



Kentaro Okuda
Group CEO

Dear shareholders, clients and all stakeholders,

Finding opportunities in paradigm shift

When I speak to people from outside the firm, many have recently said they feel Nomura is changing. While I am always pleased to hear that, change itself is not our ultimate goal. Any change must deliver better services for our clients and keep them satisfied to do business with us.

As profound changes take place in society and

for our clients, we must continue to transform ourselves to stay relevant. Constant change equates to continually pushing yourself to take on new challenges.

We are now seeing signs that the prolonged era of low interest rates and low inflation is coming to an end.

Global supply chains remain severely impacted by travel restrictions and a lack of semiconductor parts due the COVID-19 pandemic. Russia's invasion of Ukraine in February 2022 sparked a

crisis marking a historical turning point. Shortages of energy such as oil and gas due to heightened geopolitical risks are expected to continue. Any unwinding of globalization could also lead to inefficiencies in the global economy. Prices could rise if companies dismiss cost when deciding where to make products.

We are facing a major turning point that will change the way we all do business. Conventional thinking and traditional operating models will not be able to capture the opportunities that arise from this paradigm shift. By taking the initiative to transform ourselves rather than reacting to external influences, we aim to deliver the added value that our clients and all our stakeholders need every day.

Expanding into private markets

When I took over as Group CEO, I laid out our plan to expand into private markets to complement our public markets businesses in order to take Nomura to the next stage.

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. That is the core thinking behind our private markets strategy.

Stepping up asset consulting

In addition to enhancing our long-term asset and portfolio management proposals for individual investors, we have aimed to deliver private services tailored to each client's needs including for real estate, insurance, estate planning and business succession.

We have also worked to extend our reach to offer our financial services to more clients by using digital technologies and collaborating with business partners.

To further drive this strategy forward, we will continue to evolve our client segment approach. This involves enhancing our expertise as an organization and as individuals and defining the path forward in order to provide high value added services to our clients. While further enhancing our traditional strengths in wealth management,

we will roll out fully digital services that are convenient and meet the needs of our clients.

To develop our business for salaried employees, we have launched a cross-departmental project and we aim to increase our pool of potential clients while elevating financial wellbeing.

Promoting alternative investment opportunities

In April 2021, we established the Investment Management Division to provide alternative investment opportunities to our clients, in addition to our offering of traditional asset classes such as equities and fixed income. By combining a diverse range of expertise under a single organization, we aim to create synergies to further improve the added value we provide to our clients.

Assets under management in Investment Management Division totaled ¥67.9 trillion at the end of March 2022, reaching a record high level driven by traditional asset classes. To further grow our assets under management, it is essential that we expand our alternative product offering.

In 2021, we established an investment corporation together with SPARX Group to invest in unlisted companies. Through this venture, we have already invested in a start-up company involved in the space business and a biotech company, among others. We plan to list investment units in this investment corporation on Tokyo Stock Exchange Venture Funds market. By providing post-IPO liquidity, we aim to give a wide range of investors, including individuals, the opportunity to invest in private equity.

We are actively seeking out alliances and investments. One example is the agreement we reached with Nomura Real Estate to establish an asset management company to jointly operate real estate funds.

In May 2022, we announced plans to acquire a stake in New Forests Pty Limited, one of the world's leading forestry asset management companies. This will allow us to offer new asset classes of products through our global platform, while also acquiring industry knowledge and expertise in the fields of forest resources and carbon credits to bring new growth opportunities to the Group. **P25**

Sustainable finance

Financial institutions have an active role to play in helping achieve net zero emissions and other sustainability initiatives.

Our sustainability efforts are based on two pillars. First, to ensure we can achieve sustainable growth, we are reducing our own environmental footprint while enhancing our risk management and governance. In September 2021, we joined a global initiative aimed at achieving net zero by 2050.

The second pillar is to support the sustainability activities of our clients and other stakeholders through our core business. We have set a goal to deploy \$125 billion in sustainable financing in the five years to March 2026. In the first year ended March 2022, we supported a total of \$21.4 billion in sustainable finance.

A sharper focus on climate change among pension funds and other institutional investors has prompted corporate managers to look at shifting to decarbonization to mitigate any negative impact on their share price or ability to raise funds. At the same time, new value is created as investments are steered towards activities to combat climate change.

Decarbonization of the corporate sector will also transform the way business is conducted across the entire supply chain, requiring a complete overhaul of operations. The development and commercialization of innovative technologies to halt climate change will require a massive amount of investment. Similar to credit ratings, we are also seeing funding terms change depending on sustainability actions, and in some cases companies can't raise the funds they need.

As environmental and social issues such as climate change and inequality become more serious, we looked at what we can do to help. The answer lies in leveraging our core business to create a sustainable society. All industries will have to shift to more sustainable technologies, which will require cross-industry collaboration and investment to achieve decarbonization.

It is said that it will require \$122 trillion to achieve decarbonization of all society by 2050, the majority of which is in Asia. Investors are taking an increasing

interest in sustainability and global sustainable investment assets in 2020 totaled \$35 trillion. Helping our clients and society address sustainability issues by supporting them through the capital markets is a major driving force positioning us to contribute to resolving social issues while creating value for Nomura over the long term.

We acquired US firm Greentech Capital, a leading player in the sustainable technology and infrastructure space, and since April 2020 we have been running the business as Nomura Greentech. In October 2021, we appointed Greentech CEO Jeffrey McDermott as Global Co-Head of Investment Banking to further drive the growth of our global Investment Banking platform as well as the ongoing expansion of our US business. We will leverage the competitive advantage of Nomura Greentech's sustainability business in our advisory and origination businesses and roll it out across Asia and Europe.

These initiatives will contribute significantly to diversifying and stabilizing revenues in our Wholesale business. [P27-28, P31-32](#)

Acting sustainably as an institutional investor

Nomura Asset Management (NAM) was a pioneer when it launched Japan's first ESG investment trust in June 1990. Since then, we have offered products that invest in companies contributing to environmental conservation to clients around the world. NAM's efforts have been highly recognized globally, receiving an A+ rating in all reported items in the annual assessment by the Principles for Responsible Investment (PRI) for 2020.

We are committed to fulfilling our stewardship responsibilities and creating a virtuous investment cycle by ensuring constructive engagement with portfolio companies, exercising our voting rights, and taking into account long-term sustainability, including ESG factors, all based on stewardship codes and corporate governance codes.

We traditionally engaged with portfolio companies to make decisions on governance. Now we aim to increase our level of practical engagement and raise our understanding of the company's growth and management strategies to

ensure proper management and raise the corporate value of portfolio companies.

Driving digital change

It is critical that we make further use of digital technologies to accelerate the pace of change. For financial institutions like us, this directly influences our competitiveness in the market. Digital technologies are not only important for driving operational efficiencies and client convenience, but they are also key to creating new value.

In April 2022, we reorganized the Future Innovation Company, which had planned and developed digital services and explored new businesses, into the Digital Company to expand its scope and better define the organization's direction.

Blockchain technology is transformational for the financial services industry. We have been actively engaged in the new asset class of digital assets, with BOOSTRY and Komainu examples of this.

We now plan to set up a new subsidiary to further strengthen our efforts in this space. Our work on digital assets has been done by two teams: the Future Innovation Company has focused on security token offerings, and the Wholesale Digital Office has worked on cryptoassets and artificial intelligence trading.

The new subsidiary will consist mostly of members from the Wholesale Digital Office and will be set up under the Digital Company. We plan to hire digital natives from outside the firm and move swiftly to enter cutting-edge business.

By leveraging our expertise and client franchise in our Wholesale business to drive forward our digital asset businesses, we aim to connect traditional finance with decentralized finance to provide a diverse range of services to our clients.

We are also aiming to build new businesses, in some instances with partners and in others by taking the initiative ourselves to enhance our competitive advantage. [P33-34](#)

Diversity and employee engagement

I often talk about taking on new challenges. Sitting on the sidelines for fear of making a

mistake is not an option. In times of change, we must have the strength to take the first step and be brave enough to start something new.

Diversity is an essential element of tackling new challenges. Working with people from different backgrounds opens you up to new expertise, inspiration and ideas.

Diversity is not just about who we are as a person, but also the experiences we have gained throughout life. We are shaped by the people we meet, and that contributes to making us all uniquely diverse. Diversity is something that is closely connected to all of us at Nomura.

Simply hiring diverse talent is not enough. We must ensure we have a working environment where everyone can shine. Creating an environment where diverse values and thinking are accepted and where everyone can be themselves is one of the highest priorities for myself and the management team. I am committed to bringing not only high levels of expertise, but also diverse backgrounds and different values.

We need to provide a place for our people to grow. Nomura has a history of advancing younger people and actively providing opportunities for growth. People can grow when given the chance to experience the thrill of working hard to achieve something they thought they could not do.

I am strongly committed to employee engagement. In our employee survey 2021, 83 percent of respondents gave a favorable answer on a question about the current direction of the firm, an improvement from 74 percent in the previous year.

Communication is key to raising employee engagement. It is our responsibility as a management team to set out the firm's future direction and ensure we listen to employees to bridge any gaps between employees and management. As such, we are seeking more opportunities for two-way communication.

We are also focused on being a company where every employee can maximize their productivity and creativity, contribute to society and our clients, and feel they are continuing to grow, while ensuring they receive valuable feedback.

Strengthening our corporate governance

Since I took over as Group CEO, we have had many discussions about how to strengthen our corporate governance. In the year ended March 2021, we conducted a third-party appraisal of the effectiveness of our Board of Directors and reviewed our overall corporate governance.

The results highlighted a number of issues for the Board, such as being predominately Japanese despite the global nature of our business and a lack of Board members with backgrounds in finance.

Taking this feedback onboard, following our June 2021 general meeting of shareholders, we increased the number of Board members to 12, eight of whom are Outside Directors, including four non-Japanese and three women directors,

giving us a more diverse and open Board of Directors.

By including four new professionals with backgrounds in finance to complement our Outside Directors with experience running Japanese companies, we can receive diverse viewpoints that take into account changes in the macroeconomic environment and global markets.

With this reinvigorated Board, I feel the quality and quantity of our discussions have improved dramatically. While enhancing corporate governance is a never-ending mission, I feel that the effectiveness of the Board has increased significantly over the past two years.

To share the strategy and initiatives from the execution side and ensure deeper insights and feedback, Executive Managing Directors hold individual meetings with Outside Directors once or twice a month. That way, they can discuss issues frankly without waiting until the monthly Board

meeting, which makes for more constructive discussions at the Board meetings. [P61-68](#)

Enhancing risk management and building risk culture

We booked significant losses from transactions with a US client in March 2021. We take this incident very seriously and have implemented a series of measures to further enhance our risk management.

In September 2021, we established the Board Risk Committee comprised mainly of non-Japanese Outside Directors. On the execution side, we are strengthening our organization, including hiring people, to ensure we can provide valuable products and services as a financial institution. We have made senior appointments in Wholesale, the first line of defense, and in Risk Management, the second line of defense. In addition, I am taking the lead on a risk management enhancement program that encompasses 126 initiatives.

Our aim is not to limit the risk we take. It is to further enhance our risk management so we can provide better products and services to our clients. That requires building out our organization and changing the mindset of each employee to foster the firm's risk culture. As part of this, we added new items on risk culture to our Code of Conduct and we are taking various steps to embed risk culture across the firm. [P35-38](#)

Pioneering financial education

Raising financial literacy is essential to grow and invigorate the capital markets. It is also one of the Sustainable Development Goals aimed at creating a fair and sustainable society.

Nomura Group has been involved in financial and economics education for everyone from primary school and junior high students to adults since the 1990s. We have provided information and textbooks free of charge. Notably, we have given lectures to a total of 940,000 students. Since 2001, we have run courses at a total of 2,100 universities covering 270,000 students. Nikkei Stock League, a contest to learn about stocks sponsored by Nomura, had a cumulative

total of 130,000 participants through to 2022.

We recently appointed an executive officer to oversee our financial and economics education initiatives and will continue to work to further contribute to improving financial literacy. [P57-58](#)

Defining our purpose

Nomura Securities started operations in 1925 with just 84 people. Now, we operate in over 30 countries and regions around the world with a global team of 27,000 people representing 90 nationalities. This growth is the result of the trust placed in us by our clients and our position in society.

In 2025, we will celebrate our 100th anniversary. This milestone is the perfect opportunity to express our thanks to everyone who has supported Nomura over the years, including our clients, our people and shareholders.

In the lead up to our centenary, we set up a project team in July 2021 to discuss Nomura Group's purpose and we are encouraging a broad range of employees to participate in the discussions.

The aim of the project is not to come up with a new slogan or create something new. The important thing is to have a globally diverse group of people coming together to enjoy the discussions based on their own personal purpose so they can feel accepted. They can also use the discussions as an opportunity to question whether their actions are in line with our purpose.

Moving forward together

Our management vision is to achieve sustainable growth by helping resolve social issues. Our diverse businesses rely on the trust of our clients and all stakeholders. We recognize that raising our corporate value is closely linked to ensuring sustainable growth of society as a whole.

I am confident the future holds boundless opportunities for financial services and we can deliver value for our clients amid the current paradigm shift. As we move forward to this new future, everyone at Nomura will work hard to realize sustainable growth for the firm and society.

