Driven by the happiness and appreciation of our clients

I started my career at Takamatsu Branch, where I was working in the Retail business with individual investors. I was a new university graduate in an unfamiliar environment. On my way to visit a client one day, I got caught in a sudden downpour. I managed to find shelter and made my way to the client’s house after the rain eased up.

I was soaked and muddy. As I hesitated to enter the house, my client handed me a towel and invited me in with a warm smile. She thanked me for coming despite the heavy rain and, at the end of my visit, she bought some products and thanked me for the proposals I had made.

Since then I spent my time making a wide range of proposals to wealthy individuals and the management of mid-sized companies in the local community. I learned first-hand that individual risk money is the main source of the investment chain. These early years are the driving force behind everything I do today.

Two-Pronged business model

After working exclusively in Retail, I was transferred to Wholesale at age 40. Retail and Wholesale are completely different businesses, so at the time, I felt as if I had been transferred to another company. However, I came to realize from my experience in both Retail and Wholesale that there is a unique connection between the two businesses at Nomura. In the financial services industry, wholesale businesses such as underwriting are generally considered upstream and retail operations such as sales are downstream. But at Nomura, we employ a holistic approach. This is because the principle that the investment chain starts with individual risk money is deeply ingrained in our culture.

Issuers are well aware of our distribution capabilities and we have been able to forge close business partnerships with roughly 60% of listed companies in Japan, as well as government organizations worldwide, and global financial institutions.

Corporate clients highly rate our ability to make compelling proposals as well as our extensive distribution capabilities. Retail clients recognize our consulting expertise and diverse product offering. This is why they choose Nomura. It is also why our Retail and Wholesale businesses have never been separated and operate in unison.

Asia as our home market

In our home market of Japan, we have established a robust platform underpinned by our successful Retail-Wholesale Two-Pronged business model. We believe that this business model can be exported to Asia. Asia has a growing economy and is expected to account for 52% of the world’s GDP in 2050.

However, Asia is a diverse region where each country is at a different stage of population growth and economic development. To establish a viable Retail business in any country, there needs to be a middle class and per-capita GDP of US$15,000 to US$20,000. We believe that Asian countries will enter this zone. We have an advantage in this region and we believe there will be ample opportunities to further grow our business.

To successfully export our Two-Pronged business model to Asia, we will have to make some changes. Other Asian countries are far ahead of Japan in terms of digital transformation and the fusion between the Internet and the real world. As such, we will have to pursue business opportunities while strategically leveraging our digital platform and consulting services for mass affluent individuals.

Capital Nomura Securities, which was established in Thailand in 1970, is already applying our two-pronged model to its businesses. BDO Nomura Securities, an online securities company that we established in 2016 with BDO (Banco de Oro) Unibank, the largest commercial bank in the Philippines, has gained 130,000 accounts in a period of a little less than two years (as of June 2018). BDO Nomura Securities is now the second largest online securities house in the Philippines in terms of the number of securities accounts. In May 2018, we applied to the China Securities Regulatory Commission for a license to establish a joint-venture securities company to serve wealthy individuals in China.

I firmly believe that having a two-pronged model that connects Asia including Japan to Europe and the Americas will give us a competitive edge that sets us apart from our peers. That is the essence of Connecting Markets East & West.

Structural changes transforming business

There are three major structural changes currently taking place. The first change concerns the possibility that we are in a G-Zero era in which no country is willing to assume the responsibilities of global leadership.
Message from Group CEO

Added to this is growing populism where countries are looking out for their own interests. These trends undermine international security and economic transactions, and the arising frictions lead to geopolitical risks that cast a dark shadow over financial markets. The second change is Japan’s aging population, and rapidly declining birthrate. People 75 years old and older comprised about 25% of Japan’s total population in 2015. In 2030, they are expected to account for about 30% of the population and maximum 48% of financial assets held by individuals in Japan. We are unable to provide adequate services to these elderly clients due to compliance reasons. With more people expected to live to a hundred, we expect this client segment to grow further. Meanwhile, with the aging society and falling birthrate, the working-age population has lost confidence in the public pension system and feels they must secure their own post-retirement funds.

The third change is the rapid advances in digital innovation. I find this change the most worrying. The dilemma of innovation is that the champion stands to gain but the leader stands to lose. The rapid changes in technology have created a framework that limits our ability to innovate. The rapid pace of technological change makes it difficult for us to keep up. In August 2014, we announced our long-term management vision for 2020. This calls for us to create a robust operating platform capable of delivering consistent growth under all conditions. We set earnings per share (EPS) of ¥100 as one of our key goals for 2020.

In order to achieve our vision, we are working to address two issues: transforming our Retail business model and improving the profitability of our international operations. Market conditions affect our business performance, and we have to be prepared for shifts in the financial market due to geopolitical risks. In Retail, our focus is on increasing recurring revenue, and in Asset Management we are working to expand our product offering and distribution channels. In Wholesale, we continue to reduce our focus on traditional secondary trading while continuing to provide financing and solutions that meet our clients’ needs.

Improving business efficiency is another important goal. Within the next four years, we plan to reduce fixed costs by 60 billion yen through further digitalization and automation, and by driving efficiencies through centralized procurement and optimization of our global real estate footprint.

Looking 10 to 20 years ahead
As Group CEO, I must work hard to ensure that we achieve our 2020 management vision. I also have a responsibility to look beyond 2020 and create something that will have an impact over 10 to 20 years in the future.

To address the rapidly aging Japanese society, we have assigned specialists called Heartful Partners to Retail branches throughout the country to help elderly clients. We are also conducting a joint research project with Keio University on financial gerontology, and are using the results of our research to provide advice to older clients on how to manage their assets.

Developing strategies to work with the next generation is also critical. Most people open a bank account when they enter university or start working, but few people open a securities account. Even with the largest number of securities accounts in Japan, we still only have about 3,200,000 accounts, and only 3% of Japanese people in their thirties and forties own a securities account.

To address this, we entered into a business partnership with LINE Corporation. As of March 2018, LINE has 75 million monthly active users in Japan. This is equivalent to 60% of Japan’s total population, and 74% of these users are asset-builders under 50 years of age. People all over Japan who have no relationship with Nomura can access our services through the LINE platform. We intend to leverage the LINE platform to provide opportunities for young people to invest in stocks and investment trusts.

Our Asset Management business also invested in 8 Group in April 2018. Leveraging 8 Group’s excellent mobile application development skills and Nomura’s investment capabilities and extensive product offering, we intend to provide investment services to clients in the asset building segment.

Pursuing digital innovation
As long as we can swiftly create quality products and services for our clients, I am not concerned whether we pursue innovation on our own or through open innovation including tie-ups with other companies. In 2015, we established a FinTech Committee, and a Financial Innovation Office to help further enhance our businesses through innovation. I meet with people in the Financial Innovation Office once a month. Each month, they update me about new technologies and innovative ideas on all the technological changes taking place in the world. It is a very rewarding and productive meeting that I look forward to every month.

Through our Voyager accelerator program in Powai, India, in addition to our initiatives in Japan, we have received innovative proposals from startups around the world, including Silicon Valley. In April 2017, we established a dedicated innovation subsidiary N-Village in the heart of Tokyo, where there is a large concentration of digital start-ups. N-Village is charged with new business development and investing in startups. While we do not have any plans at present to offer virtual currencies, we are researching B2B digital asset custody that uses blockchain technology. I am personally committing to pursue these initiatives to ensure that we can leverage digital innovation in our business.

Contributing to society through our core business
In January 2018, we announced our corporate slogan, Delivering a better tomorrow, which captures the essence of the Nomura Group Corporate Philosophy. While I feel that Our Founder’s Principles must evolve over time, our commitment to enriching the nation through the securities business and placing clients at the heart of Tokyo, where there is a large concentration of digital start-ups. N-Village is charged with new business development and investing in startups. While we do not have any plans at present to offer virtual currencies, we are researching B2B digital asset custody that uses blockchain technology. I am personally committing to pursue these initiatives to ensure that we can leverage digital innovation in our business.

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August 3 as Nomura Founding Principles and Corporate Ethics Day, August 3 is the day in 2012 when we received a business improvement order. On this day each year, all employees watch a video and reflect on all our past mistakes: the 1991 loss compensation incident, the corporate racketeer incident in 1997 and the insider trading incident in 2012. I have visited more branches since becoming Group CEO and spoken to many young employees who did not know about these incidents. I felt it was important not to forget our past mistakes with the passage of time. I still sometimes meet young employees who know nothing about the incident in 2012. This is why we must continue this initiative. Our employees overseas are especially amazed that we continue talking about these incidents. But I feel that we must never forget our past actions.

Strong corporate governance

Corporate governance is one of our strengths. As a company with three committees, we have clearly separated the business execution function from the management oversight function. Delegating extensive authority to executive officers also enables speedy decision-making, and six out of our ten Board directors are Outside Directors, ensuring effective oversight of business execution. At our monthly Board of Directors’ meetings, our Outside Directors ask challenging questions and express various opinions, which I feel add to the quality of our corporate governance system. I believe that a system in which Outside Directors can freely express any concerns or opinions they have is critical to effective corporate governance. While we value the opinions of Outside Directors, management decisions are not based solely on their opinions. As Group CEO, I am ultimately responsible for all management decisions. I therefore make the final decision on all matters after carefully considering the different views. I make my decisions fully aware that Outside Directors comprise a majority of the Board of Directors, and the Board has the authority to appoint, or dismiss, executive officers, including the Group CEO.

Learning from our past mistakes

Never forgetting our past mistakes is critical to achieving consistent growth. In 2015, we established August 3 as Nomura Founding Principles and Corporate Ethics Day, and we have implemented a number of initiatives to further promote our ESG activities. Investors are paying increasing attention to the ESG initiatives of companies. This year, we established a dedicated ESG Committee that I will head as Chairman to further promote our ESG activities.

Developing future leaders

Training and developing the next generation of managers is a key component in ensuring sustainable growth. We have a unique business model. Our headquarters is in Japan and we engage in Retail, Asset Management, Wholesale and Merchant Banking businesses, and we also have extensive global operations. It is difficult to find an individual who has experience in all areas of our business, and who can handle the overall management of the company. A company is a public entity and, as such, leaders must prioritize the running of the company over personal interests. For this reason, the next generation of leaders must make contributing to the firm and society their top priority, with the support of a capable team. It is difficult to develop talent through instruction alone. Employees must learn through their own experiences over time. For example, we promote top performing employees in their mid-thirties to manager, and send them overseas to help them develop a global perspective. Transferring employees to different departments is one way to foster people development. Nomura has many capable people and I look forward to their growth in the future.

Enhancing shareholder returns

As top management, I have been closely watching our share price and I am not at all satisfied with the current level. While we have no control over the share price itself, I recognize that our medium to long-term performance and valuation can greatly impact it. To enhance performance over the medium to long term, we must build a strong operating platform that ensures consistent growth in any market environment. This is why I, as Group CEO, have made raising our EPS a key management goal and have worked to increase our EPS to double digits.

In Retail, our goal is to increase client assets to ¥150 trillion by 2020. We have so far increased client assets from approximately ¥70 trillion in 2012 to ¥120 trillion. Asset Management aims to grow assets under management to ¥55 trillion, over ¥50 trillion of which was achieved in the most recent quarter. In Wholesale, we are working to improve profitability to increase our fee pool market share to 3.4%. Wholesale has also significantly reduced costs by reviewing its business portfolio. In 2009, we implemented two capital increases which significantly increased the number of outstanding shares and diluted the value of our shares. Through proactive share buybacks since 2014, and by setting cancellation policy of our own shares in excess of 5% of outstanding shares in November 2017, we continue to reduce the number of outstanding shares. However, Nomura must maintain a robust financial position that allows it to meet regulatory requirements and conduct our businesses globally. At the same time, we need to strike a balance between retained earnings and shareholder returns. We have much more work to do. We are focused on implementing our strategy to build an operating platform that allows us to consistently deliver EPS of ¥100, the level before the capital increases, in order to reward our shareholders who have patiently supported us. We seek to deliver a better tomorrow as a trusted partner to our clients, embodying the values of entrepreneurial leadership, teamwork and integrity, in order to fulfill our mission of enriching society.