

Nomura Individual Investor Survey

July 2007

5 July 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 11,800 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 June 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) attractive sectors, and (5) attractive stocks.

3. Nomura Individual Investor Survey (July 2007) respondents

Gender: Male (65.7%), Female (34.3%)

Age: Less than 30 (6.1%), 30–39 (32.4%), 40–49 (28.2%), 50–59 (19.3%), 60 and above (14.0%)

Financial assets held: Less than ¥2,000,000 (21.1%), ¥2,000,000–¥4,999,999 (21.9%), ¥5,000,000–¥9,999,999 (20.1%), ¥10,000,000–¥29,999,999 (22.8%), ¥30,000,000 or more (14.1%)

Number of different stocks held: One–two stocks (24.5%), Three–five stocks (38.8%), Six–10 stocks (20.5%), 11–20 stocks (9.5%), 21 or more stocks (4.8%), None (1.9%)

Average duration stocks are held: Less than one month (6.7%), One month to less than three months (7.9%), Three months to less than six months (12.0%), Six months to less than one year (18.7%), One year to less than two years (20.3%), Two years to less than five years (19.8%), Five years or more (14.6%)

Frequency of trading activity: Once or more per day (5.4%), Once or more per week (16.4%), About once a month (22.5%), About once every two to three months (18.3%), About once every six months (12.7%), About once a year (6.9%), Once every few years or so (6.9%), Not active at present (10.9%)

Investment experience: Less than one year (2.9%), One year to less than three years (24.3%), Three years to less than five years (18.6%), Five years to less than 10 years (23.3%), 10 years to less than 20 years (18.8%), 20 years or more (12.1%)

Area of investment focus: Stock price movements and technical factors (12.9%), Strong earnings growth (14.8%), Stable earnings growth (49.0%), Dividends and shareholder returns (23.3%)

4. Survey overview

(1) The Nomura I-View Index drops to 43.2

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, was 43.2 for July, down for the first time in two months. With the market reaching new year-to-date highs, we think doubts have started to spread about further upside to share prices, with some investors concerned that the market is looking top heavy.

(2) Recovery in stock investment, but trend lacks vigor

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. It appears appetite for investment has been recovering, with the number of "increased" responses higher than the number of "decreased" responses in the categories for the number of different stocks traded and investment amount. However, the number of "no change" responses increased in all categories, and we think the recovery in appetite for stock investment lacks strength. Nevertheless, when asked about plans for the same categories over the coming three months, the responses suggested that the recovery in appetite for stock investment is likely to continue, but we think the responses do not indicate a full-fledged recovery trend.

(3) Increased concerns about impact of domestic politics

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. There was an increase in the proportion of positive views regarding market factors & psychological factors and domestic economy & corporate earnings. However, for domestic politics, there was a change in the order of the most popular responses, from "neutral" followed by "somewhat negative" last month, to "somewhat negative" followed by "neutral" this month. We think this indicates increasing concerns of individual investors about this factor.

(4) Materials the most appealing sector for fifth straight month

The sectors with the most appeal were materials, electrical machinery & precision equipment, and machinery, shipbuilding & heavy machinery, while the bottom three were electricity & gas, financials, and construction & real estate. Materials thus topped the list for a fifth straight month.

(5) Relatively few investors say they will sell if foreign shares are acquired via a triangular merger

For this month's spot question, we asked individual investors about their response to the acquisition of foreign stock through triangular mergers. The most common answers were, "continue to hold the stock if the share price looks likely to rise, but consider selling if the other party to the stock swap is a company for which the share price looks unlikely to rise," followed by, "as a general rule, continue to hold the stock". Relatively few investors selected, "as a general rule, sell the stock". Based on these answers, we think the risk of "flowback" (the dumping of shares in a foreign company by shareholders immediately after acquisition) caused by individual investors is not that high.

(6) Nomura I-NIC Index up to 50.6

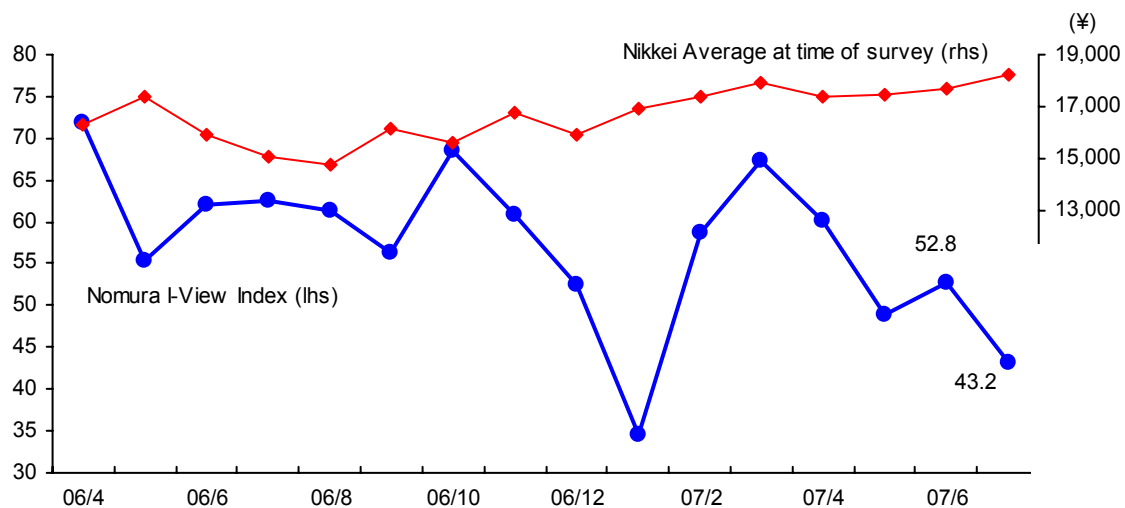
The Nomura Individual Investor Investment Climate Index (Nomura I-NIC Index), which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was 50.6 (June preliminary data), up from the final May figure of -11.5.

5. Survey results

(1) The Nomura I-View Index drops to 43.2

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 43.2 for July, down 9.6pt from 52.8 in June. This is the first time in two months that 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:

[(Number of responses indicating expected rise in share prices in the next three months minus number of responses indicating expected fall in share prices in the next three months) divided by number of respondents] X 100

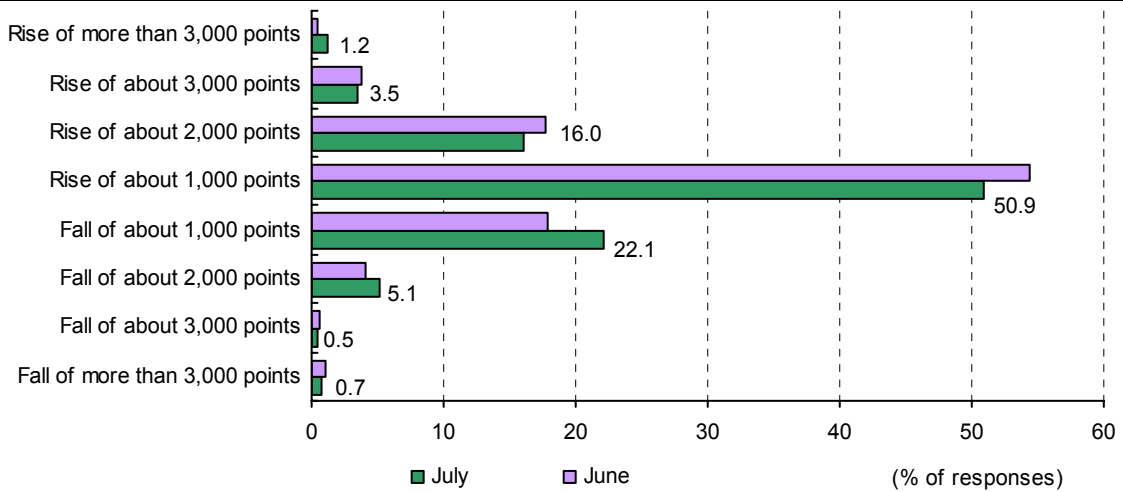
The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

(2) Doubts that share prices will continue to rise after hitting new highs are starting to spread

When asked about the outlook for the Nikkei Average during the next three months, the percentage of respondents selecting answers ranging from a “rise of about 1,000 points” to a “rise of about 3,000 points” declined to 70.4%, from 76.0% in June, while the proportion looking for a “fall of about 1,000 points” or a “fall of about 2,000 points” rose from 22.0% to 27.2%. The responses and the reasons given for them suggest that many individual investors still expect the uptrend in share prices to continue, underpinned by the firm domestic economy and corporate earnings, favorable forex trends, and the lag relative to overseas stock markets. With the market reaching new year-to-date highs, the reference level for the Nikkei Average of 18,240 (21 June close) was 560 points higher than the month-earlier level and higher than any level seen in the 16 past surveys. Under these circumstances, doubts have started to spread about further upside to share prices, with some investors concerned that the market is looking top heavy, and with the approaching Upper House election creating political uncertainty. We think these doubts account for the decline in the Nomura I-View Index.

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 21 June closing figure of 18,240. 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 18,201 to 19,200 (a rise of about 1,000 points).

2. Outlook for Nikkei Average during the next three months



(3) Recovery in stock investment, but trend lacks vigor

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 fell in all categories. Moreover, it appears appetite for investment has been recovering, with the number of “increased” responses higher than the number of “decreased” responses in the categories for the number of different stocks traded and investment amount. However, the number of “decreased” responses was higher than the number of “increased” responses in the trading frequency and number of stocks held categories, and the number of “no change” responses increased in all categories. As such, we think the recovery in appetite for stock investment lacks strength. Nevertheless, when asked about plans for the same categories over the coming three months, the proportion of “plan to decrease” responses fell, while the proportion of “plan to increase” responses was higher than last month in all categories apart from investment amount. While this suggests that the recovery in appetite for stock investment is likely to continue, we think the responses do not indicate a full-fledged recovery 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 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	
	Jul	Jun	Jul	Jun	Jul	Jun
Number of different stocks traded	18.7	16.4	66.0	62.7	15.3	20.9
Investment amount	15.5	15.9	70.4	64.6	14.1	19.5
Frequency of trading activity	16.1	13.7	61.4	60.2	22.5	26.1
Number of stocks held	13.6	13.7	69.0	67.5	17.4	18.8

(2) Next three months

	Plan to increase		No change		Plan to decrease	
	Jul	Jun	Jul	Jun	Jul	Jun
Number of different stocks traded	35.9	33.2	54.1	54.8	10.0	12.0
Investment amount	30.5	32.5	59.6	55.5	9.9	12.0
Frequency of trading activity	37.6	36.2	53.4	53.6	9.0	10.2
Number of stocks held	31.3	29.6	53.9	53.7	14.8	16.7

(4) Increased concerns about impact of domestic politics

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. Owing to the relatively favorable stock market environment of late, the most popular response regarding market factors & psychological factors this month was “somewhat positive”, followed by “neutral”, compared with “neutral” followed by “somewhat positive” last month. There was an overall increase in the proportion of positive responses regarding the domestic economy & corporate earnings, as the number of “positive” responses increased and the number of other responses fell. However, for domestic politics, there was a change in the order of the most popular responses, from “neutral” followed by “somewhat negative” last month, to “somewhat negative” followed by “neutral” this month. We think this indicates increasing concerns of individual investors about this factor. Regarding domestic interest rates & forex trends, there was a decline in the proportion of “neutral” responses and increases for other responses, suggesting that opinions are becoming divided on the likely impact of recent yen depreciation and rising long-term interest rates (Exhibit 4).

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

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Jul	Jun	Jul	Jun	Jul	Jun	Jul	Jun	Jul	Jun
Domestic economy & corporate earnings	11.4	8.5	50.5	52.0	27.2	28.4	9.7	10.1	1.2	1.0
Market factors & psychological factors	5.4	4.9	39.2	34.3	36.8	38.0	17.2	20.5	1.4	2.3
Domestic interest rates & forex trends	5.3	2.1	28.7	27.6	38.4	47.2	24.2	21.2	3.4	1.9
Domestic politics	3.1	2.5	10.5	18.8	35.3	51.6	40.9	24.7	10.2	2.4
Overseas securities markets	6.2	7.1	35.7	34.7	39.7	36.7	16.0	18.9	2.4	2.6
Overseas political & economic situation	3.2	3.4	23.5	24.3	52.6	49.4	18.0	21.0	2.7	1.9

(5) Materials the most appealing sector for fifth straight month

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, electrical machinery & precision equipment, and machinery, shipbuilding & heavy machinery. The bottom three were electricity & gas, financials, and construction & real estate. Materials thus topped the list for a fifth straight month. Machinery, shipbuilding & heavy machinery replaced pharmaceuticals & healthcare in the top three, while at the bottom financials replaced transportation & warehousing (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	9.2	15.0	5.8	6.5
Electrical machinery & precision equipment	5.1	7.7	2.6	5.3
Machinery, shipbuilding & heavy machinery	4.5	7.2	2.7	1.1
Pharmaceuticals & healthcare	4.3	8.8	4.5	6.3
Resources	3.2	13.3	10.1	0.5
Autos & auto parts	3.0	7.3	4.3	2.6
Information & telecommunications	1.9	13.0	11.1	-1.7
Consumer-related	-3.3	9.3	12.6	0.4
Transportation & warehousing	-3.5	3.8	7.3	-5.5
Electricity & gas	-6.1	4.6	10.7	-7.4
Financials	-8.3	6.3	14.6	1.1
Construction & real estate	-10.0	3.7	13.7	-9.2

(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 (991 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	89	7267	Honda Motor	9
6758	Sony	29	8058	Mitsubishi Corp	9
5401	Nippon Steel	27	8267	Aeon	9
9984	Softbank	25	8411	Mizuho Financial Group	9
7751	Canon	17	5001	Nippon Oil	8
9501	Tokyo Electric Power	17	7522	Watami	8
7974	Nintendo	16	2502	Asahi Breweries	7
7011	Mitsubishi Heavy Industries	15	4452	Kao	7
4661	Oriental Land	14	6502	Toshiba	7
2811	Kagome	13	9613	NTT Data	7
4502	Takeda Pharmaceutical	13	3402	Toray Industries	6
5405	Sumitomo Metal Industries	13	8604	Nomura Holdings	6
4755	Rakuten	12	2327	NS Solutions	5
6301	Komatsu	12	6764	Sanyo Electric	5
4689	Yahoo Japan	11	6971	Kyocera	5
9202	All Nippon Airways	10	7201	Nissan Motor	5

Note: Subtracted from valid responses were answers of “none” or clearly mistaken responses.

(7) Risk of “flowback” from individual investors not that high

For this month’s spot question, we asked individual investors about their likely response to the acquisition of foreign stock through triangular mergers. The most common answer, from 33.0% of respondents, was “continue to hold the stock if the share price looks likely to rise, but consider selling if the other party to the stock swap is a company for which the share price looks unlikely to rise.” The second most popular response was “as a general rule, continue to hold the stock”, at 22.1%. Only 8.6% said they would “as a general rule, sell the stock”. Based on these answers, we think the risk of “flowback” (the dumping of shares in a foreign company by shareholders immediately after acquisition) caused by individual investors is not that high (Exhibit 7).

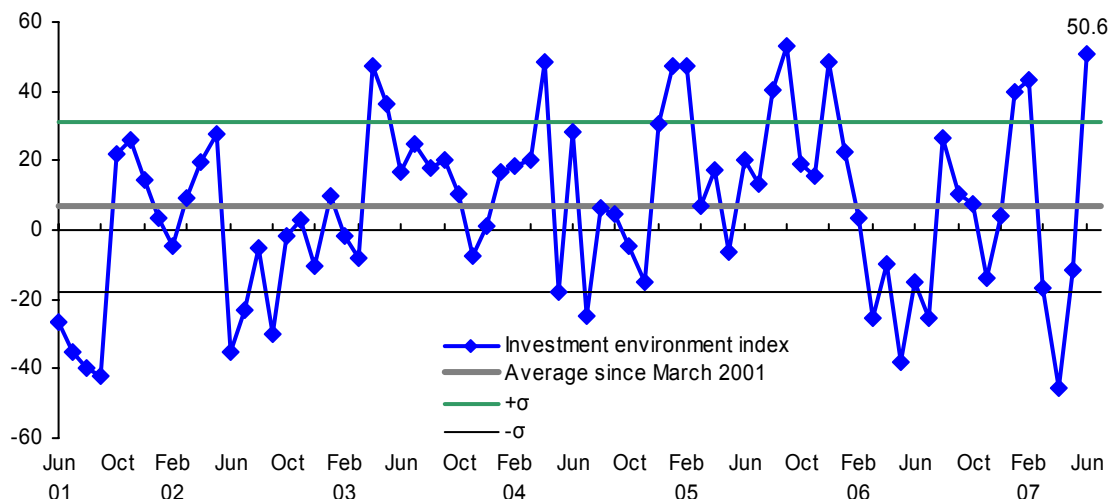
7. Response of individual investors to the acquisition of shares in foreign companies through triangular mergers

	Resolution	% of responses
1	As a general rule, continue to hold the stock	22.1
2	Continue to hold the stock if it is in a company whose name is known, but consider selling if the other party to the stock swap is an unknown company	15.1
3	Continue to hold the stock if the share price looks likely to rise, but consider selling if the other party to the stock swap is a company for which the share price looks unlikely to rise	33.0
4	Continue to hold the stock if it looks attractive from a dividend perspective, but consider selling if the other party to the stock swap does not look attractive in terms of dividends	8.7
5	Continue to hold the stock if it can be freely traded when required (if the market is liquid and the shares can be readily turned into cash), but consider selling if these characteristics are lacking	12.0
6	As a general rule, sell the stock	8.6
7	Other	0.5
	Total	100.0

6. Nomura I-NIC Index up to 50.6

The Nomura Individual Investor Investment Climate Index (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 50.6 (June preliminary data), up from the final May figure of -11.5 (May preliminary figure: -8.5) (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.

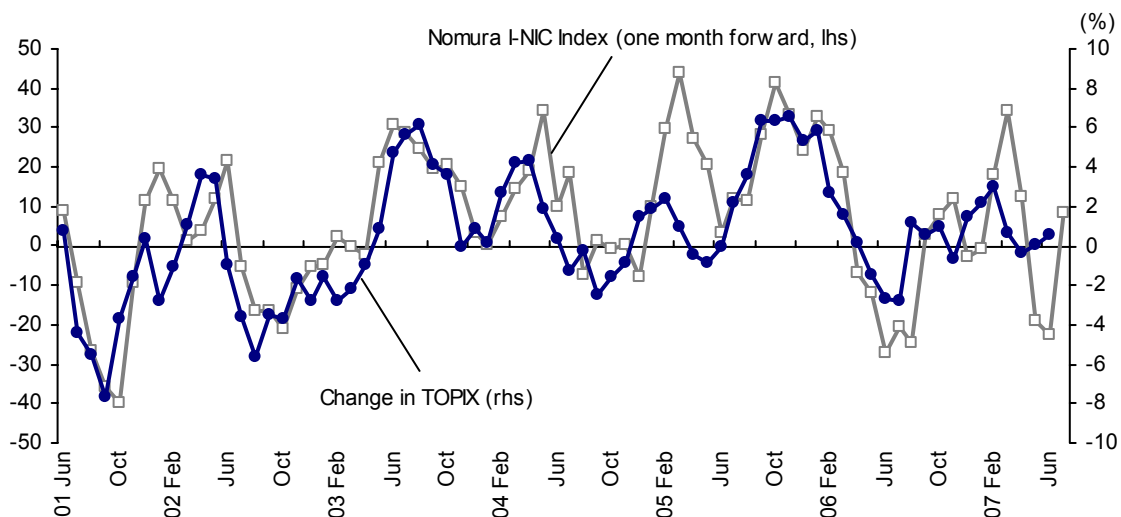
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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 (weighted 50% for most recent month, 30% for prior month, and 20% for two months prior). 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 0.699 (June 2001 through June 2007)

Notice

The next Nomura Individual Investor Survey (August 2007) is scheduled for release on Monday, 6 August.

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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.

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