



Expansion of our business through partnership

In December 2019, San-in Godo Bank Group and Nomura Securities signed a definitive agreement to form a comprehensive business alliance in financial products intermediary services (hereinafter "Alliance"). This Alliance is an unprecedented initiative in which employees of Nomura Securities and San-in Godo Bank work together to provide clients with the various products and services. Toru Yamasaki, President and Representative Director in San-in Godo Bank and Go Sugiyama, Head of Retail in Nomura Holdings, discussed the synergies generated from the Alliance and future prospects.

Toru Yamasaki

President and Representative Director
at The San-in Godo Bank, Ltd.

Go Sugiyama

Director, Executive Vice President
Head of Retail at Nomura Securities Co., Ltd.
Senior Managing Director
Head of Retail at Nomura Holdings, Inc.



Q It's been about three years since we started the Alliance in September 2020. What is your assessment so far and what is your current business development plan?

Yamasaki The Alliance has been carried out with the purpose of establishing a new securities business model that draws on the strengths of both banking and securities. At the beginning of this Alliance, employees from Nomura Securities said, "It was a humbling experience to be entrusted with a passbook from clients, and understanding of clients improved significantly". On the other hand, employees of San-in Godo Bank seemed to balk, and say, "I just cannot keep up," because Nomura employees possess high levels of skill, experience and knowledge, and their sales approach utilizes digital tools. Though we felt the differences between the two companies initially, we gradually deepened our mutual understanding and progressed through trial and error. Today, the all-asset approach, a sales style that draws on the strengths of both sides, has become our common language. This is a sales style that understands the full scope of clients' assets and suggests a portfolio according to their risk tolerance

based on our trusted relationships with clients.

As a result, the number of securities accounts increased by 31%, retail client assets increased by 29%, and the number of installment investment contracted accounts, including NISA, increased by 35% compared to the combined total of Nomura Securities, San-in Godo Bank, and its subsidiary, Gogin Securities, before the Alliance started. The results significantly exceed the original expectations of both companies prior to the Alliance.

We call our securities business base the consulting plaza (CP). There are nine offices in Tottori and Shimane prefectures, and a total of 240 people, including employees on dispatch from Nomura Securities. In fact, the number of employees is about 160 (about 40%) less than the total of the three companies before this Alliance was formed, and operating costs except for personnel expenses on our bank side have also decreased by 200 million yen per year. Nevertheless, we feel that our performance in the increase of client assets and other areas is better than expected, meaning that the all-asset approach is gaining recognition from our clients.

In addition to these facts, there are more than 100

branches in our bank, and the CP is linked with management consultations for corporate owners. It is also responsible for financial and economic education for schools and businesses, contributing to the growth of the investment population.

Sugiyama We started this Alliance three years ago, and we are very grateful to have the Alliance and mutual trust between our companies. You just talked about our achievements, and we have worked relentlessly under the principle that "In order to enrich the region, we first need to expand our clients' assets." As a result, we have been very successful in growing our client assets and recurring revenue assets, and contributing to further expansion of our business which Retail Division is aiming at. With various tailwinds, such as the starting of the new NISA system, we are confident that we can make this a sustainable business by taking advantage of the many contacts we have with our clients at San-in Godo Bank.

Q What effects and changes have you seen from your business collaboration?

Yamasaki The most significant impact from this Alliance is

that client satisfaction has increased. This is confirmed by various questionnaires. I also feel that it has had a positive effect on the development of the employees from San-in Godo Bank. It has been a great inspiration to us that everyone from Nomura Securities is highly motivated to learn and work and achieve their goals.

To be honest, the securities business has not been easy for us. It means developing the infrastructure of the securities business to respond appropriately to the regulation changes, to provide an attractive product range, and to continue to enhance the skills of our employees. And to cover these costs with the commissions we receive from our clients while the commission rate has been declining year by year, we were wondering if we could balance the bottom line and grow our securities business. Through this Alliance, the top line has grown, costs have fallen, and now we are able to draw up a growth strategy, which I am delighted to see as a top executive. More than that, we really appreciate the fact that our sales style is not just taking commissions from our clients, it is helping them build their assets.

Sugiyama Before the Alliance, Nomura Securities had only three branches in San-in area: Matsue, Yonago and Tottori. Only 90 sales partners covered a distance of 300 km from east to west. Our reach was overwhelmingly insufficient, and we were faced with the challenge of not being able to adequately serve our clients. Through this Alliance, I think the key benefit was that we became able to deliver services to many clients by combining our strengths. These include our shared information, knowledge, products and services, and San-in Godo Bank's strengths including its significant presence and client networks.

From listening to our employees, we hear that it is challenging for companies with different cultures to collaborate together for the same purpose, but it is exciting at the same time, and driving innovation. In recent years, an increasing number of young employees have raised their hands to take on this new business models in addition to experienced employees who want to apply the know-how they have cultivated at Nomura to partner companies, and this has helped broaden their career development.

It was also a great achievement for us to realize once again that the products we handle on a daily basis, the various consulting tools and investment information, our product services, and our daily sales activities have added value and are differentiated.

Yamasaki Through our collaboration, we are able to create additional touchpoints and offer greater services to our clients. For example, at the end of March, civil servants retire at the same time, and about 90% of the retirement allowance inflows into our bank at once. Previously, these funds outflowed to other financial institutions' investment funds, but through this partnership, we are leveraging each other's strengths and steering funds toward our securities business through the all-asset approach.

Sugiyama Achieving 90% share is really incredible. In the case of Nomura Securities, we can make an investment proposal only after asking the client about the timing and amount of the retirement allowance. It is very different from our business model in which we receive funds prior to proposing solutions.

Q What is your outlook? As Japan's population continues to decline, what are the challenges?

Yamasaki In this region, the shift from savings to investment has not progressed yet, and while the population is declining, there is still plenty of room to expand the securities business. I strongly believe that we can continue to grow and further increase the pace of growth. Our current challenge is to expand and broaden the base of the investment population through financial and economic education.

Also, banks routinely deal with clients throughout their lives. Upon becoming a member of society, it generally starts with the designation of a payroll transfer, followed by a car loan, a mortgage, an education loan and a transfer of retirement benefits. Now, through utilizing the Alliance with Nomura Securities, we are beginning to offer optimal banking and securities services tailored to the client's life stage and risk tolerance, including investment trust accumulation, asset building using iDeCo, and inheritance consulting. There is still a lot of work to do, and I definitely feel like there is an ocean of opportunities.

Sugiyama I agree. The investment population will increase from here on, and there may not be enough financial advisors nationwide. Additionally, in terms of inflation, we have gone from a time when asset values could be protected if they were kept in deposits to a time when advice on asset management and asset building is really needed. Population decline is a nationwide issue, not just in the San-in region,

and we would like to develop a business model that can overcome this challenge.

In addition, there are many cases in inheritance and asset succession in rural areas that do not proceed smoothly because the decedent and heir are physically separated due to outflows of young people to urban areas.

To meet these challenges, I believe that there is a room to use Nomura's nationwide network of headquarters and branches while providing services to San-in Godo Bank's clients.

Q What is your view on expanding alliances with other banks in the future and what is the significance?

Yamasaki I think the situation of regional financial institutions is of course different, but I think the market is shrinking in the same way as our bank. Ensuring the securities business to become a sustainable business is also meaningful to our local clients. The alliance with Nomura Securities is one possible and effective solution, and I think it should be pursued.

Sugiyama If we increase the number of business partners, we will have more opportunities to serve more clients, but we believe it is important to first partner with local financial institutions that share our values and beliefs. Instead of simply following the numbers, we will work with regional financial institutions who we can build long-term trusted relationships to ensure we create positive change and make our business model more sustainable.

