

DIALOGUE with Outside Directors



Patricia Mosser

J. Christopher Giancarlo

Q How would you evaluate the composition and effectiveness of the Board of Directors?

Mosser When Mr. Giancarlo and I became Outside Non-Japanese Directors two years ago, we were a sort of new wave for the Board of Directors (“Board”). In other words, with the addition of the new Directors from different backgrounds, the Board has changed significantly in terms of expanding and changing perspectives. The Board now includes four Outside Non-Japanese Directors, each with a different background, including a CEO, compliance expert, accounting expert etc. Each plays a necessary role.

The establishment of the Board Risk Committee (“BRC”) has been one of the most important structural changes in the past two years. At the BRC, members focus on the identification, analysis and assessment of risks to Nomura’s business, have frank discussions and provide feedback to the management. Since Nomura has a global footprint, it is completely critical to have an effective global, consistent risk management system across several different levels of the firm. I hope we can make further contributions toward that realization.

Giancarlo In terms of the Board composition, it is critically important to appoint people who represent Nomura’s geographical footprint as Directors. It may be useful to appoint someone who can bring European insights to the Board for better understanding at the Board level. Nomura’s Japanese franchise is also a strength, and a strong contingent of Japanese Directors remains critically important as well. As financial service firms become more specialized in the future, we should consider whether some degree of specialization will be required for Japanese Board members. The four Outside Non-Japanese Directors are all experts, either in financial markets, banking or finance investment. Going forward, it may be beneficial for Nomura to attract personnel capable of providing expertise in Japanese financial services.

Q How would you assess Nomura’s business strategy from the perspective of an Outside Director?

Giancarlo I think Nomura has three macro strengths, which include its dominant position in Japan, the world’s third largest economy, its sophisticated and excellent footprint in global markets, and its leadership and openness in the transition to digital finance. Nomura is currently in a challenging business environment, but I believe that by working thoughtfully, intelligently, nimbly and in areas where we have strengths we can be in the right position when the environment changes, allowing Nomura to deliver the ROE that investors, shareholders and other stakeholders expect.

Mosser I think one of Nomura’s great strengths is its dominant position in Japan. Nomura has deep ties to Japanese business and corporate communities and very good relationships with the regulatory communities as the digital and sustainable finance transformation continues. It is important that Nomura has been selective and focused over the years. Maximizing Nomura’s global footprint should not be confused with trying to do everything. What Nomura needs to do is continue in areas where it has strengths. As the line between marketable securities and private securities has become blurred, I think it is a very prudent strategy to continue focusing on private markets in Europe and the United States when markets and economies stabilize. Nomura will be able to take advantage in providing services that meet needs of a variety of clients and investors.

Giancarlo In terms of Directors’ involvement in strategy, I would like to add as much value as possible as a Director. Ms. Mosser and I serve on the Board of Nomura’s US subsidiaries and meet frequently with US management. Therefore, I have a very good understanding of Nomura’s Wholesale business and challenges, and I am confident that I have a very meaningful role as a Director. Compared to my contributions to Wholesale, the added value offered to domestic businesses might be somewhat limited, but I deepen expertise of Japan and domestic strategies through opportunities such as visiting domestic branches and having dialogue with employees.

Q What are the various risks surrounding Nomura discussed by the Board of Directors?

Mosser While economic growth has been good, inflation and rapidly tightening monetary policy have put financial institutions in an extremely difficult environment. Uncertainty about the economy, markets, and political system is now very high, and risk is extremely difficult to measure when uncertainty is particularly high. On the other hand, we believe that the strength of Nomura's financial and liquidity position is going to be an advantage when the economy and markets turn around.

In terms of risk management, Nomura has made tremendous strides in the two years since I joined the Board. In addition to strong commitment by senior management, it is important to secure resources and expertise to enhance risk management. Also, Nomura is building a permanent system to embed Risk Culture in the firm. There are areas that need further enhancement, such as operational risk and cyber risk. For example, given the de-globalization and geopolitical risks, cybersecurity is a major challenge for international financial services providers, and as a Director, I have encouraged Nomura to strengthen governance and risk management. I would also like to stress that cyber risk should be addressed by public-private partnerships in most countries.

Giancarlo The establishment of the BRC had a ripple effect throughout the organization. I think it's a good example of how a top-down process can effectively get into every corner of an organization and improve risk monitoring, risk assessment and risk level setting. Cybersecurity is also being discussed, and Nomura is moving forward to catch up with the leading companies in terms of state-of-the-art risk assessment, risk handling and cyberspace. I am proud of Nomura for taking these important steps that will serve Nomura well.

Mosser In terms of emerging risks, there is a risk of losing business in some regions and with some clients due to de-globalization. At the same time, it also means that the supply chain will be revamped, so it is a financing opportunity for companies. In such environment, I think the challenge for Nomura is how to move for clients, understand their needs, and actually provide them with appropriate financial services.

Giancarlo Down the road, the Board has not been shy about discussing important issues that everyone recognizes but is difficult to talk about. I am sure it will be part of our future conversations as well.

Medium to long-term Challenges

Q What are your views on the key to enhancing digital financial services?

Giancarlo While I believe Nomura has already taken the first step toward strengthening its digital finance business, it is important not to fall into short-term analysis. Crypto assets are an entirely new architecture in financial services in that we know who holds the value, where it is transferred, and where it is recorded. It's going to have an impact on our payment on a global basis, in terms of delivering breathtaking speed. The first step is to recognize that crypto assets are much more than just a new asset class. This is similar to the first wave of the internet. While Nomura is going to be in the forefront of experimentation of innovation with nimbleness of openness, it needs to be thoughtful and careful with the right governance in place. I am very pleased that Nomura is recognizing this initiative is not something that will be completed in a few months, but it is a long transition.

Q What do you think is important in strengthening initiatives for sustainability?

Mosser Sustainability is a big business opportunity for Nomura. In the area of sustainability, Nomura has earned recognition for its highly transparent initiatives in addition to its business achievements. I believe that internal sustainability efforts by the company should be the right thing to do first, and that it is an important strategy in the short and medium term. On the other hand, as in the digital world, there is a major challenge of unclear standards, such as disclosure standards. The lack of a clear definition of terms and global standards is a risk to sustainable finance. I believe Nomura could play a really constructive global role by participating in the international standard setting bodies and leading the industry in establishing the standards. I also believe that this could benefit Nomura's overall business over the long term.

Enhancement of Corporate Value

Q Would you tell us challenges Nomura should address in the future and your expectations for Nomura, to increase our corporate value?

Mosser The current market environment is very challenging for Nomura's Wholesale and Retail businesses. It is difficult for companies in the sector to grow in the short term, as both clients and services are on pause due to increased uncertainty. On the other hand, Nomura is pursuing a number of initiatives, including governance and structural changes. In other words, Nomura is positioning itself for the recovery of the market economy. The proof will be in the pudding whether Nomura can take advantage of the business opportunities when they come. However, if Nomura can make that happen, I am optimistic for Nomura's future.

Giancarlo Japan is experiencing declining birthrates and demographic changes. Also, there are wars, weakened leadership, and democratic challenges around the world. If Nomura can come out of exogenous ill winds with leveraging its strengths, such as its global footprint and domestic base, I think Nomura has an opportunity for success. However, it is not going to be easy. The actions by management and the support of management by the Board are required. Nomura is putting the pieces in place for success. We are making the selective investments for the future in the areas of sustainability and digital while revamping our systems and architecture and strengthening our cyber risk management. Nomura is making prudent moves to prepare for the future while paying attention to the current situation, and I am very proud of that attitude.



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