

Nomura Individual Investor Survey

July 2009

2 July 2009

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

1. Survey overview

(1) Nomura I-View Index at 63.8, highest since September 2007

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices, was 63.8 for July 2009, up 25.2 points from June and the highest it has been since September 2007.

The proportion of survey respondents who said they expected the Nikkei Average to rise over the next three months came to 81.9%, with the proportions of investors expecting rises of "more than 3,000 points," "about 3,000 points," and "about 2,000 points" all increasing m-m. The proportion expecting a rise of "about 2,000 points" was 28.5%, the highest level since September 2007. Meanwhile, the proportions of respondents expecting falls of "about 1,000 points," "about 2,000 points," "about 3,000 points," and "more than 3,000 points" all declined.

(2) Polarization of planned trading activity

For planned trading activity over the next three months, the proportion of "plan to increase" responses rose for all four categories—number of stocks traded, investment amount, number of stocks held, and frequency of trading—while the proportion of "plan to decrease" responses also rose for number of stocks traded, investment amount, and trading frequency. Individual investors thus appear to be split on further trading plans.

(3) DI for domestic economy & corporate earnings turns positive with improvement of more than 30 points

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." The diffusion index, calculated as the proportion of "positive" and "somewhat positive" responses minus the proportion of "negative" and "somewhat negative" responses, improved by 32.9 points m-m for domestic economy & corporate earnings, by 29.0 points for market factors & psychological factors, and by 10.1 points for domestic interest rates & forex trends.

(4) Appeal DI for electrical machinery & precision equipment sector at highest since May 2006

We calculated an appeal diffusion index for each sector by subtracting the percentage of respondents citing the sector as "unappealing" as an investment target from that citing it as "appealing." The electrical machinery & precision equipment sector DI improved 6.1 points m-m to 5.6, making it the second most appealing sector. This was the sector's highest reading since May 2006. The autos & auto parts DI improved by 10.0 points to 2.2, that sector's first positive reading since March 2008.

(5) Margin trading usage and related investment strategies

For this month's spot question, we asked individual investors about the degree to which they use margin trading and their margin trading strategies, with 11.9% replying "currently using margin trading." Next, we asked respondents who use margin trading (including those who had used margin trading in the past or who would like to try margin trading) about their response to margin trading losses and gains. For losses, the most common response was "establish in advance an unrealized loss ratio at which to close out the position (loss-cutting rules) and close out the trade if it reaches that level," and for gains, the largest proportion of respondents chose "no particular policy, response depends on the situation."

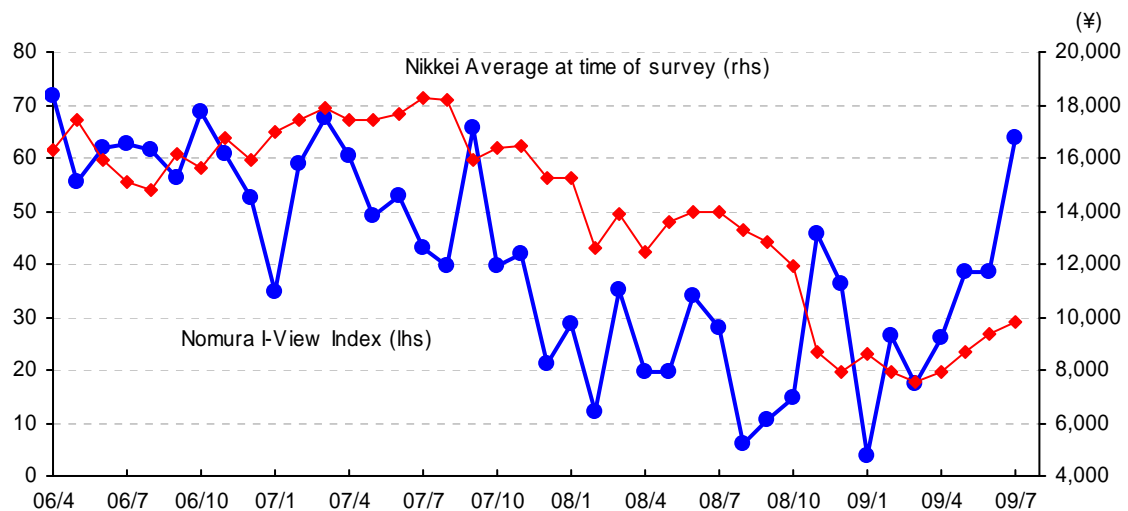
2. Survey results

(1) Nomura I-View Index at 63.8, highest since September 2007

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices, was 63.8 for July 2009, up 25.2 points from June and the highest it has been since September 2007.

The Nikkei Average reference level for this month's survey (22 June close) was 9,826, up 482 from the level last month and 39.3% above the year-to-date closing low of 7,054 from 10 March. Nonetheless, an increasing proportion of investors expect share prices to rise further (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 expressed as a diffusion index. The calculation method is as follows:

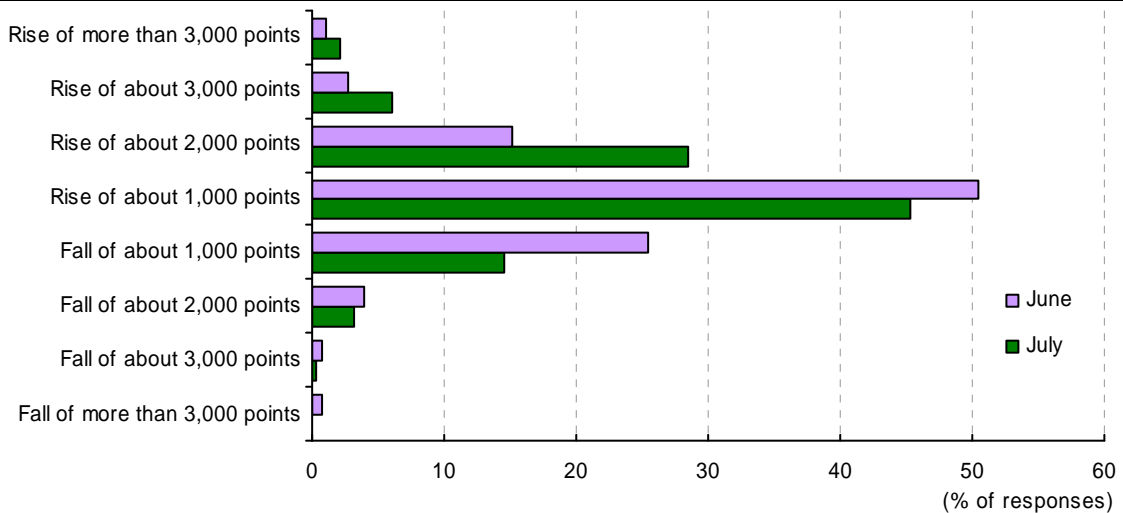
$$\left[\frac{\text{(Number of responses indicating expected rise in share prices in the next three months)} - \text{(number of responses indicating expected fall in share prices in the next three months)}}{\text{number of respondents}} \right] \times 100$$

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.

The proportion of survey respondents who said they expected the Nikkei Average to rise over the next three months came to 81.9%. The proportions of investors expecting rises of “more than 3,000 points,” “about 3,000 points,” and “about 2,000 points” all increased m-m. The proportion expecting a “rise of about 2,000 points” rose 13.4ppt m-m to 28.5%, the highest level since September 2007. The proportion expecting a “rise of about 1,000 points” decreased.

The proportions of respondents expecting falls of “about 1,000 points,” “about 2,000 points,” “about 3,000 points,” and “more than 3,000 points” all declined. Only 0.1% of respondents expected a “fall of more than 3,000 points,” the lowest proportion since the survey began in April 2006, while only 0.3% looked for a “fall of about 3,000 points,” the lowest level since May 2007 (Exhibit 2).

2. Outlook for Nikkei Average during the next three months



Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 22 June closing figure of 9,826. 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.

(2) Polarization of planned trading activity

We asked investors about trading activity over the past three months, with the proportion of “increased” responses rising m-m in all four categories—number of different stocks traded, investment amount, frequency of trading activity, and number of stocks held—for the third straight month. Meanwhile, the proportion of “decreased” responses fell for all four categories. In addition, the proportion of “increased” responses exceeded the proportion of “decreased” responses for number of different stocks traded for the first time since July 2007.

For planned trading activity over the next three months, the proportion of “plan to increase” responses rose for all four categories, while the proportion of “plan to decrease” responses also rose for number of different stocks traded, investment amount, and trading frequency.

Although survey responses point to active trading recently, investors appear to be split on further trading plans. (Exhibit 3)

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

(1) Past three months	Increased		No change		Decreased	
	Jul	Jun	Jul	Jun	Jul	Jun
No. of different stocks traded	15.2	12.6	70.4	68.7	14.4	18.7
Investment amount	13.0	11.6	72.7	70.2	14.3	18.2
Frequency of trading activity	14.1	12.5	68.4	64.9	17.5	22.6
No. of stocks held	12.2	11.0	74.2	74.3	13.6	14.7
(2) Next three months	Plan to increase		No change		Plan to decrease	
	Jul	Jun	Jul	Jun	Jul	Jun
No. of different stocks traded	26.0	24.2	64.0	66.0	10.0	9.8
Investment amount	24.3	23.4	65.6	67.3	10.1	9.3
Frequency of trading activity	28.2	26.8	62.8	65.0	9.0	8.2
No. of stocks held	23.8	20.8	63.9	66.8	12.3	12.4

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).

(3) DI for domestic economy & corporate earnings turns positive with improvement of more than 30 points

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. The diffusion index, calculated as the proportion of “positive” and “somewhat positive” responses minus the proportion of “negative” and “somewhat negative” responses, improved 32.9 points m-m to 18.1 for domestic economy & corporate earnings. The market factors & psychological factors DI improved 29.0 points to 22.6 and the domestic interest rates & forex trends DI improved 10.1 points to -6.9. The DIs turned positive for domestic economy & corporate earnings, market factors & psychological factors, and overseas securities markets. Meanwhile, the domestic politics DI deteriorated 17.1 points m-m to -33.6 (Exhibit 4).

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

	DI		Positive		Somewhat positive		Neutral		Somewhat negative		Negative	
	Jul	Jun	Jul	Jun	Jul	Jun	Jul	Jun	Jul	Jun	Jul	Jun
Domestic economy & corporate earnings	18.1	-14.8	4.4	2.6	37.1	23.6	35.1	32.8	19.7	31.3	3.7	9.7
Market factors & psychological factors	22.6	-6.4	4.0	3.1	41.4	27.9	31.8	31.6	20.0	29.0	2.8	8.4
Domestic interest rates & forex trends	-6.9	-17.0	1.8	1.4	15.2	15.1	59.1	50.0	21.7	28.0	2.2	5.5
Domestic politics	-33.6	-16.5	1.4	1.5	14.5	17.8	34.6	44.9	40.6	29.6	8.9	6.2
Overseas securities markets	2.7	-0.1	2.8	2.6	27.8	26.8	41.5	41.1	24.7	23.9	3.2	5.6
Overseas political & economic situation	-10.0	-2.2	1.9	1.7	18.5	22.8	49.2	48.8	27.0	21.3	3.4	5.4

Note: The DI is the proportion of “positive” and “somewhat positive” responses minus the proportion of “negative” and “somewhat negative” responses.

(4) Appeal DI for electrical machinery & precision equipment sector at highest since May 2006

Respondents were asked to choose one sector as an “appealing” investment target and one as “unappealing.” We calculated a diffusion index for each sector by subtracting the percentage of responses for “unappealing” from that for “appealing.” The top DI score for the 13th straight month was for pharmaceuticals & healthcare.

In second place was electrical machinery & precision equipment, up 6.1 points m-m to 5.6, the sector’s highest reading since May 2006.

The autos & auto parts DI improved by 10.0 points to 2.2, that sector’s first positive reading since March 2008 (Exhibit 5).

5. Investment appeal by sector (DI)

Sector	DI	Breakdown of DI (% of responses)		(Ref)
		Appealing	Unappealing	Previous month DI
Pharmaceuticals & healthcare	18.6	21.1	2.5	35.4
Electrical machinery & precision equipment	5.6	7.7	2.1	-0.5
Resources	4.0	11.0	7.0	0.4
Electricity & gas	3.6	7.9	4.3	1.6
Materials	3.5	7.0	3.5	3.3
Information & telecommunications	3.3	8.9	5.6	4.0
Autos & auto parts	2.2	13.9	11.7	-7.8
Consumer-related	1.2	8.1	6.9	1.9
Machinery, shipbuilding & heavy machinery	-4.7	1.9	6.6	-4.8
Transportation & warehousing	-4.7	2.0	6.7	-5.5
Financials	-5.5	8.1	13.6	-7.3
Construction & real estate	-27.1	2.4	29.5	-20.7

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) 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 (999 valid responses)

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	113	5401	Nippon Steel	10
9501	Tokyo Electric Power	30	8267	Aeon	10
4502	Takeda Pharmaceutical	22	6753	Sharp	9
7267	Honda Motor	20	9503	Kansai Electric Power	9
8058	Mitsubishi Corp	20	2811	Kagome	8
7974	Nintendo	17	4452	Kao	8
8411	Mizuho Financial Group	17	4519	Chugai Pharmaceutical	8
6758	Sony	16	7211	Mitsubishi Motors	8
4661	Oriental Land	15	9205	Japan Airlines	8
6301	Komatsu	13	9437	NTT DoCoMo	8
2702	McDonald's Holdings (Japan)	12	4568	Daiichi Sankyo	7
6502	Toshiba	11	5405	Sumitomo Metal Industries	7
6674	GS Yuasa	11	5713	Sumitomo Metal Mining	7
7201	Nissan Motor	11	6752	Panasonic	7
8306	Mitsubishi UFJ Financial Group	11	6764	Sanyo Electric	7
8316	Sumitomo Mitsui Financial Group	11			

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

(6) Margin trading usage and related investment strategies

For this month's spot question, we asked individual investors about the degree to which they use margin trading and their margin trading strategies. We survey investors about margin trading once a year, usually when long margin positions are on the rise. Long margin positions on Japan's three major exchanges totaled ¥1,277.9bn as of the second week of June 2009, up from ¥898.7bn as of the fourth week of March. In addition, individual investors have been net margin buyers for two consecutive months, from April 2009, and the unrealized gain/loss ratio on long margin trades has improved for 15 straight weeks, to the second week of June. We therefore sought investors' opinions on margin trading activity and strategies against this backdrop. Also, by asking the same questions as in July 2008, we can analyze how individual investor attitudes have changed over the past year.

With respect to the degree of margin trading usage, 11.9% replied "currently using margin trading", while 68.9% selected "no experience of and no interest in trying margin trading (interested in cash trading only)" (Exhibit 7).

7. Margin trading usage (July 2009 survey: 1,000 responses)

	Choices	No. of respondents	%
1	Currently using margin trading	119	11.9
2	Used margin trading in the past	84	8.4
3	Interested in trying margin trading	108	10.8
4	No experience of and no interest in trying margin trading (interested in cash trading only)	689	68.9
	Total	1,000	100.0

To the same question in the July 2008 survey, 11.6% replied "currently using margin trading", while 68.6% selected "no experience of and no interest in trying margin trading (interested in cash trading only)" (Exhibit 8). The situation has therefore changed very little over the past 12 months.

8. Margin trading usage (July 2008 survey: 1,000 responses)

	Choices	No. of respondents	%
1	Currently using margin trading	116	11.6
2	Used margin trading in the past	84	8.4
3	Interested in trying margin trading	114	11.4
4	No experience of and no interest in trying margin trading (interested in cash trading only)	686	68.6
	Total	1,000	100.0

We asked the 311 respondents that selected answers 1–3 in Exhibit 7 about how they respond to unrealized margin trading losses and gains. For losses, the most common response, at 29.9%, was "establish in advance an unrealized loss ratio at which to close out the position (loss-cutting rules) and close out the trade if it reaches that level." Next, at 29.6%, was "no particular policy, response depends on the situation," followed by 24.4% for "no loss-cutting rules, but generally close out the position before a margin call is issued" (Exhibit 9).

9. Response to unrealized losses (July 2009 survey: 311 responses)

	Choices	No. of respondents	%
1	Establish in advance an unrealized loss ratio at which to close out the position (loss-cutting rules) and close out the trade if it reaches that level	93	29.9
2	No loss-cutting rules, but generally close out the position before a margin call is issued	76	24.4
3	Close out the position when a margin call is issued (without adding to the account balance)	30	9.6
4	Increase the balance of the account even when a margin call is issued with a view to recouping losses as far as possible	20	6.4
5	No particular policy, response depends on the situation	92	29.6
	Total	311	100.0

A year ago, we asked the 314 respondents that selected answers 1–3 in Exhibit 8 the same question. The most common response then, at 35.4%, was “establish in advance an unrealized loss ratio at which to close out the position (loss-cutting rules) and close out the trade if it reaches that level.” Next, at 29.0%, was “no particular policy, response depends on the situation,” followed by 24.2% for “no loss-cutting rules, but generally close out the position before a margin call is issued” (Exhibit 10). The top responses were thus unchanged between the two surveys.

10. Response to unrealized losses (July 2008 survey: 314 responses)			
	Choices	No. of respondents	%
1	Establish in advance an unrealized loss ratio at which to close out the position (loss-cutting rules) and close out the trade if it reaches that level	111	35.4
2	No loss-cutting rules, but generally close out the position before a margin call is issued	76	24.2
3	Close out the position when a margin call is issued (without adding to the account balance)	18	5.7
4	Increase the balance of the account even when a margin call is issued with a view to recouping losses as far as possible	18	5.7
5	No particular policy, response depends on the situation	91	29.0
	Total	314	100.0

For gains, the most common response in the most recent survey, at 33.1%, was “no particular policy, response depends on the situation,” followed by 31.2% for “secure gains of 10–20%”, and 24.1% for “secure gains of less than 10%” (Exhibit 11).

11. Response to unrealized gains (July 2009 survey: 311 responses)			
	Choices	No. of responses	%
1	Secure gains of less than 10%	75	24.1
2	Secure gains of 10–20%	97	31.2
3	Secure gains of 20–30%	29	9.3
4	Secure gains of more than 30%	7	2.3
5	No particular policy, response depends on the situation	103	33.1
	Total	311	100.0

In July 2008, the most common response to the same question, at 33.1%, was “no particular policy, response depends on the situation,” followed by 32.2% for “secure gains of 10–20%”, and 22.9% for “secure gains of less than 10%.” As such, strategies regarding unrealized gains/losses have also changed little over the past year (Exhibit 12).

12. Response to unrealized gains (July 2008 survey: 314 responses)			
	Choices	No. of responses	%
1	Secure gains of less than 10%	72	22.9
2	Secure gains of 10–20%	101	32.2
3	Secure gains of 20–30%	24	7.6
4	Secure gains of more than 30%	13	4.1
5	No particular policy, response depends on the situation	104	33.1
	Total	314	100.0

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 June with deadline for responses on 23 June

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 (July 2009) respondents

Gender: Male (71.6%), Female (28.4%)

Age: Under 30 (2.9%), 30–39 (24.9%), 40–49 (31.8%), 50–59 (22.3%), 60 and above (18.1%)

Financial assets held: Less than ¥2,000,000 (18.9%), ¥2,000,000–¥4,999,999 (20.5%), ¥5,000,000–¥9,999,999 (19.8%), ¥10,000,000–¥29,999,999 (25.1%), ¥30,000,000 or more (15.7%)

Number of different stocks held: One–two stocks (21.7%), Three–five stocks (37.8%), Six–10 stocks (23.7%), 11–20 stocks (9.6%), 21 or more stocks (7.2%), None (0.0%)

Average duration stocks are held: Less than one month (4.5%), One month to less than three months (5.0%), Three months to less than six months (6.8%), Six months to less than one year (11.8%), One year to less than two years (16.8%), Two years to less than five years (33.4%), Five years or more (21.7%)

Frequency of trading activity: Once or more per day (4.2%), Once or more per week (12.7%), About once a month (16.6%), About once every two to three months (17.1%), About once every six months (14.7%), About once a year (9.7%), Once every few years or so (9.7%), Not active at present (15.3%)

Investment experience: Less than one year (0.4%), One year to less than three years (6.0%), Three years to less than five years (21.2%), Five years to less than 10 years (31.3%), 10 years to less than 20 years (22.7%), 20 years or more (18.4%)

Area of investment focus: Stock price movements and technical factors (11.0%), Strong earnings growth (10.8%), Stable earnings growth (47.2%), Dividends and shareholder returns (31.0%)

Notice

The next Nomura Individual Investor Survey (August 2009) is scheduled for release on Tuesday, 4 August 2009.

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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.)

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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.

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Nomura Securities Co., Ltd.

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