

A Strategic Partnership with American Century Investments



ACI's logo is the oak tree which is symbolic of continued growth and stability. To honor our partnership, ACI presented Nomura with the bronze statue pictured above.

On May 19, 2016, Nomura Holdings acquired a non-controlling approx. 41% economic interest (voting rights of 10.1%) in American Century Investments (ACI), an independent investment management firm in the U.S. Looking ahead, Nomura and ACI intend to work together as strategic partners.

A Partnership with Advantages for Both Companies

Founded in 1958, ACI is an independent investment management firm based in the U.S., with offices in the U.K. and Hong Kong.

ACI has a strong presence in the U.S. mutual fund market, which is about 22 times the size of Japan's, and has particular expertise actively managing U.S. and global equity funds. In addition, ACI has strong connections to key distribution channels including leading global advisors, banks, and insurance companies.

Given the minimal overlap between Nomura's and ACI's investment strategies, products and regional coverage, both companies expect the strategic partnership will bring value to its organization. To date, ACI has had limited business development opportunities outside of the U.S., making Nomura Group's strength in Japan and Asia extremely attractive. Nomura Asset Management plans to access and leverage ACI's expertise to offer a wider range of investment management solutions to our individual and institutional clients in Japan and the rest of the world.

A Common Founding Spirit and Corporate Culture

The founder of ACI believed that "if we help others become successful, they, in turn, will make us successful." This saying, similar to Nomura's founder's principle of "putting the customer first," illustrates ACI's and Nomura's common values. Nomura was also attracted to ACI because of its corporate culture and practice of appreciating and praising employees who work enthusiastically to help their clients succeed.

> For information about Nomura's founder's principles and our current corporate culture, please refer to page 6.

Regular Management Meetings Will Enhance Strategic Direction

Jonathan S. Thomas, CEO of ACI, and Kunio Watanabe, Head of Asset Management Division, jointly chair the Business Opportunity Committee that will be held twice a year. During its first meeting on April 19, 2016, the committee outlined concrete strategies that will shape Nomura's partnership with ACI and contribute to the growth of the two companies.



From the left: Kunio Watanabe, Head of Asset Management Division; Koji Nagai, Group CEO of Nomura Holdings; Jonathan S. Thomas, CEO of ACI; Michael Green, Senior Vice President of ACI; and Mark Killen, Senior Vice President of ACI

By leveraging Nomura's strength in Asia-Pacific, we are effectively connecting markets East and West, and delivering competitive services to our clients.

Global Markets
Investment Banking



Strengths of the Division

At Nomura, all the divisions and regions work collaboratively to provide best-of-breed products and solutions to meet the diverse needs of our clients globally. For example, we have a robust underwriting and distribution capability, with shares and bonds underwritten by Investment Banking and distributed to a broad investor base globally by Global Markets and Retail branches. Global Markets also provides secondary market liquidity, market and macro insights, and investment ideas to help clients effectively manage their portfolios.

Nomura positions Asia-Pacific as our "mother-market." We have an unparalleled presence in Japan, as evidenced by our #1 rank in the Japan ECM underwriting league table^{*1}, and a top-tier market share of volumes traded in Tokyo Stock Exchange and a high market share in JGB auctions.

Nomura's international network spans more than 30 countries and regions including the Americas, EMEA and Asia ex-Japan, and we support clients globally. This is complemented by 15 primary dealerships in major markets around the globe, a Top-10 U.S. Fixed Income franchise^{*2} including a Top-3 market maker

position for U.S. Agency Securities^{*3} (Fannie Mae, Freddie Mac, etc.). We were also ranked #7 in the Global SSA^{*4} underwriting league table.

As our clients globalize their businesses, we have strengthened our cross-regional and cross-divisional collaboration in Wholesale to offer holistic support to clients encompassing cross-border M&A, capital-raising, and currency and interest rates hedging.

Recent Business Conditions and Risks

FY2015/16 was a challenging year, with macroeconomic headwinds emerging from the resurgence of the Greek debt crisis, the slowdown in the Chinese economy, diverging central bank policies, and a sharp decline in commodity prices, especially crude oil. Secondary market liquidity including stock, bond and loan markets declined further during the year, impacting client activity and the fee pool for the industry.

In primary markets, the issuance of equities and bonds decreased on the back of volatile markets and global economic uncertainty. The M&A market was very active with an increase in companies looking to expand their businesses through industry consolidation or strategic acquisition of companies.

^{*1} Source: Thomson Reuter (April 2015 to March 2016)

^{*2} Source: Greenwich Associates, 2015

^{*3} Source: U.S. Federal Reserve

^{*4} Sovereign, Supranational and Agency. Source: Dealogic (Jan to Dec 2015)



Joint Heads of Wholesale Division **Kentaro Okuda** **Steven Ashley**

In FY2016/17, we expect the market environment to continue to be challenging. On the regulatory front, we continue to pay close attention to the pace of reform. The purpose of these regulations is to ensure the stability of the broader financial system, the health of relevant entities and the protection of clients. However, required changes to comply with upcoming rules may lead to a reduction in capacity and liquidity provided by market participants. It is our mission to play a role as a liquidity provider and respond to the various needs of our clients, while maintaining a resilient risk culture as well as flexible resource allocation.

Furthermore, the Corporate Governance Code went into effect in June 2015 in Japan. As our corporate clients look to improve their ROE, we will provide tailor-made solutions to meet the specific requirements of each of our clients. For example, we have supported many clients in unwinding their cross shareholdings and share buybacks using derivative solutions.

Actions to Shape Our Future

In April 2016, Wholesale conducted a strategic review of the business portfolio in EMEA and the Americas. The purpose of this exercise was to reallocate our managerial resources to further focus on selected businesses where we have

expertise and competitive advantages, and position our business to deliver sustainable profit across market cycles.

In detail, we continue to strengthen our Global Macro business including Rates products and our Emerging Markets platform, building on our success in the past few years. We also remain focused on reinforcing our agency execution business, Instinet, which includes expanding our product offering to position the business as a multi-asset agency platform. In the M&A advisory business where we see increasing client demand, we continue to provide high-quality services while also seeking to provide clients with ancillary financing and risk solutions including interest rates and FX hedges. The new Wholesale structure has reinforced the partnership between Global Markets and Investment Banking, which should encourage product innovation and improve 'time to market,' especially for our Solutions businesses.

Such strategic review of the businesses in EMEA and the Americas will enable us to have a stronger focus on our areas of strength, which should support our transition to a more profitable and sustainable business model. In Asia-Pacific, our business will not be negatively affected by these changes. We will maintain and seek to further grow the existing full-service platform, to tap into various business opportunities that arise

S
Strengths

- Asia-Pacific leadership, particularly in Japan
- Global client base through an international network that covers more than 30 countries
- Leading facilitator of cross-border transactions globally

W
Weaknesses

- Seeking efficient usage of resources to improve international productivity
- Relatively high sensitivity to market fluctuation

O
Opportunities

- Increase in globalization of Japanese / APAC corporates
- Tailor-made products and innovative solutions to meet specific client needs
- Connecting "West" to Asia growth and Asia to develop market products

T
Threats

- Macroeconomic uncertainty and geopolitical risks
- Further impact from tightening regulations on financial institutions
- Increased competition from domestic and global peers / mega banks

on the back of medium- to long-term growth in the region. We will continue to deliver competitive products and services to our clients by connecting markets East and West, leveraging our strengths in Asia-Pacific as well as our broad client base and strong product capabilities in EMEA and the Americas.

Promoting Socially Responsible Investment (SRI)

Nomura has been promoting SRI as an investment strategy for Japanese retail investors, and established a track record in this field. In

October 2015, we arranged and sold Education, Youth and Employment (EYE) Bonds to retail investors in Japan. Also, our continuous efforts resulted in a total sale of over ¥56 billion in World Bank Sustainable Development Bonds, making it this product's largest distributor in the Uridashi market. We will continue to offer investment products that contribute to the resolution of social issues and help create a more affluent society by serving as an intermediary between individuals who are interested in participating in providing solutions to social and environmental issues, and projects or funding needs in developing countries.

Initiatives to Improve Products and Services

Global Research Portal

Nomura's global research team collaborates across regions and products to provide clients with insightful opinions and investment recommendations in core areas including the economy, equities, quantitative strategies, foreign exchange, interest rates and credit. Our team has achieved high acclaim from our clients. They are easily able to access our research online at the Global Research Portal (GRP), where they have the option to automatically receive the latest reports of their choosing through GRP's mail delivery service. Research reports are provided online in Japanese and English.

