Nomura Individual Investor Survey

June 2013

June 13, 2013

Equity Research Department

Nomura Securities Co., Ltd.

The Nomura Individual Investor Survey is a monthly survey conducted with the aim of better understanding investing activity by individuals and providing information on related trends.

1. Survey overview

(1) Nomura I-View Index falls 13.0pt m-m, to 48.2

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 48.2 for June, down 13.0pt m-m from 61.2 in May. The proportion of individual investors looking for stock prices to rise declined as the Nikkei Average became volatile in late May. The percentage of respondents expecting a rise of "about 1,000 points" fell sharply to 26.6%, from 45.7% last month, but the percentages for all other responses rose, indicating increasingly varied outlooks on share prices.

(2) Increased attention on market factors & psychological factors

Respondents were asked to select the factor most likely to impact the stock market in the next three months. Forex trends remained the most-watched factor for a second month in a row, but the response rate declined by 2.0ppt m-m. The largest rise of the month (3.8ppt) was for market factors & psychological factors.

(3) Automobiles most popular sector for fifth straight month

Respondents were asked to choose one sector as an "appealing" investment target and one as "unappealing" over a timeframe of about three months. We calculated a diffusion index for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." Automobiles was the most appealing sector for the fifth straight month, and its DI posted the largest gain of the month, up 7.0pt m-m. The financials sector posted the biggest decline (down 10.3pt) as it fell from second place.

(4) Ebbing expectations for weaker yen against US dollar

On the outlook for the USD/JPY over the next three months, the combined proportion of respondents expecting the yen to weaken against the dollar fell 6.1ppt m-m to 71.0%. All three choices for declines against the dollar—falls of "about 5," "about ¥10," and "more than ¥10"—had lower response rates this month than last, while the response rates were higher for all levels of rises against the dollar.

(5) US dollar most appealing currency for second month

Respondents were asked to choose one currency as an "appealing" investment target and one as "unappealing" over an approximately three-month timeframe. We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." The US dollar was the most appealing currency for the second month in a row. The euro posted the largest improvement of the month, up 4.9pt m-m. The yen showed the largest deterioration, down 5.8pt.

(6) Appeal declines for all financial instruments except cash & deposits and Japanese bonds

To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. All instruments except cash & deposits and Japanese bonds saw their DIs decline m-m.

(7) Equity investment stances in the wake of Japan equity volatility

For the first of this month's spot questions, we asked individual investors their stance on equity investment following the volatility of late May. The leading response was "no change to investment stance on Japanese equities," chosen by 62.4% of respondents, while 23.9% chose "more active investment in Japanese equities" and 13.7% chose "less active investment in Japanese equities."

(8) Effect of Abenomics on Japanese equities, and important themes for Japanese equity investment

For our second spot question this month, we asked individual investors their thoughts on Abenomics and on the growth strategy themes they though most important for equity investment.

We first asked, "Which of the three 'arrows' of Abenomics do you think will have the greatest positive impact on Japanese equities?" The most popular response, at 58.5%, was "growth strategies aimed at stimulating private-sector investment." Next, we asked "Which of seven growth strategy themes do you consider key?" The most popular response was "bolstering scientific/technological innovation and IT" followed closely by "improvement of industrial metabolism."

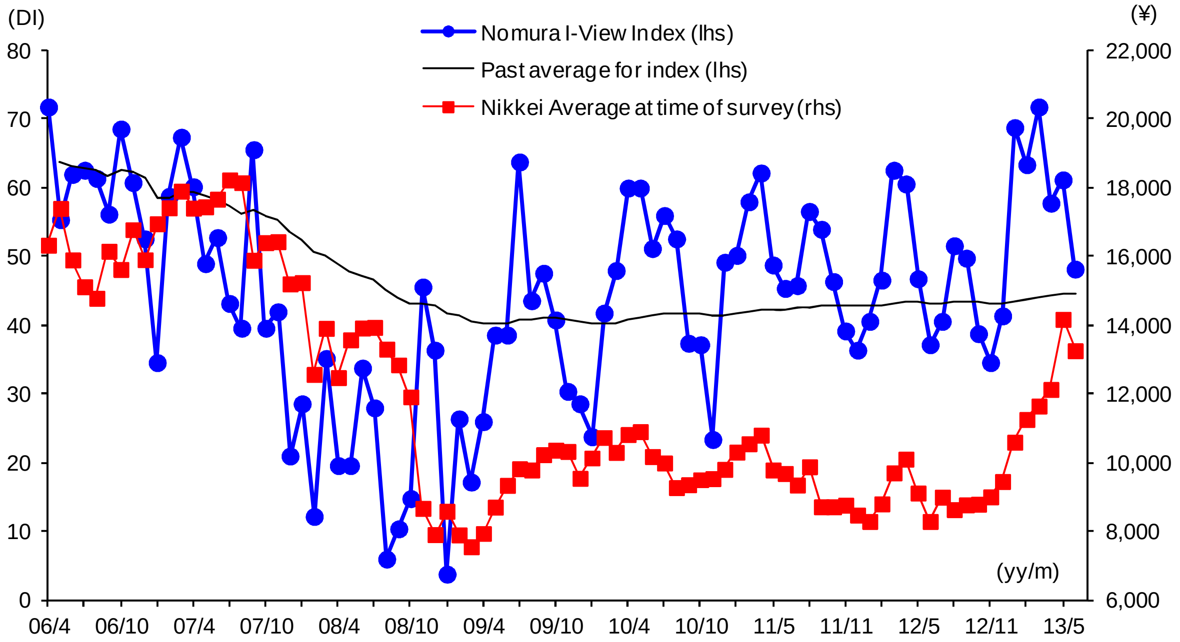
2. Survey results

(1) Nomura I-View Index falls 13.0pt m-m, to 48.2

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 48.2 for June, down 13.0pt m-m from 61.2 in May. The proportion of individual investors looking for stock prices to rise declined as the Nikkei Average dropped sharply on 23 May and remained volatile through to 3–4 June, when we conducted the survey (Figure 1).

The Nikkei Average reference level (3 June close) was 13,621.82, down 918.42pt from the previous survey (7 May close of 14,180.24).

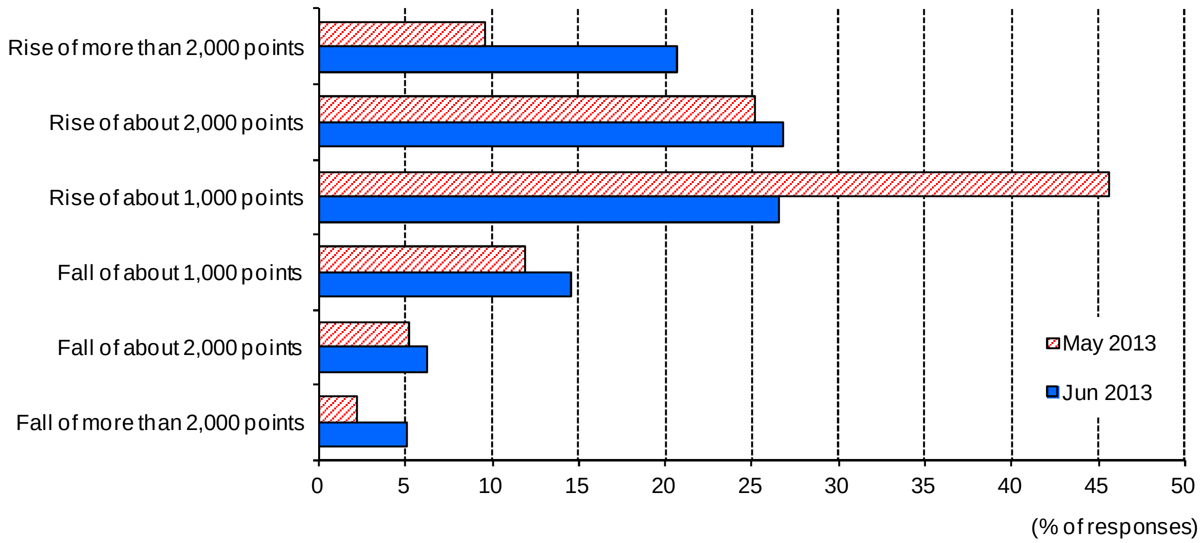
Fig. 1: The Nomura I-View Index and reference level of Nikkei Average at time of survey



Note: (1) The Nomura I-View Index is based on data collected by this survey and expressed as a diffusion index. The calculation method is as follows: [(Number of responses indicating expected rise in share prices in the next three months) minus (number of responses indicating expected fall in share prices in the next three months) divided by number of respondents] x 100. The figure for January 2010 used here excludes respondents who projected the Nikkei Average would be flat. (2) The Nomura I-View Index ranges from –100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to –100 the figure is, the more bearish the outlook held by individual investors.

The combined proportion of respondents expecting the Nikkei Average to rise over the next three months was 74.1%, down 6.5ppt from 80.6% in the last survey. The percentage of respondents expecting a rise of "about 1,000 points" fell a sharp 19.1ppt m-m. However, the largest increase of the month was +11.0ppt for a rise of "more than 2,000 points". All of the categories of declines had slightly higher response rates than last month. The difference in response rates among the various choices has contracted, as individual investors appear to be holding increasingly varied outlooks for stock prices (Figure 2).

Fig. 2: Outlook for Nikkei Average during the next three months

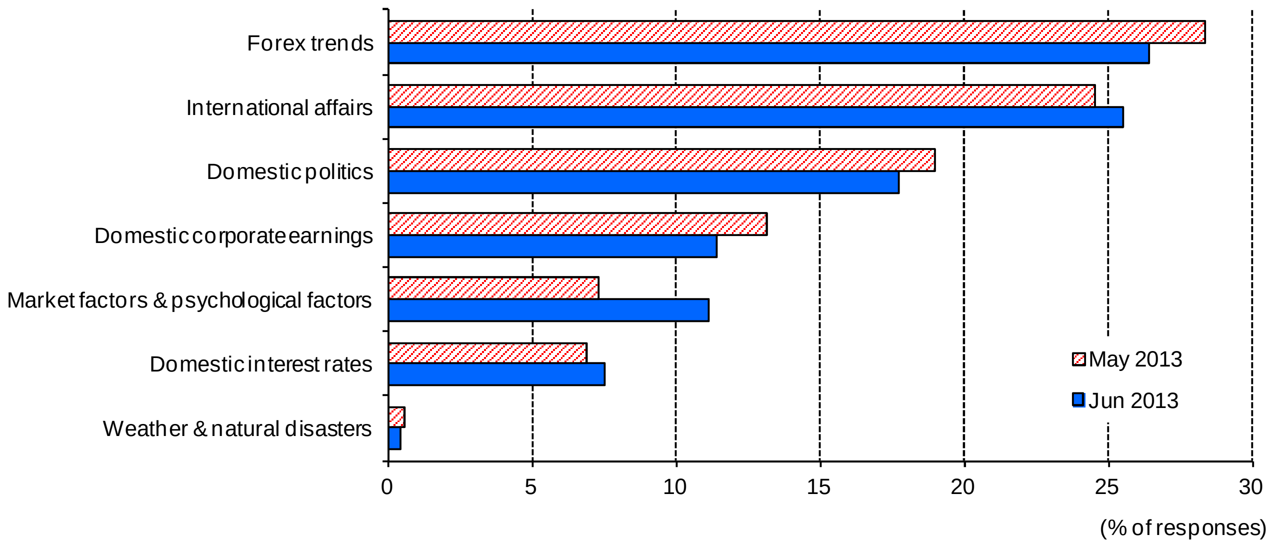


Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 3 June closing figure of 13,261. Respondents could choose one answer from a possible six responses ranging from a rise of more than 2,000 points to a fall of more than 2,000 points with 1,000-point increments in between.

(2) Increased attention on market factors & psychological factors

Respondents were asked to select the factor most likely to impact the stock market in the next three months. Forex trends remained the most-watched factor for a second month in a row, but the response rate declined by 2.0ppt. The largest rise of the month (3.8ppt) was for market factors & psychological factors. The remaining factors changed by less than 2.0% m-m in either direction (Figure 3).

Fig. 3: Impact of factors on the stock market



Note: Respondents were asked to choose one answer from a possible seven responses concerning factors likely to impact the stock market over the next three months or so.

(3) Automobiles most popular sector for fifth straight month

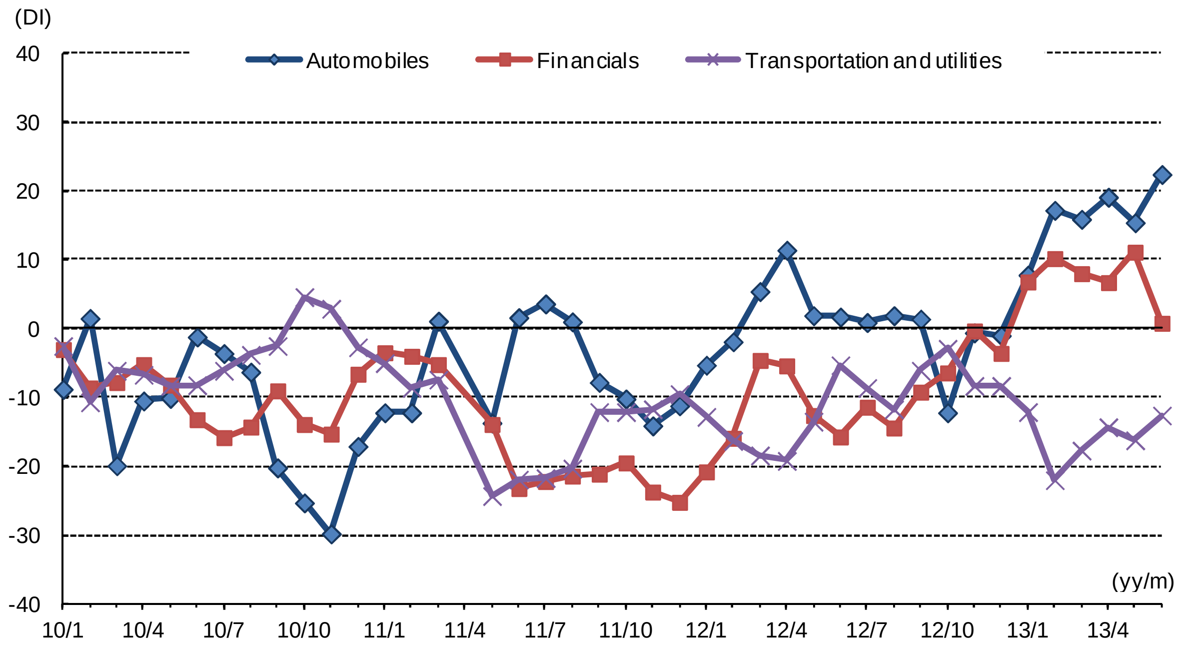
Respondents were asked to choose one sector as an "appealing" investment target and one as "unappealing" over a timeframe of about three months. We calculated a diffusion index for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." Automobiles was the most appealing sector for the fifth straight month, and its DI posted the largest gain of the month, up 7.0pt m-m. The transportation and utilities sector remained the least popular, but its DI improvement (up 3.6pt) was second only to automobiles. The financials sector posted the biggest decline (down 10.3pt), taking it from second place in May to fourth in June (Figures 4, 5).

Fig. 4: Investment appeal by sector

Sector	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Automobiles	22.4	26.8	4.4	15.4
Pharmaceuticals	7.4	12.6	5.2	4.9
Capital goods/other	5.4	11.0	5.6	9.4
Financials	0.8	11.6	10.8	11.1
Telecommunications	-2.6	4.6	7.2	-2.9
Materials	-4.2	10.0	14.2	-3.4
Consumer goods	-7.6	10.7	18.3	-9.8
Electrical equipment/precision equipment	-9.0	6.9	15.9	-8.5
Transportation and utilities	-12.6	5.8	18.4	-16.2

Note: Respondents were given nine sectors and asked to choose one viewed as an appealing investment target and one viewed as unappealing. For each sector we calculated a diffusion index by subtracting the percentage of responses for unappealing from that for appealing. The materials sector comprises mining, textiles, paper & pulp, chemicals, oil, ceramics, steel, nonferrous metals, and trading houses. The financials sector comprises banks, miscellaneous finance, securities, and insurance. The capital goods/others sector comprises construction, machinery, shipbuilding, transportation equipment, miscellaneous manufacturing, and real estate. The transportation and utilities sector comprises railroads & buses, trucking, shipping, airlines, warehousing, electric power, and gas. The consumer goods sector comprises marine products, food, retail, and services.

Fig. 5: Trend in DIs for selected sectors



(4) Most-watched stocks

Respondents were asked to name one stock that they would like to have in their portfolio, irrespective of short- or long-term investment horizon (including stocks actually held) or that they find appealing. We show the most popular responses below (Figure 6).

Fig. 6: Name a stock with appeal (1,000 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	160	9501	Tokyo Electric Power	11
6758	Sony	22	4755	Rakuten	10
9984	Softbank	21	7201	Nissan Motor	10
4661	Oriental Land	20	8058	Mitsubishi Corp	10
8411	Mizuho Financial Group	20	8316	Sumitomo Mitsui Financial Group	10
4502	Takeda Pharmaceutical	19	8750	Dai-ichi Life Insurance	9
9202	All Nippon Airways	19	7261	Mazda Motor	8
8267	Aeon	15	8001	Itochu	8
8306	Mitsubishi UFJ Financial Group	15	8473	SBI Holdings	8
6501	Hitachi	14	6301	Komatsu	7
8604	Nomura Holdings	14	6502	Toshiba	7
2702	McDonald's Holdings (Japan)	13	7011	Mitsubishi Heavy Industries	7
3765	GungHo Online Entertainment	13	9020	East Japan Railway	7
7751	Canon	13	2811	Kagome	6
7267	Honda Motor	11	4568	Daiichi Sankyo	6
9437	NTT Docomo	11	5401	Nippon Steel & Sumitomo Metal	6

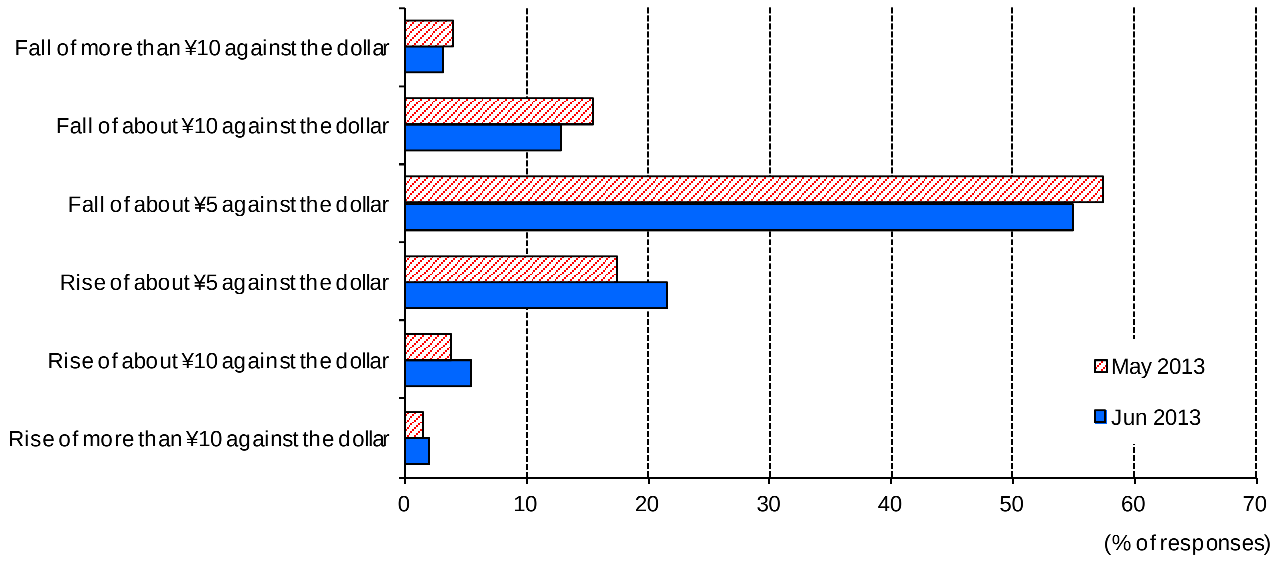
Note: Not included in valid responses were answers of “none” or clearly mistaken responses.

(5) Ebbing expectations for weaker yen against US dollar

On the outlook for the USD/JPY over the next three months, the combined proportion of respondents expecting the yen to weaken against the dollar fell 6.1ppt m-m to 71.0%. All three choices for declines against the dollar—falls of "about ¥5," "about ¥10," and "more than ¥10"—had lower response rates this month than last, but the largest was for a fall of "more than ¥10," which slid 2.7ppt (Figure 7). In contrast, the response rates were higher for all levels of rises against the dollar. In particular, "rise of about ¥5" saw the biggest increase, at +4.0ppt m-m.

At the time of the latest survey (3 June), the noon indicative USD/JPY rate was 100.66, indicating a weaker yen than at the time of the previous survey (98.90) as of 7 May.

Fig. 7: Respondents' three-month outlook for the USD/JPY rate



Note: Respondents were asked to share their outlook for the USD/JPY rate over the next three months, referencing a 3 June 2013 indicative rate of US$1=¥100.66. They could choose one answer from a possible six responses ranging from a rise of more than ¥10 against the dollar to a fall of more than ¥10 against the dollar, with ¥5 increments in between

(6) US dollar most appealing currency for second month

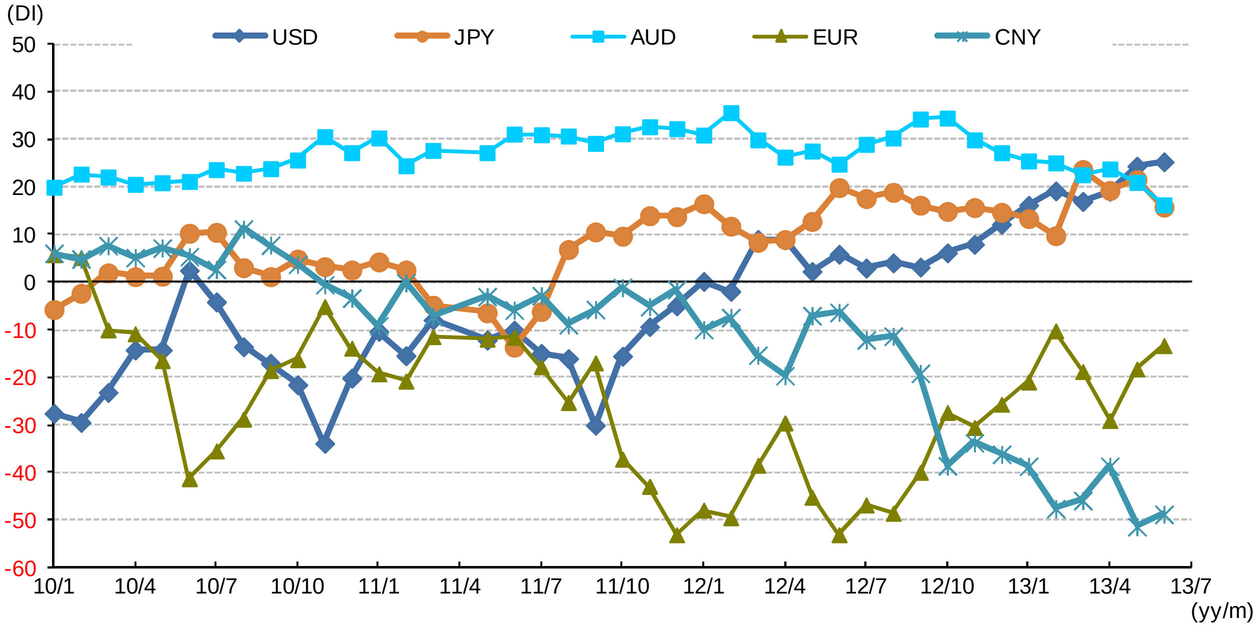
Respondents were asked to choose one currency as an "appealing" investment target and one as "unappealing" over an approximately three-month timeframe. We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." The US dollar was the most appealing currency for the second month in a row, but the DI rose only 0.9pt. The euro posted the largest improvement of the month, up 4.9pt m-m. The Chinese yuan remained in last place but posted the second largest improvement, up 2.6pt. The yen showed the largest deterioration of the month, down 5.8pt. The second largest decline (4.7ppt) was by the Australian dollar (Figures 8, 9).

Fig. 8: Investment appeal by currency

Currency	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
US dollar	25.3	30.9	5.6	24.4
Australian dollar	16.3	20.0	3.7	21.0
Japanese yen	15.8	27.7	11.9	21.6
Brazilian real	2.5	7.3	4.8	1.8
Canadian dollar	1.4	2.5	1.1	0.4
Pound sterling	-2.2	1.9	4.1	-1.5
Euro	-13.3	3.5	16.8	-18.2
Chinese yuan	-48.7	2.9	51.6	-51.3

Note: Respondents were given nine possible responses, consisting of the above eight currencies and "other," and asked to choose one viewed as an appealing investment target and one viewed as unappealing. Those selecting "other" were asked to specify a currency.

Fig. 9: Trend in DIs for selected currencies



(7) Appeal declines for all financial instruments except cash & deposits and Japanese bonds

To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. All instruments except cash & deposits and Japanese bonds saw their DIs decline m-m, with the largest decline (8.1pt) by Japanese equities (Figure10).

Fig. 10: Financial instruments for which investors are either seeking to increase or decrease their holdings

Financial instrument	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Plan to increase	Plan to decrease	
Cash & deposits	34.6	38.6	4.0	33.9
Japanese equities	34.3	49.3	15.0	42.4
Gold	11.9	12.1	0.2	13.0
Japanese investment trusts	11.1	16.6	5.5	13.4
Foreign investment trusts	10.6	12.1	1.5	11.8
Japanese bonds	6.6	8.4	1.8	6.4
Hybrid securities	2.0	2.1	0.1	2.8
Foreign equities	0.7	2.1	1.4	2.1
Other	0.4	0.5	0.1	0.9
Foreign bonds	-1.1	0.5	1.6	0.0
None	-45.8	29.0	74.8	-53.1

Note: Respondents were given a selection of nine financial instruments and asked to choose those for which they planned to increase their holdings and those for which they planned to decrease their holdings (multiple responses were allowed). In the exhibit, "plan to increase" refers to financial instruments that investors plan to hold for the first time or for which they plan to increase their holding, while "plan to decrease" refers to instruments that investors plan to cease holding or for which they plan to decrease their holding. Hybrid securities and gold were added to the list of choices from the February 2012 survey. From the April 2013 survey, we have divided the former category of "Securities issued overseas" into foreign equities, foreign investment trusts and foreign bonds

(8) Equity investment stances in the wake of Japan equity volatility

For the first of this month's spot questions, we asked individual investors their stance on equity investment following the volatility of late May. The leading response was "no change to investment stance on Japanese equities," chosen by 62.4% of respondents, while 23.9% chose "more active investment in Japanese equities" and 13.7% chose "less active investment in Japanese equities."

Fig. 11: Investment stance in wake of Japanese equity volatility

	Choices	No. of responses	% of responses
1	More active investment in Japanese equities	239	23.9
2	Less active investment in Japanese equities	137	13.7
3	No change to investment stance on Japanese equities	624	62.4

Note: Investors were asked to select one answer in response to the following question: "Following volatility in Japanese equity markets in late May, how do you intend to change your long-term investment stance on equities?"

(9) Effect of Abenomics on Japanese equities, and important themes for Japanese equity investment

For our second spot question this month, we asked individual investors their thoughts on the economic policies of the second Abe cabinet, so-called Abenomics, and on the growth strategy themes they though most important for equity investment.

We first asked, "Which of the three 'arrows' of Abenomics do you think will have the greatest positive impact on Japanese equities?" The most popular response, at 58.5%, was "growth strategies aimed at stimulating private-sector investment," followed by "bold monetary policies," at 24.6% (Figure 12).

Fig. 12: Which of the three arrows of Abenomics is likely to have the most positive effect on Japanese equities?

	Choices	No. of responses	% of responses
1	Bold monetary policies	246	24.6
2	Flexible fiscal policies	169	16.9
3	Growth strategies aimed at stimulating private-sector investment	585	58.5

Note: Investors were asked to select one answer in response to the following question: "Which of the three 'arrows' of Abenomics do you think will have the greatest positive impact on Japanese equities?"

Next, we asked "Which of seven growth strategy themes do you consider key?" We received a total of 2,106 responses from 1,000 investors. The most popular theme, with 21.6% of responses, was "bolstering scientific/technological innovation and IT" followed by "improving industrial metabolism," at 21.5% (Figure 13).

Fig. 13: Which of seven growth strategy themes do you consider key?

	Choices	No. of responses	% of responses
1	Improving industrial metabolism	452	21.5
2	Bolstering human resources/reforming employment system	361	17.1
3	Bolstering Japan's competitiveness as a business location	111	5.3
4	Achieving clean, economical energy supply/demand	343	16.3
5	Realizing a healthy, long-living society	123	5.8
6	Expanding agricultural exports and improving competitiveness	261	12.4
7	Bolstering scientific/technological innovation and IT	455	21.6
	Total	2,106	100.0

Note: Investors were asked to choose any number of responses to the following: "The government is considering growth strategies along seven themes. Which of the seven do you consider key for Japanese equity investment?"

3. Nomura Individual Investor Survey

With the aim of better understanding investing activity by individuals and providing information on those trends, Nomura Securities conducts a monthly survey—the Nomura Individual Investor Survey. The results of the survey have been published monthly since April 2006.

Survey method: Questionnaire conducted electronically using the internet monitor questionnaire service administered by Nomura Investor Relations Co., Ltd.

Survey target: Survey sent to 3,000 individual investors randomly selected from the approximately 24,000 with equity investment experience participating in Nomura Investor Relations' internet monitor questionnaire service.

Number of responses: 1,000 (survey closed when 1,000 responses received)

Survey period: Survey distributed on 3 June with deadline for responses on 4 June.

Survey content: Questions included each month are (1) share price outlook, (2) factors expected to impact the stock market, (3) attractive sectors and stocks, (4) USD/JPY rate outlook and attractive currencies, and (5) financial instruments for which investors plan to change their holdings. Respondents are also queried each month on their personal profiles.

4. Nomura Individual Investor Survey (June 2013) respondents

Gender: Male (82.1%), Female (17.9%)

Age: Under 30 (1.7%), 30–39 (15.1%), 40–49 (28.9%), 50–59 (29.0%), 60 and above (25.3%)

Occupation: Self-employed/fisheries, agriculture, forestry (6.3%), Professional (physician/medical professional, lawyer, etc) (2.3%), Company management/corporate officer (5.6%), Company employee/public servant (53.0%), Student (0.1%), Full-time homemaker (8.0%), Part-time worker/casual worker/job-hopper (6.0%), Unemployed/pensioner (16.5%), Other (2.2%)

Region: Kanto (49.8%), Kinki (20.6%), Tokai/Koshinetsu/Hokuriku (14.2%), Hokkaido/Tohoku (5.2%), Chugoku/Shikoku/Kyushu (10.2%)

Financial assets held: Less than ¥1,000,000 (6.3%), ¥1,000,000–¥2,999,999 (12.1%), ¥3,000,000–¥4,999,999 (12.6%), ¥5,000,000–¥9,999,999 (20.6%), ¥10,000,000–¥29,999,999 (28.3%), ¥30,000,000–¥49,999,999 (10.8%), ¥50,000,000 or more (9.3%)

Value of domestic stocks held: Less than ¥500,000 (13.0%), ¥500,000–¥999,999 (15.2%), ¥1,000,000–¥2,999,999 (24.3%), ¥3,000,000–¥4,999,999 (17.1%), ¥5,000,000–¥9,999,999 (12.7%), ¥10,000,000–¥29,999,999 (13.5%), ¥30,000,000 or more (4.2%)

Investment experience: Less than three years (6.0%), Three years to less than five years (12.7%), Five years to less than 10 years (26.3%), 10 years to less than 20 years (31.8%), 20 years or more (23.2%)

Investment plan for domestic stocks: Mainly for long-term holding (45.8%), Pursuit of gains from short-term appreciation (13.8%), Pursuit of dividends and shareholder perks (25.1%), No particular plan (15.3%)

Notice

The next Nomura Individual Investor Survey (July 2013) is scheduled for release on Thursday, 11 July 2013.

Any Authors named on this report are Research Analysts unless otherwise indicated

Important Disclosures

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As at 31 March 2013. **The Nomura Group as defined in the Disclaimer section at the end of this report.*

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America

The rating system is a relative system indicating expected performance against a specific benchmark identified for each individual stock. Analysts may also indicate absolute upside to target price defined as (fair value - current price)/current price, subject to limited management discretion. In most cases, the fair value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as discounted cash flow or multiple analysis, etc.

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 in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company. Benchmarks are as follows: **United States/Europe**: 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.

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Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A '**Buy'** recommendation indicates that potential upside is 15% or more. A '**Neutral'** recommendation indicates that potential upside is less than 15% or downside is less than 5%. A '**Reduce'** recommendation indicates that potential downside is 5% or more. A rating of '**Suspended'** indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as '**Not rated'** or shown as '**No rating'** are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

SECTORS

A '**Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A '**Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A '**Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Target Price

A Target Price, if discussed, reflect 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

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Margin transactions are subject to a sales commission of up to 1.365% (tax included) of the transaction amount (or a commission of ¥2,730 (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 and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin 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 1.05% (tax included) of the transaction amount (or a commission of ¥4,200 (tax included) if this would be less than ¥4,200). 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.

Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.25% (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 5.25% (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.

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