

## **Nomura Sustainability Week 2024** **- Nomura Group's Efforts toward Sustainability -** **Q&A**

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**Q1: After the Archegos incident, you have explained how you enhanced the risk management; however, you also had a settlement issue at Instinet Europe. In order to mitigate concerns, could you explain what has changed by enhancing governance and risk management?**

**A1:** Following the incident in US, we announced the overview of enhanced risk management measures in October 2021. Since then, we have proactively taken various initiatives. Having over two years passed and most of the program been completed, our efforts to enhance risk management are continuing. The Board Risk Committee, chaired by the Outside Director, Laura Unger, with experienced members such as Christopher Giancarlo and Patricia Mosser, gave various feedback to execution side on risk management. Furthermore, we have deliberated on the settlement incident you referred to in our board meetings and obtained an approval for our proposed response plans.

**Q2: You discussed your competitive advantages in the sustainable bond market, but what is needed to move up from the current 12th position in market share? While this time you shed light on DCM, could you talk about recent trends in Greentech and advisory revenues?**

**A2:** From a sector perspective, we aim to increase our market share in the SSA market. While we have a competitive edge in Europe, significant growth opportunities exist in regions outside of Europe, particularly in the Middle East and Africa. Notably, the issuance in the Middle East has doubled since 2020. We believe that our leadership in transition bonds in Japan can be effectively utilized on a global scale, and we plan to continue expanding the issuance volume.

In terms of Greentech (now GII), we are reviewing and deciding on which sub-sectors we should be focused more. While we currently have big mandates from very traditional companies, we anticipate Japanese companies will work on several opportunities in the areas where Greentech is focused on globally. The IPF is also showing an upward

trajectory in volume both Japan and internationally. I believe that when opportunities pick up in Japan, our competitive advantage not only in debt finance but also in trading of assets and M&A activities will add value. We are actively assessing the areas we should prioritize as we remain interconnected within a value chain.

**Q3: Nomura Group employees are also shareholders of Nomura Holdings. Are there any systems that management explain business performance and market evaluation to employees? Can management obtain feedback from employees as well? I think it is desirable for employees to hold shares over the long term and benefit from the growth, resulting in increased engagement. I would like to know if there are any data or initiatives that management put importance on. For example, what is the average holding period after that shares become available for sale by employees?**

A3: Our CFO explains the key points of the quarterly financial results to employees on our internal website. The content incorporates feedback from investors and sell-side analysts. In addition, there is a place called CEO Corner on our intranet where CEO answers various questions from employees. He discusses his thoughts, taking external stakeholders' feedback into accounts.

Unfortunately, we don't have data such as average holding period after the shares become sellable for employees for now.

**Q4: Mr. Koike, CEO of Nomura Asset Management, explained in his presentation that the firm uses human capital management as an investment theme. Do you consider such factors be effective, such as an implementation of stock compensation and presence or absence of various initiatives for employees' Financial Wellness Programs at the portfolio companies? Do you also plan to use such factors in the future?**

A4: As an investor, we place importance on employees' financial wellness. The empirical research has shown that not only mental stress, but also financial stress reduces employees' commitment and engagement with the organizations. In the employee satisfaction score, the idea of employees' financial wellness is included in the items such as incentives and resilience. Equity compensation is also included as an indicator to be examined specifically, so I think it is an item which we will put great importance on.

**Q5: How do you think childcare leave and maternity leave should be improved to make it easier for dual-income families to raise children? Do you think measuring the percentage of employees taking childcare leave in accordance with the Childcare and Family Care Leave Act is sufficient to achieve your purpose?**

A5: As you pointed out, we do not aim to achieve the target per se. However, it is also true that the change doesn't happen without setting numerical targets. In the second half of last year, we started to provide financial incentives to employees who took one month of childcare leave, resulting in an increase of the rate of taking childcare leave. We also hold panels with employees who have taken childcare leave to share their thoughts and changes. Based on this information, we will work on further if any areas for improvement are identified.

**Q6: How do you think about technology adoption to participate in sustainability technology initiatives such as RegTech, ESG reporting, infrastructure/hardware/data center footprint analysis?**

A6: For example, we have introduced technology to collect data on greenhouse gases in Japan and overseas. We also participate in a variety of initiatives and exchange views with other companies on how to respond to disclosure regulations overseas. We have also asked other companies about the technologies they implement and are considering ways to improve the efficiency and sophistication of information disclosure and data collection.

**Q7: In terms of gender diversity, please share your thoughts on the ratio of female managers given gender breakdown at your mid carrier hiring and new graduate recruitment? Do you have any goals of gender mix for mid carrier and new graduate recruitments?**

A7: For the ratio of female managers, we have set a goal to achieve 20% by next April. Instead of raising this ratio to 30%, 40% and 50%, what is more important is to have diverse workforce involved in various levels of decision-making bodies. Currently about half of our annual hires are mid carrier recruitment. At the time of recruitment, we always consider diversity as well and we also make sure that interviewers are diversified including females. Rather than setting numerical targets, we have these mechanisms in place at hiring to make sure we have a diverse workforce and managing the firm accordingly.

**Q8: I understand Nomura is cooperating and collaborating with other financial institutions and asset managers in pursuing Scope3, Category 15 target. Is there anything Nomura is asking for or planning to ask for support from other financial institutions?**

A8: Nomura Asset Management is currently engaged in various international initiatives. We are especially collaborating with global investors in areas such as climate change and natural capital including Principles for Responsible Investments (PRI) and the Net Zero Asset Managers initiative (NZAM). We will be strengthening these initiatives every year.

**Q9: What are the growth areas of sustainable finance in Japan? How has transition finance been evaluated in the United States and Europe?**

A9: Sustainable finance in Japan has been increasing mainly in the bond-related business, and I think it will continue to increase at a steady speed reflecting demands for replacing redeeming bonds with sustainable finance. However, when the volume increases to a certain level, as seen in the United States and Europe, it will basically move in line with the overall market volume. As there are many companies that emit large amounts of CO2 in Japan, I believe that demand for transition finance will increase in the future. In addition to bonds, there will be an increase in funding through stocks and CBs, as well as through M&As, and I believe that the role that securities companies will grow.

At its onset, transition finance was seen as an illegitimate activity in overseas. Although there is still some skepticism, my impression is that the perception has changed significantly in the past two or three years. In Europe and the United States, as the transition to clean energy has not progressed as expected, the need for transition finance as in Japan, which is making steady progress rather than taking a leap forward, has been recognized again, and the evaluation has been improving year by year. To complement this, GX transition bonds have been issued, and the government is working to improve the

evaluation. If Japan takes initiatives in the areas of fund procurement through transition finance and technological innovation, the evaluation will improve further.

**Q10: Your explanation on linkage between investment in people and improvement of corporate value was interesting. Could you give us a quantitative picture of the impact of the Nomura Group's people strategy on corporate value?**

A10: This time, we conducted an experimental analysis of the correlation between indicators of human capital and growth potential. Indeed, we were able to show that there is a statistically significant correlation between degree of female participation and growth potential, but it is difficult to quantitatively attribute to corporate value. It may be technically possible to analyze historical data and find some correlation, but given that other factors are involved in improving corporate value, it is difficult to draw a causal relationship, and I think that discussing causal relationship could be misleading.

Many companies have enhanced disclosure on human capital, and as such disclosure accumulates year by year, there is a high possibility that we will be able to conduct more useful analysis. I believe that investment in people has a large qualitative effect, so it is important to continue to examine measures and effects on human capital.

**Q11: From a viewpoint of Nomura Asset Management, do you realize shift from saving to investments has become real?**

A11: In fact, when we look at the outstanding balance of domestic public investment trusts, it has more than doubled since the introduction of new NISA. We realize shift from saving to investments makes its steady stride.

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