

## **Nomura Individual Investor Survey**

December 2007

5 December 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 November with deadline for responses on 22 November

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 (December 2007) respondents

Gender: Male (68.8%), Female (31.2%)

Age: Less than 30 (5.8%), 30–39 (28.5%), 40–49 (32.4%), 50–59 (20.4%), 60 and above (12.9%)

Financial assets held: Less than ¥2,000,000 (23.3%), ¥2,000,000–¥4,999,999 (19.4%), ¥5,000,000–¥9,999,999 (18.4%), ¥10,000,000–¥29,999,999 (24.4%), ¥30,000,000 or more (14.5%)

Number of different stocks held: One–two stocks (24.1%), Three–five stocks (36.8%), Six–10 stocks (20.3%), 11–20 stocks (10.2%), 21 or more stocks (6.2%), None (2.4%)

Average duration stocks are held: Less than one month (4.0%), One month to less than three months (7.7%), Three months to less than six months (11.7%), Six months to less than one year (16.0%), One year to less than two years (19.8%), Two years to less than five years (24.7%), Five years or more (14.3%)

Frequency of trading activity: Once or more per day (4.0%), Once or more per week (17.1%), About once a month (19.7%), About once every two to three months (19.5%), About once every six months (13.1%), About once a year (8.6%), Once every few years or so (6.8%), Not active at present (11.2%)

Investment experience: Less than one year (1.3%), One year to less than three years (23.5%), Three years to less than five years (20.6%), Five years to less than 10 years (24.9%), 10 years to less than 20 years (18.1%), 20 years or more (11.6%)

Area of investment focus: Stock price movements and technical factors (12.4%), Strong earnings growth (14.1%), Stable earnings growth (48.8%), Dividends and shareholder returns (24.7%)

#### 4. Survey overview

(1) The Nomura I-View Index falls to a record low of 21.0

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, plunged to 21.0 for December, the lowest since survey results were first published in April 2006. While many respondents view shares as currently undervalued based on the present state of the domestic economy and corporate earnings, on the other hand there appears to be heightened concern among individual investors over prospects for protracted stock market weakness, triggered by the US subprime loan problem and rising prices for natural resources. We surmise that this is the reason investor sentiment deteriorated.

(2) While some investors stepped up share trading, a majority cut back

When respondents were asked about their share trading activity over the past three months, some said they had stepped up trading to capitalize on weakness in share prices. The majority, though, said they had cut back. Moreover, when questioned on plans for future number of different stocks traded, the proportion of "plan to decrease" responses outstripped the proportion of "plan to increase" responses for the first time since the survey results were initially published. As we think it conceivable that respondents' appetite for future investment has diminished as share price weakness has lingered on, we think responses to this survey question will continue to bear close monitoring.

(3) Responses regarding "impact of factors on the stock market" reveal majority of negative views on all factors other than domestic economy & corporate earnings

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, in all five categories other than the "domestic economy & corporate earnings," the proportion of "somewhat negative" responses surpassed the proportion of "neutral" responses. The survey results thus indicate to us an increase in the number of macro factors viewed by individual investors as exerting an adverse impact on the stock market.

(4) Pharmaceuticals & healthcare elevated to most appealing sector

The sectors with the most appeal this month were pharmaceuticals & healthcare, information & telecommunications, and resources, in that order, while the bottom three were financials, construction & real estate, and transportation & warehousing. In place of the much-watched resources sector, pharmaceuticals & healthcare ascended to the top spot.

(5) 2008 investment themes and likely market impact of those subjects

This month's spot question was on subjects envisioned as investment themes for 2008, and the likely market impact of those subjects. Respondents were asked to choose from a number of topics and indicate whether a positive or a negative impact was likely. From the top, the subjects viewed as most likely to become investment themes were "prices for crude oil and other natural resources," "the US subprime loan problem," and "exchange rates." In each case, the proportion of respondents regarding these subjects as likely to have a negative impact on the stock market far outweighed the proportion anticipating a positive impact, indicating to us that many individual investors harbor concerns over these subjects and their potential effect on the stock market. On the other hand, among subjects viewed as likely to exert a positive impact on the stock market, the most prominent were "shareholder rewards," "mass retirement by baby boomers," and "corporate acquisitions (M&A)." On the whole, though, relatively few respondents identified these subjects as likely to become investment themes.

(6) Nomura I-NIC Index down, to -35.6

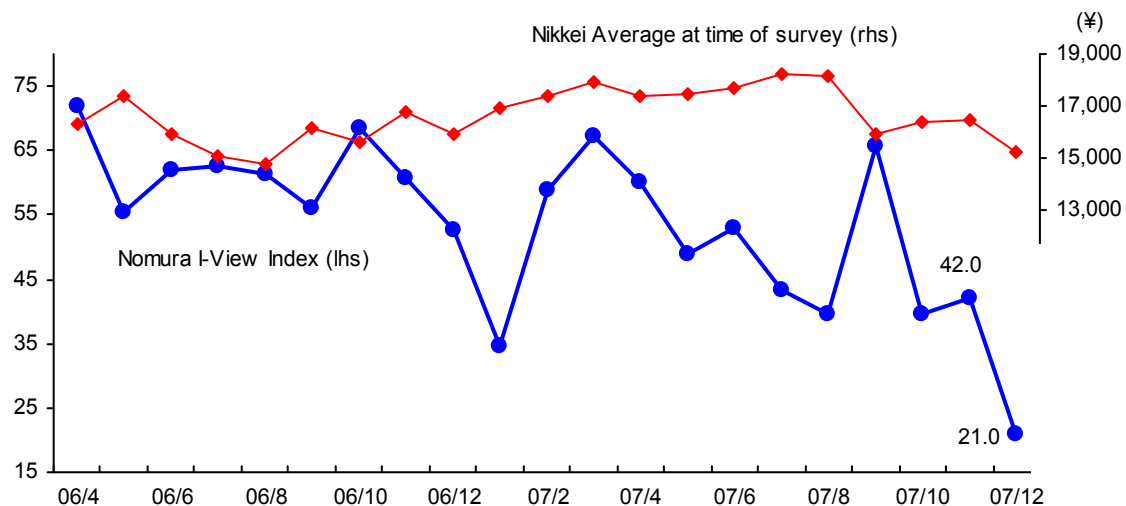
The Nomura Individual Investor Investment Climate Index (Nomura I-NIC Index), which factors in statistics directly and indirectly related to the investment environment for individual investors and indicators that individual investors are thought to follow, was -35.6 (November preliminary data), down from the final October figure of +12.1.

## 5. Survey results

(1) The Nomura I-View Index plunges to 21.0, the lowest level ever

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 21.0 for December. This marked both a 21ppt tumble from 42.0 in November and the lowest level since survey results were initially published in April 2006 (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) Prospect of protracted weakness in share prices causes deterioration in investor sentiment

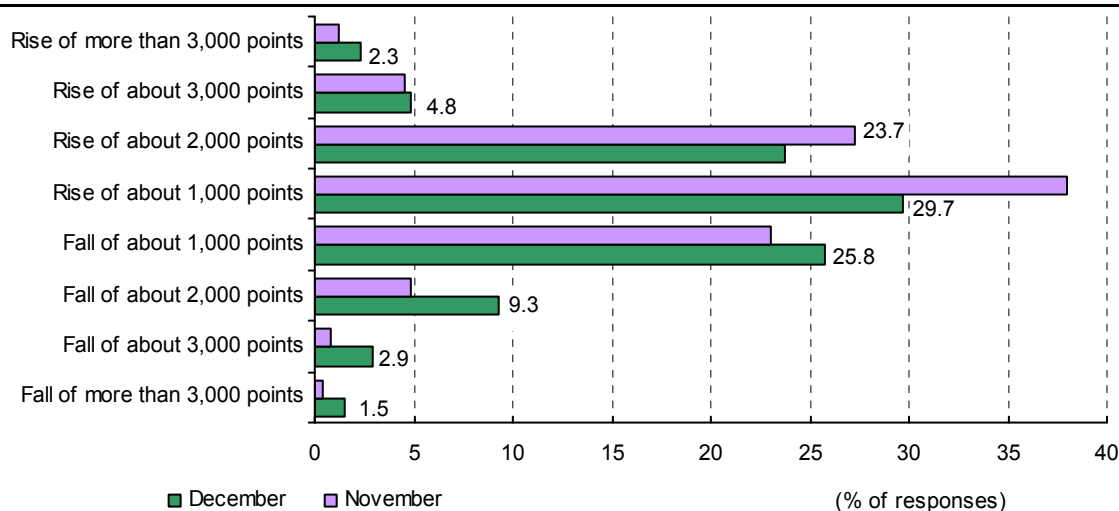
A m-m comparison of responses to our question about the outlook for the Nikkei Average during the next three months—this being the basis for the Nomura I-View Index—shows that with the reference level for the Nikkei Average of 15,211 (21 November close) down a sharp 1,227 points from the month-earlier level, the percentage of respondents expecting a “rise of about 1,000 points” fell to 29.7% of the total, from 38.0% in November, with the percentage expecting a “rise of about 2,000 points” falling to 23.7%, from 27.3% in November. While many respondents view shares as currently undervalued considering the present firmness in the domestic economy and corporate earnings, there appears to be heightened concern among individual investors over the prospect of protracted weakness in the share market, triggered by the US subprime loan problem and a potentially adverse impact on the domestic economy from rising prices for crude oil and other natural resources. Against this backdrop, the proportion of respondents expecting a “fall of about 1,000 points” rose to 25.8%, from 23.0% in November, with the percentage expecting a “fall of about 2,000 points” rising to 9.3%, from 4.8% in November. In short, the responses indicate that investment sentiment has deteriorated (Exhibit 2).

Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 20 November closing figure of 15,211. 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 15,201 to 16,200 (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) While some investors stepped up share trading, a majority cut back

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. While the proportion of “no change” responses fell in all categories this month, the proportion of “increased” responses rose in all categories except the investment amount. This indicates to us an increase in the number of investors stepping up their trading activity in the view that falling share prices have created greater affordability. However, not only did the proportion of “decreased” responses rise in all categories, but also the rate of growth in “decreased” responses outpaced that in “increased” responses, suggesting to us that a majority of individual investors cut back their trading activity in November.

With regard to planned trading activity over the coming three months, the proportion of “plan to increase” responses has exceeded the proportion of “plan to decrease” responses for all categories in every month since the survey results were initially published—until last month. We view this as evidence that individual investors have retained the intention of increasing their trading activity in future. On this occasion, however, on the subject of the number of different stocks traded, the proportion of “plan to decrease” responses for the first time outstripped the proportion of “plan to increase” responses. As we think it conceivable that respondents’ appetite for future investment has diminished as share price weakness has lingered on, we think responses to this survey question will continue to bear close monitoring (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	
	Dec	Nov	Dec	Nov	Dec	Nov
No. of different stocks traded	13.8	13.1	58.7	65.5	27.5	21.4
Investment amount	13.1	13.3	58.8	66.9	28.1	19.8
Frequency of trading activity	13.6	11.3	53.1	59.8	33.3	28.9
No. of stocks held	12.1	11.4	63.9	69.1	24.0	19.5
(2) Next three months	Plan to increase		No change		Plan to decrease	
	Dec	Nov	Dec	Nov	Dec	Nov
No. of different stocks traded	25.2	26.1	54.9	57.9	19.9	16.0
Investment amount	23.2	23.1	56.8	61.3	20.0	15.6
Frequency of trading activity	26.8	30.8	54.8	56.4	18.4	12.8
No. of stocks held	21.4	23.1	54.3	55.5	24.3	21.4

(4) Responses regarding “impact of factors on the stock market” reveal majority of negative views on all factors other than domestic economy & corporate earnings

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. With respect to both “domestic interest rates & forex trends” and “domestic politics,” last month the proportion of “neutral” responses was greater than that of “somewhat negative” responses, but this month the proportion of “somewhat negative” responses outweighed that of “neutral” responses. As a consequence, in all five categories other than the “domestic economy & corporate earnings,” “somewhat negative” responses were the most common, followed by “neutral,” indicating to us an increase in the number of macro factors viewed by individual investors as exerting an adverse impact on the stock market (Exhibit 4).

4. Impact of factors on the stock market										(%)
	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Dec	Nov	Dec	Nov	Dec	Nov	Dec	Nov	Dec	Nov
Domestic economy & corporate earnings	4.5	5.1	33.0	39.7	30.3	30.8	26.0	21.4	6.2	3.0
Market factors & psychological factors	2.5	2.7	13.0	19.2	22.5	28.5	46.0	41.7	16.0	7.9
Domestic interest rates & forex trends	1.5	2.5	12.0	17.0	37.0	42.7	38.3	32.9	11.2	4.9
Domestic politics	0.9	1.5	10.0	10.4	38.6	46.2	40.0	35.7	10.5	6.2
Overseas securities markets	2.7	3.0	9.8	14.7	22.0	27.4	44.0	42.0	21.5	12.9
Overseas political & economic situation	2.1	2.3	10.9	11.4	32.7	39.0	41.8	39.2	12.5	8.1

(5) Pharmaceuticals & healthcare elevated to 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 pharmaceuticals & healthcare, information & telecommunications, and resources, in that order. While there was no change in the actual constituents from the previous month, amid a lackluster performance by the stock market, attention has centered on pharmaceuticals & healthcare as a so-called defensive sector, on the strength of which this sector replaced resources in the top spot. On the other hand, the bottom three sectors were financials, construction & real estate, and transportation & warehousing. In this case, transportation & warehousing entered the bottom three in place of electricity & gas (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	
Pharmaceuticals & healthcare	14.3	15.3	1.0	10.6
Information & telecommunications	11.0	15.2	4.2	9.4
Resources	9.7	22.2	12.5	11.8
Materials	2.8	8.3	5.5	6.0
Electrical machinery & precision equipment	2.3	4.9	2.6	0.3
Machinery, shipbuilding & heavy machinery	-0.3	2.6	2.9	2.2
Electricity & gas	-1.1	5.2	6.3	-6.2
Autos & auto parts	-2.5	6.1	8.6	-4.1
Consumer-related	-2.8	6.6	9.4	-0.9
Transportation & warehousing	-3.2	2.9	6.1	-0.5
Construction & real estate	-14.1	2.7	16.8	-14.8
Financials	-16.1	8.0	24.1	-13.8



(6) Most-watched stocks

Respondents were asked to name one stock that they would like to have in their portfolio, irrespective of short or long-term investment horizon (including stocks actually held) or that they find appealing. We show the most popular responses below (Exhibit 6).

**6. Name a stock with appeal (1,000 valid responses)**

<b>Code</b>	<b>Company</b>	<b>No. of respondents</b>	<b>Code</b>	<b>Company</b>	<b>No. of respondents</b>
7203	Toyota Motor	85	5001	Nippon Oil	9
7974	Nintendo	39	5713	Sumitomo Metal Mining	8
9984	Softbank	28	7011	Mitsubishi Heavy Industries	8
9501	Tokyo Electric Power	24	9503	Kansai Electric Power	8
4502	Takeda Pharmaceutical	19	2768	Sojitz	7
5401	Nippon Steel	17	8267	Aeon	7
6502	Toshiba	16	9202	All Nippon Airways	7
4661	Oriental Land	13	4689	Yahoo Japan	6
8058	Mitsubishi Corp	13	5411	JFE Holdings	6
2811	Kagome	12	6501	Hitachi	6
6758	Sony	12	9531	Tokyo Gas	6
8306	Mitsubishi UFJ Financial Group	12	4842	Usen	5
4755	Rakuten	11	6954	Fanuc	5
5405	Sumitomo Metal Industries	11	7201	Nissan Motor	5
6301	Komatsu	11	7211	Mitsubishi Motors	5
7751	Canon	11	8308	Resona Holdings	5
7267	Honda Motor	10	8411	Mizuho Financial Group	5
9205	Japan Airlines	10	8564	Takefuji	5
2702	McDonald's Holdings (Japan)	9	8604	Nomura Holdings	5

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

(7) 2008 investment themes and likely market impact of those subjects

This month's spot question was on subjects envisioned as investment themes for 2008, and the likely market impact of those subjects. Out of 26 topics singled out by Nomura as likely to be considered by equity investors in 2008, and likely to exert an impact on the market, we asked investors to choose up to five they considered to be the most important. We also asked investors for their opinion as to whether these factors would exert a positive impact on Japan's stock market or a negative impact (Exhibit 7).

From the top, the subjects viewed as most likely to become investment themes were "prices for crude oil and other natural resources," "the US subprime loan problem," and "exchange rates." In each case, the proportion of respondents regarding these subjects as likely to have a negative impact on the stock market far outweighed the proportion anticipating a positive impact, indicating to us that many individual investors harbor concerns over these subjects and their potential effect on the stock market. In addition, subjects widely viewed last year (in the November 2006 survey) as likely to exert a positive impact on the stock market, including "domestic politics," "foreign investors' actions," and "the domestic economy," this time elicited more responses anticipating a negative impact than a positive impact.

This month, only nine of the 26 subjects were viewed as more likely to exert a positive impact than a negative impact. They included "shareholders' rewards," "mass retirement by baby boomers," and "corporate acquisitions (M&A)." On the whole, though, relatively few respondents identified these subjects as likely to become investment themes.

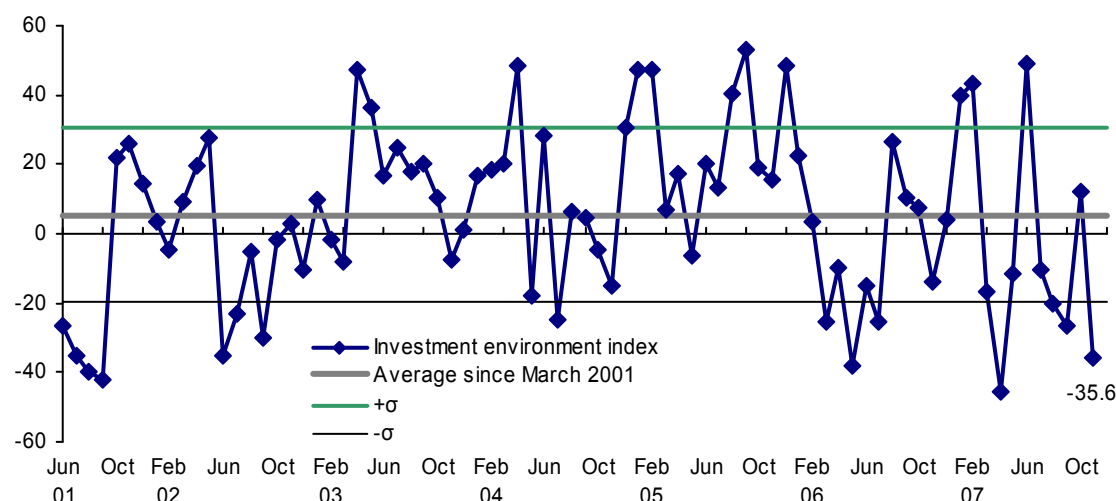
**7. Subjects envisioned as investment themes in 2008, and the likely market impact of those subjects (4,316 responses)**

Subject	DI (positive - negative)	Positive	Negative	No. of responses
Prices for crude oil and other natural resources	-571	44	615	659
US subprime loan problem	-546	7	553	560
Exchange rates	-293	69	362	431
Domestic politics	-165	46	211	257
Rising prices	-142	27	169	196
Economies of other industrialized nations (US, etc)	-129	19	148	167
Foreign investors' actions	-125	106	231	337
Securities taxation system (abolishing tax breaks, etc)	-120	14	134	148
Corporate scandals and accounting problems	-115	3	118	121
Lower House dissolution, general election	-73	79	152	231
Overseas political situation	-65	9	74	83
Oil money, government (sovereign wealth) funds	-55	77	132	209
BOJ's monetary policies	-38	80	118	198
US presidential election	-18	10	28	38
Domestic economy	-7	172	179	351
Global environmental issues (Toyako Summit, greenhouse gas problem)	-6	13	19	32
Emerging markets in Japan	-3	8	11	19
Digital consumer electronics	6	7	1	8
Asset management following postal privatization (postal savings and insurance)	8	18	10	28
Health-related businesses	9	10	1	11
Japanese manufacturing (brand strength, technology)	10	14	4	18
Corporate acquisitions (M&A)	11	46	35	81
Emerging economies (BRICs, post-BRICs, etc)	12	21	9	30
Environment-related businesses	15	19	4	23
Mass retirement by baby boomers	21	35	14	49
Shareholders' rewards (dividends, special shareholder benefits, etc)	21	26	5	31

## 6. Nomura I-NIC Index down, to -35.6

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 -35.6 (November preliminary data), down from the final October figure of +12.1 (October preliminary figure: +3.8) (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.

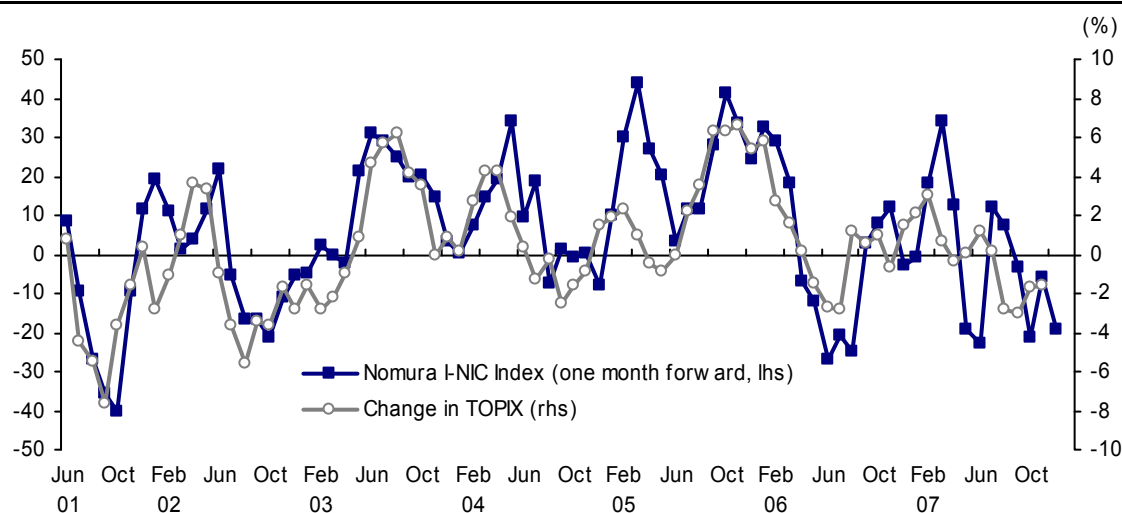
Reference: Sample of how an indicator is factored into the Nomura I-NIC Index

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 0.696 (June 2001 through November 2007).

#### Notice

The next Nomura Individual Investor Survey (January 2008) is scheduled for release on Monday, 7 January 2008.

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When Japanese government bonds (JGBs) for individual investors are purchased via offerings, only the purchase price shall be paid, with no sales commission charged. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted

from the par value of the bond plus accrued interest: for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.8; for 5-year fixed rate bonds, an amount equal to the four preceding coupon payments (before tax) x 0.8.

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