

Asset Management

“ To provide optimal investment performance, the Asset Management Division is working to strengthen its portfolio management and marketing capabilities and is responding nimbly to changing client needs. Differentiated by having its base in Asia, we aim to retain and increase the trust of investors around the world with its various products and services. ”

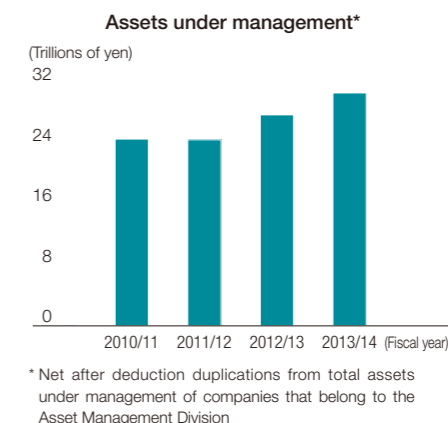


Kunio Watanabe
Asset Management CEO

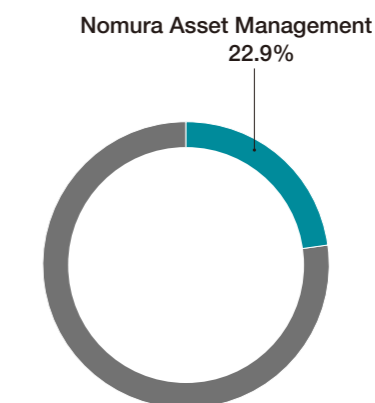
Market Environment in FY2013/14

The investment climate continued to improve mainly in developed countries in FY2013/14. Factors supporting this were the Bank of Japan's bold monetary easing policy, implemented in April 2013, and maintained expectations of economic recovery overseas. As a consequence, the balance of investments in Japan's public investment trust market grew 10% over FY2013/14, to approximately ¥80 trillion.

Our investment trust business offers a range of products to meet client needs, and we made efforts to expand the balance of investments in existing funds during the fiscal year. Funds flowed especially into our "Selectable currency typed fund," which combines investments in global equities and Japanese stocks with FX transactions. We also listed new exchange-traded funds (ETFs) in the "NEXT FUNDS" family, including the JPX-Nikkei 400 ETF, which is linked to the JPX-Nikkei 400 ETF, and the R/N Fundamental Index ETF. This brought the total number of ETFs to 42, and the balance of assets under management in ETFs rose 52% year on year, to ¥4.0 trillion. At fiscal year-end, Nomura Asset Management's share (net asset basis) of Japan's public investment trust market stood at 22.9%. Sales of privately placed investment trusts, which meet clients' needs, sold principally through regional financial institutions, also rose.



Share of public investment trust market in Japan
(As of March 31, 2014)



Source: The Investment Trusts Association, Japan

Place Clients at the Heart of Everything We Do

Providing Support for Earthquake-Devastated Areas through the "East Japan Revival Support Bond Fund 1105"

NAM established an investment trust fund in May 2011 and is managing it with the aim of providing support for the recovery of the areas devastated by the Great East Japan Earthquake. In FY2013/14, we donated ¥63 million from a portion of the trust fees received in the fourth and fifth periods of the fund's operation (about 0.2% of total fund assets per year) for recovery work in the areas affected by the megaquake.

In addition, Nomura is making continuous donations to the "Iwate Educational Aspiration Fund," the "Great East Japan Earthquake Scholarship Fund for Children in Miyagi," and the "Great East Japan Earthquake Fukushima Children's Donation Fund" to provide assistance for the children orphaned by the earthquake disaster to find the opportunity to choose their life and career paths to provide for themselves. Donations will be made 10 times over the five-year period of the "East Japan Revival Support Bond Fund 1105."

Asset Management

In investment advisory, assets under management, mainly of institutional investors in Europe and Asia, in Japanese equities, high-yield bonds, and other investment products increased. We also won mandates for managing Japanese equities from two leading asset management companies overseas and increased assets by providing UCITS*-compliance funds investing in Japanese equities and U.S. high yield bonds to high net worth individuals overseas.

* UCITS: Undertakings for Collective Investment in Transferable Securities. UCITS is based on unified criteria for Group investment trust businesses investing in transferable securities as defined in European Committee Directives.

At fiscal year-end, total assets under management reached ¥30.8 trillion, up ¥2.9 trillion year on year. Net revenue, after deduction of interest expense, of ¥80.5 billion, rose 17% year on year. Income before income taxes was ¥27.1 billion, an increase of 28% year on year and the highest level since FY2007/08.

Seminars for Distributors and Telephone Support Services

In the branches of Nomura Securities nationwide, as well as companies in securities marketing channels, including other securities companies, banks, and the Japan Post Bank, we hold seminars and organize study groups for retail investors and other securities dealers handling investment trusts. About 8,000 of these meetings are held annually, and our aim is to acquaint investors with the contents and risk of investment trust products and gather information on investor needs and interests.

Nomura Asset Management (NAM) provides a dedicated, toll-free telephone support service to respond to questions from investors and marketing companies. Opinions and requests obtained through this service are shared within NAM and used as inputs in product and service development.

Responsible Investment

NAM is a signatory of Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century) and the United Nations-backed Principles for Responsible Investment (UN PRI), and its investment

management meeting clients' needs is to be compliant with the viewpoint of ESG (Environmental, Social, and Governance). About NAM's policy related to ESG issues, Nomura's ESG Committee, chaired by the Chief Investment Officer (CIO), meets twice yearly for discussions. In May 2014, Nomura expressly accepted the "Principles for Responsible Institutional Investors: Japan's Stewardship Code," prepared by Japan's Financial Services Agency. As a responsible institutional investor, Nomura encourages the sustainable growth of its investee companies, and maintains a continuing dialogue with these companies to expand returns to clients and beneficiaries in the medium-to-long term.

Please refer to Responsibility Investment. [WEB
http://www.nomura-am.co.jp/corporate/service/responsibility_investment/index.html](http://www.nomura-am.co.jp/corporate/service/responsibility_investment/index.html)

Japan's Stewardship Responsibility: "Japan's Stewardship Code"
"Stewardship responsibility refers to the responsibilities of institutional investors to enhance the medium- to long-term return for their clients and beneficiaries (including ultimate beneficiaries) by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on an in-depth knowledge of the companies and their business environment."
"This code defines principles considered to be helpful for institutional investors who behave as responsible institutional investors in fulfilling their stewardship responsibilities with due regard both to their clients and beneficiaries and to investee companies. By fulfilling their stewardship responsibilities properly in line with the Code, institutional investors will also be able to contribute to the growth of the economy as a whole."

Source: Sections in quotation marks were quoted from the Financial Services Agency (Council of Experts Concerning the Japanese Version of the Stewardship Code), *Principles for Responsible Investors*, page 1, version as of February 26, 2014.

Looking Forward

Delivering Highly Competitive Performance

Drawing on its active portfolio management capabilities, Asset Management is able to offer highly competitive performance. Capabilities include Japanese and other Asian equities with superior experience and performance, Asian bonds, emerging market equities with reinforced investment and research functions, J-REITs with good track records, and other investments.

We also strive to provide a wider range of investment solutions with an edge, including management of high yield and inflation-linked bond funds, which require advanced financial expertise, high alpha bond funds that seek absolute returns,

Shariah-compliant asset management services, which have high growth potential, and smart beta type fundamental index fund management.

Encouraging the Shift from Savings to Investments through Investment Trusts

In investment trust business, we will deliver diverse investment opportunities to meet a broad range of retail investor needs to further strengthen our presence in the home market. We will also promote the shift from "savings to investments" by improving collaboration between sales channels, conducting high-quality marketing activities and providing customer support, and expanding the customer base as well as the investment trust market as a whole.

Especially with the launch of the Nippon Individual Savings Account (NISA) program in January 2014, we offer investment products and services in line with the objectives of the NISA program, drawing on the results of our past surveys of retail investors. We are also working toward the further expansion and development of defined contribution (DC) pension plans, and substantially expanding our lineup of investment products. Also, in April 2014, we realigned our investment trust sales system from by sales channel to by region. To be more responsive to changing customer needs and offer support suited to the needs of differing regions, in April 2014, we reorganized our marketing system from a channel orientation to a regional framework.

[Special Article about NISA → p.12-13](#)

Further Expansion in Investment Advisory and Services for Overseas Funds

In investment advisory, we are offering proposals for management strategies that respond appropriately to national and regional characteristics and to the investment policies and objectives of differing clients. In Japan, as the conditions surrounding the National Welfare Pension Fund System are undergoing change, we will respond to a diversity of investment management needs and fulfill our fiduciary responsibilities.

Outside Japan, we are continuing to expand our assets under management entrusted from Sovereign Wealth Funds, central banks, large pension funds, and other major investors. By utilizing funds that meet UCITS criteria, we are working to expand our fund business overseas, especially in Europe. Our assets under management in UCITS funds expanded about 66% year on year in FY2013/14, and we are endeavoring to increase these further as we develop new funds to follow our UCITS flagship funds.

In Asia, where demand for asset management services from a wider range of income levels is expected to accelerate, we are aiming to raise our presence in the Taiwanese market using the base we purchased from the ING Group in April 2014. We will also work to expand other overseas business increasing our staffs in Australia, South Korea, and Dubai, including Shariah-compliant services, principally in Malaysia.

Place Clients at the Heart of Everything We Do

Our Funds Received Awards from Outside Organizations

Investment trust funds managed by NAM have received high appraisals from outside fund assessment organizations. In the "R&I Fund Awards 2014," our "J-REIT Open (with four closings per year)" and other funds received best awards, and we received 13 awards in 10 divisions. Similarly, our "J-REIT Open (with four closings per year)" was selected for the best fund award presented by Morningstar's "Fund of the Year 2013" in the alternative and balanced category. In the "Lipper Fund Award Japan 2014" competition, we were selected to receive an award as the Best Management Company in the mixed-asset division, and seven of our funds received best awards.

<http://www.nomura-am.co.jp/corporate/awpub/award/>

