

Nomura Individual Investor Survey

August 2007

6 August 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 20 July with deadline for responses on 23 July

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 (August 2007) respondents

Gender: Male (68.4%), Female (31.6%)

Age: Less than 30 (5.9%), 30–39 (27.6%), 40–49 (30.4%), 50–59 (22.3%), 60 and above (13.8%)

Financial assets held: Less than ¥2,000,000 (21.3%), ¥2,000,000–¥4,999,999 (20.1%), ¥5,000,000–¥9,999,999 (19.5%), ¥10,000,000–¥29,999,999 (24.3%), ¥30,000,000 or more (14.8%)

Number of different stocks held: One–two stocks (21.9%), Three–five stocks (38.5%), Six–10 stocks (23.3%), 11–20 stocks (10.0%), 21 or more stocks (4.9%), None (1.4%)

Average duration stocks are held: Less than one month (5.3%), One month to less than three months (8.0%), Three months to less than six months (13.3%), Six months to less than one year (16.8%), One year to less than two years (20.8%), Two years to less than five years (20.9%), Five years or more (14.9%)

Frequency of trading activity: Once or more per day (4.9%), Once or more per week (17.3%), About once a month (18.4%), About once every two to three months (20.1%), About once every six months (14.2%), About once a year (8.1%), Once every few years or so (7.2%), Not active at present (9.8%)

Investment experience: Less than one year (3.4%), One year to less than three years (21.2%), Three years to less than five years (18.6%), Five years to less than 10 years (23.6%), 10 years to less than 20 years (20.7%), 20 years or more (12.5%)

Area of investment focus: Stock price movements and technical factors (13.8%), Strong earnings growth (13.3%), Stable earnings growth (48.2%), Dividends and shareholder returns (24.7%)

4. Survey overview

(1) The Nomura I-View Index drops for second straight month

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, was 39.6 for August, down for the second straight month. The Nikkei Average had been hovering above the 18,000 mark during the period between last month's survey and this month's, but we think the Nomura I-View Index fell owing to rising unease about the sustainability of recent highs, concerns about the result of the upper house election and the likely impact on the political situation, and the increasing view that there is currently a dearth of positive factors needed push up share prices further.

(2) Notable move toward decreasing 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 number of "no change" responses fell in all categories, while the number of "decreased" responses rose. The number of "decreased" responses was higher than the number of "increased" responses in all categories, suggesting a clear move toward decreasing stock investment. When asked about plans for the same categories over the coming three months, the responses suggest a possible widening tendency to ease back on stock investment.

(3) Increasing concerns about impact of domestic politics 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. Owing to the weaker yen and concerns about a possible change to the stable, low long-term interest rate trend, the most popular response regarding domestic interest rates & forex trends this month changed to "neutral", followed by "somewhat negative". For domestic politics, there was a 3.6ppt increase in the proportion of "somewhat negative" responses, indicating that an increasing number of investors see this factor as likely to have a negative impact on the stock market.

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

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

(5) Increasing number of individual investors opposing resolutions

For this month's spot question, we asked individual investors about their exercise of voting rights at June 2007 general shareholders' meetings. Around half of voters said that they had exercised voting rights, largely unchanged from last year. However, this year 39% of respondents who exercised their voting rights said that they had opposed resolutions, up from just under 33% last year. Last year, resolutions that met with the most disapproval of individual investors were those concerning directors' compensation and bonuses and directors' retirement bonuses, while few individual investors voted against the introduction of takeover defense measures. This tendency was unchanged this year.

(6) Nomura I-NIC Index down to -7.0

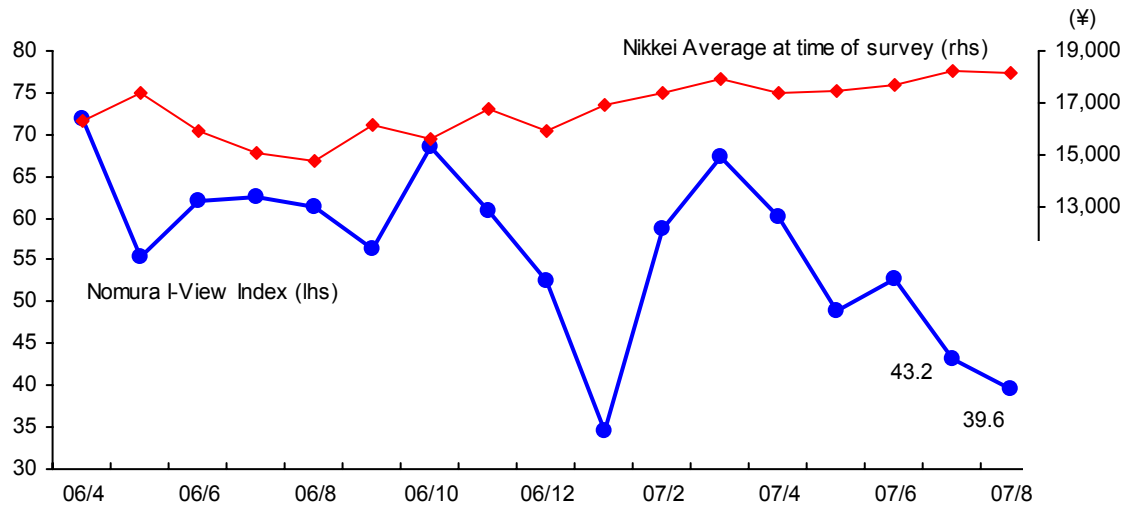
The Nomura Individual Investor Investment Climate Index (Nomura I-NIC Index), which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was -7.0 (July preliminary data), down from the final June figure of 49.3.

5. Survey results

(1) The Nomura I-View Index drops to 39.6, for a second straight monthly decline

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 39.6 for August, down 3.6pt from 43.2 in July. This was the second straight month of decline for the index (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:

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

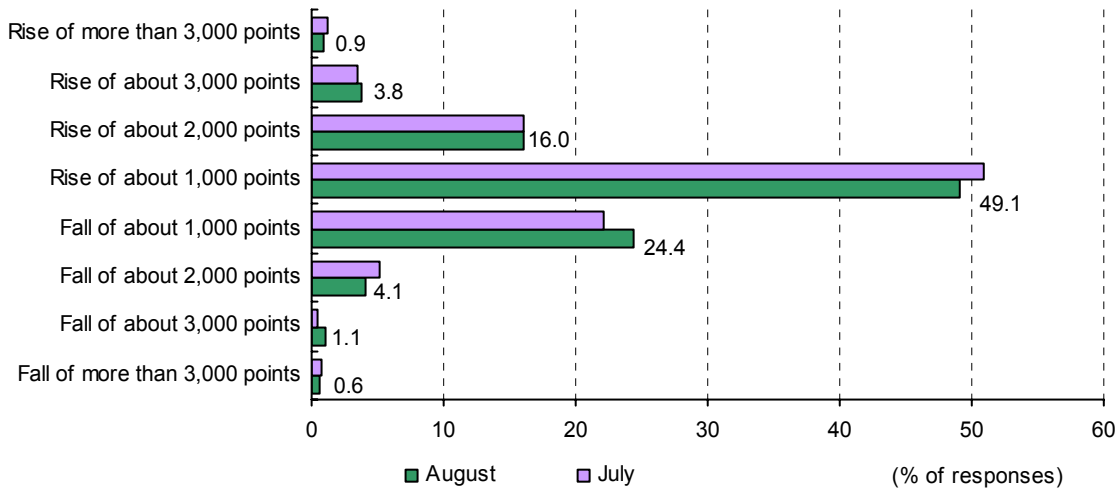
The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

(2) Dearth of factors likely to push stocks beyond recent highs, emergence of various negatives

When asked about the outlook for the Nikkei Average during the next three months, the percentage of respondents selecting “rise of about 1,000 points” declined to 49.0% this month, from 50.9% last month, while the proportion looking for a “fall of about 1,000 points” rose notably, to 24.4%, from 22.1%. The reference level for the Nikkei Average of 18,157 (20 July close) was 83 points lower than the month-earlier level, but the index had been hovering around recent highs over the 18,000 mark during the period between last month’s survey and this month’s. The responses and the reasons given for them suggest that many individual investors still expect a modest rise in share prices, underpinned by the firm domestic economy and corporate earnings. However, in addition to rising unease about the sustainability of recent highs, there was also an increase in the number of responses expressing concerns about the result of the upper house election and the likely impact on the political situation. Such opinions appear to have combined with the view that there are insufficient positive factors at present to push up share prices further, and we think this accounts for the second straight monthly 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 20 June closing figure of 18,157. 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) Notable move toward decreasing 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 number of “no change” responses fell in all categories, while the number of “decreased” responses rose. The number of “increased” responses rose in the investment amount and number of stocks held categories, but was flat in the frequency of trading category and fell slightly in the number of different stocks traded category. While the recovery in stock investment evident in last month’s survey has not disappeared completely, the rise in the number of “decreased” responses was greater than that for other responses, and the number of “decreased” responses was higher than the number of “increased” responses in all categories, suggesting a move toward decreasing stock investment. When asked about plans for the same categories over the coming three months, the proportion of “plan to decrease” responses rose in all categories, while the proportion of “plan to increase” responses fell in all categories apart from investment amount, in which it was flat. The responses suggest the possibility of a widening tendency to ease back on stock investment (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	
	Aug	Jul	Aug	Jul	Aug	Jul
Number of different stocks traded	18.3	18.7	61.7	66.0	20.0	15.3
Investment amount	16.5	15.5	63.4	70.4	20.1	14.1
Frequency of trading activity	16.1	16.1	57.5	61.4	26.4	22.5
Number of stocks held	15.8	13.6	63.0	69.0	21.2	17.4

(2) Next three months

	Plan to increase		No change		Plan to decrease	
	Aug	Jul	Aug	Jul	Aug	Jul
Number of different stocks traded	32.6	35.9	54.0	54.1	13.4	10.0
Investment amount	30.5	30.5	57.1	59.6	12.4	9.9
Frequency of trading activity	34.3	37.6	54.9	53.4	10.8	9.0
Number of stocks held	28.6	31.3	53.0	53.9	18.4	14.8

(4) Increasing concerns about impact of domestic politics 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. Owing to the weaker yen and concerns about a possible change to the stable, low long-term interest rate trend, the most popular response regarding domestic interest rates & forex trends this month was “neutral” followed by “somewhat negative”, compared with “neutral” followed by “somewhat positive” last month. For domestic politics, there was a 3.6ppt increase in the proportion of “somewhat negative” responses, indicating that an increasing number of investors see this factor as likely to have a negative impact on the stock market. There was also a change in order for the most popular responses in the market factors & psychological factors category, to “neutral” followed by “somewhat positive”, from “somewhat positive” followed by “neutral” last month, reflecting the view that the market may have reached a peak and increasing concerns about the outlook. On the other hand, the firm market environment overseas prompted a change of order in the overseas securities markets category, to “somewhat positive” followed by “neutral”, from “neutral” followed by “somewhat positive” last month (Exhibit 4).

4. Impact of factors on the stock market (%)										
	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Aug	Jul	Aug	Jul	Aug	Jul	Aug	Jul	Aug	Jul
Domestic economy & corporate earnings	9.6	11.4	50.4	50.5	26.9	27.2	12.4	9.7	0.7	1.2
Market factors & psychological factors	4.7	5.4	32.9	39.2	36.5	36.8	23.1	17.2	2.8	1.4
Domestic interest rates & forex trends	2.7	5.3	25.8	28.7	38.5	38.4	30.5	24.2	2.5	3.4
Domestic politics	2.7	3.1	10.6	10.5	33.1	35.3	44.5	40.9	9.1	10.2
Overseas securities markets	6.9	6.2	40.0	35.7	35.0	39.7	15.8	16.0	2.3	2.4
Overseas political & economic situation	4.0	3.2	26.5	23.5	50.7	52.6	17.2	18.0	1.6	2.7

(5) Materials the most appealing sector for sixth 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; machinery, shipbuilding & heavy machinery; and resources, with materials topping the list for the sixth straight month. The resources sector entered the top three this month, replacing electrical machinery & precision equipment. The bottom three sectors were electricity & gas, construction & real estate, and financials. There was a change only in the order of the bottom three sectors (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	11.2	15.2	4.0	9.2
Machinery, shipbuilding & heavy machinery	8.5	10.4	1.9	4.5
Resources	8.1	16.3	8.2	3.2
Pharmaceuticals & healthcare	6.5	10.1	3.6	4.3
Electrical machinery & precision equipment	3.6	5.7	2.1	5.1
Information & telecommunications	0.4	9.7	9.3	1.9
Consumer-related	-0.3	8.4	8.7	-3.3
Autos & auto parts	-0.4	5.6	6.0	3.0
Transportation & warehousing	-2.0	3.8	5.8	-3.5
Financials	-8.5	6.8	15.3	-8.3
Construction & real estate	-12.7	4.1	16.8	-10.0
Electricity & gas	-14.4	3.9	18.3	-6.1

(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 (998 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	83	2811	Kagome	9
7974	Nintendo	32	5001	Nippon Oil	9
5401	Nippon Steel	30	7751	Canon	9
6301	Komatsu	23	5713	Sumitomo Metal Mining	8
6758	Sony	23	8604	Nomura Holdings	8
9501	Tokyo Electric Power	20	2702	McDonald's Holdings (Japan)	7
9984	Softbank	17	8031	Mitsui & Co	7
7011	Mitsubishi Heavy Industries	16	8267	Aeon	7
7267	Honda Motor	14	8306	Mitsubishi UFJ Financial Group	7
8058	Mitsubishi Corp	12	8411	Mizuho Financial Group	7
9202	All Nippon Airways	12	9104	Mitsui OSK Lines	7
4755	Rakuten	11	5411	JFE Holdings	6
5405	Sumitomo Metal Industries	11	6752	Matsushita Electric Industrial	6
3402	Toray Industries	10	4452	Kao	5
4502	Takeda Pharmaceutical	10	5007	Cosmo Oil	5
6502	Toshiba	10	9020	East Japan Railway	5
2327	NS Solutions	9			

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

(7) Increasing number of individual investors opposing resolutions

For this month's spot question, we asked individual investors about their exercise of voting rights at June 2007 general shareholders' meetings. First, when asked whether or not they exercised voting rights, 31.2% of respondents said they exercised voting rights for all of the companies in which they hold shares (responses 1–4). An additional 18.7% of respondents said they had exercised voting rights for some of the companies in which they hold shares (responses 5–8), giving a total of 49.9% of respondents who said that they had exercised voting rights. The percentage of respondents who said that they had exercised voting rights at the June general shareholders' meeting edged down 0.8ppt from the prior-year level (last year's figures were published in our September 2006 Nomura Individual Investor Survey) (Exhibit 7).

7. Exercising of voting rights by individual investors in June 2007

Choices	% of responses	(Reference) % of responses for Jun 06
1. Attended general meeting and exercised rights for all stocks owned	1.4	2.0
2. Exercised rights for all stocks owned in writing (by post)	22.7	20.9
3. Exercised rights for all stocks owned electronically (by internet, mobile phone)	5.4	4.7
4. Exercised rights for all stocks owned via a combination of methods listed in choices 1–3 above	1.7	3.9
Total for 1–4	31.2	31.5
5. Attended general meeting and exercised rights for some stocks owned	3.9	3.0
6. Exercised rights for some stocks owned in writing (by post)	9.5	10.9
7. Exercised rights for some stocks owned electronically (by internet, mobile phone)	3.8	2.9
8. Exercised rights for some stocks owned via a combination of methods listed in choices 5–7 above	1.5	2.4
Total for 5–8	18.7	19.2
Total for 1–8	49.9	50.7
9. Did not exercise rights for any stocks owned	50.1	49.3
Total for all choices	100.0	100.0

Note: We asked investors to "Please choose one of the following responses to describe how you exercised voting rights at general meetings of shareholders in June 2007," with the nine responses listed in the table as choices.

Next, we asked the individual investors who indicated that they had exercised their voting rights whether they had opposed any resolutions. We asked investors who had opposed resolutions to select the kind of resolutions that they opposed from those listed in Exhibit 8. Multiple answers were possible in the case of opposing resolutions, whereas investors who approved all resolutions could select only “voted in favor of all resolutions”. Last year, 67.1% of respondents said they had voted in favor of all resolutions, but this year that figure dropped to 61.3%, indicating an increase in the number of individual investors opposing resolutions. Among resolutions that met with the disapproval of individual investors, the most opposed resolutions concerned directors’ compensation (17.6%), directors’ retirement bonuses (16.6%) and profit distribution (12.8%). On the other hand, only 4.2% opposed the introduction of takeover defense policies and 1.6% opposed changing the maximum number of issuable shares, suggesting that there was little opposition to takeover defense and related measures (Exhibit 8).

On the other hand, when we asked those who had not exercised their voting rights to select the reasons why from those listed in Exhibit 9 (multiple responses allowed), the most popular answers were that it was too much trouble (50.7%) and that the impact of their vote would be small or meaningless (40.9%). This trend was roughly in line with that seen last year (Exhibit 9).

8. Approval or disapproval of resolutions (multiple answers permitted in the case of disapproval)

Resolution	% of responses	(Ref) June 2006
Voted in favor of all resolutions	61.3	67.1
Voted against the following resolutions	38.7	32.9
Use of surplus funds (dividends)	12.8	10.5
Granting board of directors authority to decide distribution of retained earnings (making possible quarterly dividends)	1.6	2.6
Selection of directors/auditors	10.8	7.9
Director compensation/bonuses	17.6	14.0
Share buybacks	4.6	1.6
Change in the maximum number of issuable shares	1.6	1.8
Change in the number of directors (reduction, establishment of upper limit)	3.0	1.8
Increasing conditions for removing directors	0.8	0.6
Introduction of takeover defense measures	4.2	4.5
Grant of stock options	7.2	5.5
Retirement bonuses for directors	16.6	12.8
Other company proposals	3.8	3.4

Note: Individual investors who selected responses 1–8 in Exhibit 7 were asked to select from the above list the kind of resolutions that they opposed. Investors who approved all resolutions could select only “voted in favor of all resolutions”, but multiple responses were allowed in the case of disapproval.

9. Reasons given as to why investors did not exercise their voting rights (multiple answers permitted)

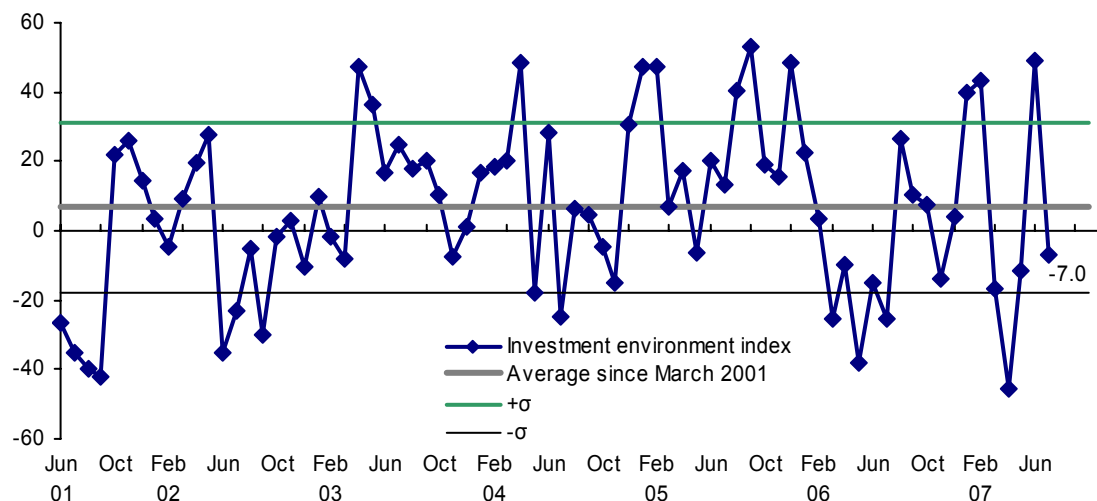
Choices	% of responses	(Ref) June 2006
1 Because it is too much trouble	50.7	49.3
2 Because the impact of my vote is small or meaningless	40.9	36.3
3 There were no resolutions for which I considered it necessary to exercise my voting rights and in doing so express my opinion	10.4	9.1
4 I had insufficient time to consider the resolution	6.6	7.1
5 I was unable to attend the general shareholders’ meeting, or forgot to submit a postal vote	3.6	5.7
6 I am primarily a short-term investor in pursuit of capital gains and the like, and do not consider exercising my voting rights to be important	4.8	4.1
7 I have no interest in exercising voting rights	12.6	10.3
8 I did not have a good understanding of the resolution	4.8	4.5
9 I did not hold shares in any companies that held general shareholders’ meetings in June	3.6	5.5
10 Other	1.6	7.1

Note: Individual investors who selected response 9 in Exhibit 7 were asked to select from the above the reasons why they did not exercise their voting rights (multiple answers possible).

6. Nomura I-NIC Index down to -7.0

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 -7.0 in July (preliminary data), down from the final June figure of 49.3 (June preliminary figure: 50.6) (Exhibit 10).

10. 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.

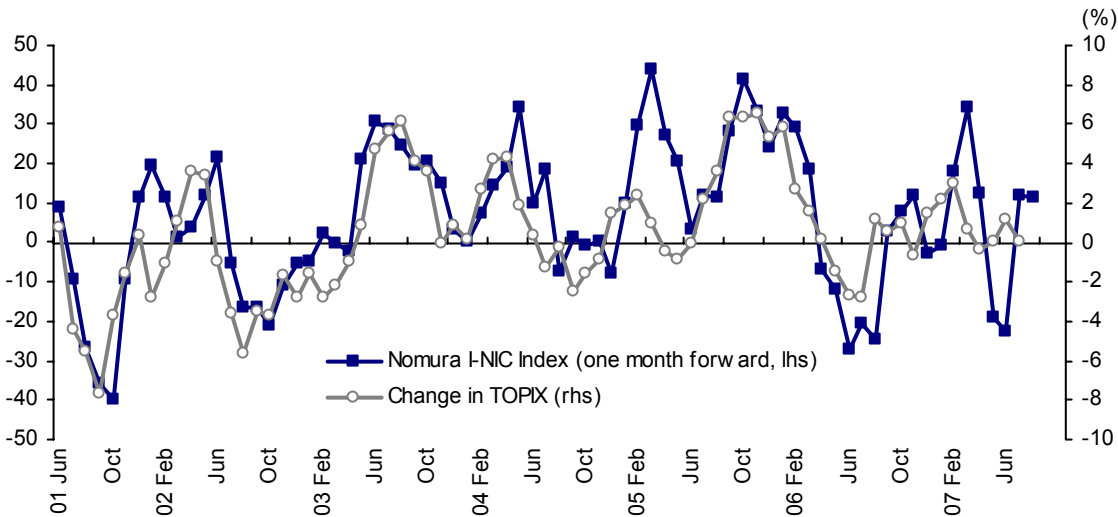
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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.

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



Note: Correlation coefficient is 0.698 (June 2001 through July 2007).

Notice

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

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