NOMURA

Nomura Japan Equity High Dividend 70 index

EQUITY QUANTITATIVE RESEARCH (INDEX)

Index rulebook

Global Markets Research

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Research analysts

Japan index products

Index Operations Dept. - NSC
idx_mgr@jp.nomura.com
+81 3 6703 3986

The Nomura Japan Equity High Dividend 70 is an equally weighted index comprising 70 Japanese stocks with high dividend yields. It was developed as a tool to help passive investors achieve a consistently high dividend income. A total of 70 common stocks listed in Japan with a high current-FY dividend yield forecast are selected for the index, taking dividend sustainability and investability into account.

Features of Nomura Japan Equity High Dividend 70

- Comprises 70 Japanese stocks with a high current-FY dividend yield forecast
- Equally weighted to ensure a high dividend yield
- To take dividend sustainability into account, stocks that have recorded negative recurring profits in any of the previous three years are excluded
- Limited to stocks with a March, June, September, or December fiscal year-end to facilitate quarterly dividend payments to passive investment funds that track the index
- Dividend forecasts are monitored, and any stock for which the dividend forecast has fallen to zero is removed between periodic reconfigurations and replaced with a stock with a high current-FY dividend yield forecast
- To take investability into account, stocks with a low daily average trading value or a low free float-adjusted market cap are excluded
- Index is reconfigured once a year as a general rule
- Rebalancing band method is used to limit frequent replacements of stocks in periodic reconfigurations

Rulebook revision history

Revision date	Details
2012/12/17	First edition
2013/1/30	Addition of data services section
2014/6/25	Partial revision of rules on unscheduled reconfigurations (revised rules come into effect on 25 Jul 2014)
2015/1/15	Addition of section on US dollar hedged index

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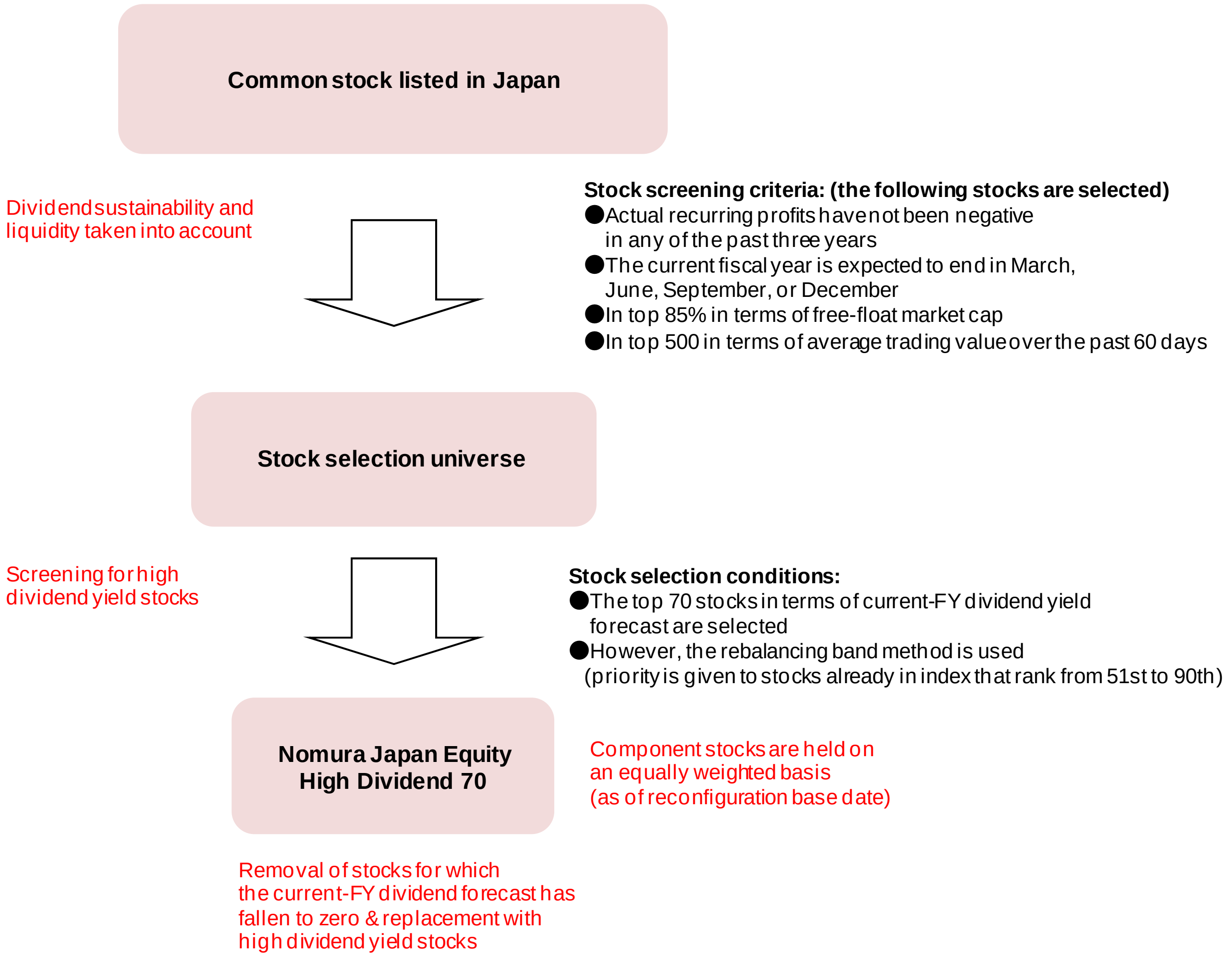
1. Introduction: index overview

The Nomura Japan Equity High Dividend 70 is an equally weighted index comprising 70 Japanese stocks with high dividend yields. It was developed as a tool to help passive investors achieve a consistently high dividend income. A total of 70 common stocks listed in Japan with a high current-FY dividend yield forecast are selected for the index, taking dividend sustainability and investability into account. Figure 1 shows how the index is constructed.

Advantages of the Nomura Japan Equity High Dividend 70

- It enables investors to invest specifically in high dividend yield Japanese stocks easily and at low cost
- Stocks that have recorded negative recurring profits in any of the previous three years are excluded from the index in order to take dividend sustainability into account
- Component stocks are limited to those with a March, June, September, or December fiscal year-end in order to facilitate quarterly dividend payments
- Stocks for which the current-FY dividend forecast has fallen to zero within the fiscal year in question are removed from the index between periodic reconfigurations in order to prevent a decline in the index's average dividend yield
- Component stocks are limited to those in the top 85% in terms of free float-adjusted market cap and the top 500 in terms of average trading value over the previous 60 days, in order to take investability into account
- The rebalancing band method is used to limit frequent replacements of stocks in periodic reconfigurations of the index

Fig. 1: Composition of Nomura Japan Equity High Dividend 70



Source: Nomura

2. Stock selection

2.1 Stock selection universe

The universe of stocks eligible for inclusion in the index in its periodic reconfiguration comprises all listed stocks[1] on the 15th day of the month that is two months before the periodic reconfiguration date (see Section 3.1) or the business day before this if the 15th is a non-business day. This is called the universe fixing date. However, the following stocks are excluded from the stock selection universe.

- Equities other than common stock

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

- Stocks designated for delisting

Stocks designated as securities to be delisted are not included in the stock selection universe.

- Stocks under supervision

Stocks designated as securities under supervision are not included in the stock selection universe.

- TOB target companies

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

-the offer close date falls between the universe fixing date and the periodic reconfiguration date;

-the company conducting the tender offer plans to acquire all the outstanding shares in the target company; and

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

- Listed investment trusts/REITs
- Foreign stocks

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

- Other exceptions

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

[1] Tokyo Stock Exchange (1st Section, 2nd Section, Mothers, JASDAQ, TOKYO PRO Market), Nagoya Stock Exchange, Sapporo Securities Exchange, and Fukuoka Stock Exchange

2.2 Stock selection method[2]

Stocks are selected for the Nomura Japan Equity High Dividend 70 from the stock selection universe as defined in Section 2.1. A total of 70 stocks with a high current-FY dividend yield[3] are selected after taking into account the stock screening criteria and rebalancing band, as set out below[4].

Stock screening criteria

These are rules aimed at limiting inclusion in the index of stocks for which there are doubts about dividend sustainability and low-liquidity stocks such as those with a low free float-adjusted market cap. Stocks that meet the following criteria on the reconfiguration base date are eligible for inclusion in the index.

- Actual recurring profits have not been negative in any of the past three years[5]
- The current fiscal year is expected to end in March, June, September, or December
- In the top 85% in terms of free float-adjusted market cap[6]
- In the top 500 in terms of average trading value over the past 60 days

Rebalancing band

This rule is aimed at limiting frequent stock replacements caused by very small differences in current-FY dividend yield forecasts. Stocks that meet the stock screening criteria are selected for the index using the procedure set out below.

(1) The top 50 stocks in terms of current-FY dividend yield forecast on the reconfiguration base date are selected unconditionally.

(2) Stocks that rank from 51st to 90th in terms of current-FY dividend yield forecast (the rebalancing band) and are already included in the index are then selected until a total of 70 stocks have been selected.

(3) If the total number of stocks selected in (1) and (2) above is less than 70, the shortfall is made up by selecting stocks ranked from 51st onward in terms of the current-FY dividend yield forecast that are not currently included in the index, in order of ranking[7].

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[2] The stock selection criteria may be revised at Nomura's discretion in response to changes in the economic situation, for example. In such a case, however, a revised rulebook would be published at least two weeks before the periodic reconfiguration date.

[3] The current-FY dividend yield forecast for each stock is calculated by dividing the expected dividend per share (or the lowest expected dividend per share if a forecast range is given) for the accounting period that is furthest away within 12 months after the month following the reconfiguration base date by the closing value of its Nomura composite share price on the reconfiguration base date. A stock's Nomura composite share price is its price on its primary exchange (the exchange that is judged to have the most accurate price for the stock, based on the percentage of days traded and trading volume over the previous 60 business days; as a general rule, the primary exchange is selected on a daily basis). The share price is selected according to the following order of precedence:

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

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

[4] When a zero dividend forecast is confirmed for a stock the business day before the periodic reconfiguration announcement date but after the reconfiguration base date, the stock is not included in the index and a replacement stock is used.

[5] Actual recurring profits over the previous three years are calculated from full-year financial data up to the end of the month that is five months before the reconfiguration base date. In terms of the financial data used, priority is given to the latest IFRS accounts, followed in order by the latest Japanese GAAP consolidated accounts, the latest US GAAP accounts, and the latest Japanese GAAP parent accounts. Net profits before tax are used for recurring profits in the case of accounts based on IFRS, and net profits before adjustment for taxes, etc, are used for recurring profits in the case of accounts based on US GAAP.

[6] In order to reflect the number of shares that investors can actually invest in, we calculate the free float-adjusted market cap as follows: Nomura composite share price × (shares outstanding for index calculation purposes - stable shareholding). We estimate the stable shareholding as the number of shares considered to be held on a stable basis, based on major shareholder data, declarations of marketable securities holdings included in securities reports, and data published by stock exchanges and companies (such as stock exchange releases and company prospectuses).

[7] When two or more stocks have the same current -FY dividend yield forecast, the stock with the larger free- float-adjusted market cap is selected on a priority basis.

3. Periodic reconfigurations

3.1 Periodic reconfiguration date

Periodic reconfigurations take place once a year, on the first business day of December (ie, after close of trading on the last business day in November).

3.2 Reconfiguration base date

The fifth business day of the month preceding the periodic reconfiguration date is the reconfiguration base date. Component stocks and the number of shares in each component stock to be included in the index following its periodic reconfiguration are determined on the basis of calculations using data as of the reconfiguration base date.

3.3 Number of shares included in index for each component stock

On the reconfiguration base date as defined in Section 3.2, the index is constructed so that the 70 stocks selected as set out in Section 2.2 have equal weights. The number of shares included in the index for each component stock on the reconfiguration base date is calculated by first dividing the market cap of the index on the reconfiguration base date by the number of component stocks in the index (70) and then dividing this by the Nomura composite share price (see Note 2) at the close of trading on the reconfiguration base date. Please see Section 5.3 regarding adjustment of the number of shares included in the index for each component stock from the reconfiguration base date through to the next scheduled reconfiguration.

3.4 Announcement of periodic reconfigurations

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

4. Unscheduled reconfigurations

4.1 Unscheduled replacement of stocks for which the current-FY dividend has fallen to zero between scheduled reconfigurations

In order to raise the index dividend yield, if it is confirmed that the current-FY dividend forecast of a component stock is zero, as a general rule the stock will be removed from the index on the 11th business day after this confirmation[8] and a new stock will be added on the basis of the waiting list as defined below.

- A current-FY dividend forecast of zero means either that the company forecast for dividends to be paid within the current fiscal year is zero or that the company forecast for the dividend to be paid at the end of the current fiscal year, which is included in the period through to the next scheduled reconfiguration date, is zero.
- If one or more stocks are to be removed from the index because their current-FY dividend forecasts have fallen to zero, the same number of stocks is added to the index as the number of stocks that are to be removed, on the day of removal, starting with the stock with the highest current-FY expected dividend yield[9], on the basis of the waiting list as defined below. The number of shares in the stock or stocks to be added is calculated, based on data for the business day before the date of confirmation of removal from the index, as (sum of shares included in the index for stocks to be removed × closing value of Nomura composite share price of stocks to be removed)/number of stocks to be removed/closing value of Nomura composite share price of stocks to be added to index.
- However, stocks for which the current-FY dividend forecast has fallen to zero will not be removed, and will therefore also not be replaced, if (1) the dividend right confirmation date does not fall between the 11th business day following the zero dividend forecast confirmation date and the next scheduled reconfiguration date or (2) the 11th business day following the zero dividend forecast confirmation date is in October or later. Component stocks will instead be revised at the next scheduled reconfiguration.
- Waiting list

Waiting list stocks are stocks in the stock selection universe (see Section 2.1) for which it is possible to estimate the free float-adjusted market cap and that meet the stock screening criteria (see Section 2.2) on the fifth business day of November, February, May, and August (waiting list base dates)[10]. Stocks are selected from the valid waiting list following confirmation of the stocks that are to be removed. Stocks are removed from the waiting list if their current-FY dividend forecast falls to zero after the waiting list base date.

[8] This rule will be implemented from 25 July 2014. Through 24 July 2014, if it is confirmed that the current-FY dividend forecast of a component stock is zero, as a general rule the stocks will be removed from the index on the 10th business day after this confirmation. If the zero dividend forecast confirmation date is on or after 20 September, however, the stock will not be removed.

[9] The current-FY dividend yield forecast is calculated by dividing the expected dividend per share (or the minimum expected dividend per share if a forecast range is given) in the accounting period that is furthest away within 12 months from the month following the waiting list base date by the Nomura composite share price at close of trading on the waiting list base date.

[10] Stocks are selected using the waiting list base date instead of the reconfiguration base date, as set out in Section 2.2.

Date of confirmation of zero current-FY dividend forecast	Valid waiting list base date
20 November onward	Fifth business day of November (reconfiguration base date)
20 February onward	Fifth business day of February
20 May onward	Fifth business day of May
20 August onward	Fifth business day of August

4.2 Response to stock swaps, stock transfers, etc

Unscheduled reconfigurations are carried out in response to various forms of corporate reorganization. Changes are made on a case-by-case basis taking the situation following the restructuring into account. The objective is to avoid temporary exclusions and thus maintain the consistency of the stocks included in the index.

- Stock swaps, mergers, etc

When a stock is delisted because it is about to become a wholly owned subsidiary or be merged into another company, it will continue to be included in the index after its delisting but removed from the index on the day of the merger. Following its delisting, and until its removal from the index, the stock's valuation will be based on the market value of the company that will become the parent or the surviving company multiplied by the exchange or merger ratio. The number of shares in the parent or surviving company to be included in the index will also change to reflect the exchange or merger ratio, so that the number of shares included in the index is the number of shares in the company that is to become a wholly owned subsidiary or merged into another company multiplied by the exchange or merger ratio.

- Stock transfers, etc

When an unlisted parent company assumes the operations of another company and becomes listed after a short period of time, the stock of the wholly owned subsidiary is removed from the index on the date of the parent company's listing. The price of the delisted subsidiary used is the price on the day before its delisting. The parent company is included in the index on the date of its new listing. The number of shares in the newly listed stock included in the index is the number of shares in the component stock before the stock transfer multiplied by the exchange ratio.

- If the surviving company has a current-FY expected dividend of zero

However, in the case of a stock swap, merger, or stock transfer, etc, as set out above, if it is confirmed by 11 business days before the delisting date that the surviving company (the parent company or the surviving company after the merger) has a current-FY expected dividend of zero, the wholly owned subsidiary or merged company will be excluded from the index, the surviving company will not be included in the index, and a new stock will be added, based on the waiting list as set out in Section 4.1, on the date on which the wholly owned subsidiary or merged company is delisted.

4.3 Removal of stocks

- Designation as securities to be delisted

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

- Delisting

Stocks delisted for reasons other than those noted in Section 4.2 will be removed from the index on the delisting date.

- Marked loss of eligibility for inclusion in stock selection universe

In the case of an event that is considered to seriously damage a component stock's eligibility for inclusion in the stock selection universe, the stock may be removed from the index following an official announcement by the company in question, the stock exchange, or a government/regulatory agency.

As a general rule, if a stock has been removed from the index for a reason other than a zero current-FY dividend forecast, a stock will not be added to replace it.

4.4 Announcement of unscheduled reconfigurations

As a general rule, an announcement will appear on our website by five business days before an unscheduled reconfiguration, except in cases of unforeseen circumstances or when information cannot be confirmed.

5. Calculation of index values

5.1 Calculation of index values

The index must be protected from changes in share price and market capitalization that are not due to market fluctuations. This is done by adjusting the index's base market capitalization[11] as follows.

5.1.1 Index base date, index base values, announcement date
The base date for the Nomura Japan Equity High Dividend 70 is 29 December 2000 (= 10,000).

This index was announced on 17 December 2012.

Index values before this announcement date are calculated according to the rules pertaining at the time for reference purposes.

5.1.2 Index including dividends

Base market cap (t) = market cap (t-1) + adjusted market cap (t)

$$\text{Return } (t) = \frac{\text{market cap } (t)}{\text{base market cap } (t)} - 1$$

Index value (t) = index value (t-1) × [1 + return (t)]

5.1.3 Index including dividends

Base market cap (t) = market cap (t-1) + adjusted market cap (t) - adjusted total dividends (t)

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

Index value (t) = index value (t-1) × [1 + return (t)]

Method for reflecting dividends
For the index including dividends, dividend data are reflected on the ex-dividend date. However, as the value of the dividend has not yet been determined on the ex-dividend date, it is reflected in the index in the following way.

The stock issuer's dividend forecast is used on the ex-dividend date[12]. In the event of a difference between the dividend forecast and the actual dividend, the base market capitalization is adjusted on the last business day of the month of the company's earnings announcement. However, if the company announces its earnings on the last business day of the month, the adjustment is made on the last business day of the following month.

5.1.4 Calculation of US dollar-denominated index values
The US dollar-denominated index is calculated from the yen-denominated index and the exchange rate using the formula below. The index including dividends and the index excluding dividends are calculated separately. The exchange rate used is the mid-rate announced by the BOJ (at 17:00).

$$\text{US dollar-denominated index value} = \frac{\text{yen-denominated index value} \times \text{exchange rate on index base date}}{\text{exchange rate}}$$

[11] In Sections 5.1.2 and 5.1.3, “adjusted market cap” is calculated as the change in market cap accompanying changes in the capital structure of component stocks of the index or the change in market cap accompanying changes in the component stocks of the index. “Adjusted total dividends” is calculated as the difference between the dividend forecast and the actual dividend in cases where the dividend forecast differs from the actual dividend.

[12] This rule was effective from the accounting period to end-December 2011 onward. Prior to this, actual dividends on the ex-dividend date were used.

5.1.5 Calculation of US dollar hedged index values

The US dollar hedged index indicates performance based on investing in the underlying index on a US dollar basis while hedging currency. The amount hedged at the end of each month is calculated via the investment balance at the end of each month using one-month forward USD/JPY transactions. The US dollar hedged index is hedged against currency risk for all index constituents at the end of each month (100% hedging ratio), but this does not mean that currency risk is completely hedged.

The USD/JPY rates used to calculate values for the US dollar hedged index are the closing values of the WM/Reuters spot rate and one-month forward rate (the exchange rate of the Japanese yen against the US dollar, mid-rate at 16:00 London time). When these rates are not available, the equivalent rates on the previous day are used.

The yen-denominated underlying index of the US dollar hedged index is the Net Total Return Index of the Nomura Japan Equity High Dividend 70. The tax rates applied in Japan to nonresidents are used in the calculation of net total return[13].

The official name of the US dollar hedged index is the Nomura Japan Equity High Dividend 70, Net Total Return US Dollar Hedged Index.

- Yen-denominated underlying index

Base market cap after tax (*t*) = market cap (*t*-1) + adjusted market cap (*t*) - adjusted total dividends after tax (*t*)

$$\text{Return }(t) = \frac{\text{market cap }(t) + \text{total dividends after tax }(t)}{\text{base market cap after tax }(t)} - 1$$

Index value (*t*) = index value (*t*-1) × [1 + return (*t*)]

- US dollar hedged index

US dollar hedged index (md) = US dollar hedged index (m0) x [1 + index return before hedging (md) + hedged return (md)]

(m = month, m0 = the last trading day of the previous month, md = day d of month m)

$$\text{Index return before hedging (md)} = \frac{\text{yen-denominated underlying index (md)}}{\text{yen-denominated underlying index (m0)}} \times \frac{\text{spot rate (m0)}}{\text{spot rate (md)}} - 1$$

$$\text{Hedged return (md)} = \frac{\text{spot rate (m0)}}{\text{forward rate (m0)}} - \frac{\text{spot rate (m0)}}{\text{linearly interpolated forward rate (md)}}$$

$$\text{Linearly interpolated forward rate (md)} = \text{spot rate (md)} + \frac{D' - d}{D} \times [\text{forward rate (md)} - \text{spot rate (md)}]$$

(d = the number of calendar days that have passed in the month, D = the total number of calendar days in the month, D' = the total number of calendar days through to the last trading day in the month)

[13] Tax rate for nonresidents was 15.315% as of end-December 2014. For total dividends after tax, we used the tax rate on the trading day before the ex-dividend date. Reviews are conducted quarterly (in January, April, July, and October).

5.2 Adjustment of base market capitalization

The base market capitalization is adjusted in the following cases (Figure 2).

- When a change in the capital structure of a component stock causes an increase or decrease in market capitalization that is not due to market changes
- When a change in the stocks making up the index causes market capitalization to increase or decrease

However, no adjustment to base market capitalization is made for changes in capital structure that do not involve payment, such as stock splits and reverse stock splits, as these do not affect market capitalization.

Fig. 2: Timing of adjustments resulting from changes in capital structure

	Type of change in capital structure	Adjustment date	Share price used
Stock replacement	Stock transfer, stock swap, merger	Date of listing change	Previous day's price
	Corporate divestiture (company/division spinoff)	Ex-rights date	(Not used)[14]
	Stock replacement	Replacement date	Previous day's price
Capital increase	Rights offering	Ex-rights date	Issue price
	Gratis allocation of stock acquisition rights	Ex-rights date	Exercise price
	Gratis allocation of treasury stock	Ex-rights date	Previous day's price
	Public offering	Business day following payment date (listing date of new shares when settlement is on issuance date)	Previous day's price
	Capital increase via third-party placement	Five business days after date of listing change	Previous day's price
	Conversion of preferred stock into common stock	Last business day of month in which number of converted shares becomes known	Previous day's price
	Conversion of CBs Exercise of stock acquisition rights	Last business day of month in which number of new shares for which rights were exercised becomes known	Previous day's price
	Corporate divestiture (new shares in continuing company)	Date of listing change	Previous day's price
Capital decrease	Retirement of treasury stock	Last business day of month following month in which shares are retired	Previous day's price
	Rights offering refusal	Last business day of month in which rights offering refusal is announced (or last business day of following month if announcement is within five business days of month-end)	Previous day's price
	Capital reduction with compensation	Effective date	Previous day's price
Other	Other adjustments	Other adjustments to the base market capitalization, if required, are made on the last business day of the month of the announcement of the relevant report (or the last business day of the following month if the announcement is within five business days of month-end)	Previous day's price

Source: Nomura

[14] In the case of a corporate divestiture (company/division spinoff), the base market capitalization is adjusted for the reduction in capital. Definitions of reductions in capital are as follows:

(1) when the company does not announce the value of the divested division or of the shares of the divested company:

capital reduction = amount by which shareholders' equity is expected to be reduced; and

(2) when the company does announce the value of the divested division or of the shares of the divested company:

capital reduction = value of divested division or value of divested company's shares × total number of shares

5.3. Index maintenance

Component stocks and the number of shares in each stock included in the index are changed using the methods set out in this rulebook. Component stocks are also replaced in periodic and unscheduled reconfigurations and when necessary for other reasons.

When the following changes in capital structure result in a change in the number of shares outstanding for index calculation purposes, for a particular stock, the number of shares in the stock that are included in the index does not change.

- Capital increase via third-party placement
- Retirement of treasury stock
- Exercise of CBs with stock acquisition rights, exercise of bonds with stock acquisition rights, conversion of preferred shares, exercise of stock acquisition rights
- Stock swap, stock transfer, merger[15]
- Rights offering, public offering, rights offering refusal
- Corporate divestiture (new shares in surviving company)
- Other adjustments

However, in the case of stock splits and reverse stock splits, the number of shares in the stock that are included in the index is adjusted by multiplying the number of shares included in the index before the change in capital structure by the stock split (or reverse stock split) ratio.

[15] When the wholly owned subsidiary (merged company) is an index component, the number of shares in the parent company (merging company) is adjusted to reflect the exchange ratio (merger ratio).

6. Data services

Nomura Japan Equity High Dividend 70 access points[16]

Nomura Japan Equity High Dividend 70 is available from the following vendors and site

Bloomberg	: NMRI <go>
QUICK	: NRIJ@
REUTERS	: .NHDIV70 (yen-denominated index excluding dividends), .NHDIV70UNH (US dollar hedged index)
INTERNET	: http://qr.nomuraholdings.com/en/nhdiv/index.html

*Data on component stocks of the index are provided for a fee to subscribers of index data services

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[16] Published data are all for reference only.

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See the following link for details:

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

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Appendix A-1

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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: http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan:** Russell/Nomura Large Cap.

SECTORS

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

Target Price

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

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Transactions involving convertible bonds are subject to a sales commission of up to 1.08% of the transaction amount (or a commission of ¥4,320 if this would be less than ¥4,320). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

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

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

When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index.The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For JI17 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% 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% (annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

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

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

In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors.
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