined in March 2011, must incorporate ESG into their investment analyses and decision making processes.

As pension funds and other institutional investors became increasingly aware of climate change risks, the share price and fundraising activities of their portfolio companies started to be impacted, prompting companies to aim for a shift to decarbonization. At the same time, corporates brought new value to institutional investors as their investments are contributing to tackling climate change.

Decarbonization is not possible with existing technologies alone. We have to develop and commercialize innovative technologies such as nuclear fusion. This requires a substantial investment.

Kentaro Okuda

Director, President and Group CEO





Some reports suggest that it will require total investment from 2023 to 2050 of US\$150 trillion to meet the 1.5°C reduction target under the Paris Agreement. That is an annual average of US\$5 trillion per year, equating to more than four times the amount invested in 2022.

In addition to climate change, as other issues such as human rights increasingly come under the spotlight, we expect investment into sustainability-related areas will continue to increase.

This underscores the significant role that financial services can play in resolving social issues and highlights what we see as a substantial growth opportunity.

## A sustainable Nomura

In order to sustainably contribute to resolving social issues and respond to the trust placed in us by our stakeholders, we must build out our business platform to deliver consistent profits and achieve ROE of 8 to 10 percent over the medium term.

To achieve this target, we have prioritized three initiatives: growing our top line, stringent cost control through structural reforms, and appropriate allocation of resources.

### Top line growth

By the fiscal year ending March 2025, we aim to achieve around 20 percent growth compared to the year ended March 2023 in total net revenue from our three core business segments. We recognize that this alone is not enough to reach our target so will also look to create new opportunities for

monetization through cross-divisional collaboration and inorganic growth opportunities.

### Structural reforms

We aim to reduce our cost base over the short term by 50 billion yen by March 2025.

Over the medium term, we aim to add another 12 billion yen of cost reductions through additional structural reforms.

In April this year, we established the Structural Reform Committee with the mission to look at how we can become more efficient in running the business and implement reforms by a specific deadline. This cuts across the entire firm, from front office to middle and back office functions, with a view to transforming the way we work. To ensure the discussions are real and achievable, we are setting specific quantitative targets and clear deadlines for each initiative.

### Resource allocation

When allocating and managing our capital, we conduct both quantitative and qualitative analyses of our businesses taking into account profitability, growth potential and stability. We follow strict standards to look at the potential for each business to deliver consistent earnings, improve client services, increase market share and contribute to the stability of our overall business portfolio.

After we have allocated capital to a particular business, we conduct regular reviews to see if we need to make any adjustments based on how the strategy is progressing and changes to the external environment with the aim of improving capital efficiency.

We will continue to ensure that each business can perform at its best taking into account its specific risk/return profile and role within the Group. At the same time, we aim to reach our target of consistently delivering ROE of 8 to 10 percent over the medium term by moving with speed to achieve these three initiatives.

## Private markets

When I took over as Group CEO, I said that we planned to take Nomura to the next stage and one of the ways we would do this is by expanding and strengthening our private markets businesses to complement our public markets businesses.

Our strategy is not about just extending our products and services, client franchise, and delivery methods from public to private markets. By combining these, we aim to provide customized services and solutions for each client.

It is not just about delivering information, products, or services. It also means delivering trust.

## New business opportunities

Under the Japanese government's plan to double asset-based income, we are seeing considerable momentum in the shift of household financial assets from savings to investment, driven by initiatives such as the substantial expansion of NISA.

We have a leading role to play in driving the shift of Japan's household financial assets and we see a wide range of business opportunities ahead.

Financial education is becoming increasingly

important. The government's plan includes a greater focus on financial and economic education to promote the importance for investors to steadily build their asset base. Improving financial literacy will help people do this and help raise their standard of living, leading to sound capital markets and the proper flow of funds throughout the economy.

When people learn about finance and economics, it gives them a better understanding of how money and finance works. This in turn makes them think about their own standard of living and society in general, allowing them to improve their personal lifestyle and values, while also learning how to be proactive to create a better life and improve society.

Since the 1990s, Nomura has been a pioneer in the area of financial and economic education. Currently, we offer a wide range of courses for all ages from elementary school, junior and senior high school and university students to corporate employees and retirees. To date, over one million people have taken our courses.

We plan to broaden this out further by collaborating with our alliance partners in the regional banks and companies from other industries.

The strategic tie-ups with regional banks that started in September 2020 is a key project for Nomura. We have launched four alliances so far: San-in Godo Bank, Awa Bank, Oita bank, and Fukui Bank.

We have continued to expand the scope of our existing businesses and evolve our service offering. Our aim now is to deliver those services to a broader client base. At the same time, we aim to contribute to the growth of local economies over the long term.

From our discussions with clients, it is clear that there is growing appetite from investors to invest in private and alternative assets. To provide diverse investment opportunities to a wide range of investors, we have been working to expand our alternative asset product line up to complement our traditional asset offering.

In May last year we announced the acquisition of shares in New Forests, one of the world's leading forestry asset management companies. In August, we established Nomura Real Asset Investment together with Nomura Real Estate Group. This fund management company operates a real asset fund business that offers new asset classes and products, leveraging Nomura's wide investor base and strong client network and Nomura Real Estate's experience and track record in the real estate fund business. We included the words "real asset" in the company's name because we aim to expand the business into other real assets beyond just real estate.

Private markets are also being looked at as a source of liquidity as banks tighten their lending stance following the recent failure of some regional banks in the US.

We already have a track record in the area of private assets and alternative assets outside Japan and as the market continues to grow we aim to build out this business further.

Digital technologies have driven major changes in financial services over the past 10 years. The pace of change is expected to accelerate over the next 10 years due to new technologies such as artificial intelligence and blockchain.

In May 2022, we established Laser Digital in Switzerland as a subsidiary of Nomura Holdings focused on the digital asset business. While the environment surrounding digital assets is going through a transition after the failure of FTX in November last year, it is times like these that clients need a trusted partner.

We will continue to pave the way to benefit from growth opportunities in new areas of business such as digital assets.

## Strong global network

Nomura is a global financial services group with offices in around 30 countries and regions.

Two thirds of revenues in our Wholesale business come from outside Japan, while the remaining third is from Japan-related businesses. We are able to generate over half of our revenues from our international business thanks to the hard work of our predecessors to build up our global franchise.

I was based in New York for two years from 2017 and served as the Head of Americas. I realized that Nomura is more entrenched in the local business community than I had thought. Someone once told me that they went on a New York city tour and the tour guide pointed out Nomura's head office, even though the tour was not one for Japanese tourists.

We cannot meet the needs of our clients if we are only experts on Japan. For instance, many Japanese firms conduct business through global supply chains. Many of our clients look to alliances or acquisitions of foreign companies to grow their business. That requires an advisor who understands



in values brought about by the pandemic.

As I touched on earlier, we have an unwavering commitment to employee engagement, which we see as employees understanding where the company is heading, identifying with the company's values, and wanting to contribute to improve performance. In short, it means employees trusting the company they work for.

We can only demonstrate our strength as an organization by making it clear where we are heading and what we are trying to achieve as a group, and then aligning our people towards the same goal. That does not mean simply outlining a vision. It requires communication to convince everyone and make sure they move forward in the same direction through their daily work.

In addition to the CEO Corner on our intranet, we have an internal video series where we ask senior managers from across the group, including me, questions about our strategy.

When I give an internal presentation or speak to the media, I always keep in mind that our people are watching and I try to make sure I convey what I am thinking and where we are heading as a firm.

With the aim of increasing the number of people who feel an affinity with Nomura, we started a series of external video interviews last year as a way to update individual investors on our strategy. These videos are also messages targeting our employees.

## Diversity, Equity and Inclusion: Challenging new heights

About 40 percent of our people work in about 30

their company and industry in Japan as well as the companies and industries they are looking at abroad. Our clients require advice on both sides and they place their trust in us not only for our presence in Japan, but also because of our global network and international experience.

Companies that look to the future must constantly innovate to develop new products and services to deliver new added value in order to continue winning the trust of their clients. No matter how much added value a product or service has now, that will decline over time, meaning you have to lower the price to continue selling it or risk losing clients to new products and services.

There are many examples of new technologies upending the status quo. But no matter how sophisticated or advanced a technology is, it has no

business value unless there is demand and people are willing to pay for it. Value is determined by our clients who are satisfied with what we provide.

## A resilient organization

Life for all of us is finally returning to normal after a long period of disruption caused by the pandemic. Through our experiences of working from home, the pandemic has also made us reevaluate the meaning of physical offices and their function and role within the whole work experience. According to one survey, the main functions and role of head office that were cited include improving employee engagement, spontaneous cross-divisional meetings and communication, lively discussions and brainstorming. This highlights the significant change

countries and regions outside Japan and we are home to approximately 90 nationalities.

Excluding outside directors across the Group, three years ago we only had three women senior managing directors. This year we added three more for a total of 11 groupwide. The number of non-Japanese senior managing directors excluding outside directors has increased over the past three years from seven to 12. Of the 15 new senior managing directors appointed in April this year, seven of them started their career outside Nomura.

I often talk about taking on new challenges. I believe this allows you to notice changes faster than others and gives you the opportunity to acquire the knowledge and skills required to adapt to change.

Diversity is essential to overcome new challenges. Naturally, you cannot energize an organization just by having people from diverse backgrounds. The organization must be willing to accept diverse values and points of view and ensure that the workplace is one where everyone can be their true self. I consider this as one of the most important responsibilities for me and the rest of the senior management team.

People must be able to feel accepted for who they are. Equally important, people must feel that Nomura is a place where they can continue to grow. Nomura is known for giving young people roles of higher responsibility and proactively offering opportunities for people to grow.

Last October, we added the word “equity” to diversity and inclusion in our diversity statement. In a fast changing world, it is critical to create an environment where everyone can maximize their potential to continue providing clients with high

added value. We need to ensure we look closely at each individual's skills and experience, give everyone a fair chance and help them build their career at Nomura.

In Japan, we recently expanded our support program for employees to pursue a second career and set up an alumni network to welcome back people who have left the firm.

I have always said we will welcome back those who have left. By working at another firm, people encounter different types of values, allowing them to take a fresh look at Nomura and come up with new ideas and take on new challenges. They have also chosen Nomura again after comparing their experience at another company so that has a positive impact on those around them.

To support junior employees to take on new challenges, we launched a new program last year where they can work at a venture company for one year. Participants on this program have told me how they learned the skills needed for strategic planning, project management and business administration all while experiencing the speed and innovation of a startup.

I have been pleasantly surprised by the success of this program as it has completely changed the participants' way of thinking, providing them with an opportunity to make new discoveries by looking at Nomura from the outside.

Success comes from not giving up when you fail. The process of trying, failing and trying again will ultimately lead to success.

Sitting on the sidelines for fear of failure never leads to success. That is why we introduced a performance management system that supports

people who take on new challenges.

I once read in a magazine article about the five types of people you should surround yourself with, one of who is someone from outside your area of expertise.

If you surround yourself with only people from the same company or industry, you will lose opportunities to learn. Meeting with people from outside your area of expertise opens you up to new insights that you can apply to your own work. You can also see new points of view that can lead you to taking on new challenges.

As the head of the Group, my mission is to create change and support change.

Since taking over three years ago, we have followed a consistent strategy and taken the necessary steps to implement it. We have been moving forward with the organizational structure needed to create change and built out our platform.

Looking ahead, we will focus on implementing measures to achieve our strategy and pivot away from areas that are no longer relevant.

We will work together across the Group to drive our business forward and deliver results.

In times like now, when profound changes cloud what lies ahead, I believe that Nomura can make a significant contribution to our clients and that the future of financial services has huge potential.

Everyone at Nomura will continue to work harder to deliver sustainable growth.

Director, President and Group CEO

奥田健太郎