

Nomura Individual Investor Survey

October 2007

5 October 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 21 September with deadline for responses on 25 September

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 (October 2007) respondents

Gender: Male (66.5%), Female (33.5%)

Age: Less than 30 (8.0%), 30–39 (30.1%), 40–49 (32.0%), 50–59 (19.3%), 60 and above (10.6%)

Financial assets held: Less than ¥2,000,000 (20.4%), ¥2,000,000–¥4,999,999 (19.1%), ¥5,000,000–¥9,999,999 (19.8%), ¥10,000,000–¥29,999,999 (25.6%), ¥30,000,000 or more (15.1%)

Number of different stocks held: One–two stocks (23.7%), Three–five stocks (36.8%), Six–10 stocks (20.5%), 11–20 stocks (9.3%), 21 or more stocks (6.3%), None (3.4%)

Average duration stocks are held: Less than one month (6.8%), One month to less than three months (6.8%), Three months to less than six months (12.7%), Six months to less than one year (19.5%), One year to less than two years (17.3%), Two years to less than five years (21.7%), Five years or more (15.2%)

Frequency of trading activity: Once or more per day (5.2%), Once or more per week (15.9%), About once a month (19.3%), About once every two to three months (19.2%), About once every six months (11.6%), About once a year (7.6%), Once every few years or so (8.4%), Not active at present (12.8%)

Investment experience: Less than one year (2.9%), One year to less than three years (22.3%), Three years to less than five years (19.9%), Five years to less than 10 years (24.3%), 10 years to less than 20 years (18.3%), 20 years or more (12.3%)

Area of investment focus: Stock price movements and technical factors (11.7%), Strong earnings growth (13.5%), Stable earnings growth (47.8%), Dividends and shareholder returns (27.0%)

4. Survey overview

(1) The Nomura I-View Index falls to 39.6

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, fell to 39.6 for October. Although many respondents expect share prices to rise, the downturn in the index reflects the views of a large number of respondents who think the recovery will be weak and remain concerned that the full consequences of the subprime loan problem have yet to rise to the surface.

(2) Investor sentiment appears to be improving despite decline in trading activity

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 "increased" responses fell in all categories this month, while the proportion of "no change" responses fell in all categories except the number of stocks held. On the other hand, the proportion of "decreased" responses rose in all categories except the number of stocks held. We think the responses suggest that trading activity has declined. However, responses regarding planned trading activity over the coming three months suggest that individual investors are planning to become more active.

(3) Responses regarding "impact of factors on the stock market" reveal improvement in investor sentiment

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. This month, there is no change in the order of the breakdown of responses in each category. However, the proportion of "somewhat negative" responses fell this month while "somewhat positive" responses increased in all categories except domestic economy & corporate earnings. We think this result indicates an improvement in investor sentiment.

(4) Resources is new most appealing sector

The sectors with the most appeal this month were resources, materials, and pharmaceuticals & healthcare, in that order, while the bottom three were financials, construction & real estate, and electricity & gas. Materials fell from the top spot for the first time in eight months.

(5) Political situation and its impact on stock and forex markets

For this month's spot question, we surveyed individual investors on their outlook for the domestic political situation and its likely impact on the stock and forex markets. Regarding the expected market impact over the next year of the domestic political scene following the abrupt resignation of former Prime Minister Abe on 12 September, the largest number of responses was for a neutral impact on both the stock and forex markets, followed by those expecting a negative impact on the stock market and a yen-weakening impact on the forex market. Meanwhile, 82.8% of respondents indicated that they expect a lower house dissolution and subsequent general election, with their responses to our question about the impact of these events on the markets indicating that they generally expect them to have a negative impact on the stock market and yen-weakening impact on the forex market.

(6) Nomura I-NIC Index continues to fall, to -28.8

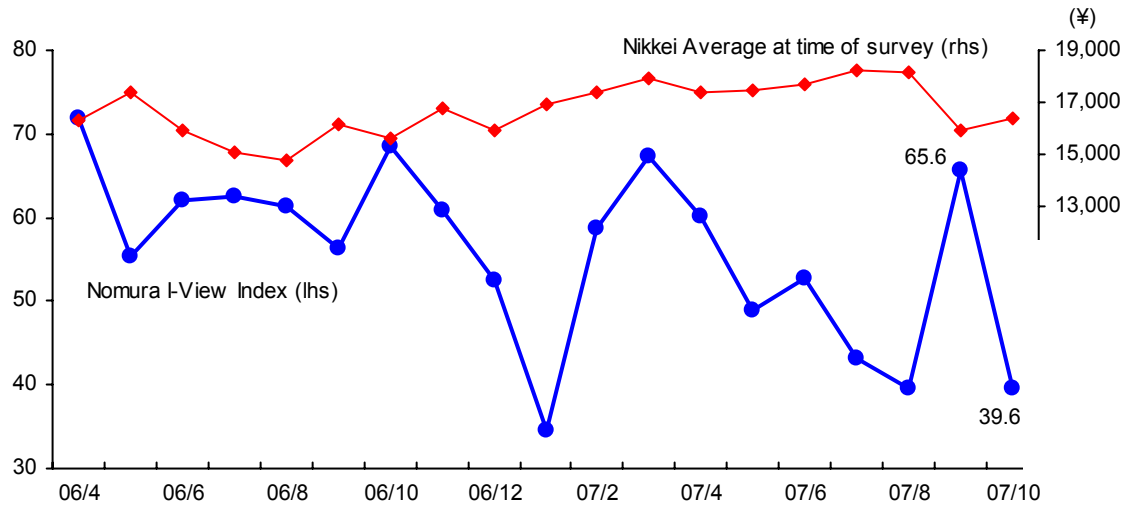
The Nomura Individual Investor Investment Climate Index (Nomura I-NIC Index), which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was -28.8 (September preliminary data), down from the final August figure of -20.1.

5. Survey results

(1) The Nomura I-View Index falls to 39.6

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices (see section (2) below), fell to 39.6 for October, a 26pt drop from 65.6 in September (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

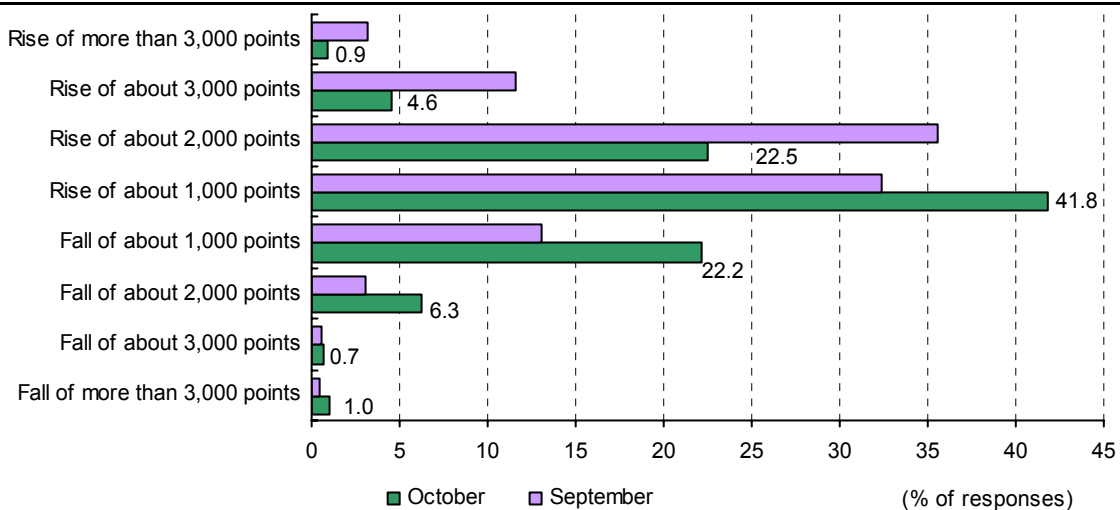
The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

(2) Individuals expectations of a continued rise in share prices is tempered by concerns

Responses to our question about the outlook for the Nikkei Average during the next three months show individual investors have moderated their outlook on future gains. The percentage of respondents expecting a “rise of about 2,000 points”, fell to 22.5%, from 35.6% in September, when this response was the most prevalent. This month the top spot instead goes to a “rise of about 1,000 points”, for which responses rose to 41.8% of the total, from 32.4% in September. We think these more moderate expectations indicate that while many continue to foresee a rise in share prices supported by a strong domestic economy and corporate earnings, their expectations are tempered by (1) the relatively moderate pace of recovery from August’s sharp decline, with the reference level for the Nikkei Average of 16,413 (20 September close) just 512 points higher than the month-earlier level, and (2) the view that current market conditions are not conducive to a challenge on the year-to-date high of ¥18,261 (closing price basis), which is what a rise of about 2,000 points to 18,400 would entail. On the other hand, the proportion of bearish responses increased this month. For example, the proportion of respondents expecting a “fall of about 1,000 points” rose to 22.2%, from 13.1% in September. One of the most prevalent reasons among bearish respondents was the “US subprime loan problem”, indicating an increase in the number of individual investors who believe that the full consequences of the subprime problem remain unclear and expect this issue to continue weighing on Japan’s stock market.

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 20 September closing figure of 16,413. 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 16,401 to 17,400 (a rise of about 1,000 points).

2. Outlook for Nikkei Average during the next three months



(3) Investor sentiment appears to be improving despite decline in trading activity

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 “increased” responses fell in all categories this month, while the proportion of “no change” responses fell in all categories except the number of stocks held. On the other hand, the proportion of “decreased” responses rose in all categories except the number of stocks held. While last month’s responses indicated that individual investors were taking a wait-and-see approach, this month’s replies indicate that trading activity has declined.

On the other hand, the responses regarding planned trading activity over the coming three months show a decline in “no change” responses for all categories, countered by increases in the proportion of “plan to increase” and “plan to decrease” responses in all categories. Moreover, the increase in the proportion of “plan to increase” responses exceeded that for “plan to decrease” responses in all categories except “the number of stocks held”, a sign that investors plan to become more active (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	
	Oct	Sep	Oct	Sep	Oct	Sep
Number of different stocks traded	14.6	16.3	61.9	63.4	23.5	20.3
Investment amount	14.7	16.4	61.1	62.3	24.2	21.3
Frequency of trading activity	11.8	12.9	57.3	61.1	30.9	26.0
Number of stocks held	14.5	14.9	66.3	65.7	19.2	19.4

(2) Next three months

	Plan to increase		No change		Plan to decrease	
	Oct	Sep	Oct	Sep	Oct	Sep
Number of different stocks traded	28.9	28.2	57.1	58.6	14.0	13.2
Investment amount	27.3	25.5	57.8	60.4	14.9	14.1
Frequency of trading activity	30.8	27.7	55.6	59.9	13.6	12.4
Number of stocks held	24.8	23.6	56.9	58.9	18.3	17.5

(4) Responses regarding “impact of factors on the stock market” reveal improvement in investor sentiment

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. This month, there is no change in the order of the breakdown of responses in each category. Overall, investors are taking a positive view of the expected impact of the domestic economy & corporate earnings but indicated a relatively negative view on the expected impact of market factors & psychological factors, domestic politics, and overseas securities markets. That said, the proportion of “somewhat negative” responses fell this month while “somewhat positive” responses increased in all categories except the domestic economy & corporate earnings. We think this result indicates an improvement in investor sentiment (Exhibit 4).

4. Impact of factors on the stock market

(%)

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Oct	Sep	Oct	Sep	Oct	Sep	Oct	Sep	Oct	Sep
Domestic economy & corporate earnings	8.2	7.5	41.4	46.9	30.9	27.9	16.8	16.2	2.7	1.5
Market factors & psychological factors	3.9	3.5	22.1	19.3	29.4	30.3	36.3	39.5	8.3	7.4
Domestic interest rates & forex trends	2.9	2.7	20.2	18.2	44.7	40.8	26.8	32.8	5.4	5.5
Domestic politics	1.8	1.3	18.0	8.6	33.5	37.6	37.9	43.4	8.8	9.1
Overseas securities markets	4.5	4.0	19.5	16.7	30.4	27.8	35.5	38.6	10.1	12.9
Overseas political & economic situation	2.8	2.3	16.9	13.4	43.1	45.6	30.6	31.4	6.6	7.3

(5) Resources is new 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 this month were for resources, materials, and pharmaceuticals & healthcare. Resources thus returns to the top three after a one-month absence, supplanting machinery, shipbuilding & heavy machinery from last month’s group and knocking materials out of the top spot for the first time in eight months. We think the increased investor interest in resources reflects the view that sector stocks are likely to benefit from rising prices for crude oil and other resources. Meanwhile, the bottom three sectors were financials, construction & real estate, and electricity & gas, which switched places with autos & auto parts. In our view, the reversal likely reflects an easing of the negative sentiment toward autos & auto parts now that last month’s sharp rise in the yen has abated. (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	
Resources	10.6	20.3	9.7	1.0
Materials	6.6	11.0	4.4	9.8
Pharmaceuticals & healthcare	6.4	9.3	2.9	9.3
Information & telecommunications	4.9	13.6	8.7	3.5
Machinery, shipbuilding & heavy machinery	3.7	6.3	2.6	4.6
Electrical machinery & precision equipment	2.6	5.6	3.0	3.4
Autos & auto parts	-0.1	6.0	6.1	-4.8
Transportation & warehousing	-0.7	4.5	5.2	-0.3
Consumer-related	-1.6	8.6	10.2	1.9
Electricity & gas	-5.5	3.5	9.0	-4.0
Construction & real estate	-9.2	4.3	13.5	-9.8
Financials	-17.7	7.0	24.7	-14.6

(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 (1,000 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	81	9437	NTT DoCoMo	9
7974	Nintendo	32	5001	Nippon Oil	8
6758	Sony	28	7201	Nissan Motor	8
9501	Tokyo Electric Power	25	8411	Mizuho Financial Group	8
5401	Nippon Steel	20	9503	Kansai Electric Power	8
6301	Komatsu	18	2702	McDonald's Holdings (Japan)	7
6753	Sharp	18	7267	Honda Motor	7
7751	Canon	18	8306	Mitsubishi UFJ Financial Group	7
8058	Mitsubishi Corp	17	9433	KDDI	7
4661	Oriental Land	14	2768	Sojitz	6
5713	Sumitomo Metal Mining	14	4755	Rakuten	6
9984	Softbank	13	2327	NS Solutions	5
6502	Toshiba	11	2809	QP	5
9202	All Nippon Airways	11	4921	Fancl	5
4502	Takeda Pharmaceutical	10	5405	Sumitomo Metal Industries	5
8267	Aeon	10	6752	Matsushita Electric Industrial	5
9205	Japan Airlines	10	7011	Mitsubishi Heavy Industries	5
2811	Kagome	9	9104	Mitsui OSK Lines	5
5411	JFE Holdings	9			

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

(7) Political situation and its impact on stock and forex markets

For this month's spot question, we surveyed individual investors on their outlook for the domestic political situation and its likely impact on the stock and forex markets. First, we asked investors for their opinion on the market impact over the next year of the domestic political scene following the abrupt resignation of former Prime Minister Abe on 12 September. Investors were asked to select one of the four possible responses in Exhibit 7. Looking first at investor responses on the stock market impact, 36.1% responded that the post-Abe political situation would have a neutral impact, followed by 32.2% who thought it would have a negative impact. Therefore, it appears that individual investors generally see the post-Abe political situation over the next 12 months as a negative for the stock market. Regarding the impact on the forex market, 50.9% expect the post-Abe political scene to have a neutral impact on the yen. The next largest response, 19.3%, was for yen weakening. Therefore, we again determine that investors in general take a negative view of the post-Abe political scene's potential market impact (Exhibit 7).

7. Impact on the stock and forex markets of the domestic political situation in the 12 months following former Prime Minister Abe's resignation

Impact on the stock market				Impact on the forex market			
Response		No. of responses	% of total	Response		No. of responses	% of total
1	Positive	224	22.4	1	Yen strengthening	132	13.2
2	Neutral	361	36.1	2	Neutral	509	50.9
3	Negative	322	32.2	3	Yen weakening	193	19.3
4	Don't know	93	9.3	4	Don't know	166	16.6
Total		1,000	100.0	Total		1,000	100.0

Next, we asked individual investors for their outlook on a possible dissolution of the House of Representatives and resulting general election. Investors were asked to select one of the five possible responses in Exhibit 8. An overwhelming majority of 82.8% selected one of the first three responses, indicating that they expected a lower house

dissolution and subsequent general election. Only 8% said that they do not foresee a dissolution and election occurring within the next 12 months. Regarding the timing of a lower house dissolution and general election, the largest number of respondents, or 35.8%, expects a dissolution and election to occur in Jan–Mar 2008, or 3–6 months from now. Meanwhile, respondents foreseeing a dissolution and election within the year (ie, within the next three months) and those expecting these events to occur in Apr–Sep 2008 (ie, 6–12 months hence) were nearly equal in number, at 23.7% and 23.3% of responses, respectively.

8. Timing of a House of Representatives dissolution and subsequent general election		
Responses	No. of responses	% of total
1 Within 3 months (before end-Dec 2007)	237	23.7
2 Within 3–6 months (during Jan–Mar 2008)	358	35.8
3 Within 6–12 months (during Apr–Sep 2008)	233	23.3
4 Do not expect a lower house dissolution and general election	80	8.0
5 Don't know	92	9.2
Total	1,000	100.0

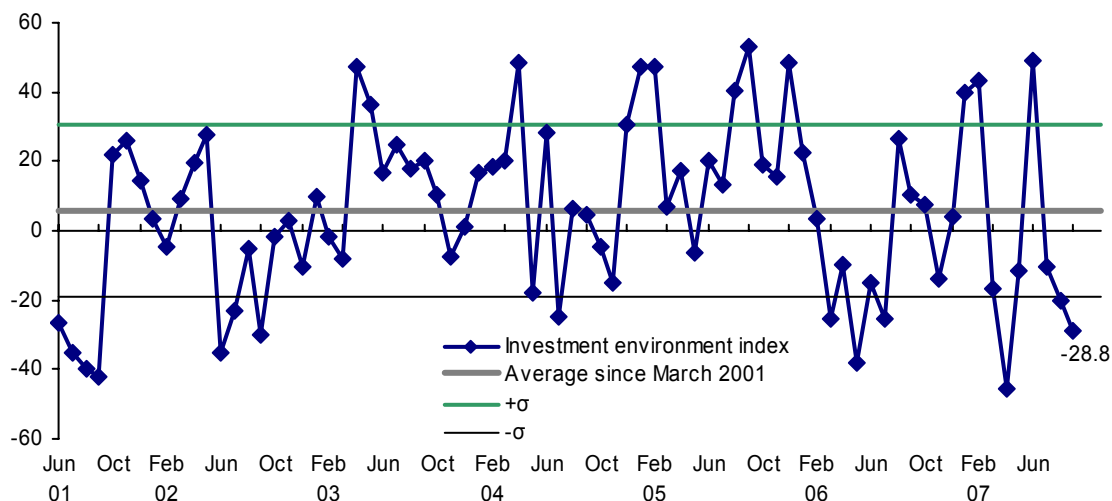
Finally, assuming a lower house dissolution and subsequent election actually takes place, we asked individual investors what they thought the impact on the stock and forex markets would be. Respondents were asked to select one of the four responses in Exhibit 9. Regarding the stock market, the largest proportion of respondents (33.7%) said they expected a lower house dissolution and general election to have a negative impact, with the next largest group (27.2%) seeing these events as neutral for the market. The percentage of individual investors seeing a dissolution and subsequent election as a market negative is larger than those responding similarly to our question about the post-Abe political situation in Exhibit 7. We interpret this result as indicating that a majority of individual investors think an election will lead to political instability, which in turn would exert a negative influence on share prices. On the other hand, the largest response to our question about the impact of a dissolution and election on the forex market was 40.3% for a neutral impact, followed by 22.8% of investors foreseeing yen weakening. This result is in line with that for the forex market in Exhibit 7, although the percentage of “Neutral” responses is less than in Exhibit 7, while the percentage of investors seeing yen strengthening or weakening has increased. However, the increase in the percentage of yen-weakening responses is greater than the percentage of investors who shifted their view to yen strengthening. We think this relation indicates that individual investors generally view a lower house dissolution and general election as a negative for the yen. That said, many individual investors have a hard time determining the forex impact, as indicated by the rather high 22.5% of “Don't know” responses.

9. Impact of a House of Representatives dissolution and subsequent general election on the stock and forex markets					
Impact on the stock market			Impact on the forex market		
Response	No. of responses	% of total	Response	No. of responses	% of total
1 Positive	249	24.9	1 Yen strengthening	144	14.4
2 Neutral	272	27.2	2 Neutral	403	40.3
3 Negative	337	33.7	3 Yen weakening	228	22.8
4 Don't know	142	14.2	4 Don't know	225	22.5
Total	1,000	100.0	Total	1,000	100.0

6. Nomura I-NIC Index continues to fall, to -28.8

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 -28.8 (September preliminary data), down from the final August figure of -20.1 (August preliminary figure: -25.0) (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

- 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),
- Bestselling business books (Nippon Shuppan Hanbai Inc: number of books on stocks that make the top ten bestseller list and m-m change),
- Consumer Confidence Index (Hakuhodo Institute of Life and Living),
- The economic forecast (household trends) section of the Economy Watchers Survey (Cabinet Office),
- Ordinary household asset growth expectation section of the Monthly Consumer Confidence Survey covering all of Japan, Summary (Cabinet Office)

II. Macro indicators

- US\$/¥ rate,
- Long-term interest rate (10-year JGB latest issue),
- Banknotes in circulation (Bank of Japan)

III. Stock market indicators

- Share of trading activity by individual investors (TSE1, TSE2, OSE1, OSE2, NSE1, NSE2),
- Net selling and net buying by individuals (TSE1, TSE2, OSE1, OSE2, NSE1, NSE2),
- Ratio of unrealized gains/losses on margin positions to total margin positions (Nomura, from TSE data),
- Margin trading long / short ratio (Nomura, from TSE data),
- IPO Index (QUICK),
- Net asset holdings by investment trusts (QUICK)

IV. Technical stock indicators

- Nikkei Average five-day moving average and 25-day moving average,
- Volume ratio, relative strength indicator (14 days),
- Bollinger band (25 days),
- 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.

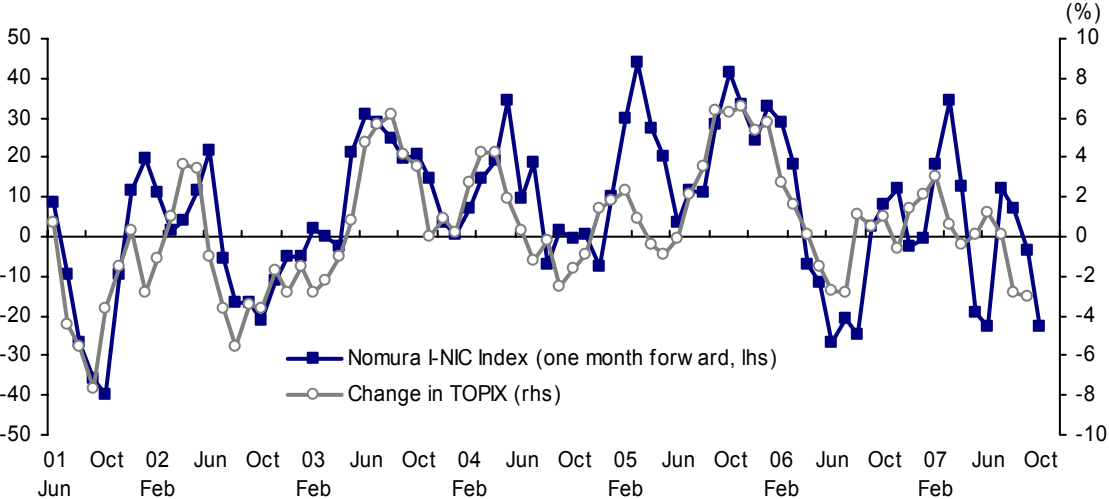
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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 0.693 (June 2001 through September 2007).

Notice

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

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