

Nomura Individual Investor Survey

February 2007

5 February 2007

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

1. Introduction

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

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 23 January 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 (February 2007) respondents

Gender: Male (75.0%), Female (25.0%)

Age: Less than 30 (5.5%), 30–39 (31.3%), 40–49 (32.3%), 50–59 (19.7%), 60 and above (11.2%)

Financial assets held: Less than ¥2,000,000 (18.1%), ¥2,000,000–¥4,999,999 (19.9%), ¥5,000,000–¥9,999,999 (22.2%), ¥10,000,000–¥29,999,999 (26.7%), ¥30,000,000 or more (13.1%)

Number of different stocks held: One stock (11.7%), Two stocks (11.3%), Three–five stocks (34.1%), Six–10 stocks (22.8%), 11–20 stocks (11.7%), 21 or more stocks (5.7%), None (2.7%)

Average duration stocks are held: Less than one month (5.6%), One month to less than three months (9.6%), Three months to less than six months (13.6%), Six months to less than one year (17.0%), One year to less than two years (18.6%), Two years to less than five years (18.9%), Five years or more (16.7%)

Frequency of trading activity: Once or more per day (3.6%), Once or more per week (18.7%), About once a month (21.4%), About once every two to three months (18.2%), About once every six months (11.4%), About once a year (6.0%), Once every few years or so (7.9%), Not active at present (12.8%)

Area of investment focus: Stock price movements and technical factors (15.3%), Strong earnings growth (13.2%), Stable earnings growth (44.3%), Dividends and shareholder returns (27.2%)

4. Survey overview

(1) The Nomura Individual Investor Market View Index (Nomura I-View Index) up for first time in four months, to 58.8

The Nomura I-View Index, based on respondents' three-month outlook on share prices, was 58.8 for February, up 24.2pts from 34.6 in January. This marks the first upswing in the index in four months. We think the index rose this month because the stock market rally continued and more individual investors now look for domestic fundamentals, such as corporate earnings, to remain firm.

(2) Finally signs of improvement in investor sentiment

Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held. This month, the proportion of "increased" responses exceeded that of "decreased" responses for all categories except frequency of trading activity. This is the first time such has been the case for number of different stocks traded and investment amount since May 2006 and the first time for number of stocks held since June. When asked about plans for the same categories over the coming three months, the proportion of "plan to decrease" responses fell across the board, while the proportion of "no change" or "plan to increase" responses grew. This month's results finally offer some signs of a recovery in sentiment.

(3) Increase in positive views for four factors, including domestic economy & corporate earnings

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 responses for market factors & psychological factors shifted to "somewhat positive" followed by "neutral," from the reverse pattern last month. Overall, views become more positive on the domestic economy & corporate earnings, overseas securities markets, and overseas political & economic situation. However, negative views increased for domestic politics and domestic interest rates & forex trends.

(4) Most appealing sectors unchanged from January

The sectors with the most appeal were pharmaceuticals & healthcare, autos & auto parts, and materials, the same as last month. The bottom three were construction & real estate, resources, and electricity & gas, with electricity & gas replacing financials among the bottom three.

(5) Margin trading usage and related investment strategies

For this month's spot questions, we inquired about the degree to which individual investors use margin trading and about their margin trading strategies. On the degree of margin trading usage, roughly 15% of investors surveyed said they use margin trading, while some 67% of respondents said they had not used margin trading and had no intention of using it. When we asked investors who use margin trading, had in the past, or intended do so what their approach to unrealized gains or losses was, the largest proportion said they had no particular policy, and varied their actions depending on the situation.

(6) Nomura Individual Investor Investment Climate Index (Nomura I-NIC Index) up m-m to 32.5

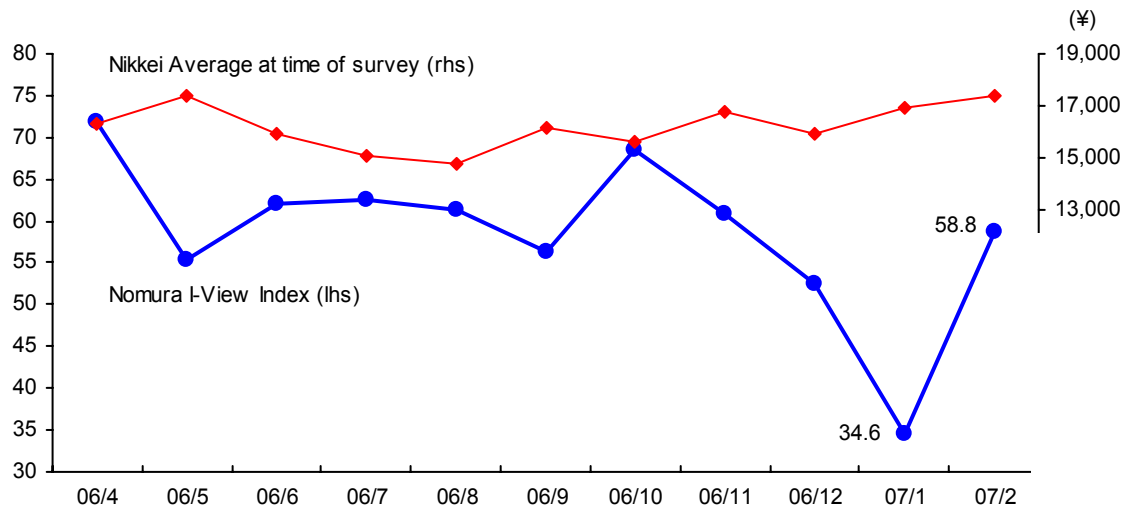
The Nomura I-NIC Index, which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was 32.5 (January 2007 preliminary data), up from the final December figure of 3.9. This marks the second straight month of increase.

5. Survey results

(1) The Nomura Individual Investor Market View Index (Nomura I-View Index) up for first time in four months, to 58.8

The Nomura I-View Index, based on respondents' three-month outlook on share prices (see section (2) below), was 58.8 for February, up 24.2pts from 34.6 in January. This marks the first upswing in the index in four months, since October 2006 (Exhibit 1).

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



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:

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

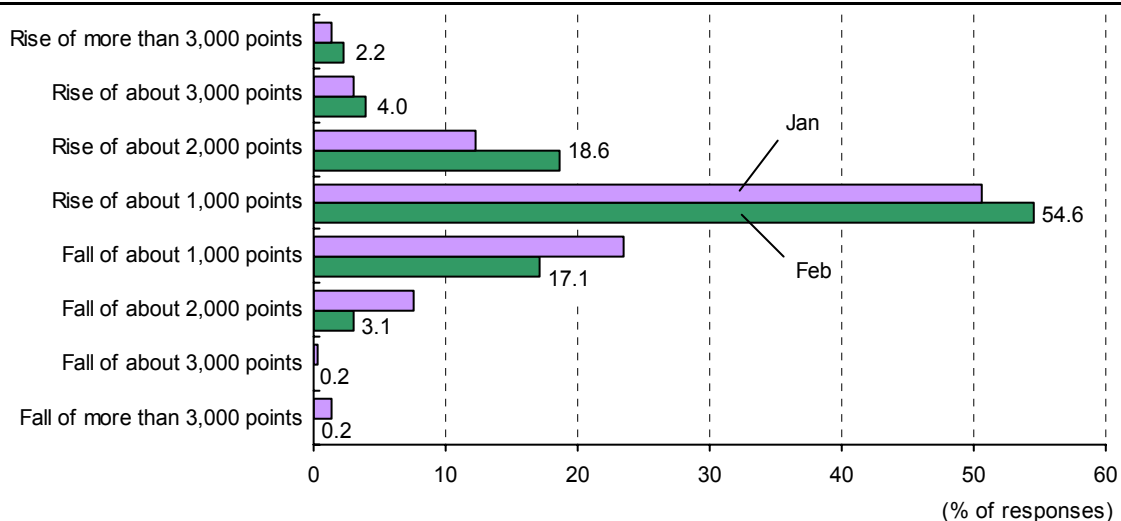
The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

(2) Outlook improves on stock market recovery, ongoing firmness of fundamentals

When asked about the outlook for the Nikkei Average during the next three months, the data that form the basis for the Nomura I-View Index, the percentage of respondents expecting a “rise of about 1,000 points” increased to 54.6%, from 50.6%. In addition, the proportion expecting a “rise of about 2,000 points” increased from 12.3% to 18.6%, while the proportions also rose for those expecting rises of “about 3,000” and of “3,000 points or more.” At the same time, all of the proportions declined for respondents expecting a decline, with those expecting a decline of “about 1,000,” for example, falling from 23.5% to 17.1%. The proportion of individual investors expecting share prices to rise has thus increased. This month’s reference level for the Nikkei Average (17,424, 22 January close) was 462 points higher than the level last month. Last month, despite the Nikkei Average also rising m-m, we think many investors lacked confidence that the recovery trend would last. However, this month, the Nomura I-View Index rose for the first time in four months because the stock market rally continued and more individual investors now look for domestic fundamentals, such as corporate earnings, to remain firm, in our view (Exhibit 2).

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 22 January closing figure of 17,424. 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 17,401 to 18,400 (a rise of about 1,000 points).

2. Outlook for Nikkei Average during the next three months



(3) Finally signs of improvement in investor sentiment

Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held. This month, the proportion of “increased” responses exceeded that of “decreased” responses for all categories except frequency of trading activity. This is the first time such has been the case for number of different stocks traded and investment amount since May 2006 and the first time for number of stocks held since June. In addition, the number of “decreased” responses fell for frequency of trading activity. When asked about plans for the same categories over the coming three months, the proportion of “plan to decrease” responses fell across the board, while the proportion of “no change” or “plan to increase” responses grew. Investor sentiment has been alternating between positive and negative in recent months, and although this month’s results do not necessarily signal an end to that pattern, they do finally offer some signs of a recovery in sentiment (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 increased (plan to increase), no change, or decreased (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	
	Feb	Jan	Feb	Jan	Feb	Jan
Number of different stocks traded	17.1	15.6	69.9	67.5	13.0	16.9
Investment amount	15.1	15.7	71.2	68.0	13.7	16.3
Frequency of trading activity	15.6	13.1	66.5	65.3	17.9	21.6
Number of stocks held	15.3	13.2	69.9	70.9	14.8	15.9

(2) Next three months

	Plan to increase		No change		Plan to decrease	
	Feb	Jan	Feb	Jan	Feb	Jan
Number of different stocks traded	37.5	36.1	54.9	53.6	7.6	10.3
Investment amount	33.6	32.8	59.1	57.1	7.3	10.1
Frequency of trading activity	39.1	36.2	54.3	55.1	6.6	8.7
Number of stocks held	31.7	31.9	55.5	52.9	12.8	15.2

(4) Increase in positive views for four factors, including domestic economy & corporate earnings

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 responses for market factors & psychological factors shifted to “somewhat positive” followed by “neutral,” from the reverse pattern last month. In addition, the percentage of “positive” and “somewhat positive” responses increased while the proportion of “somewhat negative” and “negative” answers declined for overseas securities markets and overseas political & economic situation. However, the most common responses for domestic interest rates & forex trends shifted from “neutral” followed by “somewhat positive” to “neutral” followed by “somewhat negative.” For domestic politics, the proportion of “positive” and “somewhat positive” responses declined while the proportion of “neutral” and “somewhat negative” responses increased (Exhibit 4).

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

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Feb	Jan	Feb	Jan	Feb	Jan	Feb	Jan	Feb	Jan
Domestic economy & corporate earnings	9.5	8.9	55.1	50.9	27.6	29.4	6.9	9.8	0.9	1.0
Market factors & psychological factors	6.4	5.7	41.6	34.6	35.5	36.8	15.1	20.5	1.4	2.4
Domestic interest rates & forex trends	3.3	2.5	27.1	29.2	39.9	40.2	27.7	26.2	2.0	1.9
Domestic politics	1.7	1.8	11.5	12.6	44.8	43.4	38.2	37.7	3.8	4.5
Overseas securities markets	3.6	5.0	35.4	34.3	47.3	42.7	12.6	16.8	1.1	1.2
Overseas political & economic situation	2.2	3.0	20.9	18.9	53.6	49.6	21.9	26.0	1.4	2.5

(5) Most appealing sectors unchanged from January

Respondents were asked to choose one sector most appealing and one sector least appealing as an investment target during the next three months. For each sector we calculated a diffusion index by subtracting the percentage of responses for unappealing from that for appealing. The top three DI scores were for pharmaceuticals & healthcare, autos & auto parts, and materials. The bottom three were construction & real estate, resources, and electricity & gas. The top three were the same as last month, while electricity & gas replaced financials among the bottom three (Exhibit 5).

Note: Respondents were given 12 sectors and asked to choose one viewed as an appealing investment target and one viewed as unappealing. For each sector we calculated a diffusion index by subtracting the percentage of responses for unappealing from that for appealing.

The 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. Investment appeal by sector (DI)

Sector	DI	Breakdown of DI (% of responses)		(Ref) Previous month DI
		Appealing	Unappealing	
Pharmaceuticals & healthcare	11.0	14.6	3.6	13.3
Autos & auto parts	7.5	9.8	2.3	8.8
Materials	7.5	11.4	3.9	5.8
Information & telecommunications	6.6	14.0	7.4	5.0
Electrical machinery & precision equipment	3.7	5.9	2.2	3.7
Machinery, shipbuilding & heavy machinery	0.8	4.1	3.3	-1.3
Consumer-related	-1.5	10.3	11.8	-1.5
Financials	-1.9	11.2	13.1	-9.0
Transportation & warehousing	-5.3	2.7	8.0	-3.5
Electricity & gas	-5.8	3.4	9.2	-2.5
Resources	-9.7	7.6	17.3	-4.0
Construction & real estate	-12.9	5.0	17.9	-14.8

(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 (797 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	106	8473	SBI Holdings	8
6758	Sony	21	9432	Nippon Telegraph And Telephone	8
5401	Nippon Steel	20	6502	Toshiba	7
9501	Tokyo Electric Power	19	4502	Takeda Pharmaceutical	6
9205	Japan Airlines	18	6753	Sharp	6
4661	Oriental Land	17	7201	Nissan Motor	6
2811	Kagome	16	8058	Mitsubishi Corp	6
7974	Nintendo	16	8267	Aeon	6
8411	Mizuho Financial Group	16	9503	Kansai Electric Power	6
2211	Fujiya	14	4755	Rakuten	5
7751	Canon	14	4921	Fancl	5
9984	Softbank	14	5726	Sumitomo Titanium	5
9202	All Nippon Airways	13	6460	Sega Sammy Holdings	5
7267	Honda Motor	9	9437	NTT DoCoMo	5

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

(7) Margin trading usage and related investment strategies

For this month's spot questions, we inquired about the degree to which individual investors use margin trading and about their margin trading strategies. First, on the degree of margin trading usage, 15.2% of investors surveyed said they use margin trading (possible responses 1–3 of Exhibit 7), 6.2% said they had used margin trading in the past (responses 4–6), and 11.8% said they would like to use margin trading in the future (responses 7–9). However, some 66.8% of respondents said they had not used margin trading and had no intention of doing so (response 10, Exhibit 7).

7. Margin trading usage

	Choices	No. of respondents	%
1	Currently buying and selling on margin	110	11.0
2	Currently buying on margin	37	3.7
3	Currently selling on margin	5	0.5
	1–3 total	152	15.2
4	Currently not using margin trading, but have bought and sold on margin in the past	46	4.6
5	Currently not using margin trading, but have bought on margin in the past	10	1.0
6	Currently not using margin trading, but have sold on margin in the past	6	0.6
	4–6 total	62	6.2
7	Currently not using margin trading, but would like to buy and sell on margin in the future	89	8.9
8	Currently not using margin trading, but would like to buy on margin in the future (but not sell)	7	0.7
9	Currently not using margin trading, but would like to sell on margin in the future (but not buy)	22	2.2
	7–9 total	118	11.8
10	Have not used margin trading in the past and have no intention of using it (cash trading only)	668	66.8
	Total	1,000	100.0

Next, we asked those respondents who had selected responses 1–9 (332 people) about the amount of their trading capital accounted for by margin trading (for people who had conducted margin trades in the past, we asked for the percentage of trading capital at that time, and for those planning to use margin trading in the future, we asked them to estimate the percentage). Of these investors, 42.5% responded “generally less than 25%”, and 16.9% selected “generally more than 25% but less than 50%”, with these two responses together accounting for almost 60% of total responses to this question. Also, while 20.8% of respondents said they allocated around the same amount of funds to margin trading as to cash trading, just 19.8% of respondents said their margin trading allocation exceeded that for cash trading (total of responses 4–6, Exhibit 8).

8. Amount of trading capital accounted for by margin trading			
	Choices	No. of respondents	%
1	Generally less than 25%	141	42.5
2	Generally more than 25% but less than 50%	56	16.9
3	Around the same amount as for cash trading	69	20.8
4	Generally more than 50% but less than 75%	28	8.4
5	Generally more than 75%	20	6.0
6	Use only margin trading	18	5.4
	Total	332	100.0

Asked about their policies on unrealized losses, the largest group of respondents, at 32.5% of the total, said they had no particular fixed policy for when unrealized losses occurred, and varied their actions depending on the situation. The second most common response (31.9% of respondents) was to establish rules for cutting losses and close out positions once a certain level was reached. This was followed by investors who said they would generally close out the position before a margin call is issued (29.5%) (Exhibit 9).

9. Response to unrealized losses

	Choices	No. of responses	%
1	Establish in advance an unrealized loss ratio at which to close out the position (loss-cutting rules) and close out the trade if it reaches that level	106	31.9
2	No loss-cut rules, but generally close out the position before a margin call is issued	98	29.5
3	Close out the position when a margin call is issued (without adding to the account balance)	12	3.6
4	Increase the balance of the account even when a margin call is issued with a view to recouping losses as far as possible	8	2.4
5	No particular policy, response depends on the situation	108	32.5
Total		332	100.0

Regarding policies for responding to unrealized gains, the largest group of respondents, at 44.3%, said they had no particular policy for when unrealized gains arose, and varied their actions depending on the situation. This was followed by “take profits at around 11–20%” (23.8%), and “take profits at around 10%” (20.8%) (Exhibit 10).

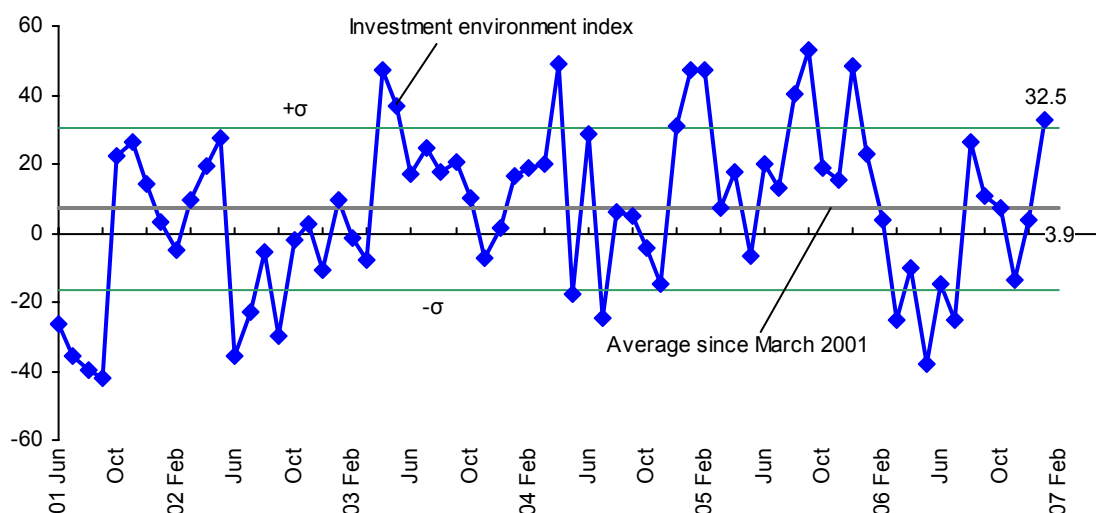
10. Response to unrealized gains

	Choices	No. of responses	%
1	Take profits at around 10%	69	20.8
2	Take profits at around 11–20%	79	23.8
3	Take profits at around 21–30%	27	8.1
4	Take profits at around 31–50%	8	2.4
5	Take profits above 50%	2	0.6
6	No particular policy, response depends on the situation	147	44.3
Total		332	100.0

6. Nomura I-NIC Index up m-m to 32.5

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 32.5 (January 2007 preliminary data), up from the final December figure of 3.9 (December preliminary data was 6.9). This marks the second straight month of increase (Exhibit 11).

11. 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.

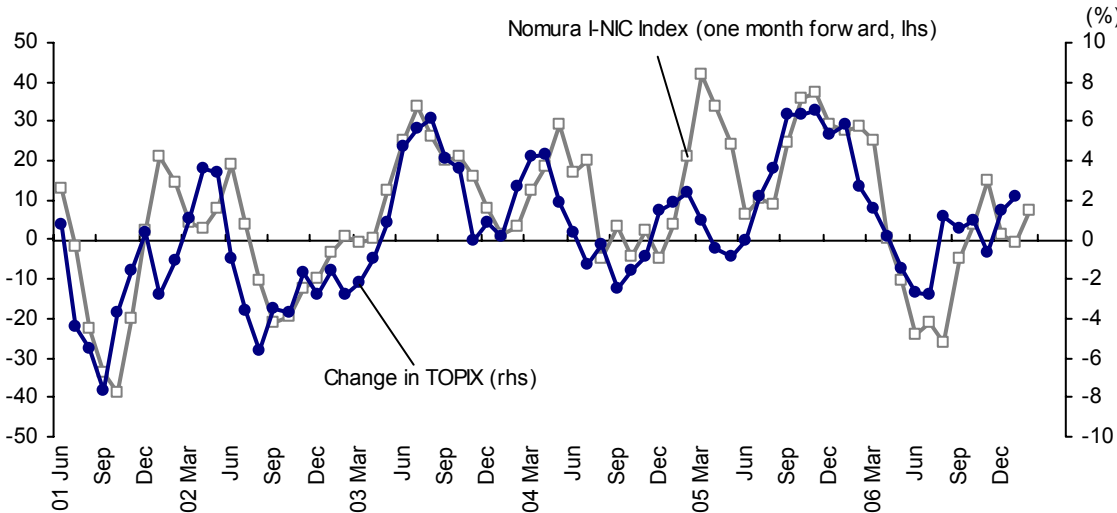
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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.

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



Note: Correlation coefficient is 0.693 (June 2001 through January 2007)

Notice

The next Nomura Individual Investor Survey (March 2007) is scheduled for release on Monday, 5 March.

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