

Nomura Individual Investor Survey

January 2015

January 15, 2015

Global Research Division
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 rises 27.4pt m-m to 56.6

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 56.6 for January, a rise of 27.4pt from 29.2 in December. The Nikkei Average reference level (5 January 2015 close) was 17,408.71, down 181.39 from the previous survey (1 December close of 17,590.10). However, there was a sharp rise in the number of survey respondents expecting share prices to rise.

(2) Large rise in investor interest in international affairs

Respondents were asked to select the factor most likely to impact the stock market in the next three months. The most-watched factor was international affairs, which saw a 23.4ppt m-m rise in its response rate. We attribute this to the sharp decline in crude oil prices and the fall in the value of the euro after the Greek parliament failed to elect a new president on 29 December. The response rate for domestic politics saw the largest m-m decline for all the options, of 25.2ppt.

(3) Automobiles the most appealing sector, sharp decline in appeal of financials

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 DI for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." As in December, automobiles were seen as the most appealing sector, as the prospect of prolonged yen depreciation boosted investor interest in export sectors. Financials slipped from fourth in December to seventh in January, registering the largest m-m decline of all the options, of 6.3pt. Its DI fell to its lowest level since October 2012. Capital goods/other registered the largest m-m rise of all the options, of 5.0pt, and rose to second place.

(4) More investors see yen weakening versus the US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to weaken against the US dollar was 59.8%, up 5.6ppt from the previous month's total of 54.2%. The response rate for "fall of about ¥5 against the dollar" marked the largest m-m rise, of 2.1ppt. The response rates for "fall of about ¥10 against the dollar" and "fall of more than ¥10 against the dollar" rose 1.7ppt and 1.8ppt respectively. The response rate for "rise of about ¥10 against the dollar" fell substantially, by 6.5ppt. More investors see the yen weakening versus the US dollar.

(5) US dollar remains most appealing currency, euro loses appeal

We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing". The US dollar occupied the top spot with a DI of 45.8, and it also saw the greatest m-m rise of all the currency options, of 7.5pt. The euro saw the greatest m-m decline, of 8.9pt.

(6) Japanese equities remain the most appealing financial instrument

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. Japanese equities remained the most appealing financial instrument this month, but their DI fell 0.6pt m-m.

(7) Increase in number of investors expecting prices one year out to rise

When asked for their outlook for prices of regularly purchased goods and services one year out, 67.4% of respondents said they expected prices to rise, marking an increase of 6.7ppt from 60.7% the previous month. Meanwhile, the proportion of respondents expecting prices to fall declined 1.8ppt, from 14.9% in December to 13.1% in January. The response rate for no change fell 4.9ppt. Overall, more investors expect prices one year out to rise.

(8) About NISA (tax-exempt scheme for small investments)

Our first spot question this month concerned Nippon Individual Savings Accounts (NISAs). More than half of respondents said they had set up a NISA. On how much they had invested thus far in the accounts, the greatest number of responses was "between zero and ¥200,000" and "between ¥800,000 and ¥1,000,000". On how much they planned to invest through to the end of December 2015, the greatest number of responses was "between ¥800,000 and ¥1,000,000". Many said they had chosen to buy Japanese equities, with their main source of funds being cash & deposits and equities.

(9) About general shareholders' meetings

For our second spot question, we asked about the tendency for large numbers of general shareholders' meetings to all be held on the same day in June, and about the possibility of spreading them out, so that some meetings would take place later than now, with potential implications for the timing of dividend payments. Some 41.4% of respondents (the top response) said that they would have no objection to general shareholders' meetings being held later than at present provided dividends were paid out on the same day as before. Meanwhile, 39.8% of respondents said that they would have no objection to general shareholders' meetings being held later than at present even if this pushed back the timetable for dividend payments. It looks as though the majority of individual investors have no objections to general shareholders' meetings being held later than at present.

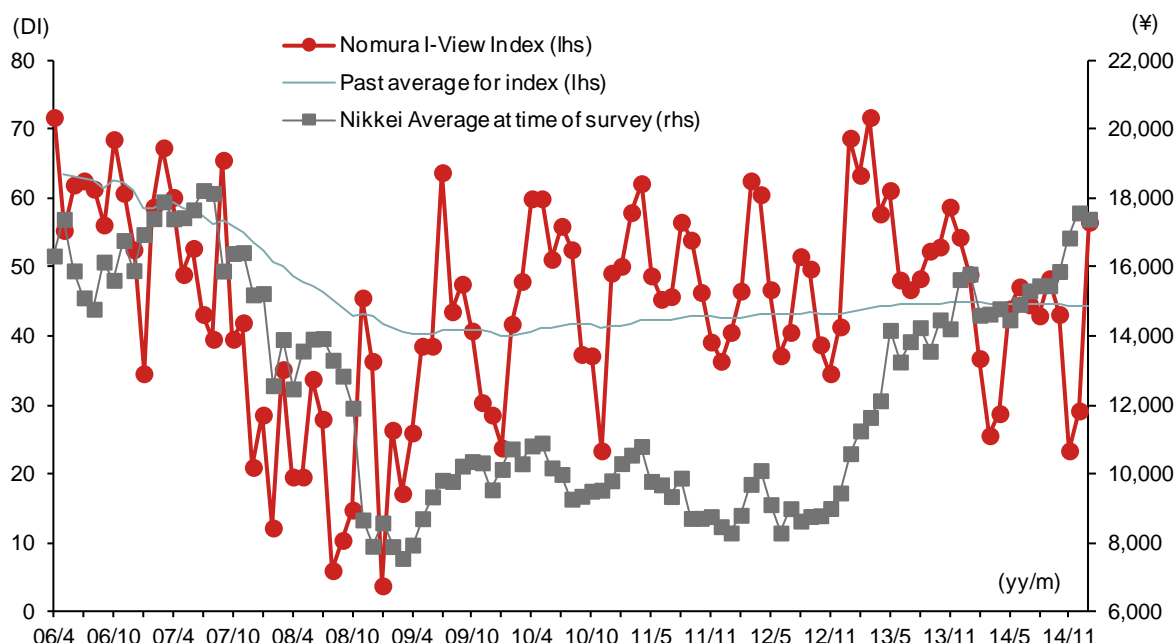
2. Survey results

(1) Nomura I-View Index rises 27.4pt m-m to 56.6

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 56.6 for January, a rise of 27.4pt from 29.2 in December (Figure 1).

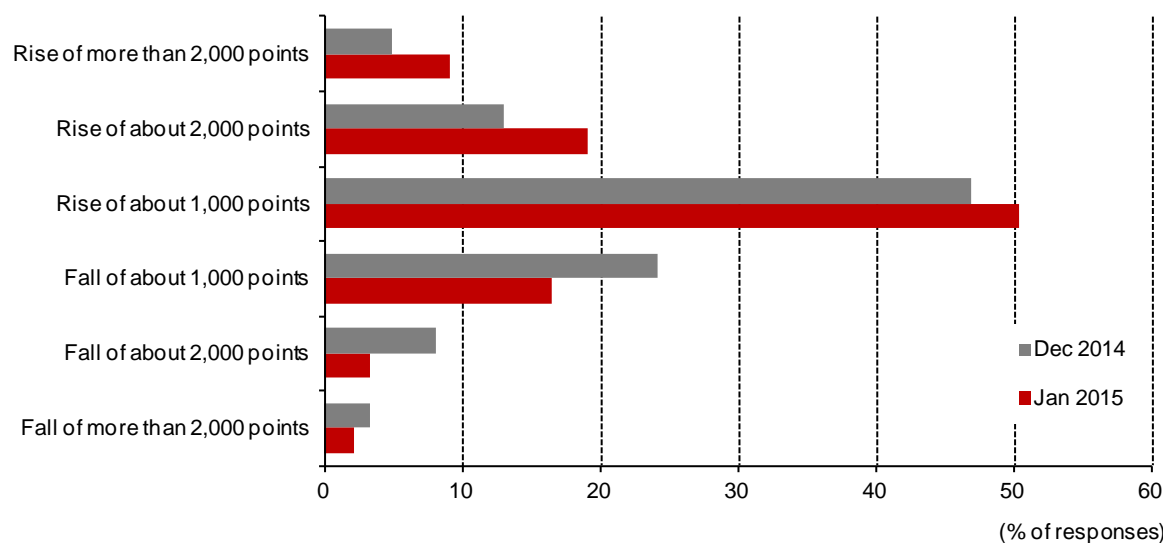
The Nikkei Average reference level (5 January 2015 close) was 17,408.71, down 181.39 from the previous survey (1 December close of 17,590.10). However, there was a sharp rise in the number of survey respondents expecting share prices to rise.

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 DI. The calculation method is as follows: $\frac{[(\text{Number of responses indicating expected rise in share prices in the next three months}) - (\text{number of responses indicating expected fall in share prices in the next three months})]}{\text{number of respondents}} \times 100$. The figure for Jan 2010 used here excludes those respondents who projected that the Nikkei Average would be flat. (2) The Nomura I-View Index ranges from -100 to +100. The closer to +100, the more bullish the outlook held by individual investors. The closer to -100, the more bearish the outlook held by individual investors.

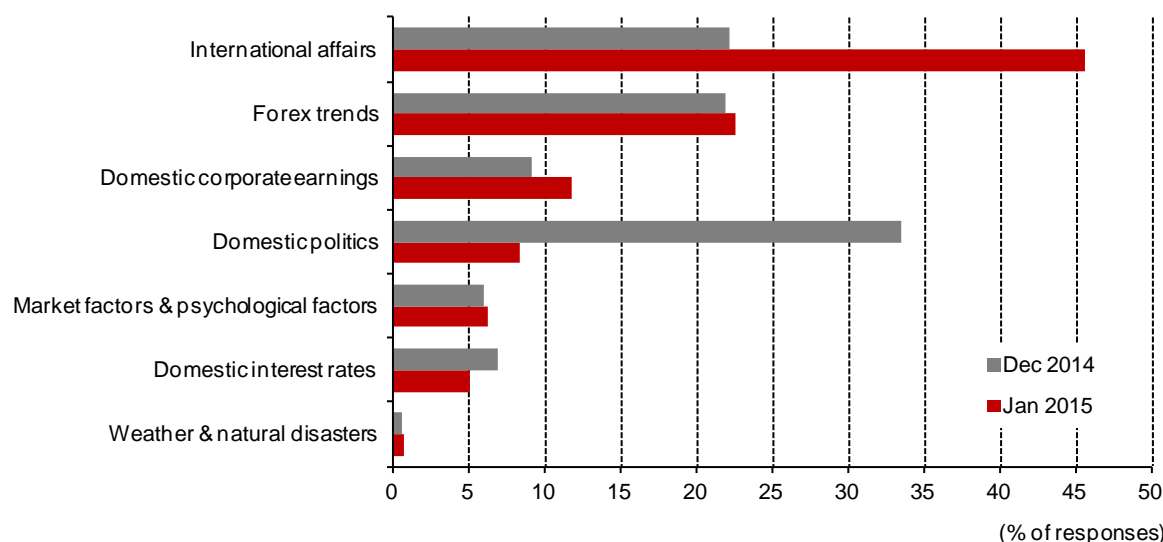
The combined proportion of respondents expecting the Nikkei Average to rise over the next three months was 78.3%, up 13.7ppt from 64.6% in the last survey. The proportion of respondents expecting a "rise of about 2,000 points" was 19.0%, up 6.1ppt m-m and the largest m-m rise among the range of responses. The proportion of investors expecting a "fall of about 1,000 points" fell 7.7ppt m-m (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 5 Jan closing figure of 17,408. 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) Large rise in investor interest in international affairs

Respondents were asked to select the factor most likely to impact the stock market in the next three months. The most-watched factor was international affairs, which saw a 23.4ppt m-m rise in its response rate. We attribute this to the sharp decline in crude oil prices and the fall in the value of the euro after the Greek parliament failed to elect a new president on 29 December. The response rate for domestic politics saw the largest m-m decline for all the options, of 25.2ppt (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 the most appealing sector, sharp decline in appeal of financials

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 DI for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." As in December, automobiles were seen as the most appealing sector, as the prospect of prolonged yen

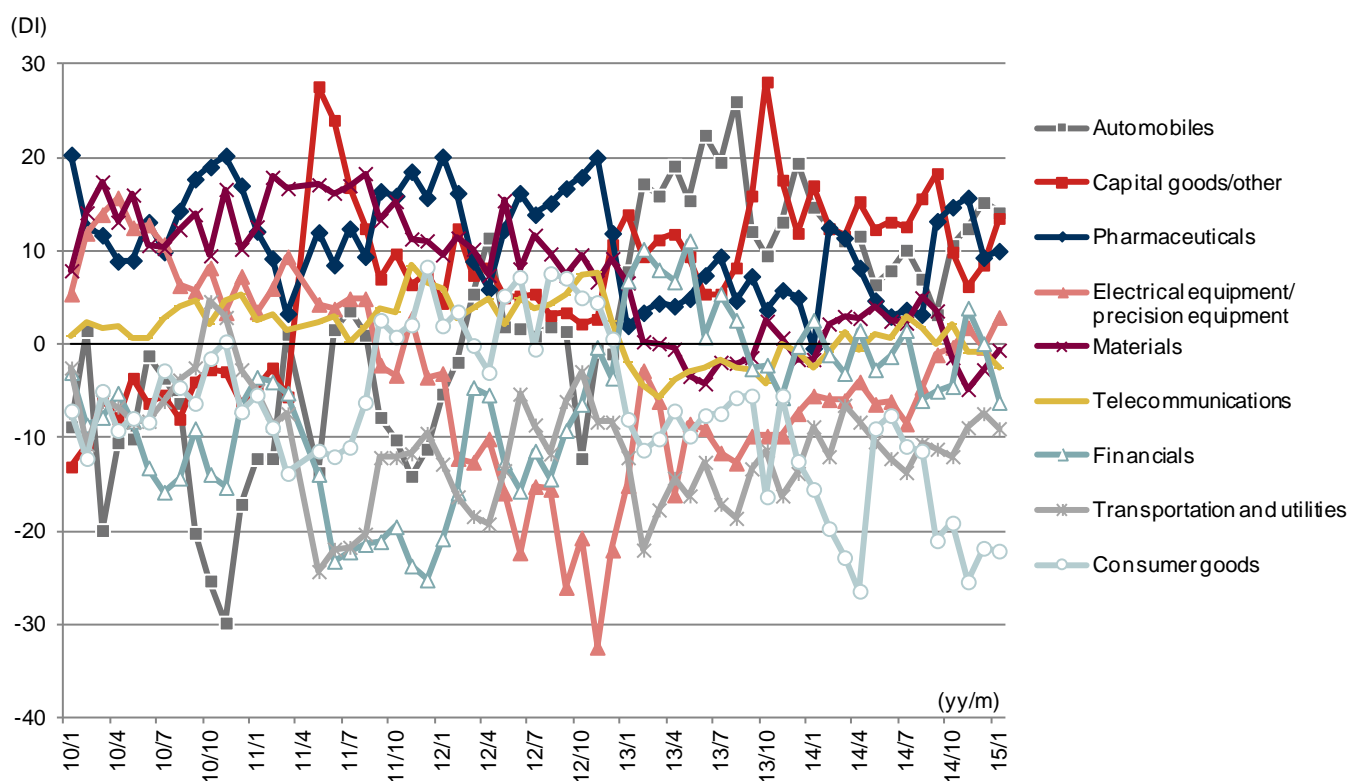
depreciation boosted investor interest in export sectors. Financials slipped from fourth in December to seventh in January, registering the largest m-m decline of all the options, of 6.3pt. Its DI fell to its lowest level since October 2012. Capital goods/other registered the largest m-m rise of all the options, of 5.0pt, and rose to second place.

Fig. 4: Investment appeal by sector

Sector	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Automobiles	14.1	19.6	5.5	15.2
Capital goods/other	13.5	16.6	3.1	8.5
Pharmaceuticals	10.0	15.1	5.1	9.3
Electrical equipment/precision equipment	2.9	10.2	7.3	-0.3
Materials	-0.6	12.1	12.7	-2.7
Telecommunications	-2.6	5.0	7.6	-0.9
Financials	-6.2	7.0	13.2	0.1
Transportation and utilities	-9.0	5.9	14.9	-7.4
Consumer goods	-22.1	8.5	30.6	-21.8

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 DI 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 financial sector comprises banks, miscellaneous finance, securities, and insurance. The capital goods/other 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 in Figure 6.

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

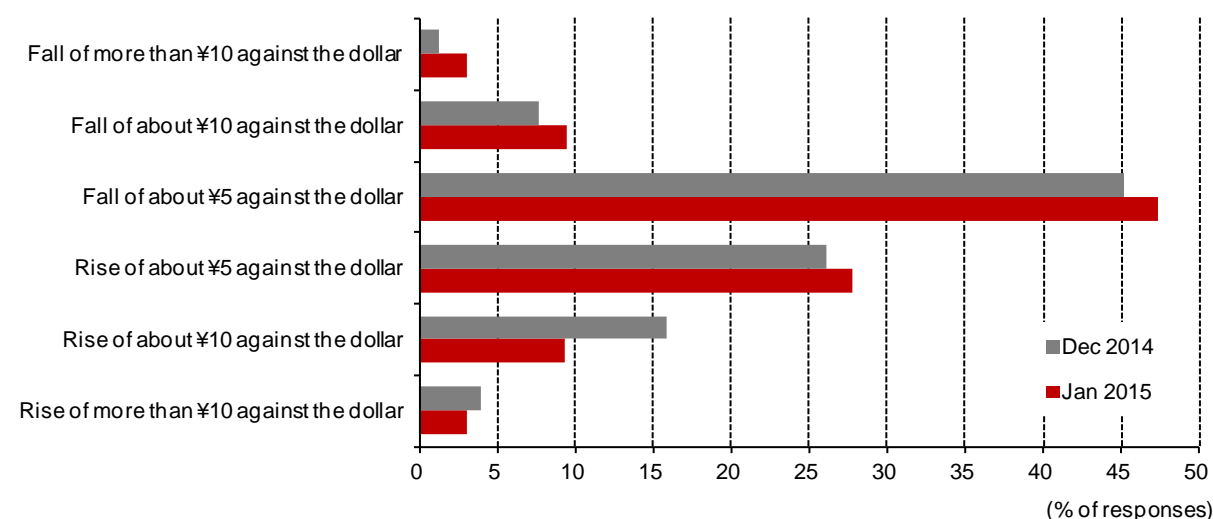
Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	118	9501	Tokyo Electric Power	10
9984	Softbank	32	6301	Komatsu	9
4502	Takeda Pharmaceutical	28	8058	Mitsubishi Corp	9
8411	Mizuho Financial Group	25	2811	Kagome	8
6752	Panasonic	19	6594	Nidec	8
3402	Toray Industries	18	6758	Sony	8
7011	Mitsubishi Heavy Industries	16	9437	NTT Docomo	8
9202	ANA Holdings	16	3048	Bic Camera	7
8267	Aeon	15	5401	Nippon Steel & Sumitomo Metal	7
4901	Fujifilm Holdings	14	7616	Colowide	7
7270	Fuji Heavy Industries	13	8306	Mitsubishi UFJ Financial Group	7
4661	Oriental Land	12	4503	Astellas Pharma	6
6501	Hitachi	11	6753	Sharp	6
7267	Honda Motor	11	7269	Suzuki Motor	6
2931	Euglena	10	7751	Canon	6
6502	Toshiba	10	8604	Nomura Holdings	6
7261	Mazda Motor	10			

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

(5) More investors see yen weakening versus the US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to weaken against the US dollar was 59.8%, up 5.6ppt from the previous month's total of 54.2%. The response rate for "fall of about ¥5 against the dollar" marked the largest m-m rise, of 2.1ppt. The response rates for "fall of about ¥10 against the dollar" and "fall of more than ¥10 against the dollar" rose 1.7ppt and 1.8ppt respectively. The response rate for "rise of about ¥10 against the dollar" fell substantially, by 6.5ppt. More investors see the yen weakening versus the US dollar (Figure 7).

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



Note: Respondents were asked to share their outlook for USD/JPY over the next three months, referencing a 5 Jan 2015 indicative rate of 120.32. 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 remains most appealing currency, euro loses appeal

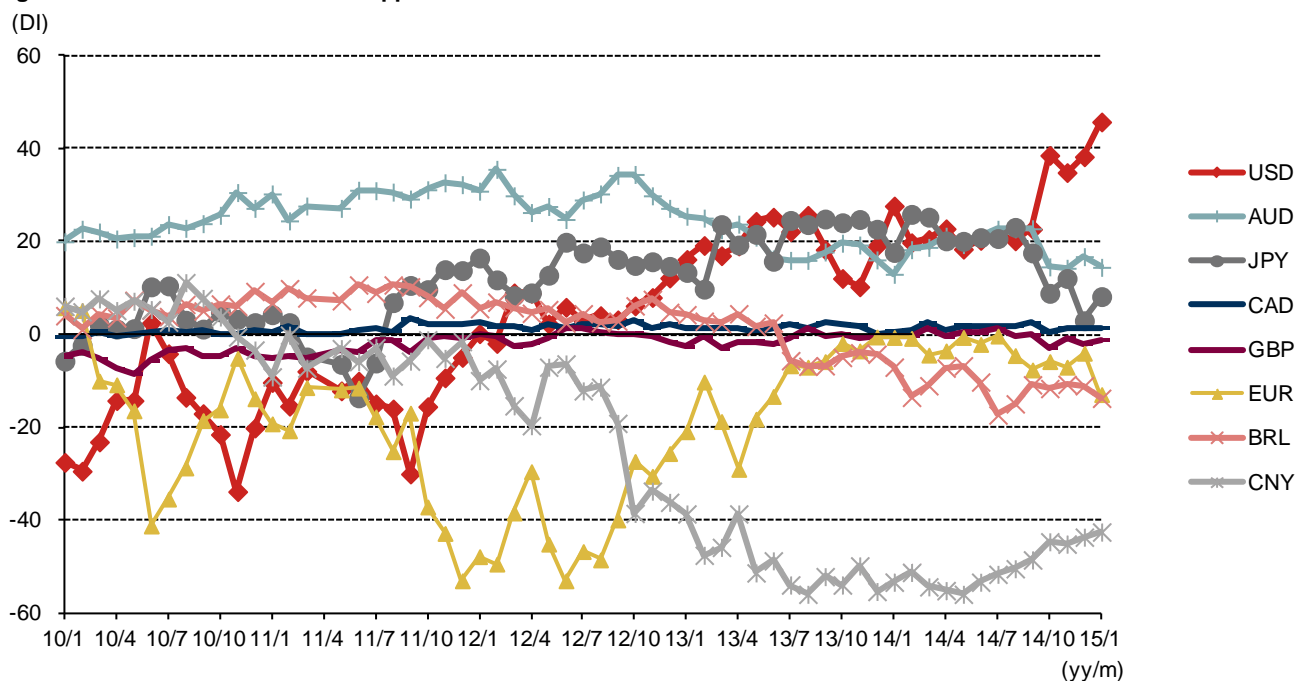
We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing". The US dollar occupied the top spot with a DI of 45.8, and it also saw the greatest m-m rise of all the currency options, of 7.5pt. The euro saw the greatest m-m decline, of 8.9pt (Figures 8 & 9).

Fig. 8: Investment appeal by currency

Currency	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
US dollar	45.8	50.6	4.8	38.3
Australian dollar	14.5	15.8	1.3	16.8
Japanese yen	8.2	22.2	14.0	3.0
Canadian dollar	1.3	1.8	0.5	1.3
Pound sterling	-1.3	1.3	2.6	-2.1
Euro	-12.9	3.1	16.0	-4.0
Brazilian real	-13.7	2.5	16.2	-11.0
Chinese yuan	-42.5	1.1	43.6	-43.6

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 investment appeal of selected currencies



(7) Japanese equities remain the most appealing financial instrument

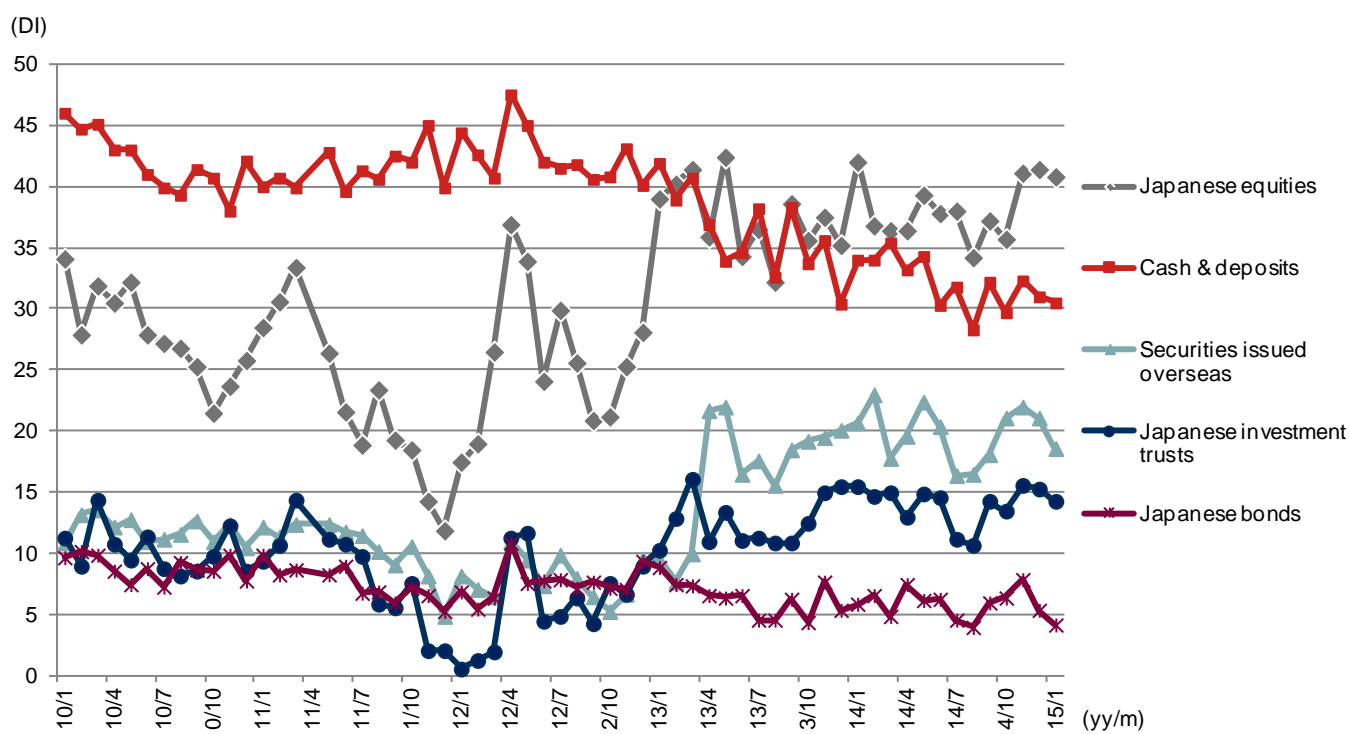
To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. Japanese equities remained the most appealing financial instrument this month, but their DI fell 0.6pt m-m (Figures 10 & 11).

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	
Japanese equities	40.8	50.8	10.0	41.4
Cash & deposits	30.5	35.1	4.6	31.0
Japanese investment trusts	14.3	18.6	4.3	15.3
Gold	10.2	10.4	0.2	9.5
Foreign equities	8.3	9.5	1.2	9.2
Foreign investment trusts	6.4	8.2	1.8	6.7
Japanese bonds	4.2	7.1	2.9	5.4
Foreign bonds	3.9	5.6	1.7	5.2
Hybrid securities	2.9	2.9	0.0	2.1
Other	0.5	0.8	0.3	1.0
None	-49.7	28.9	78.6	-51.0

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). "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 Feb 2012 survey. From the Apr 2013 survey, we have divided the former category of "Securities issued overseas" into foreign equities, foreign investment trusts, and foreign bonds.

Fig. 11: Trend in DIs for financial instruments in which investors are either seeking to increase or decrease their holdings



Note: "Securities issued overseas" is the total for foreign equities, foreign investment trusts, and foreign bonds.

(8) Increase in number of investors expecting prices one year out to rise

When asked for their outlook for prices of regularly purchased goods and services one year out, 67.4% of respondents said they expected prices to rise, marking an increase of 6.7ppt from 60.7% the previous month. Meanwhile, the proportion of respondents expecting prices to fall declined 1.8ppt, from 14.9% in December to 13.1% in January. The response rate for no change fell 4.9ppt. Overall, more investors expect prices one year out to rise (Figure 12).

Fig. 12: Outlook for prices one year out

	Choices	% of responses	(Ref) Previous % of responses
1	Fall of 5% or more	3.6	2.9
2	Fall of 2% up to 5%	5.4	6.0
3	Fall of less than 2%	4.1	6.0
4	No change (0%)	19.5	24.4
5	Rise of less than 2%	35.9	36.3
6	Rise of 2% up to 5%	25.2	20.3
7	Rise of 5% or more	6.3	4.1
	Total	100	100

Note: Respondents were asked to select one response to the question: "How do you expect prices of regularly purchased goods and services to differ from current levels one year out?"

(9) About NISA (tax-exempt scheme for small investments)

Our first spot question this month concerned NISA. We first asked respondents whether they had opened accounts. More than 50% said they had (Figure 13).

Fig. 13: Have you opened a NISA?

	Choices	No. of responses	% of responses
1	I have already opened an account	575	57.5
2	I have applied to open an account	15	1.5
3	I plan to apply to open an account	121	12.1
4	I have no plans to open an account	289	28.9
	Total	1,000	100.0

Next, we asked respondents who had already opened NISAs how much they had invested in the accounts. The combined totals for "between zero and ¥200,000" and "between ¥800,000 and ¥1,000,000" accounted for 80% of the total (Figure 14).

Fig. 14: Amounts invested thus far in NISAs

	Choices	No. of responses	% of responses
1	¥0—less than ¥200,000	183	31.8
2	¥200,000—less than ¥400,000	33	5.7
3	¥400,000—less than ¥600,000	46	8.0
4	¥600,000—less than ¥800,000	36	6.3
5	¥800,000—¥1,000,000	277	48.2
	Total	575	100.0

We then asked the same respondents who had already opened accounts how much they planned to invest by the end of the year (end-December 2015). The greatest number chose between ¥800,000 and ¥1,000,000, followed by don't know (Figure 15).

Fig. 15: Planned NISA investments through to end-December 2015

	Choices	No. of responses	% of responses
1	¥0–less than ¥200,000	77	13.4
2	¥200,000–less than ¥400,000	32	5.6
3	¥400,000–less than ¥600,000	35	6.1
4	¥600,000–less than ¥800,000	21	3.7
5	¥800,000–¥1,000,000	270	47.0
6	Don't know	140	24.3
	Total	575	100.0

Next, we asked respondents who selected 1-5 in the previous question (that is, excluding those that selected "don't know") how they would fund their NISA investments through to the end of the year. The greatest number said equities, followed by cash & deposits (Figure 16).

Fig. 16: Funding sources for NISA investments through to the end of the 2014

	Choices	No. of responses	% of responses
1	Cash & deposits	140	32.2
2	Investment trusts	59	13.6
3	Equities	165	37.9
4	Salaries, bonuses	29	6.7
5	Pension fund	2	0.5
6	Other	15	3.4
7	Undecided	25	5.7
	Total	435	100.0

We then asked those same respondents what instruments they intended to invest in if they invested via NISA through to the end of the year. The largest number, accounting for almost 70% of the total, said Japanese equities (Figure 17).

Fig. 17: Instruments investors intend to buy if they make NISA investments through to year-end

	Choices	No. of responses	% of responses
1	Japanese equities (including domestic REITs and ETFs)	294	67.6
2	Foreign equities	13	3.0
3	Equity investment trusts	81	18.6
4	Undecided	47	10.8
	Total	435	100.0

(10) About general shareholders' meetings

For our second spot question, we asked about the tendency for large numbers of general shareholders' meetings to all be held on the same day in June, and about the possibility of spreading them out, so that some meetings would take place later than now, with potential implications for the timing of dividend payments. Some 41.4% of respondents (the top response) said that they would have no objection to general shareholders' meetings being held later than at present provided dividends were paid out on the same day as before. Meanwhile, 39.8% of respondents said that they would have no objection to general shareholders' meetings being held later than at present even if this pushed back the timetable for dividend payments (Figure 18). It looks as though the majority of individual investors have no objection to general shareholders' meetings being held later than at present.

Fig. 18: What do you think about dividend payments potentially being delayed as a result of general shareholders' meetings being held later than at present? (Single choice response)

	Choices	No. of responses	% of responses
1	No objection to general shareholders' meetings being held later than at present even if this pushes back the timetable for dividend payments	398	39.8
2	No objection to general shareholders' meetings being held later than at present provided dividends are paid out on the same day as before	414	41.4
3	General shareholders' meetings should be held according to their current schedule regardless of whether dividends are paid out on the same day as before	188	18.8
	Total	1,000	100.0

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 5 January, with deadline for responses on 6 January.

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 outlook and attractive currencies, (5) financial instruments for which investors plan to change their holdings, and (6) inflation outlook (since July 2013). Respondents are also asked spot questions each month and queries about their personal profiles.

4. Nomura Individual Investor Survey (January 2015) respondents

Gender: Male (83.0%), Female (17.0%)

Age: Under 30 (1.1%), 30–39 (9.7%), 40–49 (23.5%), 50–59 (31.7%), 60 and above (34.0%)

Occupation: Self-employed/fisheries, agriculture, forestry (7.4%), professional (physician/medical professional, lawyer, etc) (2.6%), company management/corporate officer (4.1%), company employee/public servant (51.1%), student (0.2%), full-time homemaker (7.5%), part-time worker/casual worker/job-hopper (4.4%), unemployed/pensioner (21.3%), other (1.4%)

Region: Kanto (44.9%), Kinki (21.9%), Tokai/Koshinetsu/Hokuriku (17.6%), Hokkaido/Tohoku (4.6%), Chugoku/Shikoku/Kyushu (11.0%)

Financial assets held: Less than ¥1,000,000 (6.7%), ¥1,000,000–¥2,999,999 (9.0%), ¥3,000,000–¥4,999,999 (11.8%), ¥5,000,000–¥9,999,999 (15.6%), ¥10,000,000–¥29,999,999 (31.3%), ¥30,000,000–¥49,999,999 (13.4%), ¥50,000,000 or more (12.2%)

Value of domestic stocks held: Less than ¥500,000 (11.8%), ¥500,000–¥999,999 (10.7%), ¥1,000,000–¥2,999,999 (23.1%), ¥3,000,000–¥4,999,999 (15.9%), ¥5,000,000–¥9,999,999 (18.0%), ¥10,000,000–¥29,999,999 (15.5%), ¥30,000,000 or more (5.0%)

Investment experience: Less than three years (2.8%), three years to less than five years (8.4%), five years to less than 10 years (26.5%), 10 years to less than 20 years (33.7%), 20 years or more (28.6%)

Investment plan for domestic stocks: Mainly for long-term holding (47.2%), pursuit of gains from short-term appreciation (13.9%), pursuit of dividends and shareholder perks (24.3%), no particular plan (14.6%)

Notice

The next Nomura Individual Investor Survey (February 2015) is scheduled for release on Thursday, 12 February 2015.

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

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8% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 26% of companies with this rating are investment banking clients of the Nomura Group*.

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Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America, and Japan and Asia ex-Japan from 21 October 2013

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:

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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.

Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

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

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SECTORS

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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.

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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.

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