



Nomura Shareholder Yield 70

Global Markets Research
30 October 2020

EQUITY: EQUITY QUANTITATIVE RESEARCH (INDEX)

Index rulebook

Research Analysts

[Japan index products](#)

Index Operations Dept. - NSC

idx_mgr@jp.nomura.com

+81 3 6703 3986

Nomura Shareholder Yield 70

Nomura Shareholder Yield 70 is a share price index comprising stocks in 70 companies that quantitative indicators based on dividends, share buybacks, etc, indicate to be proactive on shareholder returns. Constituent stocks are selected from a universe of all common stocks listed on Japanese stock exchanges (excluding stocks in the "banks", "securities and commodities futures", "insurance", and "other financing business" sectors, based on the Tokyo Stock Exchange's 33 sector classifications). Weightings of individual stocks in the index are determined on the basis of free-float adjusted market capitalization (with individual stock weightings capped at 2%).

Index characteristics

- 70 Japanese stocks with a high "net shareholder yield", based on actual dividends, share buybacks, and capital increases, etc, over the past three years, are selected for the index
- Index constituents are assigned an index weighting based on their free-float adjusted market capitalization (with individual stock weightings capped at 2%), to take into consideration the balance between investment diversification and liquidity
- Stocks in the "banks", "securities and commodities futures", "insurance", and "other financing business" sectors, based on the Tokyo Stock Exchange's 33 sector classifications, are excluded
- The index is reconstituted once a year

Main changes/additions to rules

[30 October 2020] Change to "net shareholder yield" calculation method (see 2.2.3 Stock selection based on net shareholder yield)

Contents

1. Periodic reconstitutions.....	3
1.1 Periodic reconstitution date.....	3
1.2 Periodic reconfiguration base date.....	3
1.3 Announcement of periodic reconstitutions.....	3
2. Stock selection.....	4
2.1 Stock selection universe.....	4
2.2 Stock selection method.....	5
2.3 Index composition.....	7
3. Unscheduled index reconstitutions.....	8
3.1 Response to stock swaps, stock transfers, mergers, etc.....	8
3.2 Removal of stocks.....	8
4. Calculation of index values.....	9
4.1 Index base date, base value, announcement date.....	9
4.2 Calculation of index market capitalization.....	9
4.3 Calculation of index values.....	9
4.4 Adjustment of base market capitalization.....	11
4.5 Adjustment to reflect change in index inclusion ratio.....	12
Data publication services.....	13
Sources of Nomura Shareholder Yield 70 data[10].....	13
Contact.....	13
Policies with regard to NSC's indices.....	14
Appendix A-1.....	15

1. Periodic reconstitutions

1.1 Periodic reconstitution date

The periodic reconstitution date is the first business day of February every year, and reconstitution is carried out after the close of trading on the business day preceding the periodic reconstitution date.

1.2 Periodic reconfiguration base date

The periodic reconstitution base date is the last business day in December. Constituent stocks and the number of shares in each constituent stock to be included in the index following its periodic reconfiguration are determined on the basis of calculations using data as of the reconstitution base date.

1.3 Announcement of periodic reconstitutions

As a general rule, an announcement will appear on our website at around 16:00 (JST) 10 business days before the periodic reconstitution, except in the case of unforeseen circumstances or when information cannot be confirmed.

2. Stock selection

2.1 Stock selection universe

The stock selection universe is the top 98% of stocks listed on stock exchanges in Japan ^[1] as of the periodic reconstitution base date in terms of free-float-adjusted market capitalization^[2] calculated on the most recent 15 October preceding the periodic reconstitution base date. However, stocks that meet the following criteria as of the periodic reconstitution base date are excluded from the stock selection universe.

- Equities other than common stock

As a general rule, only common stock is included in the stock selection universe. However, exceptions to this rule will be made if deemed necessary.

- Stocks assigned for delisting

Stocks assigned for delisting are not included in the stock selection universe.

- Stocks under supervision^[3]

Stocks under supervision (examination) and stocks under supervision (confirmation) that are not included in the index immediately before the periodic reconstitution are not included in the stock selection universe.

- TOB target companies^[3]

Stocks that are the target of tender offers (ie, TOBs) may be excluded from the stock selection universe only if all of the following requirements are met:

(1) the tender offer closing date falls between the periodic reconstitution base date and the periodic reconstitution date;

(2) the company conducting the tender offer plans to acquire all the outstanding shares in the target company; and

(3) the company conducting the tender offer is planning to acquire all of the stock of the target company in exchange either for money or its own stock and the target company agrees to the offer.

- Listed investment trusts/REITs
- Foreign stocks

Stocks listed on foreign sections of Japanese exchanges or stocks regarded as overseas companies are excluded, even if these stocks are traded in the Japanese market.

- Other

Latent stock, warrants, and rights on them are excluded. The Bank of Japan is also excluded.

-
1. Tokyo Stock Exchange (1st Section, 2nd Section, Mothers, JASDAQ, TOKYO PRO Market), Nagoya Stock Exchange, Sapporo Securities Exchange, and Fukuoka Stock Exchange.
 2. We use free-float-adjusted market capitalization, estimated as [Nomura composite share price x (number of stocks outstanding for index calculation purposes - number of stable shareholding stocks)], in order to reflect the number of stocks that are actually available for investment and are highly likely to be in circulation on the market. The number of stable shareholding stocks is estimated using major shareholder data, the schedule of securities held in securities reports, and data published by the stock exchange or the company (such as bulletins and prospectuses) available as of 15 October every year (or the preceding business day if 15 October is a non-business day). The number of stocks outstanding for index calculation purposes is the number of stocks outstanding after reflecting changes in the number of stocks, in accordance with the timing of adjustments resulting from changes in capital structure as set out in 4.4 Adjustment of base market capitalization. See 2.2.3 Stock selection based on net shareholder yield for details of the Nomura composite share price.
 3. Effective as of February 2020 periodic reconstitution.

2.2 Stock selection method

Stocks are selected from the stock selection universe (see 2.1 Stock selection universe) using the following procedure.

Stocks that meet the market capitalization and liquidity criteria (see 2.2.1 Market capitalization and liquidity) are selected from the stock selection universe (see 2.1 Stock selection universe).

From the stocks selected in 2.2.1, those that meet the sector criteria set out in 2.2.2 Sector are then selected.

From the stocks selected in 2.2.2, the 70 stocks with the highest net shareholder yield are selected (see 2.2.3 Stock selection based on net shareholder yield).

2.2.1 Market capitalization and liquidity

Using data as of the periodic reconstitution base date, stocks in the stock selection universe (see 2.1 Stock selection universe) that meet the following criteria are selected.

- In the top 85% of the universe in terms of free-float-adjusted market capitalization
- In the top 500 stocks in the universe in terms of average daily trading value over the preceding 60 business days

2.2.2 Sector

Stocks in the "banks", "securities and commodities futures", "insurance", and "other financing business" sectors, based on the Tokyo Stock Exchange's 33 sector classifications, as of the periodic reconstitution base date, are excluded^[4].

2.2.3 Stock selection based on net shareholder yield

The index comprises the top 70 stocks in terms of net shareholder yield. If there are multiple stocks at the same rank, causing the total number of stocks to exceed 70, stocks are selected from the multiple stocks in order of free-float-adjusted market cap, starting with the highest, until the number of stocks selected reaches 70.

Net shareholder yield is calculated using the following method^[5]. Data available on the periodic reconstitution base date is used.

- Net shareholder yield (%) = $\frac{\text{total amount of net shareholder payout}}{\text{market capitalization of outstanding shares}} \times 100$
- Total amount of net shareholder payout = average total value of dividends paid over preceding three years + average total value of share buybacks implemented over preceding three years - average total value of capital increases implemented over preceding three years - average total treasury share disposal value over preceding three years

4. However, stocks may also be excluded with reference to lists of licensed bank holding companies and lists of registered insurance holding companies that are published by the Financial Services Agency (FSA).

5. Treasury share disposal value will be subtracted in the calculation of the total amount of net shareholder payout from the February 2021 periodic reconstitution.

[Data used in calculation of net shareholder yield]

- Average total value of dividends paid over preceding three years

The value that is one-third of the total value of dividends paid over the preceding three years, based on dividends for which the last day with rights is included in the three-year period preceding the end of the month (30 September) three months prior to the periodic reconstitution base date.

- Average total value of share buybacks implemented over preceding three years

The value that is one-third of the total value of share buybacks implemented over the preceding three years, based on share buybacks implemented over the three-year period preceding the end of the month (31 December) that includes the periodic reconstitution base date.

The total value of share buybacks implemented is the total purchase result for purchases on the open market, in tender offers, and in after-hours trading (total value of purchases in the case of purchases on the open market, and purchase price x number of shares purchased in the case of tender offers and after-hours trading).

Share buybacks implemented over the preceding three years are the sum of share buybacks for which the date that is three business days after the share buyback base date falls within the preceding three years. The share buyback base date is the last day of the purchasing period, in the case of purchases on the open market, and the date on which purchase results were disclosed, in all other cases.

- Average total value of capital increases implemented over preceding three years

The value that is one-third of the total value of capital increases implemented over the preceding three years, based on capital increases implemented over the three-year period preceding the end of the month (31 December) that includes the periodic reconstitution base date.

The total value of capital increases implemented is the total of issue price x number of publicly offered shares, in the case of both public offerings and third-party placements (the total number of shares allocated in the case of third-party placements).

Capital increases implemented over the preceding three years are based on capital increases for which the third day after the payment date falls within the preceding three-year period.

- Average total treasury share disposal value over preceding three years

The value that is one-third of the total treasury share disposal value over the preceding three years, based on the disposal of treasury shares over the three-year period preceding the end of the month (31 December) that includes the periodic reconstitution base date.

The total treasury share disposal value is the total disposal value resulting from the sale or *kaitori-hikiuke* (underwriting) of treasury shares (disposal price x number of shares disposed of).

Disposal of treasury shares over the preceding three years is the disposal of treasury shares for which the third day after the payment date falls within the preceding three-year period.

- Market capitalization of outstanding shares

Market capitalization of outstanding shares = Nomura composite share price on periodic reconstitution base date x number of shares outstanding for index calculation purposes on periodic reconstitution base date

Nomura composite share price

The Nomura composite share price is the share price on the stock exchange selected for each stock on the basis of trading frequency and volume over the preceding 60 business days. As a general rule, the exchange is selected on a daily basis. The share price is selected according to the following order of precedence:

Contract price on selected exchange (see note) > standard price on selected exchange > Nomura composite share price on previous business day

Note: Priority is given to the special quotation price or continuous confirmed quotation price on the selected exchange if these are available.

2.3 Index composition

2.3.1 Index weightings of constituent stocks and maximum weighting

Index weightings of constituent stocks are in proportion to their free-float-adjusted market capitalization on the periodic reconstitution base date. However, individual stock weightings are capped at 2%, and weightings in excess of this are allocated to other shares in proportion to their free-float-adjusted market capitalization.

2.3.2 Number of shares included in index and index inclusion ratio for each constituent stock

The number of shares included in the index and index inclusion ratio for each constituent stock are calculated using data as of the periodic reconstitution base date to ensure that their index weightings are the same as those determined using the method set out above.

Market capitalization of shares in stock_{*i*} included in index = index weighting_{*i*} × index market cap

No. of shares in stock_{*i*} included in index = market capitalization of shares in stock_{*i*} included in index ÷ Nomura composite share price for stock_{*i*}

Index inclusion ratio for stock_{*i*} = no. of shares in stock_{*i*} included in index ÷ no. of shares outstanding in stock_{*i*} for index calculation purposes

Here, *i* indicates the *i*th constituent stock.

3. Unscheduled index reconstitutions

3.1 Response to stock swaps, stock transfers, mergers, etc

Temporary exclusions of stocks from the index are avoided and the consistency of index constituents is maintained based on the following rules.

3.1.1 Stock swaps and absorption-type mergers

When a stock is delisted because it is about to become a wholly owned subsidiary or be merged into another company (hereafter, merged company), it is included in the index after delisting but removed from the index on the listing change date (or on the following business day if this is a non-business day). Following its delisting, and until its removal from the index, the merged company's valuation is based on the market value of the company that will become the parent company or the surviving company multiplied by the exchange or merger ratio. Also, the index inclusion ratio of the parent company or surviving company is changed on the listing change date (or on the following business day if this is a non-business day) based on the exchange or merger ratio.

3.1.2 Stock transfers and consolidation mergers

When an unlisted parent company or surviving company in a merger (hereinafter, surviving company) assumes the operations of another company and becomes listed after a short period of time, the merged company is removed from the index on the new listing date of the surviving company (or on the following business day if this is a non-business day). The price used for the delisted merged company is the price on the day before its delisting. Also, the price used for the surviving company is the price on its new listing date. However, if the surviving company will not be included in the index after periodic reconstitution, the merged company is removed from the index on the delisting date.

3.2 Removal of stocks

3.2.1 Designation as securities to be delisted

Stocks designated as securities to be delisted are removed from the index four business days later (or on the following business day if this is a non-business day). However, stocks that are listed on more than one market and have not been designated for delisting on one or more of the markets will not be removed.

3.2.2 Delisting

Stocks delisted for reasons other than those cited in 3.1 Response to stock swaps, stock transfers, mergers, etc, are removed from the index on the delisting date.

3.2.3 Marked loss of eligibility for inclusion in stock selection universe

In the case of an event that is regarded as having seriously damaged a constituent stock's eligibility for inclusion in the stock selection universe as defined in 2.1 Stock selection universe, the stock may be removed from the index following an official announcement by the company in question, the stock exchange, or a government/regulatory agency. However, after the stock has been removed from the index, if the grounds for the stock's removal from the index no longer apply as of the periodic reconstitution base date, it will stop being regarded as ineligible for inclusion in the stock selection universe.

4. Calculation of index values

4.1 Index base date, base value, announcement date

The base date is 31 January 2008 and the value of the index on the base date (base value) is 10,000.

Publication of index values will start on 13 March 2019.

4.2 Calculation of index market capitalization

Market capitalization of shares in stock i included in index = Nomura composite share price for stock i × no. of shares in stock i included in index

Index market cap = $\sum i$ (market cap of shares in stock i included in index)

Here, i indicates the i th constituent stock and $\sum i$ indicates the sum for all index constituents.

4.3 Calculation of index values

To prevent index values from being affected by changes in market capitalization not related to market fluctuations, eg, changes in capital structure and index constituents, the index is calculated as follows, using base market capitalization^[6]. Here, t represents the day in question, and $t-1$ represents the preceding business day.

Calculation of yen-denominated index values

- Index excluding dividends

Base market cap _{t} = market cap _{$t-1$} + adj market cap _{t}

$$\text{Return}_t = \frac{\text{market cap}_t}{\text{base market cap}_t} - 1$$

$$\text{Index}_t = \text{Index}_{t-1} \times (1 + \text{return}_t)$$

- Index including dividends

Base market cap _{t} = market cap _{$t-1$} + adj market cap _{t} - adj total dividends _{t}

$$\text{Return}_t = \frac{\text{market cap}_t + \text{total dividends}_t}{\text{base market cap}_t} - 1$$

$$\text{Index}_t = \text{Index}_{t-1} \times (1 + \text{return}_t)$$

6. Adjusted market capitalization is calculated as the change in market capitalization resulting from a change in capital structure at an index constituent or a change in market capitalization resulting from a change in index constituent stocks. Adjusted total dividends is calculated as the difference between forecast dividends and actual dividends if there is a difference between these two values.

Method for reflecting dividends

For the index including dividends, dividend data are reflected on the ex-dividend date. However, as the value of the dividend has not yet been determined on the ex-dividend date, the company's announced dividend forecast is used (or Toyo Keizai's dividend forecast if the company has not announced its own dividend forecast)^[7]. In the event of a difference between the dividend forecast and the actual dividend, the base market capitalization is adjusted on the last business day of the month of the company's earnings announcement. However, if the company announces its earnings of the last business day of the month, the adjustment is made on the last business day of the following month. In addition, if dividend adjustment is required, the base market capitalization is adjusted on the last business day of the month in which this became clear (if the day in which this became clear is the last business day of the month, the base market capitalization is adjusted on the last business day of the following month).

7. This rule applied from accounting periods ending on 31 December 2011. For accounting periods before this, the actual dividend on the ex-dividend date is used.

4.4 Adjustment of base market capitalization

The base market capitalization is adjusted as shown below in the event of a change in capital structure or in index constituent stocks (Figure 1). However, base market capitalization is not adjusted to reflect changes in capital structure that do not involve payment, such as stock splits and reverse stock splits, as these do not affect market capitalization.

Fig. 1: Timing of adjustments resulting from changes in capital structure

	Type of change in capital structure	Adjustment date	Share price used
Stock replacement	Stock transfer, stock swap, merger	Swap date	Previous day's price
	Corporate divestiture (company/division spinoff)	Ex-rights date	(Not used) ^[8]
	Stock replacement	Replacement date	Previous day's price
Capital increase	Rights offering	Ex-rights date	Issue price
	Gratis allocation of stock acquisition rights	Ex-rights date	Exercise price
	Gratis allocation of treasury stock	Ex-rights date	Previous day's price
	Public offering	Business day following payment date (listing date of new shares when settlement is on issuance date)	Previous day's price
	Capital increase via third-party placement	Five business days after date of listing change	Previous day's price
	Conversion of preferred stock into common stock	Last business day of month in which number of converted shares becomes known	Previous day's price
	Conversion of CBs	Last business day of month in which number of new shares for which rights were exercised becomes known	Previous day's price
	Exercise of stock acquisition rights	Last business day of month in which number of new shares for which rights were exercised becomes known	Previous day's price
Capital decrease	Corporate divestiture (new shares in continuing company)	Date of listing change	Previous day's price
	Retirement of treasury stock	Last business day of month following month in which shares are retired	Previous day's price
	Rights offering refusal	Last business day of month in which rights offering refusal is announced (or last business day of following month if announcement is within five business days of month-end)	Previous day's price
	Capital reduction with compensation	Effective date	Previous day's price
Other	Other adjustments	Other adjustments to the base market capitalization, if required, are made on the last business day of the month of the announcement of the relevant report (or the last business day of the following month if the announcement is within five business days of month-end)	Previous day's price

Source: Nomura

8. In the case of a corporate divestiture (company/division spinoff), the base market capitalization is adjusted for the reduction in capital. Definitions of reductions in capital are as follows:
- (1) when the company does not announce the value of the divested division or of the shares of the divested company: capital reduction = amount by which shareholders' equity is expected to be reduced; and
 - (2) when the company does announce the value of the divested division or of the shares of the divested company: capital reduction = value of divested division or value of divested company's shares × total number of shares

4.5 Adjustment to reflect change in index inclusion ratio

Constituent stocks are replaced in periodic and unscheduled reconstitutions and also when necessary for other reasons. In addition, when the following changes in capital structure result in a change in the number of shares outstanding for index calculation purposes, the index inclusion ratio is changed so that the number of shares in the stock that are included in the index does not change.

- Stock transfer, stock swap, merger^[9]
- Rights issue offering
- Gratis allocation of stock acquisition rights
- Public offering
- Capital increase via third-party placement
- Conversion of preferred stock into common stock
- Exercise of CBs, exercise of stock acquisition rights
- Corporate divestiture (new shares in continuing company)
- Retirement of treasury stock
- Rights offering refusal
- Capital reduction with compensation
- Other adjustments

9. If a wholly owned subsidiary (merged company) is an index constituent, the number of shares in the parent company (merging company) will be adjusted to reflect the exchange ratio (merger ratio).

Data publication services

Sources of Nomura Shareholder Yield 70 data^[10]

Information on the Nomura Shareholder Yield 70 is available on the following media:

Bloomberg:

NMRIJOSY<INDEX> (index excluding dividends, yen-denominated)

NMRIJISY<INDEX> (index including dividends, yen-denominated)

QUICK:

NRIJ@

Reuters:

.NSY70 (index excluding dividends, yen-denominated)

.NSY70TR (index including dividends, yen-denominated)

Website:

<http://qr.nomura.co.jp/jp/nsy/index.html> (Japanese only)

Contact

Global Research Division, Financial Engineering & Technology Research Center

Index Operations Dept.

TEL: +81 (0)3-6703-3986

Email: idx_mgr@jp.nomura.com

Website: <http://qr.nomura.co.jp/en/indexlicense.html>

The intellectual property rights and any other rights in the Nomura Shareholder Yield 70 belong to Nomura Securities Co., Ltd. ("Nomura"). Nomura does not guarantee the accuracy, completeness, reliability, usefulness, marketability, merchantability or fitness of the index, and does not take any responsibility for business activities or services that any index user and/or its affiliates undertake with the use of the index.

A license agreement with Nomura Securities is required to use the index and access detailed data.

In the case of an unavoidable event such as computer breakdown or natural disaster, calculation of the index may be delayed or suspended.

While every effort is made to ensure that the information used in this report and all published information is based on reliable data, it should be noted that data may be changed or amended when necessary.

10. Published data are all for reference only.

Policies with regard to NSC's indices

The below index-related policies are published on our website.

See the following link for details

<http://qr.nomura.co.jp/en/guides/index.html>

- Index Governance Framework
- Conflicts of Interest Policy
- Index Calculation Policy
- Glossary (Equity)
- Complaints Handling Policy

Appendix A-1

Analyst Certification

I, Index Operations Dept., hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Important Disclosures

The lists of issuers that are affiliates or subsidiaries of Nomura Holdings Inc., the parent company of Nomura Securities Co., Ltd., issuers that have officers who concurrently serve as officers of Nomura Securities Co., Ltd., issuers in which the Nomura Group holds 1% or more of any class of common equity securities and issuers for which Nomura Securities Co., Ltd. has lead managed a public offering of equity or equity linked securities in the past 12 months are available at <https://www.nomuraholdings.com/report/>. Please contact the Research Production Operation Dept. of Nomura Securities Co., Ltd. for additional information.

Online availability of research and conflict-of-interest disclosures

Nomura Group research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. (NGFP) Nomura Derivative Products Inc. (NDP) and Nomura International plc. (NIplc) are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and NIplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Distribution of ratings (Nomura Group)

The distribution of all ratings published by Nomura Group Global Equity Research is as follows:

51% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 44% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.

43% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 58% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group

6% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 14% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

As at 30 September 2020.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

** As defined by the EU Market Abuse Regulation

Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or

additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This publication contains material that has been prepared by the Nomura Group entity identified on page 1 and, if applicable, with the contributions of one or more Nomura Group entities whose employees and their respective affiliations are specified on page 1 or identified elsewhere in this publication. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries including: (a) Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan, (b) Nomura Financial Products Europe GmbH ('NFPE'), Germany, (c) Nomura International plc ('NIplc'), UK, (d) Nomura Securities International, Inc. ('NSI'), New York, US, (e) Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong, (f) Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>), (g) Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore) (h) Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412, (i) Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia, (j) NIHK, Taipei Branch ('NITB'), Taiwan, (k) Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: 91 22 4037 4037, Fax: 91 22 4037 4111; CIN No: U74140MH2007PTC169116, SEBI Registration No. for Stock Broking activities : INZ000255633; SEBI Registration No. for Merchant Banking : INM000011419; SEBI Registration No. for Research: INH000001014. 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under an agreement between CNS and NSL. 'NSFSPL' next to an employee's name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements. The "BDO-NS" (which stands for "BDO Nomura Securities, Inc.") placed next to an analyst's name on the front page of a research report indicates that the analyst is employed by BDO Unibank Inc. ("BDO Unibank") who has been seconded to BDO-NS, to provide research assistance services to NSL under an agreement between BDO Unibank, NSL and BDO-NS. BDO-NS is a Philippines securities dealer, which is a joint venture between BDO Unibank and the Nomura Group. 'Verdhana' next to an individual's name on the front page of a research report indicates that the individual is employed by PT Verdhana Sekuritas Indonesia ('Verdhana') to provide research assistance to NIHK under a research partnership agreement and neither Verdhana nor such individual is licensed outside of Indonesia. THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) OTHER THAN DISCLOSURES RELATING TO THE NOMURA GROUP, BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Other than disclosures relating to the Nomura Group, the Nomura Group does not warrant, represent or undertake, express or implied, that the document is fair, accurate, complete, correct, reliable or fit for any particular purpose or merchantable, and to the maximum extent permissible by law and/or regulation, does not accept liability (in negligence or otherwise, and in whole or in part) for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible by law and/or regulation, all warranties and other assurances by the Nomura Group are hereby excluded and the Nomura Group shall have no liability (in negligence or otherwise, and in whole or in part) for any loss howsoever arising from the use, misuse, or distribution of this material or the information contained in this material or otherwise arising in connection therewith.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. The Nomura Group, however, expressly disclaims any obligation, and therefore is under no duty, to update or revise this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The Nomura Group does not provide tax advice.

The Nomura Group, and/or its officers, directors, employees and affiliates, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. The Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will

be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including, but not limited to, ratings from credit ratings agencies such as Standard & Poor's. The Nomura Group hereby expressly disclaims all representations, warranties or undertakings of originality, fairness, accuracy, completeness, correctness, merchantability or fitness for a particular purpose with respect to any of the information obtained from third parties contained in this material or otherwise arising in connection therewith, and shall not be liable (in negligence or otherwise, and in whole or in part) for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use or misuse of any of the information obtained from third parties contained in this material or otherwise arising in connection therewith. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not, express or implied, guarantee the fairness, accuracy, completeness, correctness, timeliness or availability of any information, including ratings, and are not in any way responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use or misuse of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable (in negligence or otherwise, and in whole or in part) for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use or misuse of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be duplicated, reproduced, re-disseminated, redistributed or used, in whole or in part, for any purpose whatsoever, including creating any financial products and any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all representations, warranties or undertakings of originality, fairness, accuracy, completeness, correctness, merchantability or fitness for a particular purpose with respect to any of this material or the information contained in this material or otherwise arising in connection therewith. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability (in negligence or otherwise, and in whole or in part) for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

The intellectual property rights and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee fairness, accuracy, completeness, correctness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. The Nomura Group publishes research product in a number of different ways including the posting of product on the Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements.

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future or likely performance. Where the information contains an expectation, projection or indication of future performance and business prospects, such forecasts may not be a reliable indicator of future or likely performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns. Any figure, strategy or index created and published for illustrative purposes within this document is not intended for "use" as a "benchmark" as defined by the European Benchmark Regulation.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

With respect to Fixed Income Research: Recommendations fall into two categories: tactical, which typically last up to three months; or strategic, which typically last from 6-12 months. However, trade recommendations may be reviewed at any time as circumstances change. 'Stop loss' levels for trades are also provided; which, if hit, closes the trade recommendation automatically. Prices and yields shown in recommendations are taken at the time of submission for publication and are based on either indicative Bloomberg, Reuters or Nomura prices and yields at that time. The prices and yields shown are not necessarily those at which the trade recommendation can be implemented.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK as investment research by NIplc. NIplc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. NIplc is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes.

This document has been approved for distribution in the European Economic Area as investment research by Nomura Financial Products Europe GmbH ("NFPE"). NFPE is a company organized as a limited liability company under German law registered in the Commercial Register of the Court of Frankfurt/Main under HRB 110223. NFPE is authorized and regulated by the German Federal Financial Supervisory Authority (BaFin).

This document has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong

Kong by NIHK. This document is intended only for investors who are 'professional investors' for the purposes of applicable regulations in Hong Kong and may not, therefore, be redistributed to persons who are not 'professional investors' for such purposes.

This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC.

This document has also been approved for distribution in Malaysia by NSM.

In Singapore, this document has been distributed by NSL, an exempt financial adviser as defined under the Financial Advisers Act (Chapter 110), among other things, and regulated by the Monetary Authority of Singapore. NSL may distribute this document produced by its foreign affiliates pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the recipient of this document is not an accredited, expert or institutional investor as defined by the Securities and Futures Act (Chapter 289), NSL accepts legal responsibility for the contents of this document in respect of such recipient only to the extent required by law. Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. THIS DOCUMENT IS INTENDED FOR GENERAL CIRCULATION. IT DOES NOT TAKE INTO ACCOUNT THE SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS OF ANY PARTICULAR PERSON. RECIPIENTS SHOULD TAKE INTO ACCOUNT THEIR SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS BEFORE MAKING A COMMITMENT TO PURCHASE ANY SECURITIES, INCLUDING SEEKING ADVICE FROM AN INDEPENDENT FINANCIAL ADVISER REGARDING THE SUITABILITY OF THE INVESTMENT, UNDER A SEPARATE ENGAGEMENT, AS THE RECIPIENT DEEMS FIT.

Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or a 'Market Counterparty' or a 'Professional Client' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or a 'Business Customer' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nlplc or any other member of the Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or a 'Market Counterparty' or a 'Professional Client' in the UAE or a 'Market Counterparty' or a 'Business Customer' in Qatar. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

For report with reference of TAIWAN public companies or authored by Taiwan based research analyst:

THIS DOCUMENT IS SOLELY FOR REFERENCE ONLY. You should independently evaluate the investment risks and are solely responsible for your investment decisions. NO PORTION OF THE REPORT MAY BE REPRODUCED OR QUOTED BY THE PRESS OR ANY OTHER PERSON WITHOUT WRITTEN AUTHORIZATION FROM NOMURA GROUP. Pursuant to Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers and/or other applicable laws or regulations in Taiwan, you are prohibited to provide the reports to others (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities in connection with the reports which may involve conflicts of interests. INFORMATION ON SECURITIES / INSTRUMENTS NOT EXECUTABLE BY NOMURA INTERNATIONAL (HONG KONG) LTD., TAIPEI BRANCH IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT BE CONSTRUED AS A RECOMMENDATION OR A SOLICITATION TO TRADE IN SUCH SECURITIES / INSTRUMENTS.

This material may not be distributed in Indonesia or passed on within the territory of the Republic of Indonesia or to persons who are Indonesian citizens (wherever they are domiciled or located) or entities of or residents in Indonesia in a manner which constitutes a public offering under the laws of the Republic of Indonesia. The securities mentioned in this document may not be offered or sold in Indonesia or to persons who are citizens of Indonesia (wherever they are domiciled or located) or entities of or residents in Indonesia in a manner which constitutes a public offering under the laws of the Republic of Indonesia.

This document is prepared by Nomura Group or its subsidiary or affiliate (collectively, "Offshore Issuers") that is not licensed in the People's Republic of China ("PRC", excluding Hong Kong, Macau and Taiwan, for the purpose of this document) to provide securities research and this research report is not approved or intended to be circulated in the PRC. The A-share related analysis (if any) is not produced for any persons located or incorporated in the PRC. The recipients should not rely on any information contained in the research report in making investment decisions and Offshore Issuers take no responsibility in this regard.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, REPRODUCED OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISSEMINATED, REPUBLISHED OR REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF THE NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability (in negligence or otherwise, and in whole or in part) for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Disclaimers required in Japan

Credit ratings in the text that are marked with an asterisk (*) are issued by a rating agency not registered under Japan's Financial Instruments and Exchange Act ("Unregistered Ratings"). For details on Unregistered Ratings, please contact the Research Production Operation Dept. of Nomura Securities Co., Ltd.

Investors in the financial products offered by Nomura Securities may incur fees and commissions specific to those products (for example, transactions involving Japanese equities are subject to a sales commission (all figures on a tax-inclusive basis) of up to 1.43% of the transaction amount or a commission of ¥2,860 for transactions of ¥200,000 or less, while transactions involving investment trusts are subject to various fees, such as commissions at the time of purchase and asset management fees, such as commissions at the time of purchase and asset management fees (trust fees), specific to each investment trust).

In addition, all products carry the risk of losses owing to price fluctuations or other factors. Fees and risks vary by product. Please thoroughly

read the written materials provided, such as documents delivered before making a contract, listed securities documents, or prospectuses. Transactions involving Japanese equities (including Japanese REITs, Japanese ETFs, and Japanese ETNs, Japanese Infrastructure Funds) are subject to a sales commission of up to 1.43% (tax included) of the transaction amount (or a commission of ¥2,860 (tax included) for transactions of ¥200,000 or less). When Japanese equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Japanese equities carry the risk of losses owing to price fluctuations. Japanese REITs carry the risk of losses owing to fluctuations in price and/or earnings of underlying real estate. Japanese ETFs and ETNs carry the risk of losses owing to fluctuations in the underlying indexes or other benchmarks. Japanese Infrastructure Funds carry out the risk of losses owing to fluctuations in price and/or earnings of underlying infrastructures.

Transactions involving foreign equities are subject to a domestic sales commission of up to 1.045% (tax included) of the transaction amount (which equals the local transaction amount plus local fees and taxes in the case of a purchase or the local transaction amount minus local fees and taxes in the case of a sale) (for transaction amounts of ¥750,000 and below, maximum domestic sales commission is ¥7,810 (tax included)). Local fees and taxes in foreign financial instruments markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

Margin transactions are subject to a sales commission of up to 1.43% (tax included) of the transaction amount (or a commission of ¥2,860 (tax included) for transactions of ¥200,000 or less), as well as management fees and rights handling fees. In addition, long margin transactions are subject to interest on the purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount (at least 33% for online transactions) and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin (roughly 3x for online transactions) may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

Transactions involving convertible bonds are subject to a sales commission of up to 1.10% (tax included) of the transaction amount (or a commission of ¥4,400 (tax included) if this would be less than ¥4,400). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When bonds are purchased via public offerings, secondary distributions, or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Bonds carry the risk of losses, as prices fluctuate in line with changes in market interest rates. Bond prices may also fall below the invested principal as a result of such factors as changes in the management and financial circumstances of the issuer, or changes in third-party valuations of the bond in question. In addition, foreign currency-denominated bonds also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used.

When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For J117 and subsequent issues, the maturity value shall not undercut the face amount. Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.5% (tax included) of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.5% (tax included/annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

Investment trusts invest mainly in securities such as Japanese and foreign equities and bonds, whose prices fluctuate. Investment trust unit prices fluctuate owing to price fluctuations in the underlying assets and to foreign exchange rate fluctuations. As such, investment trusts carry the risk of losses. Fees and risks vary by investment trust. Maximum applicable fees are subject to change; please thoroughly read the written materials provided, such as prospectuses or documents delivered before making a contract.

In interest rate swap transactions and USD/JPY basis swap transactions (“interest rate swap transactions, etc.”), only the agreed transaction payments shall be made on the settlement dates. Some interest rate swap transactions, etc. may require pledging of margin collateral. In some of these cases, transaction payments may exceed the amount of collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the transaction. Interest rate swap transactions, etc. carry the risk of losses owing to fluctuations in market prices in the interest rate, currency and other markets, as well as reference indices. Losses incurred as such may exceed the value of margin collateral, in which case margin calls may be triggered. In the event that both parties agree to enter a replacement (or termination) transaction, the interest rates received (paid) under the new arrangement may differ from those in the original arrangement, even if terms other than the interest rates are identical to those in the original transaction. Risks vary by transaction. Please thoroughly read the written materials provided, such as documents delivered before making a contract and disclosure statements.

In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors. Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥11,000 (tax included) per issue transferred depending on volume. No account fee will be charged for marketable securities or monies deposited.

Nomura Securities Co., Ltd.

Financial instruments firm registered with the Kanto Local Finance Bureau (registration No. 142)

Member associations: Japan Securities Dealers Association; Japan Investment Advisers Association; The Financial Futures Association of Japan; and Type II Financial Instruments Firms Association.

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts of Nomura listed on the front page. Disclosures information is available upon request and disclosure information is available at the Nomura Disclosure web page:

<http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2020 Nomura Securities Co., Ltd. All rights reserved.