

Conversation with Outside Director

Takahisa Takahara and Group CEO Kentaro Okuda

Nomura Holdings Outside Director Takahisa Takahara and Nomura Group CEO Kentaro Okuda sat down for a wide ranging discussion on putting Nomura Group Purpose into action, where the firm is headed by strengthening its governance, and key thinking on how to achieve Nomura's management vision.



Putting Purpose into Action

Okuda Nomura Holdings turns 100 in 2025. To mark this important milestone, we launched the Nomura Purpose Journey project in 2021 to give our people the opportunity to think about why Nomura exists, the significance to them of working at Nomura, and their own personal purpose.

Over 10,000 people globally have participated in discussions so far. The project has focused on having participants think about what they want to achieve, why they work at Nomura and how the company's purpose intersects with their personal purpose. Another key aim of the project has been to bring Nomura Group Purpose to life through words.

We announced our Purpose in April 2024: "We aspire to create a better world by harnessing the power of financial markets."

Roughly 70% of our workforce are mid-career hires who come from diverse backgrounds. I am keen to see our Purpose used as a common background for our people by having everyone think about and discuss the same theme.

At Unicharm, where you are the President & CEO, your purpose and unique "Manage with Resonance"^{*1} approach to management are deeply rooted throughout the company. As the head of Unicharm, how are you putting your purpose into action and are there any suggestions you have for Nomura's activities related to our Purpose?

Takahara At Unicharm, we have the company's overall purpose as well as mission, vision and value. Each division head discussed with their teams and created their own purpose, mission, vision and value. That was then cascaded down to the individual level where people came up with the same structure for themselves. That process

^{*1} Unicharm's own management style where management receives feedback from frontline employees and employees learn about management's point of view and timelines, helping to promote the growth of each employee and in turn driving growth of the whole company.

allowed people to mull over the concepts and really internalize them.

Although workplace culture appears to be the same across the firm, it can actually be quite different because the workplace environment differs for each person. To align the whole company to our purpose, we first discussed it from a high level overall and then gathered bottom-up feedback as our communication focused on “Management with Resonance.”

Division heads and managers spoke at meetings and town halls to explain their own purpose, mission, vision, and value and talk about how they are expanding their horizons both professionally and personally. We did this globally to put our purpose, mission, vision, and value into action. By taking time to do this, you can change people’s perspective. In turn, their actions will change and become new habits and they will start to grow faster.

Okuda We also have a process of executives discussing their own Purpose at town hall meetings and small group gatherings followed by a discussion with employees on Purpose.

I hope this will provide an opportunity for participants to make new discoveries and as you say change how people

behave. I also think that our Purpose can help people sort out their mindset, work-life balance, and relationship with the company and we can have discussions with more conviction.

Takahara We also hold sessions to read our integrated report. This gives people a good understanding of what is happening in the company and familiarizes them with business areas they are less interested in. This has led to greater awareness of issues we face and acted as a catalyst for internal job rotations.

As Nomura has many people who joined mid-career, it is hard for them to take an interest in a new workplace culture or areas outside their own business or specialty if they join still holding the values and ideas from their previous company. Reading the integrated report is a good way for them to learn about the company.

Okuda I am sometimes asked by our people about the direction of the firm and its businesses as well as how Nomura compares to its peers. We do a lot of communication, including through the integrated report. I am interested in looking into how we can better use the integrated report and other information to raise the understanding of the

company among employees.

Strengthening Governance

Okuda Nomura is structured as a Company with Three Board Committees and eight out of 12, or two thirds, of our Directors are Outside Directors. Our people and investors have high expectations for our Outside Directors in terms of governance.

You joined us in June 2021 and this is your fourth year as an Outside Director. During that time, you have joined all Board of Directors, Nomination Committee and Compensation Committee meetings despite bearing a heavy responsibility as President & CEO of Unicharm.

In addition to your activities as Outside Director, you have done other things such as having this conversation and speaking to our people. That’s given you a deep understanding of Nomura Group and the people who work here. Based on your experience, what should we do to further enhance our governance?

Takahara In terms of organizational design from a governance perspective, Nomura is a leader given the composition of its Board and the number of Outside Directors. I have learnt a lot.

You also have an excellent structure for managing risk.

That said, I feel there is a need to connect the objective of governance with improving the firm’s performance. Looking back on the Board discussions at Nomura, earnings volatility seems to be blamed on market conditions or the regulatory environment rather than accepting that it is to do with the company itself.

It is critical from a proactive governance stance that you discuss earnings volatility to further leverage your unique edge and enhance your global competitive advantage. Focusing on earnings while complying with regulations is an important objective of governance.

I have been President of Unicharm for 24 years. I am not a manager who praises people, I prefer to nurture people to grow. At Unicharm, we hold regular PDCA meetings on strategy. When I give harsh feedback, I am not criticizing performance, I am trying to work with people so they don’t give up. That might be considered micromanaging, but it leads to proactive governance.

Okuda I agree with your point about increasing performance while complying with regulations.

Although we can't avoid earnings volatility due to market changes, we are working to build a business model resilient to the impact of market conditions. We are increasing the percentage of businesses that don't require much balance sheet. Recurring revenue is growing and these initiatives align with our client-led approach. There is still work to be done. We will continue to focus on performance while executing our strategy.

Management Vision

Okuda Our 2030 management vision is "Reaching for Sustainable Growth." We aim to achieve consistent ROE of 8 to 10% or more and income before income taxes of over 500 billion yen. The most important thing to achieving this vision is our people.

To ensure our people deliver high performance and have long-term careers at Nomura while the company increases their satisfaction, it is very important for each person to continue to grow.

One of the positive aspects of our DNA is that managers get involved in looking after their team, often saying too much. I plan to continue speaking out so we can build a great company together.

You have also offered me advice on leading people. What are your thoughts on helping talent grow and how that connects to the business?

Takahara I am worried that the pace is slowing down in many areas. As companies get bigger, cross-divisional sectionalism slows down decision making. At Unicharm, we use OGISM(A)*² to broaden our perspective and the OODA loop model*³ to speed things up.

Speed is about making quick assessments that lead to the right decisions. By building the OODA loop to reflect actions and results of employees and then empowering them to implement on a daily basis, the speed is gradually increasing.

It's okay to make mistakes. If you move quick enough, you can correct any mistakes. Speed is the greatest advantage you can have in today's world. At Unicharm, people use this system to broaden their outlook and make the right decision quickly.

Okuda I strongly agree on the importance of speed. Internal feedback sometimes says that our decision making takes time. For people to have a common understanding when they discuss issues, it is important they share their background and purpose as well as

have their own thinking. Without that, decisions won't be made and the whole decision-making process tends to slow down, especially when it is global.

I also tell my leaders such as executive officers and department heads that I want them to take ownership for management. You have to consider many things when you are responsible for a team and/or the company leading a big group.

Recently I feel that days without any mistakes are days when you didn't do anything. Failure is a part of the path to success. I strongly believe mistakes are not a negative thing and I say that whenever I get the chance. Making decisions, executing, and revising quickly if needed is one way to increase speed and achieve success. I want each of our people to actively take on new challenges.

For people above a certain position, I expect them to always take a Groupwide perspective when making decisions and not think just about their own division. I have seen many cases where something looks good for one division but when you consider the firm as a whole another option would be better. We try to cultivate this way of thinking through training for department

heads that introduces such cases.

Takahara A multidisciplinary approach to learning is a must. Around the time of announcing a new medium-to long-term strategy at Unicharm, I go away with my management team and we participate in activities that allow us to experience the unordinary. I want us to feel how challenging the new strategy will be.

By experiencing the unordinary, you can compare it where you are currently at and realize you still have to dedicate yourself to progressing further. You can then stretch yourself for a while and tackle things head on. Everything is about creating opportunities. I find it effective to have impactful real experiences that you can't gain from reading books or role playing.

Okuda Nomura Group is heading in the right direction. But I think I still need to work on progressing myself further. There are many things I need to do. I will refer to your advice as I continue to take on new challenges. Thank you for your time today.

*² A format for organizing the elements of planning: Objectives, Goals, Issues, Strategies, Measures, and Action Plan.

*³ A decision-making model where you Observe to catch changes early, properly Orient, Decide, and Act. This process runs in a loop to constantly revise the way of doing things.