

## **Nomura Individual Investor Survey**

November 2008

5 November 2008

Investment Strategy Department  
Financial & Economic Research Center  
Nomura Securities Co., Ltd.

## 1. Survey overview

### (1) Nomura I-View Index sees biggest ever rise, to 45.6

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, was 45.6 for November, recovering to a level last seen in September 2007. The month-on-month increase of 30.8 points was the largest recorded since the survey began in April 2006. The Nikkei Average reference level for this month's survey (22 October close) was 8,674, down 3,246 from a month earlier. Nevertheless, it appears there is a growing view among individual investors that share prices will rebound in the near term.

In response to the question about their outlook for the Nikkei Average during the next three months, the proportion of respondents expecting a rise of at least 2,000 points increased from 28.9% in the October survey to 45.1% this month, while the total proportion of respondents expecting a decline fell from 42.6% to 27.2%.

### (2) Individual investors appear to be more upbeat on trading

Respondents were asked about trading activity, and specifically, the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held over the previous three months. This month, the proportion of "increased" responses rose for all categories. With respect to planned trading activity for the next three months, the percentage of "plan to increase" responses rose for all four categories. This marked the first time since October 2007 that the proportion of "plan to increase" responses rose month-on-month for all four categories, suggesting individual investors are becoming more upbeat about trading.

### (3) Negative view of market factors & psychological factors and domestic politics recedes

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." For the market factors & psychological factors and domestic politics categories, "negative" and "somewhat negative" responses fell month-on-month. The diffusion index, calculated as the proportion of "positive" and "somewhat positive" responses minus the proportion of "negative" and "somewhat negative" responses, rose 7.3 points for market factors & psychological factors and increased 5.0 points for domestic politics.

### (4) Pharmaceuticals & healthcare most appealing sector for fifth straight month

The most appealing sector for individual investors this month was pharmaceuticals & healthcare, for the fifth straight month, and the sector's DI recorded a new high for the third consecutive month. The second most appealing sector was electricity & gas. Construction & real estate was the least appealing sector for the eleventh straight month, while the second least appealing was autos & auto parts.

### (5) Investment strategy and investment behavior amid falling share prices

For this month's spot question, we asked individual investors about their investment strategy and investment behavior amid falling share prices. Asked about their stock investments over the past month, 84.3% of all respondents selected answers indicating their investments were broadly in negative territory. These responses were almost equally divided between "losses less than the decline in the Nikkei Average" and "losses greater than the decline in the Nikkei Average."

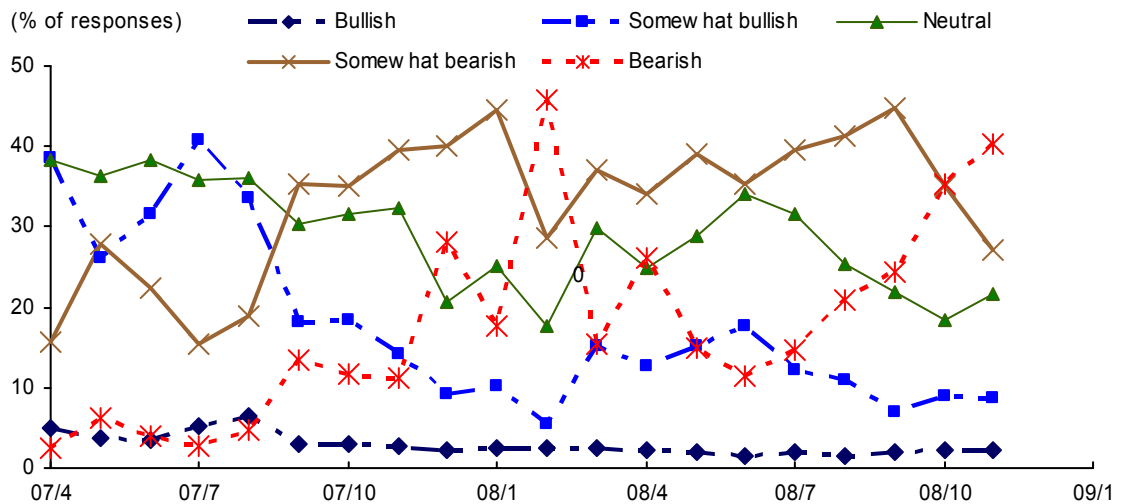
On their strategy for dealing with unrealized losses on stock investments, investors' most common response at 48.9% of the total was "wait for a share price recovery rather than cut losses," and on investment behavior over the past month, the most common response at 61.9% was "no action taken."

## 2. Survey results

### (1) Slight decline in bearish views on current state of domestic stock market

Respondents were asked to share their view of the current state of the Japanese stock market. The percentage describing their current view of the market as “bearish” or “somewhat bearish” declined to 67.4%, from 70.3% a month earlier, for the first decline in five months. While the proportion of “bearish” responses increased from 35.3% to 40.2%, the proportion of “somewhat bearish” responses declined from 35.0% to 27.2%. Bearish views remain deep rooted, but individual investors appear to be less negative about current conditions in the Japanese stock market (Exhibit 1).

### 1. Change in individual investors' views concerning the state of the domestic stock market

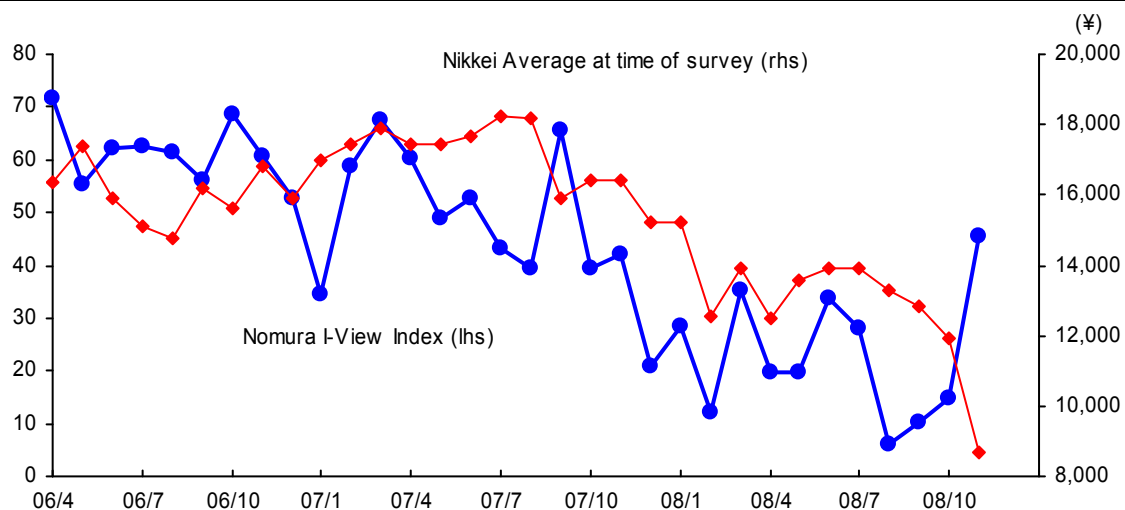


Note: (1) Respondents were asked “What is your view of the current state of the domestic stock market,” and given five options to choose from: “bullish,” “somewhat bullish,” “neutral,” “somewhat bearish,” and “bearish.” (2) The above question was first posed in April 2007.

(2) Nomura I-View Index sees biggest ever rise, to 45.6

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook on share prices, was 45.6 for November, recovering to a level last seen in September 2007. The month-on-month increase of 30.8 points was the largest recorded since the survey began in April 2006. The Nikkei Average reference level for this month's survey (22 October close) was 8,674, down 3,246 from a month earlier. Nevertheless, it appears there is a growing view among individual investors that share prices will rebound in the near term (Exhibit 2).

**2. 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:

$$\frac{[(\text{Number of responses indicating expected rise in share prices in the next three months}) - (\text{number of responses indicating expected fall in share prices in the next three months}) \div \text{number of respondents}] \times 100}{1}$$

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.

(3) Most investors expect Nikkei Average to rise by at least 2,000 points

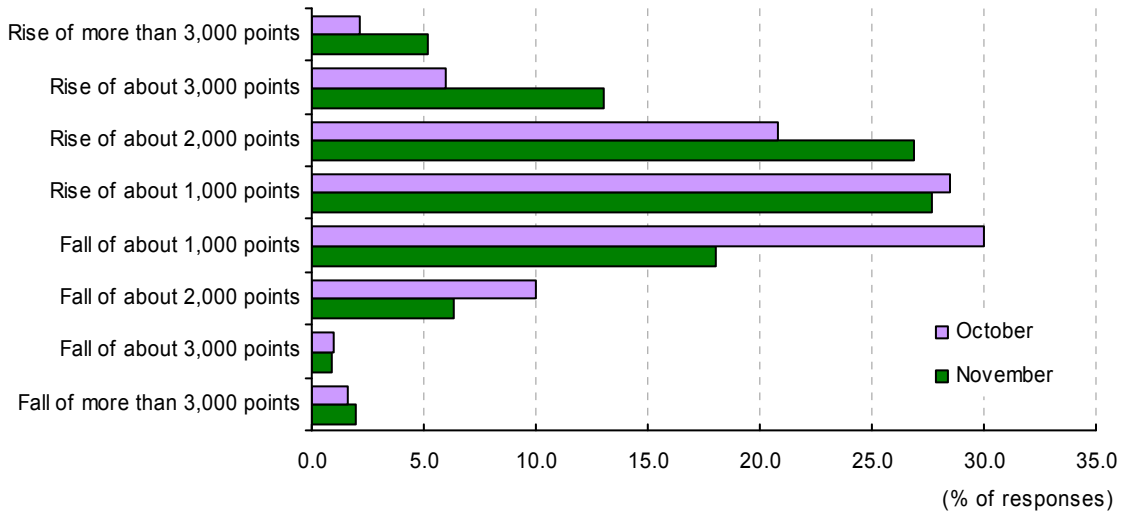
In response to the question about their outlook for the Nikkei Average during the next three months, the proportion of respondents expecting a rise of at least 2,000 points increased from 28.9% in the October survey to 45.1% this month. The total proportion of respondents expecting a “rise of more than 3,000 points” and a “rise of about 3,000 points” rose 10.1ppt, from 8.1% to 18.2%, while the proportion seeing a “rise of about 2,000 points” increased 6.1ppt, from 20.8% to 26.9%.

Meanwhile, the total proportion of respondents expecting a decline in the Nikkei Average fell from 42.6% in October to 27.2% this month. The proportion expecting a “fall of more than 3,000 points,” a “fall of about 3,000 points,” and a “fall of about 2,000 points” was only 9.2%, while those seeing a “a fall of about 1,000 points” declined to 18.0% of the total, down from 30.0% last month (Exhibit 3).

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

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Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 22 October closing figure of 8,674. 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 8,701 to 9,700 (a rise of about 1,000 points).

(4) Individual investors appear to be more upbeat on trading

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 rose month-on-month for all four categories, the first time this has happened since January 2007. Meanwhile, the proportion of “decreased” responses fell for all four categories. We think this indicates individual investors have become more active in the stock market amid the recent share price declines.

With respect to planned trading activity for the next three months, the proportion of “plan to decrease” responses fell month-on-month for all four categories, while the percentage of “plan to increase” responses rose for all four categories. This marked the first time since October 2007 that the proportion of “plan to increase” responses rose month-on-month for all four categories, and again, we think this suggests individual investors are becoming more upbeat about trading (Exhibit 4).

**4. Number of different stocks traded, investment amount, frequency of trading activity, and number of stocks held (%)**

(1) Past three months	Increased		No change		Decreased	
	Nov	Oct	Nov	Oct	Nov	Oct
No. of different stocks traded	11.2	8.4	64.2	65.0	24.6	26.6
Investment amount	10.7	9.5	63.4	63.6	25.9	26.9
Frequency of trading activity	10.6	8.2	59.1	60.3	30.3	31.5
No. of stocks held	9.8	8.2	69.8	70.3	20.4	21.5
(2) Next three months	Plan to increase		No change		Plan to decrease	
	Nov	Oct	Nov	Oct	Nov	Oct
No. of different stocks traded	24.3	20.2	61.8	59.8	13.9	20.0
Investment amount	23.2	19.4	61.4	59.8	15.4	20.8
Frequency of trading activity	24.8	21.5	60.9	60.2	14.3	18.3
No. of stocks held	21.4	18.7	60.6	59.5	18.0	21.8

Note: Respondents were asked about the number of different stocks traded, the investment amount, the frequency of trading activity, and the number of stocks held for the past three months and desired levels in these categories for three months hence. The possible responses were increased (plan to increase), no change, or decreased (plan to decrease).

(5) Negative view of market factors & psychological factors and domestic politics recedes

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.” For domestic interest rates & forex trends, the proportion of “negative” and “somewhat negative” responses increased from a month earlier. Meanwhile, there was a decline in the proportion of “negative” and “somewhat negative” responses for both market factors & psychological factors and domestic politics.

The diffusion index, calculated by subtracting the percentage of responses for “negative” and “somewhat negative” from that for “positive” and “somewhat positive,” declined 6.7 points to –41.2 for domestic interest rates & forex trends, marking the lowest reading since the survey began in April 2006. However, the DI for market factors & psychological factors rose 7.3 points to –56.6, and that for domestic politics increased 5.0 points to –41.0 (Exhibit 5).

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

	Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct
Domestic economy & corporate earnings	1.8	1.3	8.2	9.0	17.6	17.7	42.8	50.9	29.6	21.1
Market factors & psychological factors	2.5	0.9	11.1	9.7	16.2	14.9	34.5	46.8	35.7	27.7
Domestic interest rates & forex trends	1.0	1.5	10.1	10.2	36.6	42.1	32.5	34.4	19.8	11.8
Domestic politics	1.0	1.3	11.4	11.6	34.2	28.2	35.0	39.6	18.4	19.3
Overseas securities markets	1.8	2.2	7.3	8.4	18.3	15.9	36.4	40.4	36.2	33.1
Overseas political & economic situation	2.1	1.4	8.8	8.8	26.3	26.1	35.6	41.6	27.2	22.1

(6) Pharmaceuticals & healthcare most appealing sector for fifth straight month

Respondents were asked to choose one sector they consider 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 DI score for the fifth straight month was for pharmaceuticals & healthcare. The sector's DI was 24.4, a record-high reading for the third consecutive month. The DI for electricity & gas rose to 11.2, from 5.6 last month, making it the second most appealing sector.

Construction & real estate was the least appealing sector for the eleventh straight month, although its DI improved for the second consecutive month, to -25.4. The DI for autos & auto parts deteriorated from -8.1 to -17.5, making it the second least appealing sector this month (Exhibit 6).

**6. Investment appeal by sector (DI)**

Sector	DI	Breakdown of DI (% of responses)		(Ref)
		Appealing	Unappealing	Previous month DI
Pharmaceuticals & healthcare	24.4	25.1	0.7	21.9
Electricity & gas	11.2	13.0	1.8	5.6
Information & telecommunications	10.1	12.4	2.3	8.6
Materials	4.1	6.4	2.3	6.4
Transportation & warehousing	2.4	4.0	1.6	1.7
Electrical machinery & precision equipment	2.2	3.8	1.6	3.5
Consumer-related	0.0	8.1	8.1	0.2
Machinery, shipbuilding & heavy machinery	-0.5	1.7	2.2	-0.9
Resources	-1.9	7.3	9.2	2.0
Financials	-9.1	11.6	20.7	-14.3
Autos & auto parts	-17.5	4.2	21.7	-8.1
Construction & real estate	-25.4	2.4	27.8	-26.6

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.

(7) 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 7).

**7. 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	83	2811	Kagome	7
9501	Tokyo Electric Power	38	4503	Astellas Pharma	7
6758	Sony	36	5001	Nippon Oil	7
4502	Takeda Pharmaceutical	35	5713	Sumitomo Metal Mining	7
8306	Mitsubishi UFJ Financial Group	24	8316	Sumitomo Mitsui Financial Group	7
7974	Nintendo	23	8604	Nomura Holdings	7
8411	Mizuho Financial Group	20	9205	Japan Airlines	7
5401	Nippon Steel	13	9503	Kansai Electric Power	7
6752	Panasonic	13	2702	McDonald's Holdings (Japan)	6
6753	Sharp	13	5405	Sumitomo Metal Industries	6
9984	Softbank	13	6502	Toshiba	6
4661	Oriental Land	11	7211	Mitsubishi Motors	6
7267	Honda Motor	11	7751	Canon	6
9437	NTT DoCoMo	11	8031	Mitsui & Co	6
7201	Nissan Motor	9	8267	Aeon	6
9202	All Nippon Airways	8	9022	Central Japan Railway	6
9502	Chubu Electric Power	8			
9531	Tokyo Gas	8			

Note: Not included in valid responses were answers of "none" or clearly mistaken responses.

(8) Investment strategy and investment behavior amid falling share prices

For this month's spot question, we asked individual investors about their investment strategy and investment behavior amid falling share prices. Asked about their stock investments over the past month, 84.3% of all respondents selected answers indicating their investments were broadly in negative territory, including both realized and unrealized losses. These responses were almost equally divided between "losses less than the decline in the Nikkei Average (roughly 28%)," at 41.9%, and "losses greater than the decline in the Nikkei Average," at 42.4% (Exhibit 8).

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**8. Stock investments over the past month**

	<b>Choices</b>	<b>No. of respondents</b>	<b>%</b>
1	Broadly in positive territory	18	1.8
2	Broadly breaking even	139	13.9
3	Broadly in negative territory, but with losses less than the decline in the Nikkei Average	419	41.9
4	Broadly in negative territory, with losses greater than the decline in the Nikkei Average	424	42.4

Note: Investors were asked to select one of the four answers in the above table in response to the question, "in the month through 22 October, the Nikkei Average fell by roughly 28%. In the same period, how did your stock investments fare, including both realized and unrealized losses?"

Next we asked investors about their strategy for dealing with unrealized losses on stock investments. The most common response at 48.9% of the total was "wait for a share price recovery rather than cut losses," followed at 31.8% by "no particular strategy; decisions taken on a case-by-case basis." Meanwhile, a total of only 18.5% of responses were for answers describing a loss-limiting strategy of some kind (answers 1–5) (Exhibit 9).

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**9. Strategy for dealing with unrealized losses on stock investments**

	<b>Choices</b>	<b>No. of respondents</b>	<b>%</b>
1	Cut losses at –1% to –10%	49	4.9
2	Cut losses at –11% to –20%	64	6.4
3	Cut losses at –21% to –30%	43	4.3
4	Cut losses at –31% to –50%	17	1.7
5	Cut losses at more than –50%	12	1.2
6	Wait for a share price recovery rather than cut losses	489	48.9
7	No particular strategy; decisions taken on a case-by-case basis	318	31.8
8	Other	8	0.8

Note: Investors were asked to select one of the eight answers in the above table in response to the question, "what is your strategy for dealing with unrealized losses on stock investments?"

Last, survey respondents were asked about their investment behavior over the past month. The most common response at 61.9% of the total was "no action taken." Meanwhile, responses were evenly distributed between "acquired shares not in my portfolio" (15.5%), "increased holdings of shares already in my portfolio" (14.6%), and "sold shares to cut losses" (14.9%) (Exhibit 10).

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**10. Investment behavior over the past month**

	<b>Choices</b>	<b>No. of respondents</b>	<b>%</b>
1	Acquired shares not in my portfolio	155	15.5
2	Increased holdings of shares already in my portfolio	146	14.6
3	Sold shares to secure gains	81	8.1
4	Sold shares to cut losses	149	14.9
5	Other	16	1.6
6	No action taken	619	61.9

Note: Investors were asked to select answers from the six in the above table (multiple responses allowed) to best describe their investment activity over the past month with respect to cash trades for domestic stocks.

### 3. Overview of Nomura Individual Investor Survey

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.

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 October with deadline for responses on 23 October

Survey content: Questions included in every survey plus spot 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.

### 4. Nomura Individual Investor Survey (November 2008) respondents

Gender: Male (70.0%), Female (30.0%)

Age: Under 30 (2.1%), 30–39 (25.0%), 40–49 (34.4%), 50–59 (21.8%), 60 and above (16.7%)

Financial assets held: Less than ¥2,000,000 (20.4%), ¥2,000,000–¥4,999,999 (17.2%), ¥5,000,000–¥9,999,999 (22.9%), ¥10,000,000–¥29,999,999 (24.3%), ¥30,000,000 or more (15.2%)

Number of different stocks held: One–two stocks (22.7%), Three–five stocks (37.7%), Six–10 stocks (21.8%), 11–20 stocks (11.7%), 21 or more stocks (6.1%), None (0.0%)

Average duration stocks are held: Less than one month (2.6%), One month to less than three months (4.4%), Three months to less than six months (6.7%), Six months to less than one year (11.3%), One year to less than two years (20.4%), Two years to less than five years (30.3%), Five years or more (24.3%)

Frequency of trading activity: Once or more per day (3.0%), Once or more per week (11.2%), About once a month (16.5%), About once every two to three months (17.4%), About once every six months (13.4%), About once a year (12.3%), Once every few years or so (8.6%), Not active at present (17.6%)

Investment experience: Less than one year (0.8%), One year to less than three years (11.7%), Three years to less than five years (17.5%), Five years to less than 10 years (31.9%), 10 years to less than 20 years (21.0%), 20 years or more (17.1%)

Area of investment focus: Stock price movements and technical factors (10.3%), Strong earnings growth (12.0%), Stable earnings growth (46.9%), Dividends and shareholder returns (30.8%)

#### Notice

The next Nomura Individual Investor Survey (December 2008) is scheduled for release on Friday, 5 December 2008.

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In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as 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.

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.

Purchases of investment trusts (and sales of some investment trusts) are subject to a fee of up to 5.25% (tax included). Also, a direct cost that may be incurred when selling investment trusts is a redemption fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, a trust fee of up to 5.25% (tax included, annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation. Investment trusts invest mainly in securities such as Japanese and foreign equities and bonds, whose prices fluctuate. Investment trust unit prices fluctuate owing to price fluctuations in the underlying assets and to foreign exchange rate fluctuations. As such, investment trusts carry the risk of losses. Fees and risks vary by investment trust. Maximum applicable fees are subject to change; please thoroughly read the written materials provided, such as prospectuses or documents delivered before making a contract (as of 25 March 2008.)

An annual account maintenance fee of ¥3,150 (tax included) is charged for any account held with Nomura Securities containing equities or other securities. An additional annual account maintenance fee of ¥3,150 (tax included) is charged for any account containing foreign securities. Some discounts may apply depending on the details of your agreement with Nomura Securities.

No account fee will be charged for other marketable securities or monies deposited.

Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥10,500 (tax included) depending on the volume of securities transferred.

Margin transactions are subject to a sales commission of up to 1.365% (tax included) of the transaction amount (or a commission of ¥2,730 (tax included) for transactions of ¥200,000 or less), as well as management fees and rights handling fees. In addition, long margin transactions are subject to interest on the purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

### **Nomura Securities Co., Ltd.**

Financial instruments firm registered with the Kanto Local Finance Bureau (registration No. 142) Member associations: Japan Securities Dealers Association; Japan Securities Investment Advisers Association; and The Financial Futures Association of Japan.

#### **Additional information available upon request.**

NIPIC and other Nomura Group entities manage conflicts identified through the following: their Chinese Wall, confidentiality and independence policies, maintenance of a Stop List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from the allocation and pricing of securities and impartial investment research and disclosure to clients via client documentation.

**Disclosure information is available at the Nomura Disclosure site**

**<http://www.nomura.com/research/Disclosures/public/main.asp>**