

Nomura Individual Investor Survey

March 2007

5 March 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 22 February 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 (March 2007) respondents

Gender: Male (71.8%), Female (28.2%)

Age: Less than 30 (3.7%), 30–39 (26.8%), 40–49 (32.4%), 50–59 (21.2%), 60 and above (15.9%)

Financial assets held: Less than ¥2,000,000 (18.8%), ¥2,000,000–¥4,999,999 (20.4%), ¥5,000,000–¥9,999,999 (18.4%), ¥10,000,000–¥29,999,999 (25.2%), ¥30,000,000 or more (17.2%)

Number of different stocks held: One stock (11.3%), Two stocks (14.3%), Three–five stocks (35.0%), Six–10 stocks (20.7%), 11–20 stocks (11.3%), 21 or more stocks (6.0%), None (1.4%)

Average duration stocks are held: Less than one month (5.5%), One month to less than three months (7.7%), Three months to less than six months (12.8%), Six months to less than one year (16.4%), One year to less than two years (20.0%), Two years to less than five years (19.5%), Five years or more (18.1%)

Frequency of trading activity: Once or more per day (4.1%), Once or more per week (15.5%), About once a month (19.6%), About once every two to three months (18.5%), About once every six months (12.5%), About once a year (8.9%), Once every few years or so (8.6%), Not active at present (12.3%)

Area of investment focus: Stock price movements and technical factors (15.5%), Strong earnings growth (12.7%), Stable earnings growth (48.0%), Dividends and shareholder returns (23.8%)

4. Survey overview

(1) The Nomura Individual Investor Market View Index (Nomura I-View Index) up for second straight month, to 67.4

The Nomura I-View Index, based on respondents' three-month outlook on share prices, was 67.4 for March, up 8.6pts from 58.8 in February. We think this is because more individual investors now look for the stock market to continue rising, based on trends in the domestic economy and corporate earnings.

(2) Investor sentiment strengthens, but caution also rising

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 by a wider margin than last month in the categories of number of different stocks traded and investment amount. For frequency of trading activity, the proportion of "increased" responses exceeded that of "decreased" responses for the first time since the April 2006 survey. Overall, we think investor sentiment is improving. However, when asked about plans for the same categories over the coming three months, the proportion of "no change" or "plan to increase" responses fell across the board, albeit slightly, and the proportion of "plan to decrease" responses rose in all categories. We thus think that investors may be feeling some caution about the recent rise in share prices.

(3) Increase in positive views for factors that affect the Japanese stock market

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 most common answers for domestic interest rates & forex trends were "somewhat positive" followed by "neutral," versus "neutral" followed by "somewhat negative" last month. For overseas political & economic situation, the largest proportion of responses shifted to "neutral" followed by "somewhat positive," from "neutral" followed by "somewhat negative." In addition, the proportion of "positive" and/or "somewhat positive" responses increased, while the proportion of "negative" and/or "somewhat negative" responses declined for four other categories, including domestic economy & corporate earnings. As such, we think views on factors affecting the stock market became more positive overall.

(4) Materials the most appealing sector

The sectors with the most appeal were materials, autos & auto parts, and pharmaceuticals & healthcare. The bottom three were electricity & gas, resources, and construction & real estate. Although the sectors in both the top and bottom three remained the same, the orders changed.

(5) Majority of individual investors expect further rate hikes this year

For this month's spot questions, we inquired about views on the policy interest rate and equity investment. On 21 February, the monetary policy board of the Bank of Japan decided to raise the policy interest rate. Following the latest rate rise, we asked respondents their view on how the policy rate is likely to change between now and the end of 2007. The most popular response was "one rate rise," selected by 55.6% of those surveyed. Adding in the number of respondents who think rates will likely rise two or three times by the end of the year, a total of 78.9% of respondents indicated that they thought further rate hikes would be implemented this year.

(6) Nomura I-NIC Index down to 25.0 for first decline in three months

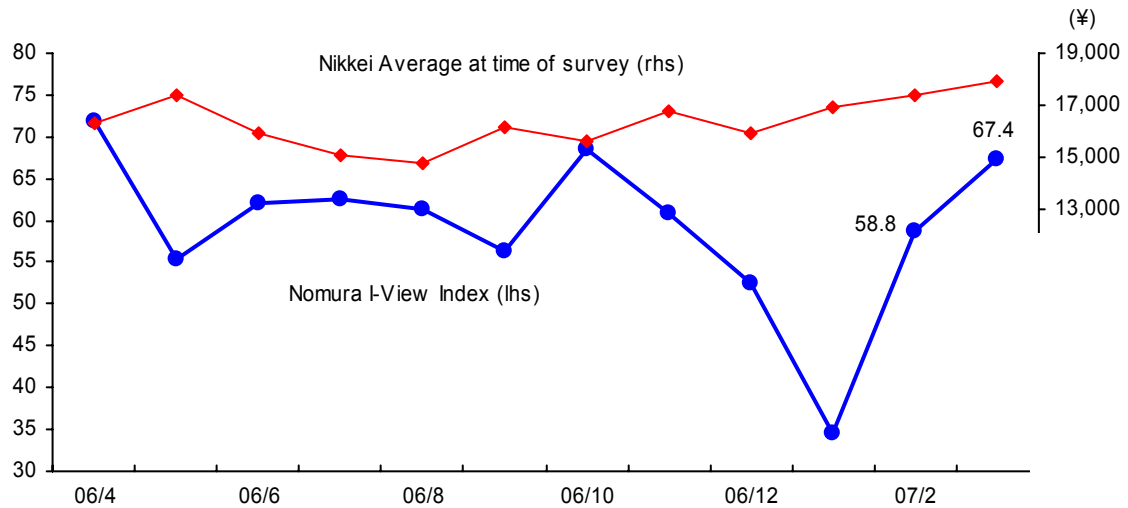
The Nomura I-NIC Index, which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was 25.0 (February 2007 preliminary data), down from the final January figure of 39.6. This marks the first decrease in three months

5. Survey results

(1) The Nomura Individual Investor Market View Index (Nomura I-View Index) up for second straight month, to 67.4

The Nomura I-View Index, based on respondents' three-month outlook on share prices (see section (2) below), was 67.4 for March, up 8.6pts from 58.8 in February. This is the second straight month of increase (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:

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

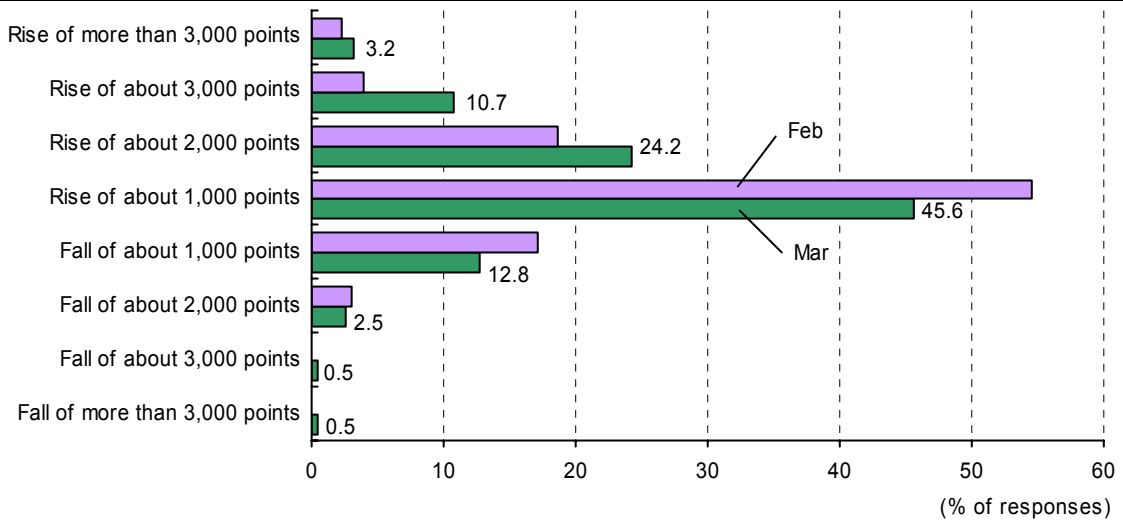
The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

(2) Outlook improves on ongoing firmness of domestic fundamentals and upbeat market sentiment

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” decreased to 45.6%, from 54.6%. However, the proportion expecting a “rise of about 2,000 points” increased from 18.6% to 24.2%, while the proportions also rose for those expecting rises of “about 3,000” and of “3,000 points or more.” The proportion of individual investors with a bullish outlook has thus increased. In the section below concerning the impact of a set of factors on the stock market, such as the domestic economy & corporate earnings responses and market factors & psychological factors, responses became more positive overall. We think this explains individual investors’ expectations for the rise in share prices to continue. Thus, the Nomura I-View Index rose for its second straight month, reaching the third highest level ever (Exhibit 2).

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 22 February closing figure of 17,913. 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 17,901 to 18,900 (a rise of about 1,000 points).

2. Outlook for Nikkei Average during the next three months



(3) Investor sentiment remains strong on the one hand, but cautiousness also rising

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 by a wider margin than last month in the categories of number of different stocks traded and investment amount. For frequency of trading activity, the proportion of “increased” responses exceeded that of “decreased” responses for the first time in nearly a year. However, there were slightly more “decreased” responses concerning the number of stocks held. Overall, we think investor sentiment remains strong. However, when asked about plans for the same categories over the coming three months, the proportion of “no change” or “plan to increase” responses fell across the board, albeit slightly, and the proportion of “plan to decrease” responses rose in all categories. We thus think that investor sentiment may be peaking out, with investors feeling some caution about the recent rise in share prices (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	
	Mar	Feb	Mar	Feb	Mar	Feb
Number of different stocks traded	18.8	17.1	69.0	69.9	12.2	13.0
Investment amount	15.6	15.1	72.5	71.2	11.9	13.7
Frequency of trading activity	18.0	15.6	66.9	66.5	15.1	17.9
Number of stocks held	14.7	15.3	70.5	69.9	14.8	14.8

(2) Next three months

	Plan to increase		No change		Plan to decrease	
	Mar	Feb	Mar	Feb	Mar	Feb
Number of different stocks traded	36.9	37.5	54.8	54.9	8.3	7.6
Investment amount	33.4	33.6	58.9	59.1	7.7	7.3
Frequency of trading activity	38.9	39.1	54.1	54.3	7.0	6.6
Number of stocks held	32.9	31.7	53.5	55.5	13.6	12.8

4) Increase in positive views for factors that affect the Japanese stock market

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 most common answers for domestic interest rates & forex trends were “somewhat positive” followed by “neutral,” versus “neutral” followed by “somewhat negative” last month. For overseas political & economic situation, the largest proportion of responses shifted to “neutral” followed by “somewhat positive,” from “neutral” followed by “somewhat negative.” In addition, the proportion of “positive” and/or “somewhat positive” responses increased, while the proportion of “negative” and/or “somewhat negative” responses declined for four other categories, including domestic economy & corporate earnings. As such, we think views on factors affecting the stock market became more positive overall. As a result of the change in views, “somewhat positive” and “neutral” were the first and second most popular responses (in either order) for five factors, with domestic politics as the only factor with “neutral” followed by “somewhat negative.” Negative views on this factor thus remain (Exhibit 4).

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

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb
Domestic economy & corporate earnings	12.9	9.5	56.3	55.1	23.4	27.6	6.6	6.9	0.8	0.9
Market factors & psychological factors	10.1	6.4	48.2	41.6	29.6	35.5	10.9	15.1	1.2	1.4
Domestic interest rates & forex trends	6.0	3.3	36.7	27.1	34.1	39.9	21.5	27.7	1.7	2.0
Domestic politics	1.7	1.7	13.8	11.5	47.7	44.8	33.4	38.2	3.4	3.8
Overseas securities markets	4.2	3.6	37.6	35.4	47.0	47.3	10.5	12.6	0.7	1.1
Overseas political & economic situation	2.7	2.2	22.9	20.9	53.9	53.6	19.1	21.9	1.4	1.4

(5) Materials the most appealing sector

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 materials, autos & auto parts, and pharmaceuticals & healthcare. The bottom three were electricity & gas, resources, and construction & real estate. Although the sectors in both the top and bottom three remained the same, the orders changed, with materials moving to the top and electricity & gas falling to the bottom (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	
Materials	10.9	14.5	3.6	7.5
Autos & auto parts	6.1	9.9	3.8	7.5
Pharmaceuticals & healthcare	5.8	9.8	4.0	11.0
Electrical machinery & precision equipment	3.2	5.7	2.5	3.7
Financials	3.1	15.2	12.1	-1.9
Machinery, shipbuilding & heavy machinery	2.0	5.9	3.9	0.8
Consumer-related	1.8	12.0	10.2	-1.5
Information & telecommunications	1.7	9.8	8.1	6.6
Transportation & warehousing	-4.6	2.9	7.5	-5.3
Construction & real estate	-8.6	5.2	13.8	-12.9
Resources	-8.9	5.5	14.4	-9.7
Electricity & gas	-12.5	3.6	16.1	-5.8

(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 (778 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	83	4661	Oriental Land	8
5401	Nippon Steel	38	7267	Honda Motor	8
6758	Sony	26	7211	Mitsubishi Motors	7
9501	Tokyo Electric Power	21	8473	SBI Holdings	7
9984	Softbank	19	9022	Central Japan Railway	7
2811	Kagome	18	9437	NTT DoCoMo	7
7974	Nintendo	15	2502	Asahi Breweries	6
4502	Takeda Pharmaceutical	13	2702	McDonald's Holdings (Japan)	6
9205	Japan Airlines	11	8058	Mitsubishi Corp	6
7751	Canon	10	9020	East Japan Railway	6
8411	Mizuho Financial Group	10	5713	Sumitomo Metal Mining	5
9202	All Nippon Airways	10	6752	Matsushita Electric Industrial	5
9432	Nippon Telegraph and Telephone	10	7522	Watami	5
5405	Sumitomo Metal Industries	9	8267	Aeon	5
6753	Sharp	9	9861	Yoshinoya D&C	5
8306	Mitsubishi UFJ Financial Group	9			

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

(7) Individual investors' views on the policy interest rate and equity investment

For this month's spot questions, we inquired about views on the policy interest rate and equity investment. On 21 February, the monetary policy board of the Bank of Japan decided to raise the policy interest rate (the target rate for unsecured overnight call money). First, we asked respondents to choose from options 1–6 in Exhibit 7 the reply that matched their view on how the policy rate is likely to change between now and the end of 2007. The most popular response was "one rate rise", selected by 55.6% of those surveyed. Adding in the number of respondents who think rates will likely rise two or three times by the end of the year, a total of 78.9% of respondents indicated that they thought further rate hikes would be implemented this year (Exhibit 7).

7. Views on likely changes to the policy rate this year			
	Choices	No. of respondents	%
1	No change to policy rate	96	9.6
2	One rate rise	556	55.6
3	Two rate rises	214	21.4
4	Three or more rate rises	19	1.9
5	Rate cut	9	0.9
6	Not sure	106	10.6
	Total	1,000	100.0

Next, we asked respondents to choose from options 1–7 in Exhibit 8 the response that best matched their policy on equity investment when interest rates rise. A combined total of 40.5% of respondents chose options 1–3, indicating that they would ease back on equity investment as they think rate hikes have a negative impact on the stock market. A total of 46.1% of respondents chose options 4–5, indicating that they would make no major changes to their current investment stances. Finally, 13.4% of respondents indicated that they would consider stepping up equity investment, as they would see rate rises as a positive for the stock market. Among those that stated they would ease back on equity investment, however, a large number (27.4% of all respondents) said that even if interest rates rise, they would only scale back equity investment if the environment following the rate rise suggested that interest rates would continue to trend upwards. As such, we think relatively few individual investors would immediately change their stance on equity investment if rates rise again (Exhibit 8).

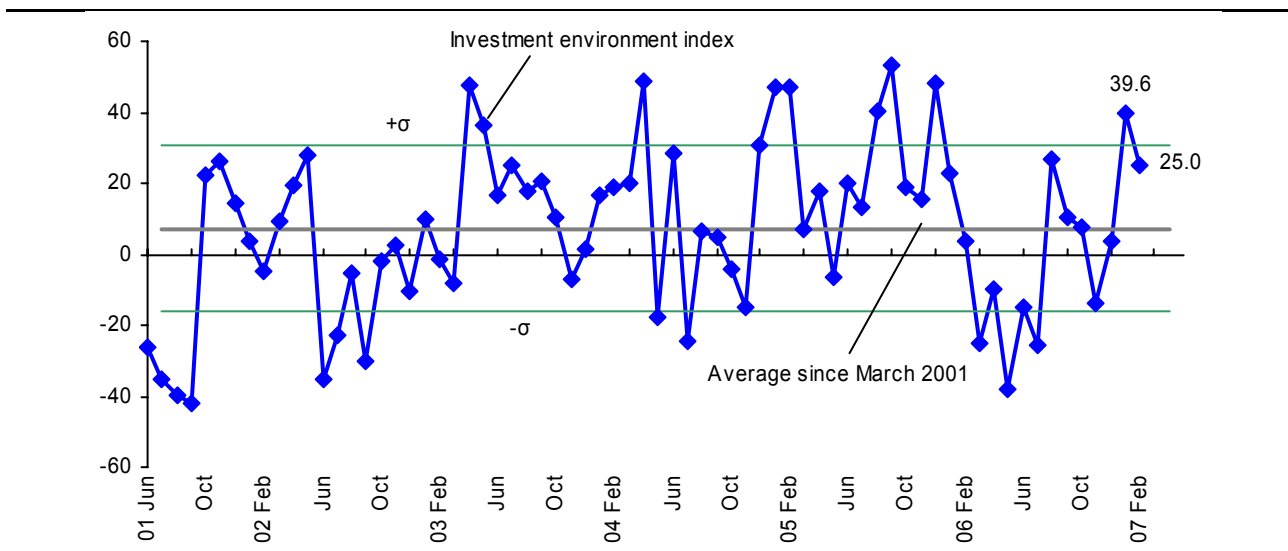
8. Interest rate rises and individual investors' stance on equity investment

	Choices	No. of respondents	%
1	Ease back on equity investment even before a rate hike takes place if it starts to look likely that rates will rise	63	6.3
2	Ease back on equity investment immediately following a rate rise	68	6.8
3	Even if rates rise, scale back equity investment only if the environment following the rate rise suggests that interest rates will continue to trend upwards	274	27.4
4	Make no particular changes to current investment stance, as a rate rise is unlikely to have a major impact on the stock market	304	30.4
5	Make no particular changes to current investment stance, as interest rate trends are not really taken into account in current equity investment strategy	157	15.7
6	Consider stepping up equity investment even before a rate hike takes place if it starts to look likely that rates will rise	115	11.5
7	Consider stepping up equity investment immediately following a rate rise	19	1.9
	Total	1,000	100.0

6. Nomura I-NIC Index down to 25.0 for first decline in three months

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 25.0 (February 2007 preliminary data), down from the final January figure of 39.6 (January preliminary data was 32.5). This marks the first decrease in three months (Exhibit 9).

9. Nomura I-NIC Index



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.

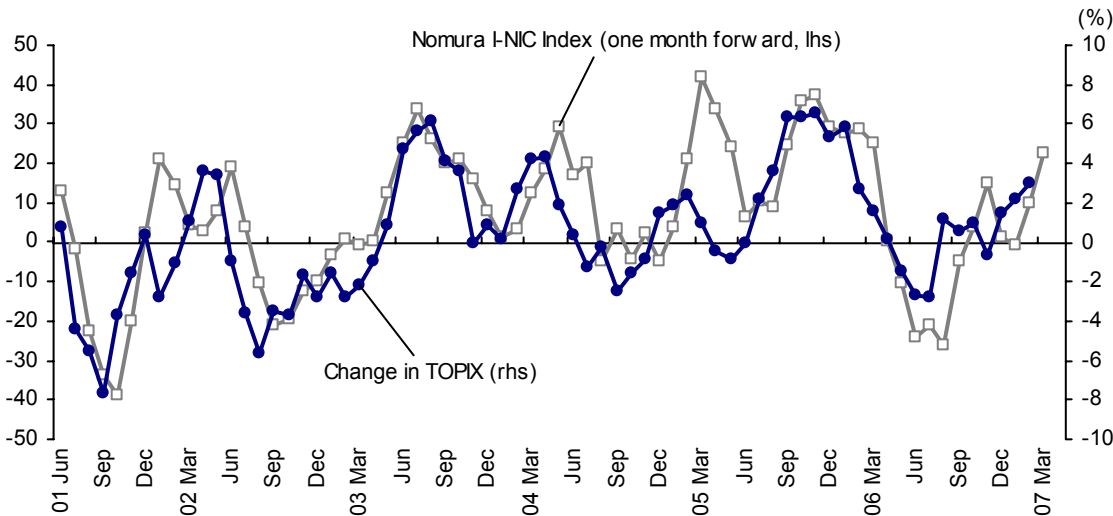
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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.

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



Note: Correlation coefficient is 0.692 (June 2001 through February 2007)

Notice

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

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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.