

## **Nomura Individual Investor Survey**

April 2007

5 April 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 March with deadline for responses on 26 March

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) attractive sectors, and (5) attractive stocks.

## 3. Nomura Individual Investor Survey (April 2007) respondents

Gender: Male (73.7%), Female (26.3%)

Age: Less than 30 (4.5%), 30–39 (29.0%), 40–49 (30.7%), 50–59 (24.7%), 60 and above (11.1%)

Financial assets held: Less than ¥2,000,000 (18.0%), ¥2,000,000–¥4,999,999 (18.2%), ¥5,000,000–¥9,999,999 (23.6%), ¥10,000,000–¥29,999,999 (25.2%), ¥30,000,000 or more (15.0%)

Number of different stocks held: One stock (11.1%), Two stocks (11.8%), Three–five stocks (38.0%), Six–10 stocks (22.0%), 11–20 stocks (10.4%), 21 or more stocks (5.1%), None (1.6%)

Average duration stocks are held: Less than one month (3.3%), One month to less than three months (7.5%), Three months to less than six months (12.3%), Six months to less than one year (15.9%), One year to less than two years (19.7%), Two years to less than five years (22.8%), Five years or more (18.5%)

Frequency of trading activity: Once or more per day (3.7%), Once or more per week (15.5%), About once a month (20.5%), About once every two to three months (18.3%), About once every six months (12.5%), About once a year (9.2%), Once every few years or so (8.6%), Not active at present (11.7%)

Investment experience: Less than one year (1.4%), One year to less than three years (10.7%), Three years to less than five years (23.0%), Five years to less than 10 years (27.1%), 10 years or more (37.8%)

Area of investment focus: Stock price movements and technical factors (11.9%), Strong earnings growth (13.0%), Stable earnings growth (49.8%), Dividends and shareholder returns (25.3%)

#### 4. Survey overview

(1) Nomura I-View Index down for first time in three months, to 60.2

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, was 60.2 in April, marking the first fall in three months (from 67.4 in March). The global stock market correction appears to have had an impact, but we think the index avoided a significant decline because investors' views on the domestic economy and corporate earnings showed no major change, with the majority of investors looking for gradually recovery or continued growth.

(2) Slight deterioration in attitudes toward stock investment

Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held over the past three months. Investors have been reducing frequency of trading activity amid relatively large share price fluctuations, but increasing the number of stocks held as they view the decline in share prices as a good investment opportunity. When asked about plans for the same categories over the coming three months, the proportion of "plan to increase" responses fell for all categories, indicating a slight downturn in investor sentiment.

(3) Increasingly negative views on overseas factors and domestic interest rates & forex trends

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. Due in part to the recent decline in share prices, which got its start on overseas markets, the most common responses for both overseas securities markets and the overseas political & economic situation shifted from "neutral" followed by "somewhat positive" to "neutral" followed by "somewhat negative." The proportion of negative views also increased for domestic interest rates & forex trends, due in part to the yen strengthening. However, domestic economy & corporate earnings showed no major changes, indicating that the prevailing view remains that the economy is gradually expanding.

(4) Materials the most appealing sector for second month in a row

The sectors rated the most appealing were materials, autos & auto parts, and information & telecommunications, while bottom three were electricity & gas, financials, and resources. Although the most and least attractive sectors remained the same, information & telecommunications bumped electrical machinery & precision equipment out of the top three, while financials replaced construction & real estate in the bottom three.

(5) Growing interest in exercising voting rights and expectations of increasing influence over resolution approval/rejection

With this month's spot questions, we surveyed respondents on the influence of individual investors exercising voting rights, citing the recent rejection of a company proposal at a shareholders' meeting. Responses indicate that individual investors are increasingly interested in the exercise of voting rights and aware of the potential impact on the passage of resolutions. We expect the extent to which support is obtained from individual investors to become increasingly important for resolutions put to general shareholders' meetings.

(6) Nomura I-NIC Index down to -15.0

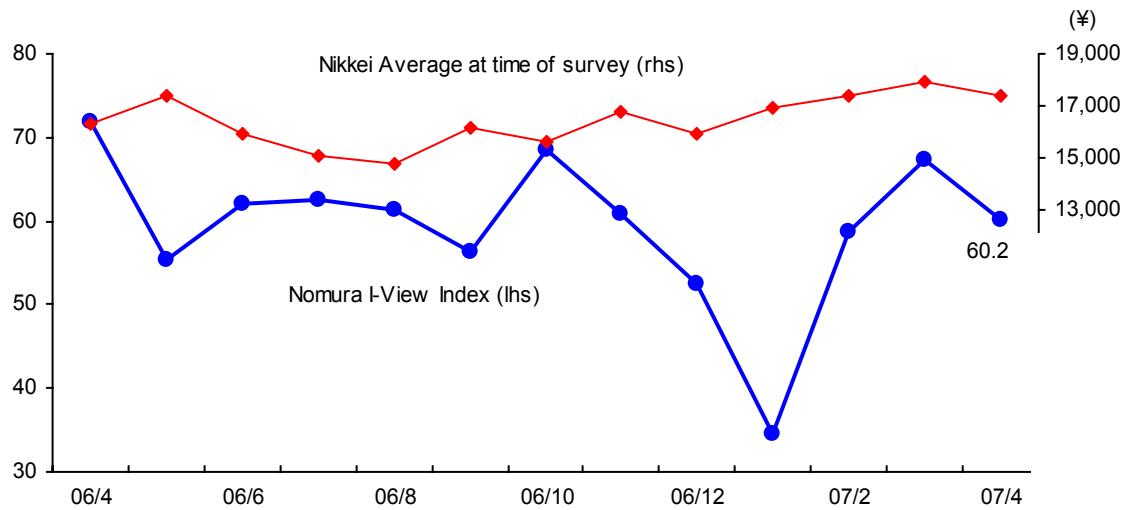
The Nomura I-NIC Index, which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was -15.0 (March 2007 preliminary data), down from the final February figure of 43.0.

## 5. Survey results

(1) The Nomura I-View Index down for first time in three months, to 60.2

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices (see section (2) below), was 60.2 for April, down 7.2pt from 67.4 in March. This is the first time in three months the index fell (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) Global stock correction impacts sentiment, but no major deterioration

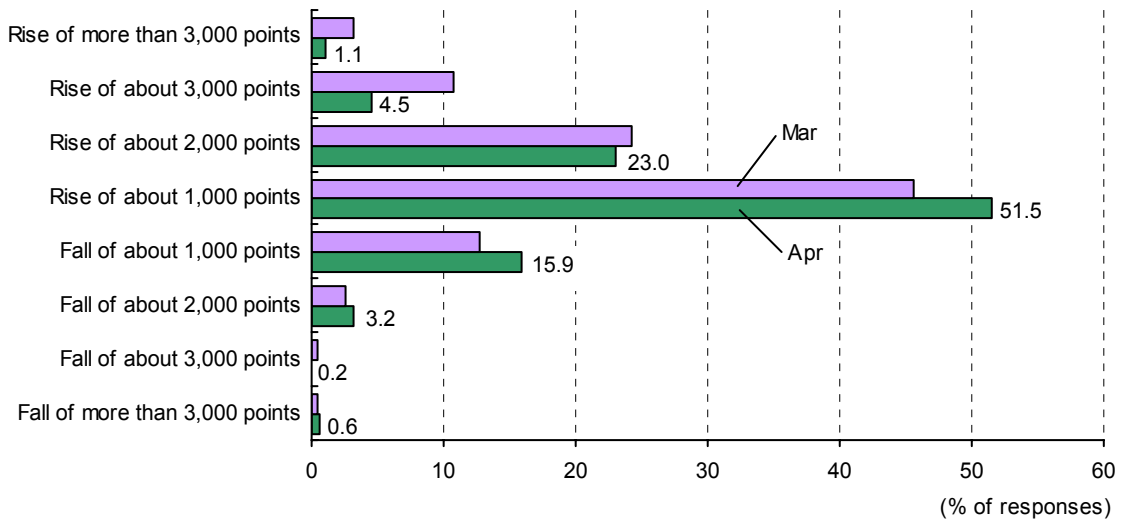
When asked about the outlook for the Nikkei Average during the next three months, the percentage of respondents expecting a “rise of about 1,000 points” increased to 51.5%, from 45.6% in March, but the proportions expecting larger rises declined. However, the proportion of investors expecting a decline rose for all categories except “fall of about 3,000 points,” indicating an overall downward shift in expected share price ranges. With this month’s survey, we were interested in the impact of the late-February global stock correction on individual investor sentiment. In view of respondents’ stated reasons for their three-month outlook for the Nikkei Average and of the responses to our question on factors affecting the stock market (see below), we think it had a negative impact but that it failed to lead to major deterioration. Although the Nomura I-View Index fell for the first time in three months, we think a substantial decline was avoided due to a large number of investors that continue to think that the domestic economy and corporate earnings are gradually recovering or continue to grow (Exhibit 2).

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 22 March closing figure of 17,419. 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).

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**2. Outlook for Nikkei Average during the next three months**

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(3) Slight deterioration in attitudes toward stock investment

Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held over the past three months. The proportion of “decreased” responses exceeded that of “increased” ones for frequency of trading activity, but the situation was reversed for number of stocks held. We think these results are indicative of two trends, namely (1) the tendency to reduce trading activity during times of large share price movements and (2) moves to increase the number of stocks held as the decline in share prices is viewed as a good investment opportunity. However, changes for all four categories were small overall. When asked about plans for the same categories over the coming three months, the proportion of “plan to increase” responses fell, while the proportion of “no change” or “plan to decrease” responses rose for all categories. This month’s results indicate a slight downturn in investor sentiment from its recent upward trend (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	
	Apr	Mar	Apr	Mar	Apr	Mar
Number of different stocks traded	18.7	18.8	66.6	69.0	14.7	12.2
Investment amount	16.2	15.6	69.8	72.5	14.0	11.9
Frequency of trading activity	17.8	18.0	63.4	66.9	18.8	15.1
Number of stocks held	17.5	14.7	67.6	70.5	14.9	14.8

**(2) Next three months**

	Plan to increase		No change		Plan to decrease	
	Apr	Mar	Apr	Mar	Apr	Mar
Number of different stocks traded	32.7	36.9	58.8	54.8	8.5	8.3
Investment amount	30.6	33.4	60.1	58.9	9.3	7.7
Frequency of trading activity	35.0	38.9	57.8	54.1	7.2	7.0
Number of stocks held	29.6	32.9	57.1	53.5	13.3	13.6

(4) Increasingly negative views on overseas factors and domestic interest rates & forex trends

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 responses for both overseas securities markets and the overseas political & economic situation shifted from “neutral” followed by “somewhat positive” to “neutral” followed by “somewhat negative.” We think individual investors are increasingly cautious regarding overseas factors as a result of the Feb–Mar decline in share prices, which started on overseas markets. In addition, the proportion of responses for domestic interest rates & forex trends was highest for “neutral” followed by “somewhat positive,” the reverse of last month’s pattern. We think this is because although domestic interest rates have been relatively stable even following the BOJ’s rate hike in February, the yen has strengthened. For market factors & psychological factors, the proportion of “somewhat positive” responses declined while the proportions increased for “neutral” and “somewhat negative” due to the decline in share prices. Domestic economy & corporate earnings showed no major changes, indicating that the prevailing view remains that the economy is gradually expanding (Exhibit 4).

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

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Apr	Mar	Apr	Mar	Apr	Mar	Apr	Mar	Apr	Mar
Domestic economy & corporate earnings	9.3	12.9	57.9	56.3	24.5	23.4	7.4	6.6	0.9	0.8
Market factors & psychological factors	6.0	10.1	39.6	48.2	36.2	29.6	16.5	10.9	1.7	1.2
Domestic interest rates & forex trends	3.0	6.0	25.7	36.7	46.8	34.1	22.2	21.5	2.3	1.7
Domestic politics	2.3	1.7	13.0	13.8	50.5	47.7	30.1	33.4	4.1	3.4
Overseas securities markets	4.3	4.2	22.7	37.6	41.7	47.0	27.3	10.5	4.0	0.7
Overseas political and economic situation	2.5	2.7	14.8	22.9	51.1	53.9	28.2	19.1	3.4	1.4

(5) Materials the most appealing sector for second month in a row

Respondents were asked to choose one sector they viewed as most appealing and one sector as 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 information & telecommunications. The bottom three were electricity & gas, financials, and resources. Although the most and least attractive sectors remained the same, information & telecommunications bumped electrical machinery & precision equipment out of the top three, while financials replaced construction & real estate in 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	
Materials	10.5	15.2	4.7	10.9
Autos & auto parts	6.1	10.1	4.0	6.1
Information & telecommunications	3.3	12.5	9.2	1.7
Electrical machinery & precision equipment	3.1	6.6	3.5	3.2
Consumer-related	1.3	10.6	9.3	1.8
Pharmaceuticals & healthcare	1.1	7.6	6.5	5.8
Machinery, shipbuilding & heavy machinery	-0.5	3.7	4.2	2.0
Construction & real estate	-1.6	9.8	11.4	-8.6
Transportation & warehousing	-3.3	3.0	6.3	-4.6
Resources	-3.6	7.0	10.6	-8.9
Financials	-4.7	9.9	14.6	3.1
Electricity & gas	-11.7	4.0	15.7	-12.5

(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 (776 valid responses)**

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	72	4661	Oriental Land	7
5401	Nippon Steel	39	6753	Sharp	7
9984	Softbank	26	7267	Honda Motor	7
6758	Sony	22	9020	East Japan Railway	7
7751	Canon	18	9433	KDDI	7
9501	Tokyo Electric Power	15	9437	NTT DoCoMo	7
9202	All Nippon Airways	15	5406	Kobe Steel	6
8306	Mitsubishi UFJ Financial Group	14	7011	Mitsubishi Heavy Industries	6
2811	Kagome	12	9205	Japan Airlines	6
6502	Toshiba	12	6301	Komatsu	5
7974	Nintendo	12	6752	Matsushita Electric Industrial	5
8267	Aeon	12	7211	Mitsubishi Motors	5
8411	Mizuho Financial Group	12	8058	Mitsubishi Corp	5
4502	Takeda Pharmaceutical	8	8473	SBI Holdings	5
2702	McDonald's Holdings (Japan)	7	9503	Kansai Electric Power	5

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

(7) Growing interest in exercising voting rights and expectations of increasing influence over resolution approval/rejection

With this month's spot questions, we surveyed respondents on the influence of individual investors exercising voting rights, citing the rejection of a steel company proposal put to an extraordinary shareholders' meeting in February. On whether such events would become more frequent in future, we asked respondents to choose one of the six options given in Exhibit 7. The largest proportion, 32.3%, agreed that "institutional investors and individual investors joining together to defeat the company's proposal was highly significant and a growing number of such cases can be expected in the future" (option 2), while 30.3% agreed that "the company proposal being rejected through individual investors exercising voting rights was highly significant, and a growing number of such cases can be expected in the future" (option 1). This case appears to have increased awareness among individual investors about the important influence their exercising voting rights can have on the passage of resolutions (Exhibit 7).

**7. Views on rejection of company proposal**

	<b>Choices</b>	<b>No. of respondents</b>	<b>%</b>
1	The company proposal being rejected through individual investors exercising voting rights was highly significant, and a growing number of such cases can be expected in the future	303	30.3
2	Institutional investors and individual shareholders joining together to defeat the company's proposal was highly significant, and a growing number of such cases can be expected in the future	323	32.3
3	Institutional investors and individual investors joining together to defeat the company proposal was exceptional, and a growing incidence of such cases in the future is unlikely	95	9.5
4	This case was a result of the company's high ratio of individual shareholders, and the number of such cases is unlikely to grow because exercising voting rights would not normally have a significant influence on the passage of company proposals	70	7.0
5	Other	3	0.3
6	Not sure	206	20.6
<b>Total</b>		<b>1,000</b>	<b>100.0</b>

Next, regarding views on the impact of this case on individual investors exercising voting rights, we asked respondents to select from the four options in Exhibit 8 the one that is closest to their thinking. The largest proportion of respondents, 44.7%, agreed that "the proportion of individual shareholders exercising voting rights will increase, in tandem with which growing numbers of individual shareholders will indicate whether they are for or against resolutions," (option 1) followed by 30.3% who chose "the proportion of individual shareholders exercising voting rights will rise, but the number of individual shareholders indicating whether they are for or against resolutions will not increase" (option 2). Of all respondents, 75.0% chose either option (1) or (2), indicating that they expect the proportion of individual shareholders exercising voting rights to increase, while 61.0% choose either option (1) or (3), meaning that they expect the number of individual shareholders indicating whether they are for or against resolutions to increase. Taken together with the responses to the previous question, we expect the extent to which support is obtained from individual investors to become increasingly important for resolutions put to general shareholders' meetings, as well as for proposals regarding M&As and other matters (Exhibit 8).

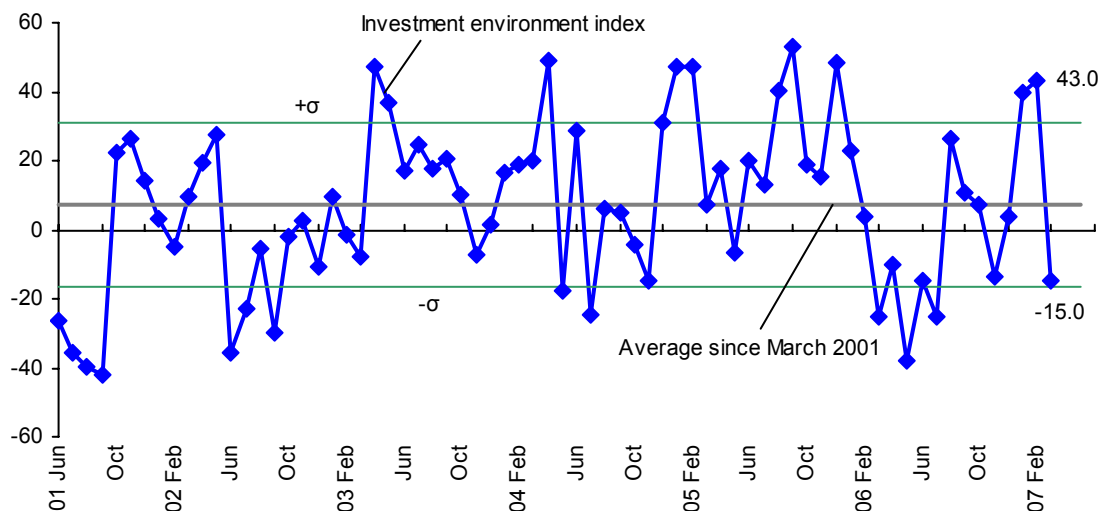
**8. Views on the impact of the latest incident on the exercise of voting rights by individual shareholders**

	<b>Choices</b>	<b>No. of respondents</b>	<b>%</b>
1	The proportion of individual shareholders exercising voting rights will increase, in tandem with which growing numbers of individual shareholders will indicate whether they are for or against resolutions	447	44.7
2	The proportion of individual shareholders exercising voting rights will rise, but the number of individual shareholders indicating whether they are for or against resolutions will not increase	303	30.3
3	The proportion of individual shareholders exercising voting rights will not rise, but the number indicating whether they are for or against resolutions will increase	163	16.3
4	The proportion of individual shareholders exercising voting rights will not rise, and the number indicating whether they are for or against resolutions will not increase	87	8.7
<b>Total</b>		<b>1,000</b>	<b>100.0</b>

## 6. Nomura I-NIC Index down to -15.0

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 -15.0 (March 2007 preliminary data), down from the final February figure of 43.0 (February preliminary data was 25.0) (Exhibit 9).

### 9. Nomura I-NIC Index



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.

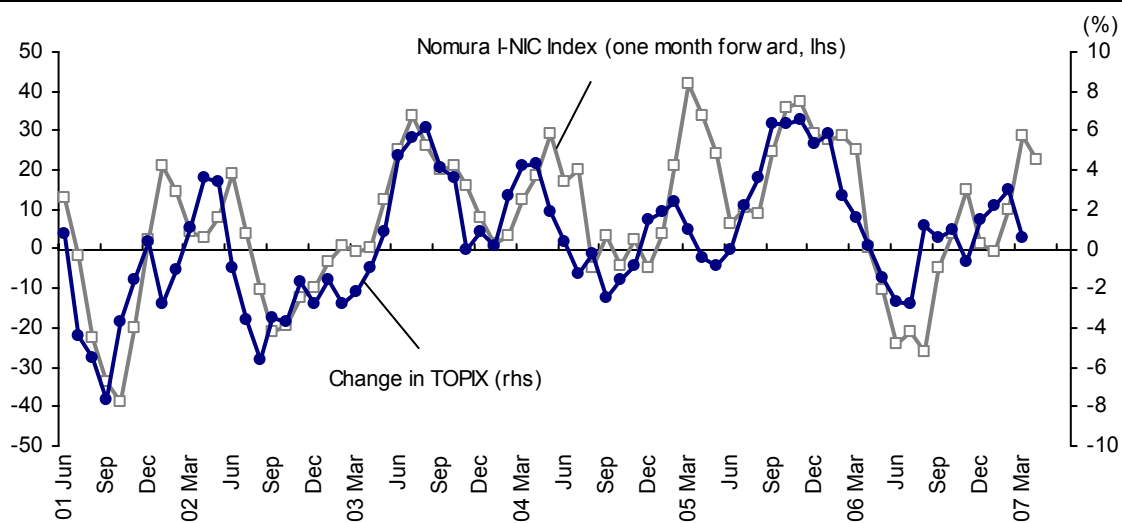
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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 0.727 (June 2001 through March 2007)

**Notice**

The next Nomura Individual Investor Survey (May 2007) is scheduled for release on Monday, 7 May.

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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.