

Nomura Individual Investor Survey

September 2019

20 September 2019

Global Research Division
Nomura Securities Co., Ltd.

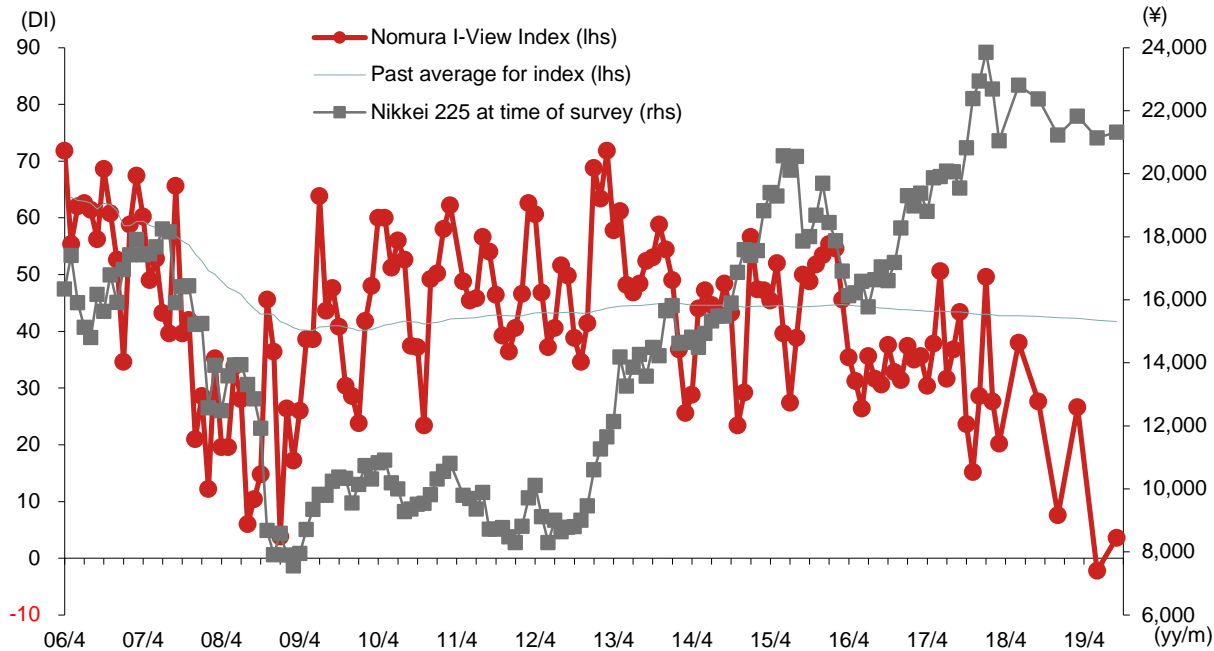
The Nomura Individual Investor Survey is a periodic survey conducted with the aim of better understanding investing activity by individuals and providing information on related trends.

1. Survey results

(1) Nomura I-View Index up from previous survey at 3.6

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 3.6 in September 2019, up 5.8pt versus the previous survey in June 2019. The Nikkei 225 reference level at the time of the survey (9 September 2019 close) was 21,318.42, up 184.00 versus the previous survey (10 June 2019 close of 21,134.42).

Fig. 1: The Nomura I-View Index and reference level of Nikkei 225 at time of survey

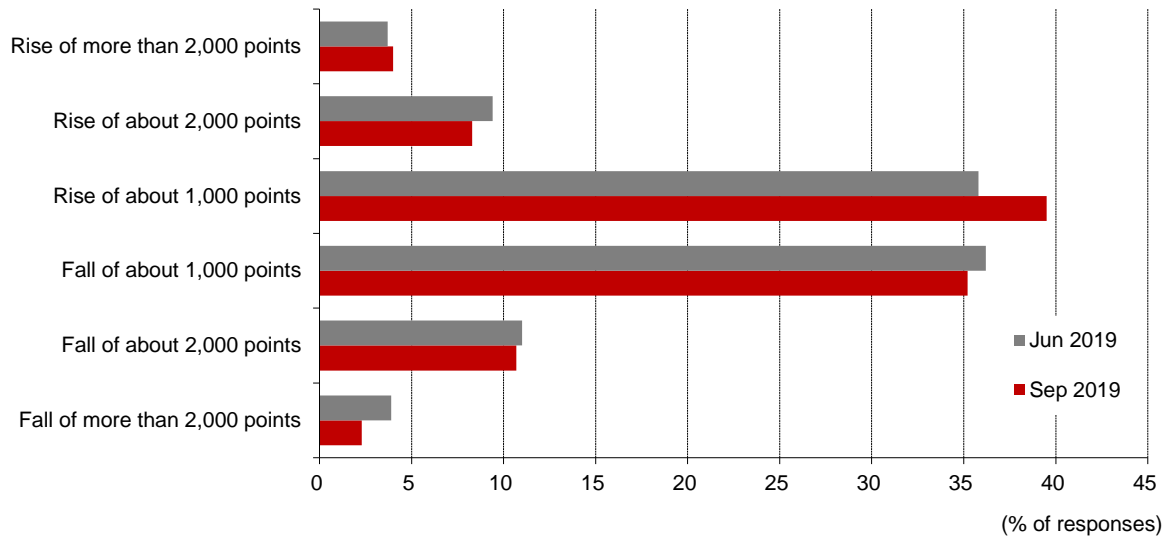


Note: (1) The Nomura I-View Index is based on data collected by this survey and expressed as a diffusion index (DI). The calculation method is as follows: $\frac{(\text{number of responses indicating expected rise in share prices in the next three months}) - (\text{number of responses indicating expected fall in share prices in the next three months})}{\text{number of respondents}} \times 100$. The figure for January 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 percentage of respondents expecting the Nikkei 225 to rise over the next three months was 51.8%, up 2.9ppt from 48.9% in the previous survey. The percentage of respondents expecting a "rise of about 1,000 points" was up 3.7ppt versus the previous survey at 39.5%. The percentage of respondents expecting a "rise of about 2,000 points" was down 1.1pt at 8.3%, while the percentage expecting a "rise of more than 2,000 points" rose 0.3pt to 4.0%.

The percentage expecting a "fall of about 1,000 points" declined 1.0ppt to 35.2%. The percentage expecting a "fall of about 2,000 points" was down 0.3ppt at 10.7%, while the percentage expecting a "fall of more than 2,000 points" was down 1.6ppt at 2.3% (Figure 2).

Fig. 2: Outlook for Nikkei 225 during the next three months

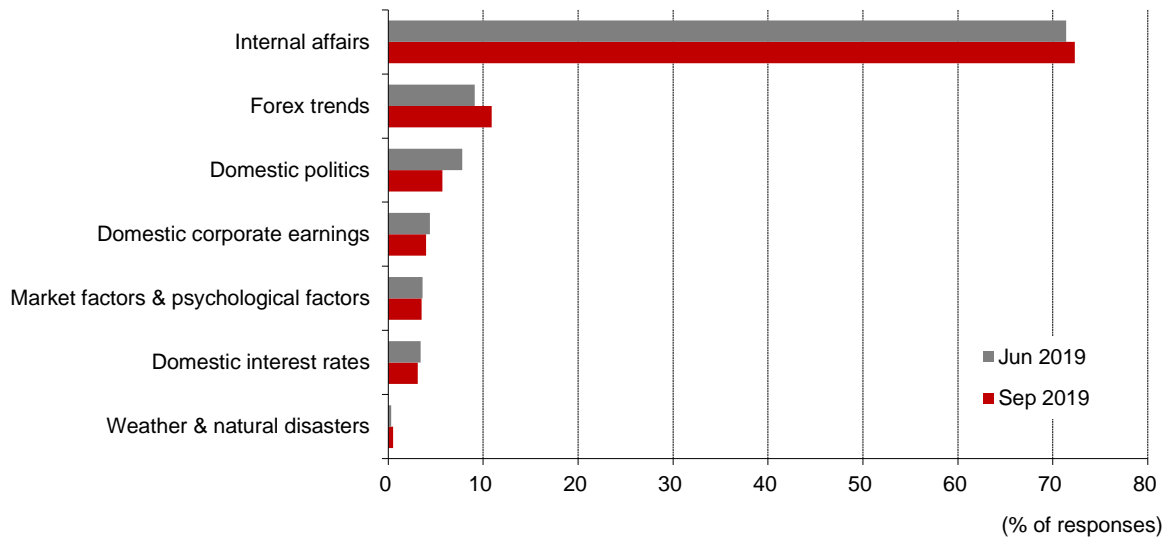


Note: Respondents were asked to share their outlook for the Nikkei 225 during the next three months based on the 9 September 2019 closing value of 21,381. Respondents could choose one answer from a possible six responses ranging from a rise of more than 2,000 points to a fall of more than 2,000 points, with 1,000-point increments in between.

(2) Stronger investor focus on forex trends and international affairs

Respondents were asked to select the factor they thought most likely to affect the stock market over the next three months. The response rate for "forex trends" rose 1.8pt versus the previous survey to 10.9%, and the response rate for "international affairs" rose 0.9pt to 72.3%. Meanwhile, the response rate for "domestic politics" fell 2.1ppt to 5.7%.

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) Appeal of financials sector increases, appeal of automobiles sector falls

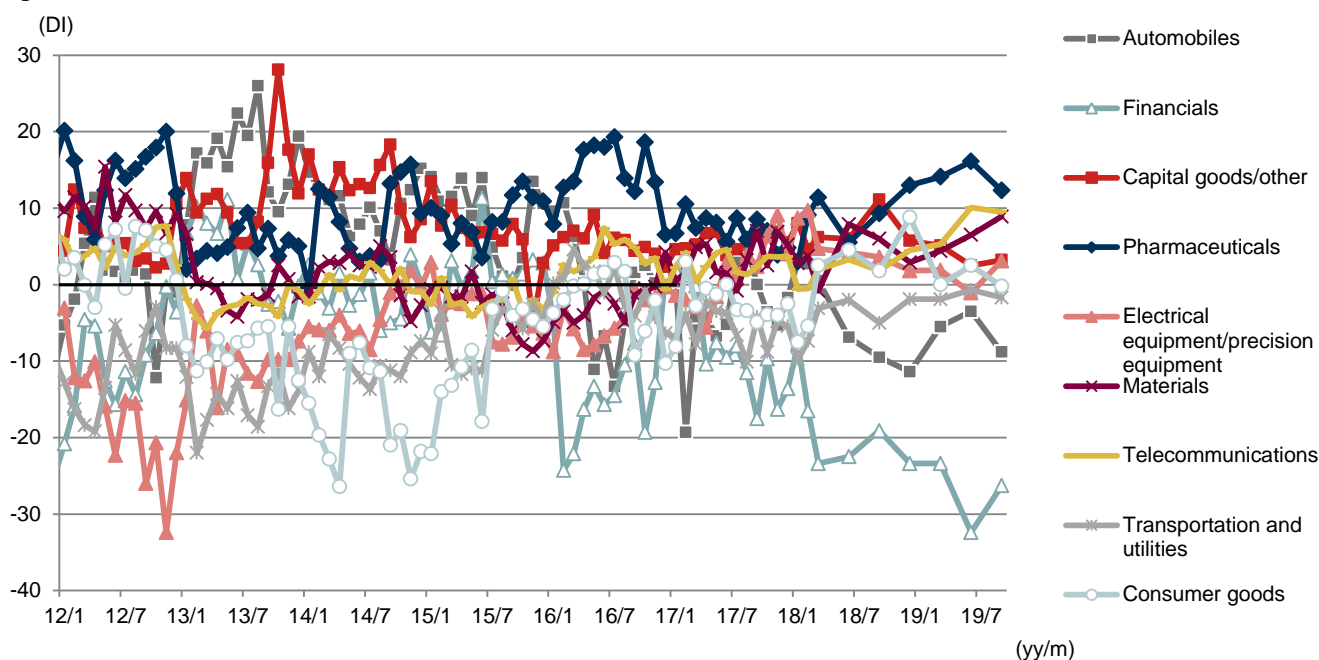
On the outlook for sectors over the next three months or so, we calculate a diffusion index (DI) for each sector by subtracting the percentage of respondents viewing it as "unappealing" from the percentage of respondents viewing it as "appealing." The DI for the financials sector increased 6.1pt versus the previous survey to -26.3. By contrast, the DI for the automobiles sector declined 5.3pt to -8.8 (Figures 4 and 5).

Fig. 4: Investment appeal by sector

Sector	DI	Breakdown of DI (% of responses)		(Ref)
		Appealing	Unappealing	Previous DI
Pharmaceuticals	12.3	14.5	2.2	16.1
Telecommunications	9.5	12.9	3.4	10.1
Materials	8.9	16.8	7.9	6.5
Capital goods/other	3.2	9.2	6.0	2.5
Electrical equipment/precision equipment	3.1	9.9	6.8	-1.1
Consumer goods	-0.2	18.1	18.3	2.5
Transportation and utilities	-1.7	5.9	7.6	-0.7
Automobiles	-8.8	7.9	16.7	-3.5
Financials	-26.3	4.8	31.1	-32.4

Note: Respondents were given nine sectors and asked to choose one they viewed as an appealing investment target and one they viewed as unappealing. For each sector, we calculated a DI by subtracting the percentage of respondents viewing it as "unappealing" from those viewing it as "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: DIs for selected sectors



(4) Most-watched stocks

Respondents were asked to name one stock that they would like to have in their portfolio, or that they find appealing, regardless of whether their investment horizon is the short term or long term (including stocks actually held). 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	89	2702	MCDONALD'S HOLDINGS COMPANY(JAPAN)	9
9984	SoftBank Group	43	2802	Ajinomoto	9
4661	Oriental Land	31	9020	East Japan Railway	9
9434	SoftBank Corp	24	6752	Panasonic	8
4502	Takeda Pharmaceutical	21	7201	Nissan Motor	8
4755	Rakuten	20	7267	Honda Motor	8
6758	Sony	20	3197	Skylark Holdings	7
8267	Aeon	20	6301	Komatsu	7
2914	Japan Tobacco	16	6701	NEC	7
7974	Nintendo	15	8031	Mitsui & Co	7
8591	Orix	15	8306	Mitsubishi UFJ Financial Group	7
9202	ANA Holdings	15	2811	KAGOME CO.,LTD.	6
2897	Nissin Foods Holdings	13	3402	Toray Industries	6
6501	Hitachi	13	4503	Astellas Pharma	6
8058	Mitsubishi Corp	12	6594	Nidec	6
9437	NTT Docomo	12	6981	Murata Manufacturing	6
8001	Itochu	10	8411	Mizuho Financial Group	6
9432	Nippon Telegraph and Telephone	10			

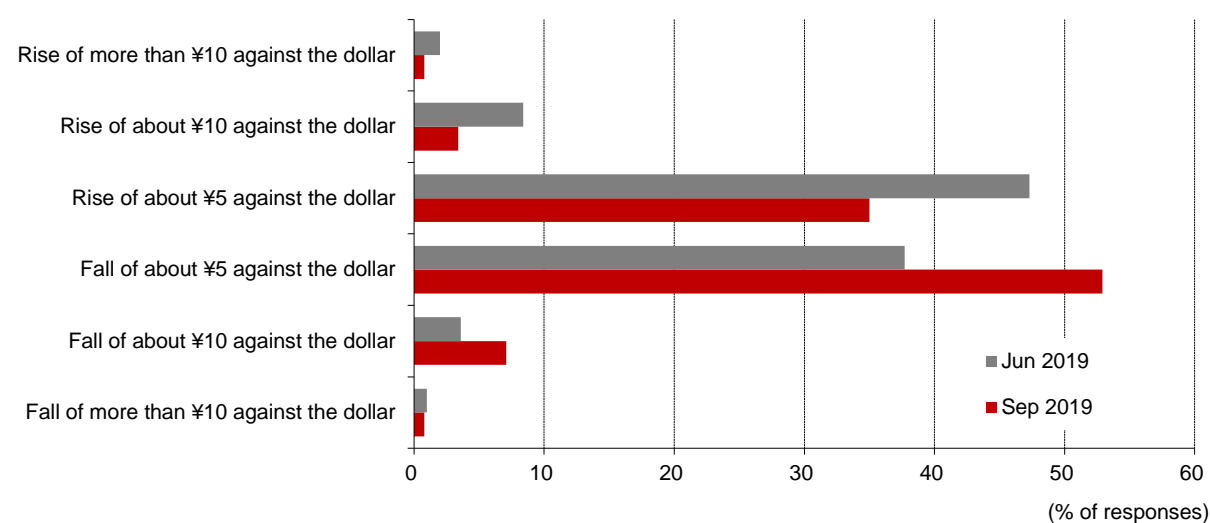
Note: Not included in valid responses were answers of "none" or clearly mistaken responses.

(5) Rise in percentage of investors expecting yen to depreciate against US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to depreciate against the US dollar was 60.8%, up 18.5pt from the previous survey. The response rate for "fall of about ¥5 against the dollar" rose 15.2pt versus the previous survey to 52.9%. The response rate for "fall of about ¥10 against the dollar" rose 3.5pt to 7.1%, while that for "fall of more than ¥10 against the dollar" fell 0.2pt to 0.8%.

The response rate for "rise of about ¥5 against the dollar" declined 12.3pt to 35.0%. The response rate for "rise of about ¥10 against the dollar" fell 5.0pt to 3.4% and the response rate for "rise of more than ¥10 against the dollar" fell 1.2pt to 0.8% (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 9 September 2019 indicative rate of 106.89. They could choose one answer from six possible 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) Investment appeal of Japanese yen rises

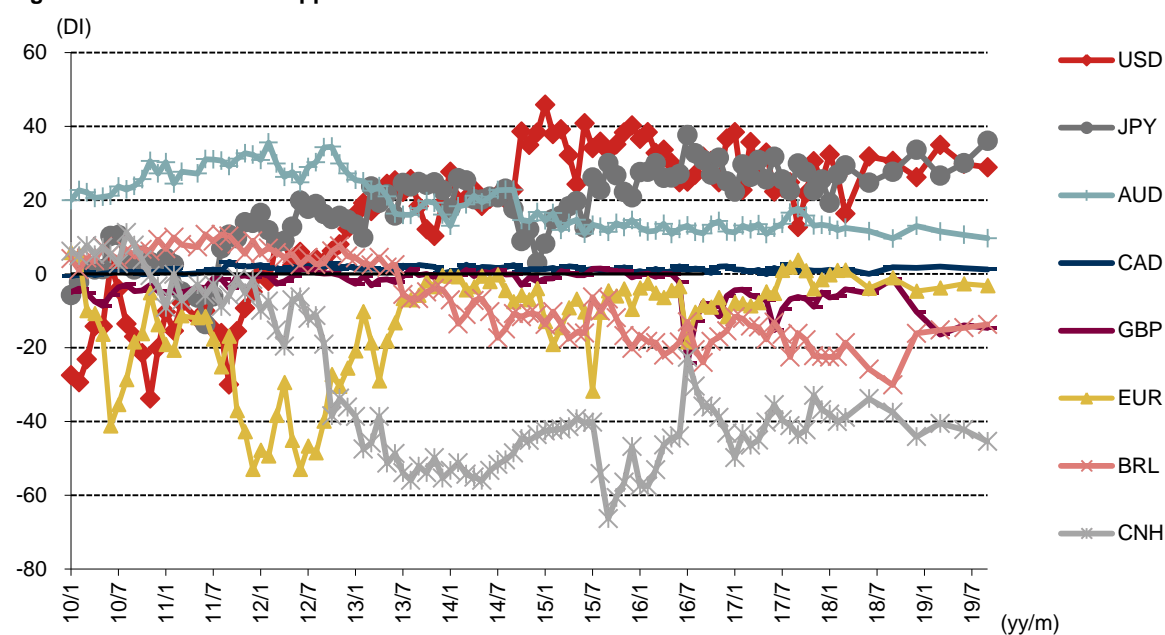
On the outlook for different currencies over the next three months, we calculate a DI for each currency by subtracting the percentage of respondents viewing the currency as "unappealing" from the percentage viewing it as "appealing." The DI for the Japanese yen rose 6.1pt from the previous survey to 36.1, and the DI for the Brazilian real rose 0.9pt to -13.7. In contrast, the DI for the Chinese yuan fell 3.2pt m-m to 45.4. (Figures 8 and 9)

Fig. 8: Investment appeal by currency

Currency	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Japanese yen	36.1	42.3	6.2	30.0
US dollar	28.9	35.7	6.8	29.8
Australian dollar	9.7	11.1	1.4	10.6
Canadian dollar	1.2	2.0	0.8	1.6
Euro	-3.2	2.6	5.8	-2.7
Brazilian real	-13.7	1.2	14.9	-14.6
Pound sterling	-14.6	1.4	16.0	-13.9
Chinese yuan	-45.4	1.5	46.9	-42.2

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

Fig. 9: DIs for investment appeal of selected currencies



(7) Appeal of gold among financial instruments rises

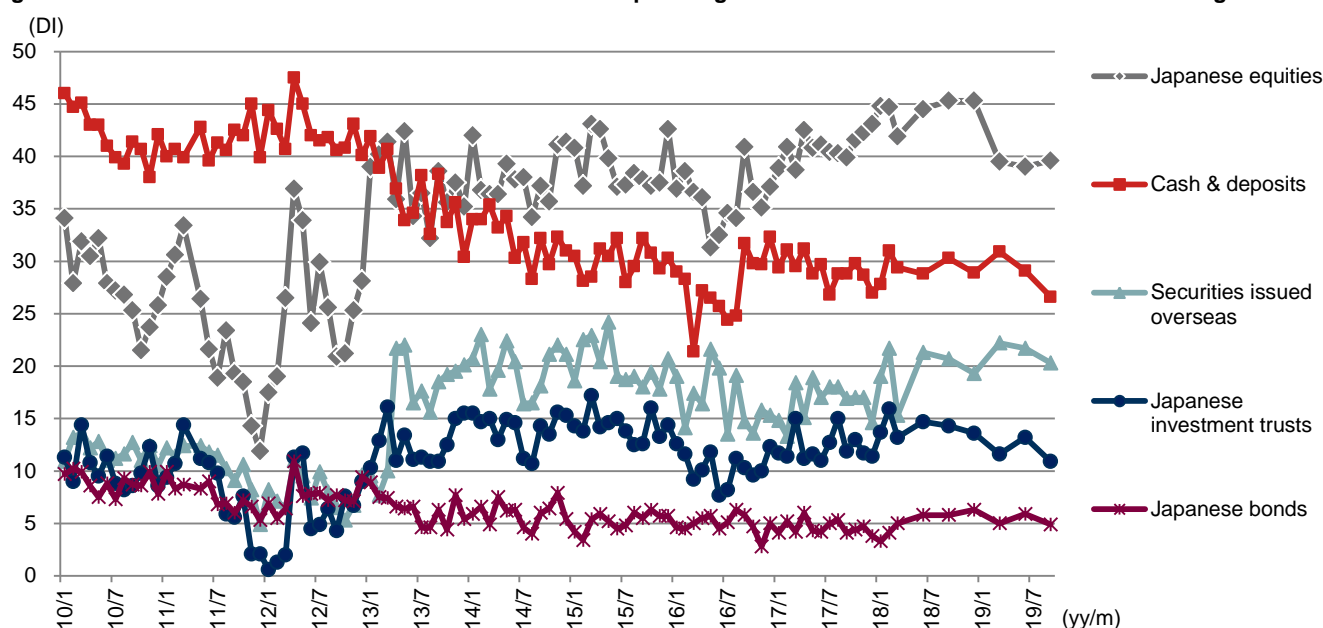
To give an indication of plans for holding financial instruments, we calculate DIs for each type of financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holdings from the percentage planning to hold the instrument for the first time or increase their holdings. The DI for gold rose 2.3pt versus the previous survey to 9.2, while the DI for foreign bonds rose 0.7pt to 4.6 (Figure 10).

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

Financial instrument	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Plan to increase	Plan to decrease	
Japanese equities	39.6	49.2	9.6	39.0
Cash & deposits	26.6	31.9	5.3	29.1
Japanese investment trusts	10.9	18.1	7.2	13.2
Foreign equities	10.8	11.8	1.0	12.3
Gold	9.2	9.5	0.3	6.9
Japanese bonds	4.9	6.9	2.0	5.9
Foreign investment trusts	4.9	6.8	1.9	5.5
Foreign bonds	4.6	5.4	0.8	3.9
Hybrid securities	2.0	2.3	0.3	2.3
Other	0.5	0.5	0.0	0.9
None	-46.5	31.9	78.4	-47.3

Note: Respondents were given a list of 11 responses and asked to choose those financial instruments 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 holdings, while "plan to decrease" refers to instruments that investors plan to cease holding or for which they plan to decrease their holdings. Hybrid securities and gold were added to the list of choices from the February 2012 survey. Since the April 2013 survey, we have divided the former category of "Securities issued overseas" into "foreign equities", "foreign investment trusts", and "foreign bonds".

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



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

(8) Lower percentage of respondents expect prices to be higher one year out

When asked for their outlook for prices of regularly purchased goods and services one year out, 48.4% of respondents selected a "rise" response, down 4.7ppt from last time. The percentage of respondents selecting a "no change" response was up 1.6ppt at 33.0%. The percentage of respondents selecting a "fall" response rose 3.1pt to 18.6% (Figure 12).

Fig. 12: Outlook for prices one year out

	Choices	% of responses	(Ref) Previous % of responses
1	Fall of 5% or more	3.4	3.6
2	Fall of 2% up to 5%	5.1	4.0
3	Fall of less than 2%	10.1	7.9
4	No change (0%)	33.0	31.4
5	Rise of less than 2%	29.7	28.4
6	Rise of 2% up to 5%	15.7	20.4
7	Rise of 5% or more	3.0	4.3
	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) Exercise of voting rights at general shareholders' meetings and views on US-China trade friction

For the September 2019 survey's spot questions, we asked investors about how they exercised their voting rights at the general shareholders' meetings held in June 2019 and, as in the June 2019 survey, about their views on the trade friction between the US and China.

A total of 60.2% of respondents said that they had exercised their voting rights at general shareholders' meetings in June 2019, up 6.1ppt on the figure in the survey a year earlier. The percentage of respondents who exercised voting rights with regard to all companies in which they owned shares was 42.8%, up 6.7ppt from last year's survey. Meanwhile, the percentage of respondents who said they had exercised voting rights in some of the stocks they owned was 17.4%, down 0.6ppt on the survey a year earlier (Figure 13).

Fig. 13: Exercise of voting rights at general shareholders' meetings

	Choices	No. of responses	% of responses	(Ref) Sep 2018 survey % of responses
Exercised voting rights for all stocks owned				
1	Attended general meeting and exercised rights for all stocks owned	32	3.2	2.6
2	Exercised rights for all stocks owned in writing (by post)	233	23.3	21.6
3	Exercised rights for all stocks owned electronically (by internet, mobile phone, smartphone)	128	12.8	9.6
4	Exercised rights for all stocks owned via a combination of methods listed in choices 1–3 above	35	3.5	2.3
Exercised voting rights for some stocks owned				
5	Attended general meeting and exercised rights for some stocks owned	35	3.5	4.5
6	Exercised rights for some stocks owned in writing (by post)	79	7.9	8.8
7	Exercised rights for some stocks owned electronically (by internet, mobile phone, smartphone)	39	3.9	3.9
8	Exercised rights for some stocks owned via a combination of methods listed in choices 5–7 above	21	2.1	0.8
9	Did not exercise rights for any stocks owned	327	32.7	38.6
10	Held no stocks in subject companies	71	7.1	7.3
	Total	1000	100.0	100.0

Note: We asked investors to select one of the above 10 options with regard to the exercise of voting rights at general shareholders' meetings held in June 2019 for March year-end companies.

We also asked investors who said they had exercised voting rights whether they had voted in favor of or against the resolutions (multiple responses allowed). The percentage of investors who said they voted in favor of all resolutions was 51.3%, up 1.2ppt from the survey a year earlier. Among those resolutions they had voted against, the response rate was highest for "dividends (use of surplus funds)," at 9.4%, followed by "director compensation/bonuses," at 8.7%. (Figure 14)

Fig. 14: Voting in favor of/against company resolutions

	Choices	2019 survey		2018 survey	
		No. of responses	%	No. of responses	%
1	Voted in favor of all resolutions	407	51.3	352	50.1
2	Dividends (use of surplus funds)	75	9.4	88	12.5
3	Director compensation/bonuses	69	8.7	64	9.1
4	Retirement bonuses for directors	61	7.7	56	8.0
5	Grant of stock options	41	5.2	29	4.1
6	Selection of directors/auditors (including auditors at companies with an audit board)	68	8.6	51	7.3
7	Introduction of takeover defense measures	17	2.1	25	3.6
8	Change in the number of directors (reduction, establishment of upper limit)	23	2.9	14	2.0
9	Change in the maximum number of issuable shares	14	1.8	11	1.6
10	Share buybacks	19	2.4	12	1.7
	Total	794	100.0	702	100.0

Note: We asked investors who selected responses 1–8 in Figure 13 which company resolutions they had voted against (multiple responses allowed).

We also asked respondents who had not exercised their voting rights to indicate why (multiple responses allowed). The most common reasons given were "Because the impact of my vote is small", at 33.6%, and "Because it is a hassle", at 31.9% (Figure 15).

Fig. 15: Reasons for not exercising voting rights

	Choices	2019 survey		2018 survey	
		No. of responses	%	No. of responses	%
1	Because it is a hassle	147	31.9	182	32.9
2	Because the impact of my vote is small	155	33.6	182	32.9
3	None of the resolutions required me to express an opinion	49	10.6	47	8.5
4	I did not have the time to study the resolutions	14	3.0	24	4.3
5	I could not attend the general meeting or I forgot to mail the voting card	9	2.0	17	3.1
6	My investment style is mainly short term or seeking capital gains, so I do not view exercising my voting rights as important	7	1.5	12	2.2
7	I have no interest in exercising voting rights	64	13.9	63	11.4
8	I did not understand the resolutions well	14	3.0	11	2.0
9	Other	2	0.4	15	2.7
	Total	461	100	553	100.0

Note: We asked investors who selected option 9 in Figure 13 to select one or more responses in Figure 15 indicating why they had not exercised their voting rights.

In addition, as in the June 2019 survey, we once again asked investors how long they thought the current trade friction between the US and China would last, and about their investment behavior during the period of trade friction. In response to the question of how long they thought the current trade friction would last, 38.5% selected the response "The trade friction will continue until 2020 H2 (ie, around one year from now), when the US presidential election campaigns will get fully under way" (Figure 16). Meanwhile, the percentage who replied that the trade friction would come to end within six months fell to 18.0%, down from a total of 26.9% in the previous survey.

Fig. 16: Duration of US-China trade friction

	Choices	No. of respondents	% of total	(Ref) Sep 2018 survey % of responses
1	The two countries will come to an agreement soon in view of the economic effects of the trade friction, and the friction will come to an end, for example with a lowering of tariffs, after around three months	41	4.1	7.4
2	Negotiations between the two countries will take some time, but the trade friction will come to an end before the end of FY2019 (ie, after around six months)	139	13.9	19.5
3	The trade friction will continue until 2020 H2 (ie, around one year from now), when the US presidential election campaigns will get fully under way	385	38.5	29.5
4	The trade friction between the two countries will last for more than one year and will have a negative impact on the global economy	299	29.9	29.9
5	Don't know.	136	13.6	13.7
	Total	1,000	100	100

Note: Respondents were asked to select one response to the question: "How long do you think the current trade friction between the US and China will last?".

They were also asked about their investment behavior while this trade friction is ongoing (Figure 17). The most popular response, with a response rate of 74.6%, was "I have not done anything in particular".

Fig. 17: Investment behavior amid US-China trade friction

	Choices	No. of respondents	% of total	(Ref) Sep 2018 survey % of responses
1	I have reduced my exposure to equities and other types of risk assets because of concerns about the impact of the trade friction on the global economy	144	14.4	12.2
2	I have increased my exposure to equities and other kinds of risk assets because I think that the US and China will reach an agreement soon in view of the economic impact of the trade friction	102	10.2	9.3
3	I have not done anything in particular because it is hard to predict how the trade friction will affect the global economy and the financial and equity markets	746	74.6	68.3
4	Other	8	0.8	10.2
	Total	1,000	100	100

Note: Respondents were asked to select the response that most closely reflected their investment behavior following the fall in share prices since May amid concerns about the negative impact of US-China trade friction.

2. Nomura Individual Investor Survey

With the aim of better understanding investing activity by individuals and providing information on those trends, Nomura Securities periodically conducts a survey—the Nomura Individual Investor Survey. The results of the survey have been published 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 9 September 2019, with deadline for responses on 10 September 2019

Survey content: Questions included each time 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 time and queried about their personal profiles.

3. Nomura Individual Investor Survey (September 2019) respondents

Gender: Male (84.2%), female (15.8%)

Age: Under 30 (0.2%), 30–39 (4.3%), 40–49 (18.8%), 50–59 (28.6%), 60 and above (48.1%)

Occupation: Self-employed/fisheries, agriculture, forestry (8.4%), professional (physician/medical professional, lawyer, etc) (2.7%), company management/board member (4.2%), company employee/public servant (41.6%), student (0.1%), full-time homemaker (7.3%), part-time worker/casual worker/job-hopper (5.6%), unemployed/pensioner (28.1%), other (2.0%)

Region: Kanto (53.0%), Kinki (19.4%), Tokai/Koshinetsu/Hokuriku (14.4%), Hokkaido/Tohoku (4.3%), Chugoku/Shikoku/Kyushu (8.9%)

Financial assets held: Less than ¥1,000,000 (5.0%), ¥1,000,000–¥2,999,999 (7.1%), ¥3,000,000–¥4,999,999 (10.5%), ¥5,000,000–¥9,999,999 (16.2%), ¥10,000,000–¥29,999,999 (30.1%), ¥30,000,000–¥49,999,999 (13.0%), ¥50,000,000 or more (18.1%)

Value of Japanese stocks held: Less than ¥500,000 (8.5%), ¥500,000–¥999,999 (9.6%), ¥1,000,000–¥2,999,999 (21.1%), ¥3,000,000–¥4,999,999 (16.5%), ¥5,000,000–¥9,999,999 (17.1%), ¥10,000,000–¥29,999,999 (20.1%), ¥30,000,000 or more (7.1%)

Investment experience: Less than three years (1.1%), three years to less than five years (3.7%), five years to less than 10 years (17.3%), 10 years to less than 20 years (36.0%), 20 years or more (41.9%)

Investment plan for Japanese stocks: Mainly for long-term holding (48.0%), pursuit of gains from short-term appreciation (9.0%), pursuit of dividends and shareholder perks (32.2%), no particular plan (10.8%)

Notice

The next Nomura Individual Investor Survey (December 2019) is scheduled for release on Thursday, 19 December 2019.

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

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As at 30 June 2019.

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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.

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.

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Transactions involving convertible bonds are subject to a sales commission of up to 1.08%*1 (1% tax excluded) of the transaction amount (or a commission of ¥4,320*2 (¥4,000 tax excluded) if this would be less than ¥4,320*2). 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.

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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 5.4%*1 (5.0% tax excluded) 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 5.4%*1 (5.0% tax excluded/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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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

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