

Nomura Individual Investor Survey

November 2006

6 November 2006

Investment Strategy Department
Financial & Economic Research Center
Nomura Securities Co., Ltd.

1. Introduction

Individual investors have been taking on a more high-profile role in the stock market for some time now. However, individual investors have a wide diversity of views and investment stances. To date, few regular surveys have attempted to provide a comprehensive look at individual investor trends.

With the aim of better understanding investing activity by individuals and providing information on those trends, the Financial & Economic Research Center of Nomura Securities launched a monthly survey in April 2006—the Nomura Individual Investor Survey. The company also publishes two indices, the first of which is based on the result of the survey. The Nomura Individual Investor Market View Index (Nomura I-View Index) reflects the views of individual investors on the stock market. The Nomura Individual Investor Investment Climate Index (Nomura I-NIC Index) factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow.

2. Overview of Nomura Individual Investor Survey

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

Survey target: Survey sent to e-mail addresses of record for the approximately 11,500 individual investors 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 24 October with deadline for responses the same day

Survey content: Questions included in every survey plus feature questions focusing on various topics that change from month to month. Questions included each month are (1) share price outlook (Nikkei Average), (2) stock trading activity (present and future), (3) factors expected to impact the stock market (domestic economy, corporate earnings, foreign political and economic trends, etc), (4) popular sectors, and (5) popular stocks.

3. Nomura Individual Investor Survey (November 2006) respondents

Gender: Male (74.0%), Female (26.0%)

Age: Less than 30 (6.1%), 30–39 (29.5%), 40–49 (32.3%), 50–59 (22.4%), 60 and above (9.7%)

Financial assets held: Less than ¥2,000,000 (15.7%), ¥2,000,000–¥4,999,999 (22.8%), ¥5,000,000–¥9,999,999 (22.4%), ¥10,000,000–¥29,999,999 (25.3%), ¥30,000,000 or more (13.7%)

Number of different stocks held: One stock (11.7%), Two stocks (12.8%), Three–five stocks (35.4%), Six–10 stocks (22.6%), 11–20 stocks (10.5%), More than 21 stocks (5.9%), None (1.1%)

Average duration stocks are held: Less than one month (3.5%), One month to less than three months (8.7%), Three months to less than six months (14.7%), Six months to less than one year (19.5%), One year to less than two years (16.7%), Two years to less than five years (20.4%), Five years or more (16.5%)

Frequency of trading activity: Once a day or more (2.9%), Once or more per week (13.7%), About once a month (24.1%), About once every two to three months (20.8%), About once every six months (11.6%), About once a year (7.8%), About once every few years (8.2%), Not active at present (10.9%)

Area of investment focus: Stock price movements and technical factors (14.2%), Strong earnings growth (14.8%), Stable earnings growth (49.6%), Dividends and shareholder returns (21.4%)

4. Survey overview

(1) The Nomura I-View Index falls to 60.8 in November

The Nomura I-View Index, based on respondents' three-month outlook on share prices, was 60.8 in November, down 7.8pt from 68.6 in October. The index likely fell as this month's reference level for the Nikkei Average was more than 1,100 points higher than the level last month, so investors seem cautious about prospects for further share price appreciation.

(2) Investors are active in the stock market now and looking to become more so

Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held. The proportion of "decreased" responses shrank for all categories this month, while the proportion of "no change" and "increased" responses rose. When asked about plans for the same categories over the coming three months, the proportion of "plan to increase" responses rose, while the proportion of "no change" or "plan to decrease" responses fell. This month individual investors returned to a bullish outlook after showing signs of increased caution about stock trading in October, after four straight months of bullishness through September. This indicates that investor sentiment is showing signs of improvement.

(3) Impact of all factors rated more positively this month

Respondents were asked to rate the impact of a set of factors on the stock market in the next three months as positive, negative or neutral. The largest proportion of respondents rated market factors & psychological factors as well as overseas securities markets as "Somewhat positive" in November, changed from "Neutral" in October. The proportion of "Positive" responses rose across all categories.

(4) Most appealing sectors were information & telecommunications, consumer-related, and resources

Respondents were asked to choose the sector most appealing as an investment target during the next three months. Some 19.8% of respondents chose information & telecommunications, followed by consumer-related with 12.1%, and resources with 12.0%. Respondents were also asked to choose the least appealing sector for investment: 21.0% chose resources, followed by 13.2% for financials, and 11.8% for construction & real estate.

(5) 2007 investment themes and likely market impact of those subjects

This month's feature question was on subjects envisioned as investment themes in 2007, and the likely market impact of those subjects. Respondents were asked to choose from a number of topics and indicate whether a positive or a negative impact was likely. Looking at the diffusion index (DI) for each factor, we found that while many respondents viewed "the domestic economy", "the Abe administration", and "an end to deflation" as positives for the stock market, factors viewed as negative included "the overseas political situation and geopolitical risk (referring to the Middle East, North Korea, etc)," "prices for crude oil and other natural resources," and "corporate scandals and accounting problems".

(6) Nomura I-NIC Index down m-m to 5.6

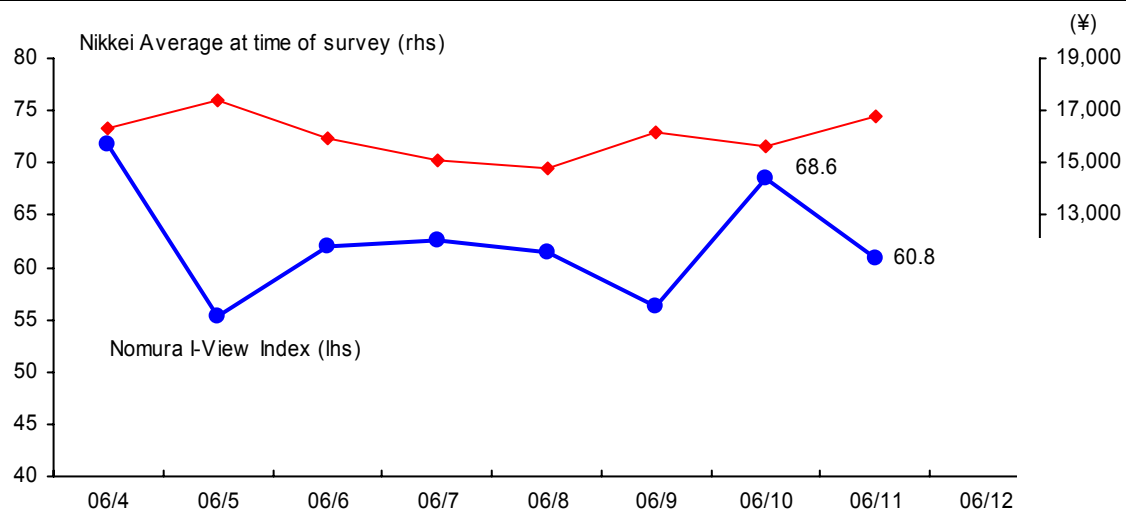
The Nomura I-NIC Index, which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was 5.6 (October 2006 preliminary data), down from the final September figure of 10.4.

5. Survey results

(1) The Nomura I-View Index falls to 60.8

The Nomura I-View Index, based on respondents' three-month outlook on share prices (see section (2) below), was 60.8 in November, down 7.8pt from 68.6 in October (Exhibit 1).

1. The Nomura I-View Index



Note: The Nomura I-View Index is based on data collected by this survey and calculated using a diffusion index. The calculation method is as follows:

$$\left[\frac{\text{Number of responses indicating expected rise in share prices in the next three months} - \text{Number of responses indicating expected fall in share prices in the next three months}}{\text{Number of respondents}} \right] \times 100$$

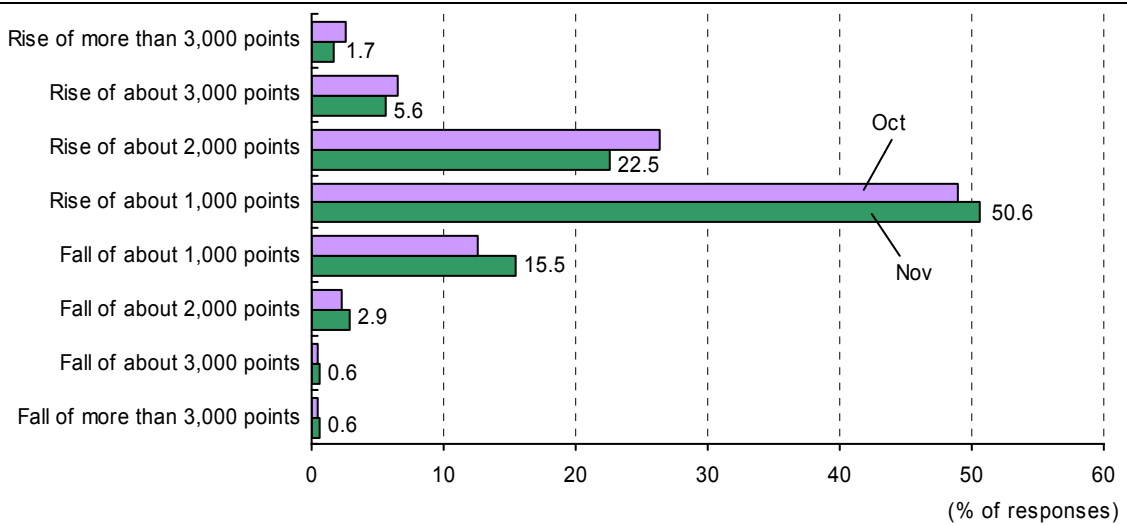
The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

(2) Stock market up from last month, so investors cautious about prospects for further share price appreciation

When asked about the outlook for the Nikkei Average during the next three months, the percentage of respondents that said they expect a rise of about 1,000 points increased to 50.6%, from 48.9% in October, but the percentage that said they expect a rise of about 2,000 points fell to 22.5%, from 26.4%. Those that indicated they expect a fall of about 1,000 points rose to 15.5%, from 12.6%. This month's reference level for the Nikkei Average (16,789, 23 October close) was 1,156 points higher than the level last month (15,633), so while investors continue to anticipate a solid market, they seem cautious about prospects for further share price appreciation (Exhibit 2).

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 23 October closing figure of 16,789. Respondents could choose one answer from a possible eight responses—ranging from a rise of more than 3,000 points to a fall of more than 3,000 points with 1,000-point increments in between. For example, one possible response was the range of 16,801 to 17,800 (a rise of about 1,000 points).

2. Outlook for Nikkei Average during the next three months



(3) Investors are active in the stock market now and looking to become more so

Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held. The proportion of “decreased” responses shrank for all categories this month, while the proportion of “no change” and “increased” responses rose. When asked about plans for the same categories over the coming three months, the proportion of “plan to increase” responses rose, while the proportion of “no change” or “plan to decrease” responses fell. Last month, individual investors showed signs of increased caution about stock trading, after four straight months of bullishness through September. This month’s result, especially when viewed together with respondents’ three-month outlook on the Nikkei Average, indicates that investor sentiment is steadily improving, albeit with some advances and retreats along the way (Exhibit 3).

Note: Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held for the past three months and desired levels in these categories for three months hence. The possible responses were increase (plan to increase), no change, or decrease (plan to decrease).

3. Number of different stocks traded, investment amount, frequency of trading activity, and number of stocks held (%)

(1) Past three months

	Increased		No change		Decreased	
	Nov	Oct	Nov	Oct	Nov	Oct
Number of different stocks traded	15.9	14.1	67.0	65.5	17.1	20.4
Investment amount	15.9	12.8	67.9	66.6	16.2	20.6
Frequency of trading activity	14.0	11.2	64.0	61.2	22.0	27.6
Number of stocks held	14.2	14.1	69.2	67.2	16.6	18.7

(2) Next three months

	Plan to increase		No change		Plan to decrease	
	Nov	Oct	Nov	Oct	Nov	Oct
Number of different stocks traded	38.7	32.0	52.0	57.2	9.3	10.8
Investment amount	34.1	29.5	57.5	59.5	8.4	11.0
Frequency of trading activity	41.0	35.2	52.9	56.2	6.1	8.6
Number of stocks held	33.5	28.1	52.2	56.6	14.3	15.3

(4) Impact of all factors rated more positively this month

Respondents were asked to rate the impact of a set of factors on the stock market in the next three months as positive, negative or neutral. The largest proportion of respondents rated market factors & psychological factors as well as overseas securities markets as “Somewhat positive” in November, changed from “Neutral” in October. This trend likely reflects firm stock market movements in Japan and the US of late. The proportion of “Positive” responses rose across all categories. However, we note that the overseas political and economic situation was rated “Somewhat negative” only second to “Neutral”, indicating that many individual investors may have concerns about geopolitical risk (Exhibit 4).

4. Impact of factors on the stock market (%)

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct
Domestic economy & corporate earnings	15.6	11.1	58.1	54.5	20.7	26.3	5.0	7.0	0.6	1.1
Market factors & psychological factors	8.1	6.9	46.5	35.1	32.9	37.1	11.5	19.2	1.0	1.7
Domestic interest rates & forex trends	4.2	3.0	32.5	25.6	45.3	45.5	17.2	24.0	0.8	1.9
Domestic politics	3.9	3.5	26.7	30.9	47.5	43.9	19.7	19.1	2.2	2.6
Overseas securities markets	7.8	3.3	39.5	18.8	37.5	45.6	14.1	29.9	1.1	2.4
Overseas political and economic situation	3.8	2.4	21.4	12.9	38.8	47.1	31.8	34.5	4.2	3.1

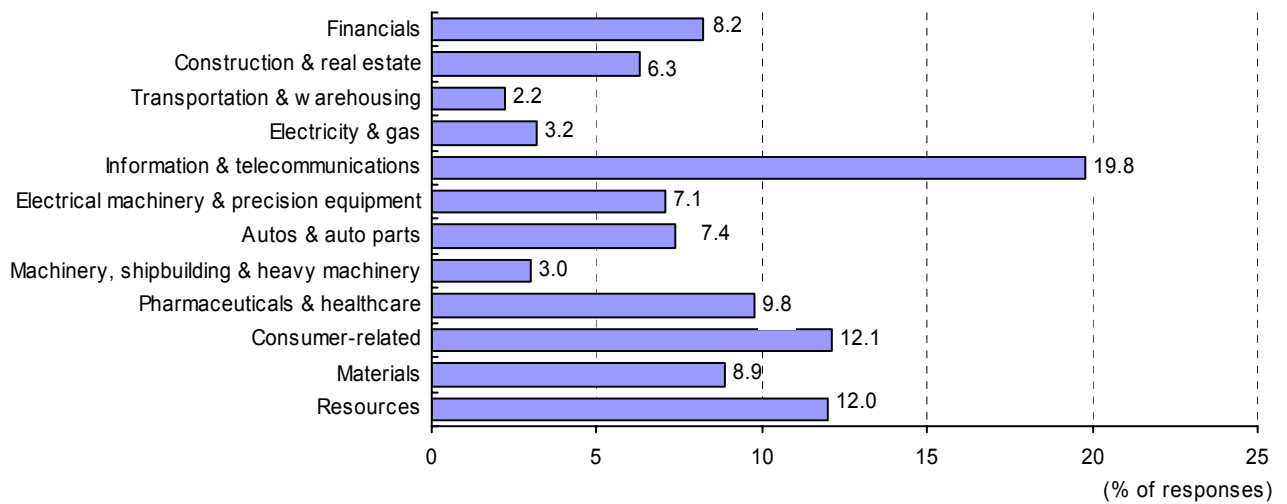
(5) Most appealing sectors were information & telecommunications, consumer-related, and resources

Respondents were asked to choose the sector most appealing as an investment target during the next three months. Some 19.8% of respondents chose information & telecommunications, followed by consumer-related with 12.1%, and resources with 12.0%. Respondents were also asked to choose the least appealing sector for investment: 21.0% chose resources, followed by 13.2% for financials, and 11.8% for construction & real estate. Pharmaceuticals & healthcare left the list of appealing sectors this month, replaced with consumer-related (Exhibit 5).

Note: Respondents were given 12 sectors and asked to choose one viewed as an appealing investment target and one viewed as unappealing. The resources sector comprises oil, coal, and mining products. The materials sector comprises textiles, paper & pulp, chemicals, steel, nonferrous metals, metal products, glass, and rubber. The consumer-related sector comprises trading companies, retail, consumer products, food, agriculture & forestry, and marine products. Information & telecommunications comprises software, media, games, and entertainment. Transportation & warehousing comprises railways, land transport, marine transport, air transport, and warehousing.

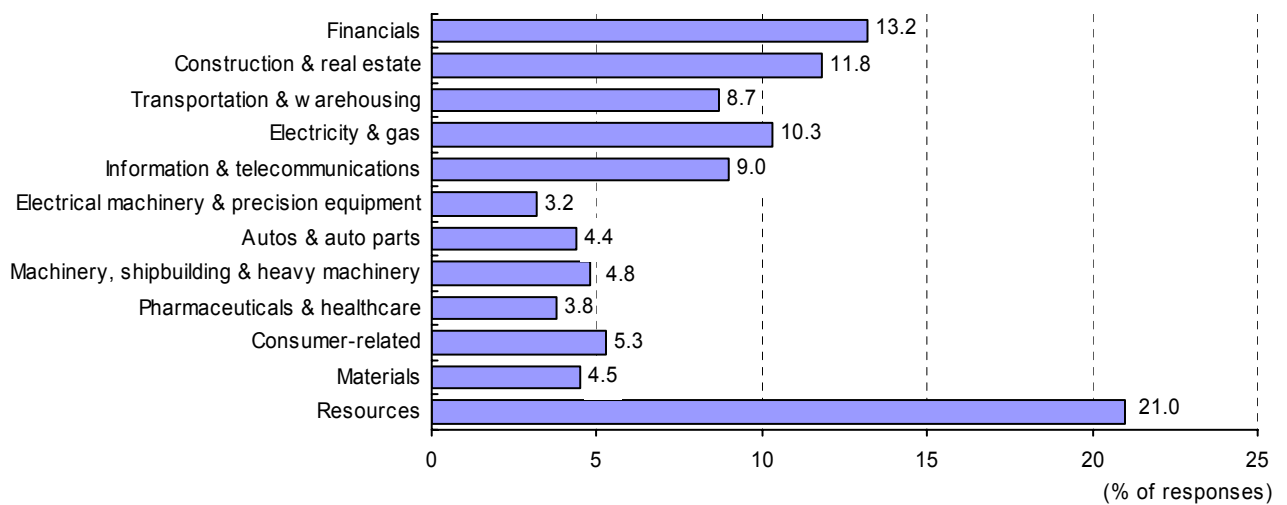
5. Most and least appealing sectors

(1) Sectors with appeal



Note: The top three sectors with appeal last month were information & telecommunications (21.0%), pharmaceuticals & healthcare (12.9%), and resources (11.2%).

(2) Sectors without appeal



Note: The top three sectors without appeal last month were resources (17.6%), financials (15.3%), and construction & real estate (11.2%).

(6) Most-watched stocks

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

6. Name a stock with appeal (820 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	84	6752	Matsushita Electric Industrial	8
9984	Softbank	82	7211	Mitsubishi Motors	8
6758	Sony	25	9202	All Nippon Airways	8
8267	Aeon	15	4502	Takeda Pharmaceutical	7
9205	Japan Airlines	15	4689	Yahoo Japan	7
9501	Tokyo Electric Power	14	8604	Nomura Holdings	7
2811	Kagome	13	3382	Seven & i Holdings	5
4661	Oriental Land	13	5019	Idemitsu Kosan	5
7974	Nintendo	12	6301	Komatsu	5
5401	Nippon Steel	11	7201	Nissan Motor	5
8306	Mitsubishi UFJ Financial Group	11	7267	Honda Motor	5
9437	NTT DoCoMo	11	8058	Mitsubishi Corp	5
7751	Canon	10	8153	Mos Food Services	5
8411	Mizuho Financial Group	10	8263	Daiei	5
4063	Shin-Etsu Chemical	8	8316	Sumitomo Mitsui Financial Group	5
4755	Rakuten	8	9020	East Japan Railway	5

Note: Subtracted from valid responses were multiple answers or an answer of "none".

(7) 2007 investment themes and likely market impact of those subjects

This month's feature question was on subjects envisioned as investment themes in 2007, and the likely market impact of those subjects. Out of a number of topics singled out by Nomura as likely to be considered by equity investors in 2007, and likely to exert an impact on the market, we asked investors to choose the five they consider to be the most important. We also asked investors for their opinion as to whether these factors would exert a positive impact on Japan's stock market or a negative impact. Investors were asked to choose up to five from the 25 factors listed in Exhibit 7 (in the case of "other" factors, they were asked to elaborate). Looking at the diffusion index (DI) for each factor, gleaned by subtracting the number of answers tagging the factor as a negative for the stock market from the number identifying the factor as a positive, we found that while many respondents viewed "the domestic economy", "the Abe administration", and "an end to deflation" as positives for the stock market, factors viewed as negative included "the overseas political situation and geopolitical risk (referring to the Middle East, North Korea, etc)," "prices for crude oil and other natural resources," and "corporate scandals and accounting problems" (Exhibit 7).

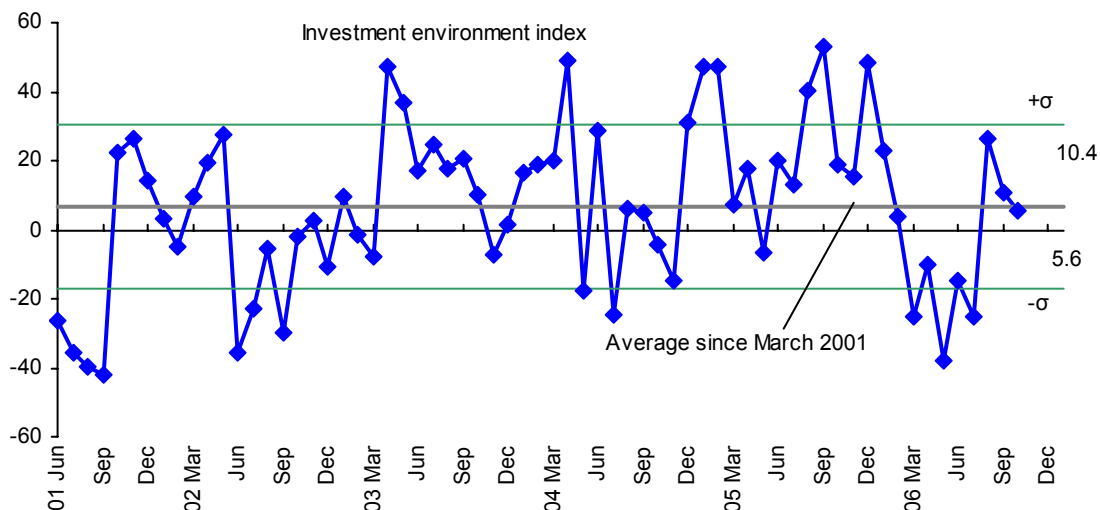
7. Subjects envisioned as investment themes in 2007, and the likely market position on those subjects (in DI format)

Factor	DI
The domestic economy	386
The Abe administration	195
An end to deflation	126
Land prices	105
Shareholder rewards (dividends, shareholder special benefits, etc)	105
Digital home appliances	93
Foreign investors' actions, oil money	83
Mass retirement by baby boomers	71
Corporate acquisitions	57
Environment-related businesses	50
Health-related businesses	49
Windows Vista	37
Bio- and genome-related businesses	27
Web2.0- and IT-related businesses	23
Emerging economies (BRICs, post-BRICs, etc)	17
The economies of other industrialized nations (US, etc)	4
Upper House elections	-17
Measures to counter declining birthrate	-27
Societal disparities	-75
BOJ's monetary policies (official discount rate, etc)	-117
Securities taxation system (abolishing reduced tax rates, etc)	-136
Corporate scandals and accounting problems	-137
Prices for crude oil and other natural resources	-212
The overseas political situation and geopolitical risk (referring to the Middle East, North Korea, etc)	-263
Other	
Mobile phone number portability	1
Bank bailouts	1
Exchange rates	-1
Consumption tax	-2

6. Nomura I-NIC Index down m-m to 5.6

The Nomura I-NIC Index, which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was 5.6 (October 2006 preliminary data), down from the final September figure of 10.4 (September preliminary data was -10.3) (Exhibit 8).

8. Nomura I-NIC Index



Note: The Nomura I-NIC Index is intended as an objective measure of the investment environment for individual investors based on external data. The index factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow. Indicators and statistical data used in the index are as follows.

I. Micro and semimacro indicators

1. Number of hits in newspaper articles (Nikkei Telecom: number of occurrences of the phrase “individual investor” in newspapers during the past month and m-m change),
2. Bestselling business books (Nippon Shuppan Hanbai Inc: number of books on stocks that make the top ten bestseller list and m-m change),
3. Consumer Confidence Index (Hakuhodo Institute of Life and Living),
4. The economic forecast (household trends) section of the Economy Watchers Survey (Cabinet Office),
5. Ordinary household asset growth expectation section of the Monthly Consumer Confidence Survey covering all of Japan, Summary (Cabinet Office)

II. Macro indicators

1. US\$/¥ rate,
2. Long-term interest rate (10-year JGB latest issue),
3. Banknotes in circulation (Bank of Japan)

III. Stock market indicators

1. Share of trading activity by individual investors (TSE1, TSE2, OSE1, OSE2, NSE1, NSE2),
2. Net selling and net buying by individuals (TSE1, TSE2, OSE1, OSE2, NSE1, NSE2),
3. Ratio of unrealized gains/losses on margin positions to total margin positions (Nomura, from TSE data),
4. Margin trading long / short ratio (Nomura, from TSE data),
5. IPO Index (QUICK),
6. Net asset holdings by investment trusts (QUICK)

IV. Technical stock indicators

1. Nikkei Average five-day moving average and 25-day moving average,
2. Volume ratio, relative strength indicator (14 days),
3. Bollinger band (25 days),
4. Advance/decline ratio (25 days)

The Nomura I-NIC Index is calculated by (1) figuring the scores for each indicator to be reflected in the index, (2) dividing each score from the series selected for each of categories I to IV, (3) taking a weighted average using the weightings assigned to categories I to IV, and (4) multiplying by 100. See the sample calculation below. Nomura I-NIC Index ranges from -100 to +100. The closer to +100 the figure is, the more favorable the investment environment for individual

investors. The closer to -100 the figure is, the less favorable. When the monthly data for a given indicator is not made public by the time the survey is announced, we incorporate the latest data available. For data announced on a monthly basis (eg, the two indicators from the Cabinet Office and BOJ data on banknotes in circulation), we set the indicator value to zero when the latest data is not available and announce preliminary data for the index. We announce the final data together with the following month's preliminary data.

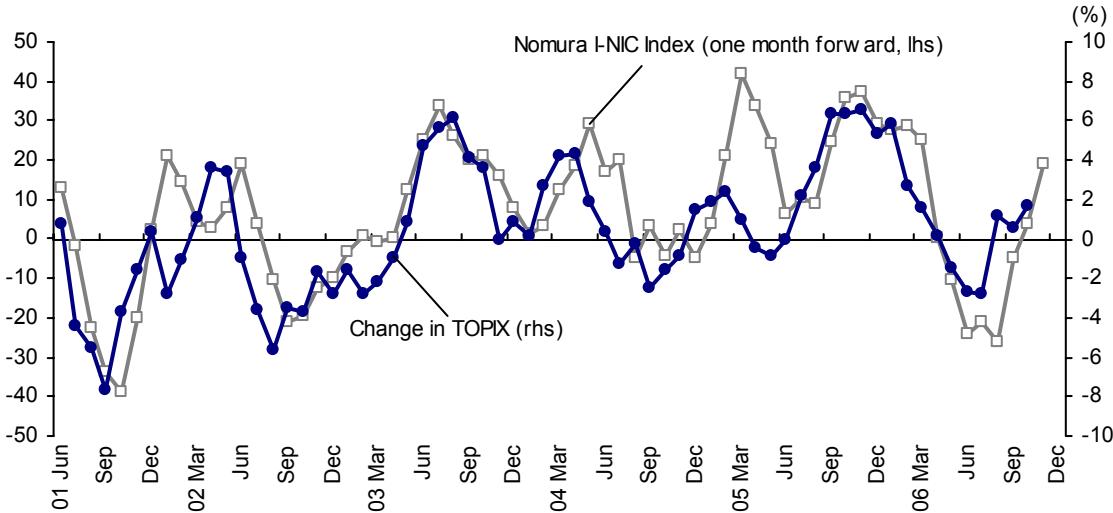
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

For share of trading activity by individual investors (TSE1, TSE2, OSE1, OSE2, NSE1, NSE2)

1. When data for the month in question is higher than the three-month moving average through the prior month and equal to or higher than the prior month's figure: +1
2. When data for the month in question is higher than the three-month moving average through the prior month but lower than the prior month's figure: +0.5
3. When data for the month in question is equal to the three-month moving average through the prior month: 0
4. When data for the month in question is lower than the three-month moving average through the prior month but equal to or higher than the prior month's figure: -0.5
5. When data for the month in question is lower than the three-month moving average through the prior month and lower than the prior month's figure: -1

We also provide a graph below to show the relationship between a three-month weighted average for the Nomura I-NIC Index (one month forward) and the TOPIX three-month moving average. The correlation between the Nomura I-NIC Index and share price trends is relatively high.

9. The Nomura I-NIC Index (one month forward) and change in TOPIX (both use three-month moving averages)



Note: Correlation coefficient is 0.705 (June 2001 through October 2006)

Notice

The next Nomura Individual Investor Survey (December 2006) is scheduled for release on Tuesday, 5 December.

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Investors in the financial products listed below may incur fees and commissions specific to those products (for example, transactions involving Japanese equities are subject to a sales commission of up to 1.365% (tax included) of the transaction amount or a commission of ¥2,730 (tax included) for transactions of ¥200,000 or less, while transactions involving investment trusts are subject to various fees, such as sales commissions and trust fees, specific to each investment trust). In addition, all products carry the risk of losses owing to price fluctuations or other factors. Fees and risks vary by product. Please thoroughly read the written materials provided, such as documents delivered before making a contract, listed securities documents, or prospectuses.

Transactions involving Japanese equities are subject to a sales commission of up to 1.365% (tax included) of the transaction amount (or a commission of ¥2,730 (tax included) for transactions of ¥200,000 or less). When Japanese equities are purchased via subscriptions or other offerings, only the purchase price shall be paid, with no sales commission charged. Japanese equities carry the risk of losses owing to price fluctuations.

Transactions involving foreign equities are subject to a domestic sales commission of up to 10.5% (tax included) of the transaction amount (which equals the local transaction amount plus local fees and taxes in the case of a purchase or the local transaction amount minus local fees and taxes in the case of a sale). Local fees and taxes in foreign financial markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, in the case of offerings, other fees may be charged. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

When bonds are purchased via offerings, 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. In addition, foreign currency-denominated bonds also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

Margin transactions are subject to a sales commission of up to 1.365% (tax included) of the transaction amount (or a commission of ¥2,730 (tax included) for transactions of ¥200,000 or less), as well as management fees and rights handling fees. In addition, long margin transactions are subject to interest on the purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

Nomura Securities Co., Ltd.

Financial instruments firm registered with the Kanto Local Finance Bureau (registration No. 142) Member associations: Japan Securities Dealers Association; The Investment Trusts Association, Japan; Japan Securities Investment Advisers Association (member No. 011-02134); and The Financial Futures Association of Japan.