

Nomura Individual Investor Survey

October 2017

20 October 2017

Global Research Division
Nomura Securities Co., Ltd.

The Nomura Individual Investor Survey is a monthly survey conducted with the aim of better understanding investing activity by individuals and providing information on related trends.

1. Survey overview

(1) Nomura I-View Index falls to 23.6, lowest level since November 2014

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 23.6 in October 2017, falling 19.8pt m-m to its lowest level since November 2014. The Nikkei 225 reference level (10 October 2017 close) was 20,823.51, up 1,277.74 from the previous survey (11 September 2017 close of 19,545.77).

(2) Investor focus ranking of international affairs drops sharply, domestic politics up sharply

Respondents were asked to select the factor most likely to affect the stock market over the next three months. The response rate for "international affairs" fell 21.4ppt m-m to 49.3%. The response rate for "domestic politics" rose 20.7ppt m-m to 26.5%. The survey did not show any substantial changes in investor focus on other factors.

(3) Appeal of financial sector increases, appeal of transportation and utilities sector and materials sector falls

On the outlook for sectors over the next three months or so, we calculate a diffusion index (DI) by subtracting the percentage of responses for "unappealing" from that for "appealing." The DI for the financial sector rose 7.8pt m-m to -9.7, the first rise in three months. The DI for the electrical equipment/precision equipment sector rose 4.0pt m-m to 6.4, the highest level since March 2011. On the other hand, the DI for the transportation and utilities sector fell 4.6pt m-m to -8.8 and the DI for the materials sector fell 4.5pt to 2.5, the first decline in three months.

(4) No change in percentage of respondents expecting yen appreciation against the US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to appreciate against the US dollar was 57.4%, flat versus the previous month. The response rate for "rise of about ¥5 against the dollar" fell 3.8ppt m-m to 43.1%, whereas the response rate for "rise of about ¥10 against the dollar" was up 2.5ppt to 11.3% and the response rate for "rise of more than ¥10 against the dollar" was up 1.3ppt to 3.0%.

The response rate for "fall of about ¥5 against the dollar" rose 0.3ppt m-m to 35.9%, while the response rate for "fall of more than ¥10 against the dollar" rose 0.1ppt to 1.4%. The response rate for "fall of about ¥10 against the dollar" fell 0.4ppt to 5.3%.

(5) Investment appeal of US dollar rises sharply

On the outlook for different currencies over the next three months, we calculate a DI for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." This month, the DI for the US dollar rose 9.1pt m-m to 21.8. The DI for the euro fell 2.9pt m-m to 0.8 and the DI for the yen fell 2.2pt to 27.7.

(6) Japanese equities attract further interest

To give an indication of plans for holding financial instruments, we calculate DIs for each type of financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holdings from the percentage planning to hold the instrument for the first time or increase their holdings. The DI for Japanese equities rose 1.7pt m-m to 41.6, up for the first time in four months. The DI for foreign bonds rose 1.2pt m-m to 3.3. On the other hand, the DI for foreign equities declined 0.6pt to 8.5 and the DI for hybrid securities fell 0.6pt.

(7) Higher percentage of respondents expect prices to be higher one year out

When asked for their outlook for prices of regularly purchased goods and services one year out, 39.7% of respondents selected a "rise" response, up 2.7ppt from the previous month. The proportion of respondents selecting the "no change" response rose 0.2ppt m-m to 47.5%. The proportion of respondents selecting a "fall" response fell 2.9ppt m-m to 12.8%.

(8) ESG investment

For this month's spot question, we asked investors about environmental, social, and governance (ESG)-related investment. Respondents were first asked if they thought it was necessary to consider environmental, social, and governance (ESG) factors when investing in the stock market. Some 45.2% of respondents chose the answer "Return on investment is important for stock market investment, but it is also important to consider ESG factors to some extent," while 21% picked "Given the importance of sustainable growth, ESG factors are at least as important to consider as return on investment when investing in the stock market."

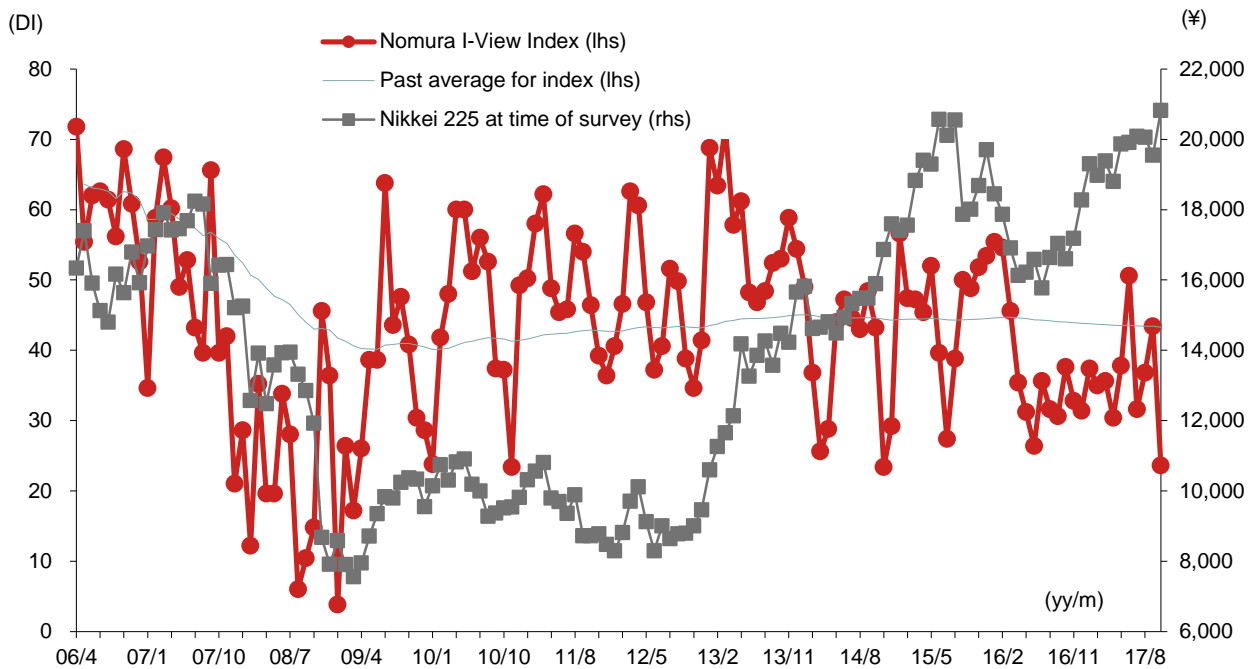
Next, respondents were asked, "Which of these environmental, social, and governance (ESG)-related products are you interested in?" The product with the highest response rate (19.2%) was investment trusts that actively invest in environmentally friendly companies, followed by investment trusts that actively invest in companies excelling in corporate governance (18.7%). Some 35.9% of respondents chose the answer "I have no interest in ESG-related financial products."

2. Survey results

(1) Nomura I-View Index falls to 23.6, lowest level since November 2014

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 23.6 in October 2017, falling 19.8ppt m-m to its lowest level since November 2014. The Nikkei 225 reference level (10 October 2017 close) was 20,823.51, up 1,277.74 from the previous survey (11 September 2017 close of 19,545.77; Figure 1).

Fig. 1: The Nomura I-View Index and reference level of Nikkei 225 at time of survey

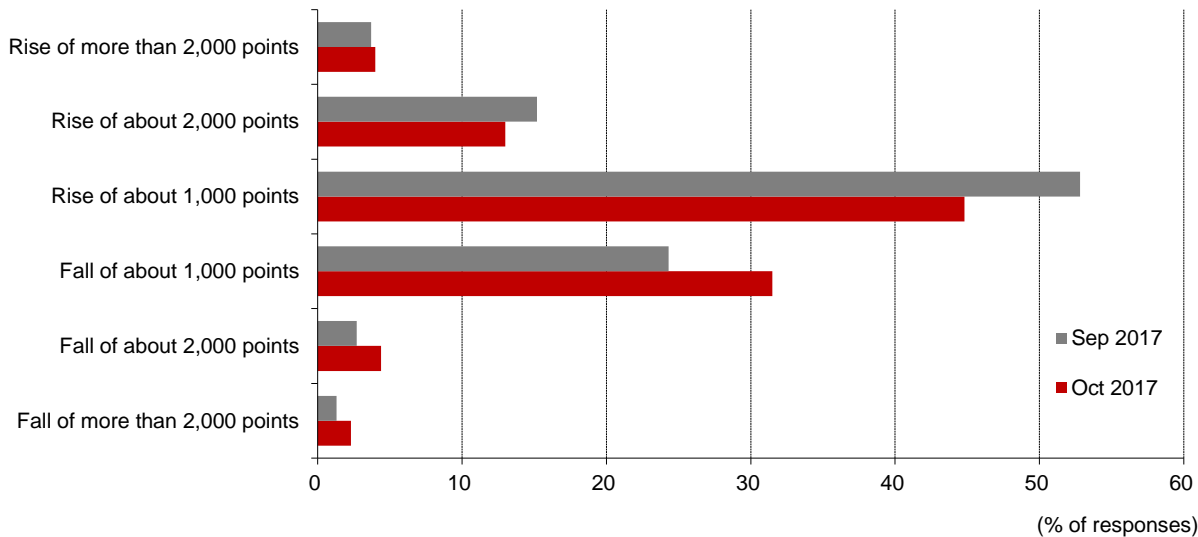


Note: (1) The Nomura I-View Index is based on data collected by this survey and expressed as a diffusion index (DI). The calculation method is as follows: $\frac{((\text{number of responses indicating expected rise in share prices in the next three months}) - (\text{number of responses indicating expected fall in share prices in the next three months}))}{\text{number of respondents}} \times 100$. The figure for January 2010 used here excludes those respondents who projected that the Nikkei 225 would be flat. (2) The Nomura I-View Index ranges from -100 to +100. The closer to +100, the more bullish the outlook held by individual investors. The closer to -100, the more bearish the outlook held by individual investors.

The combined proportion of respondents expecting the Nikkei 225 to rise over the next three months was 61.8%, down 9.9ppt from 71.7% the previous month. The proportion of respondents expecting a "rise of about 1,000 points" was down 8.0ppt m-m at 44.8%, while the proportion expecting a "rise of around 2,000 points" was down 2.2ppt at 13.0%. The proportion responding "rise of more than 2,000 points" increased 0.3ppt to 4.0%.

The proportion selecting a "fall of about 1,000 points" rose 7.2ppt to 31.5%, while the proportion selecting a "fall of about 2,000 points" rose 1.7ppt to 4.4%. The proportion expecting a "fall of more than 2,000 points" rose 1.0ppt to 2.3% (Figure 2).

Fig. 2: Outlook for Nikkei 225 during the next three months

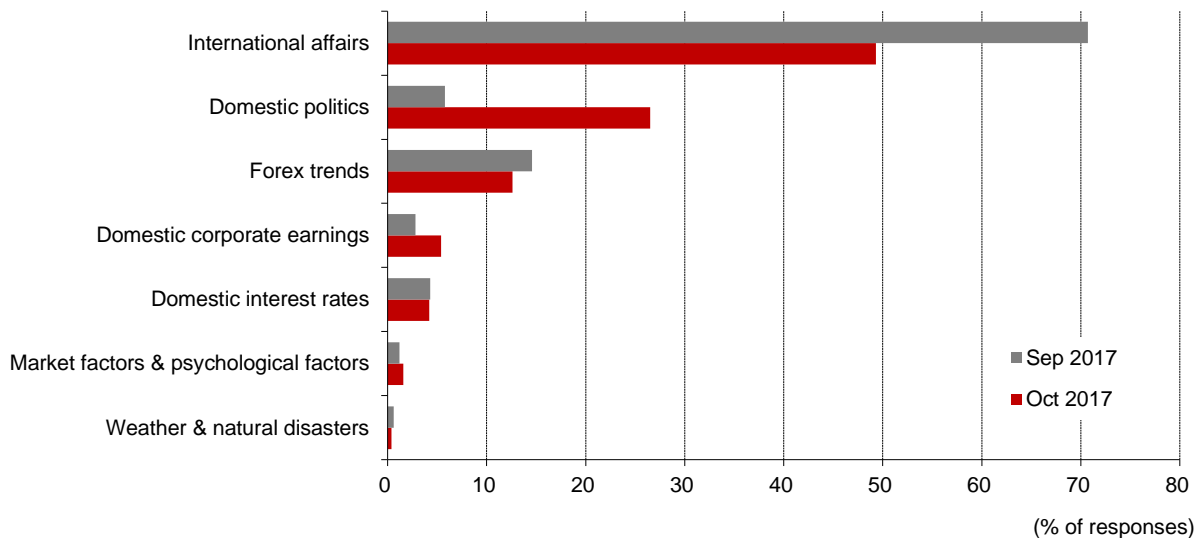


Note: Respondents were asked to share their outlook for the Nikkei 225 during the next three months based on the 10 October 2017 close of 20,823. Respondents could choose one answer from a possible six responses ranging from a rise of more than 2,000 points to a fall of more than 2,000 points, with 1,000-point increments in between.

(2) Investor focus ranking of international affairs drops sharply, domestic politics up sharply

Respondents were asked to select the factor most likely to affect the stock market over the next three months. The response rate for "international affairs" fell 21.4ppt m-m to 49.3%. The response rate for "domestic politics," on the other hand, rose 20.7ppt m-m to 26.5%. The survey did not show any substantial changes in investor focus on other factors (Figure 3).

Fig. 3: Impact of factors on the stock market



Note: Respondents were asked to choose one answer from a possible seven responses concerning factors likely to impact the stock market over the next three months or so.

(3) Appeal of financial sector increases, appeal of transportation and utilities sector and materials sector falls

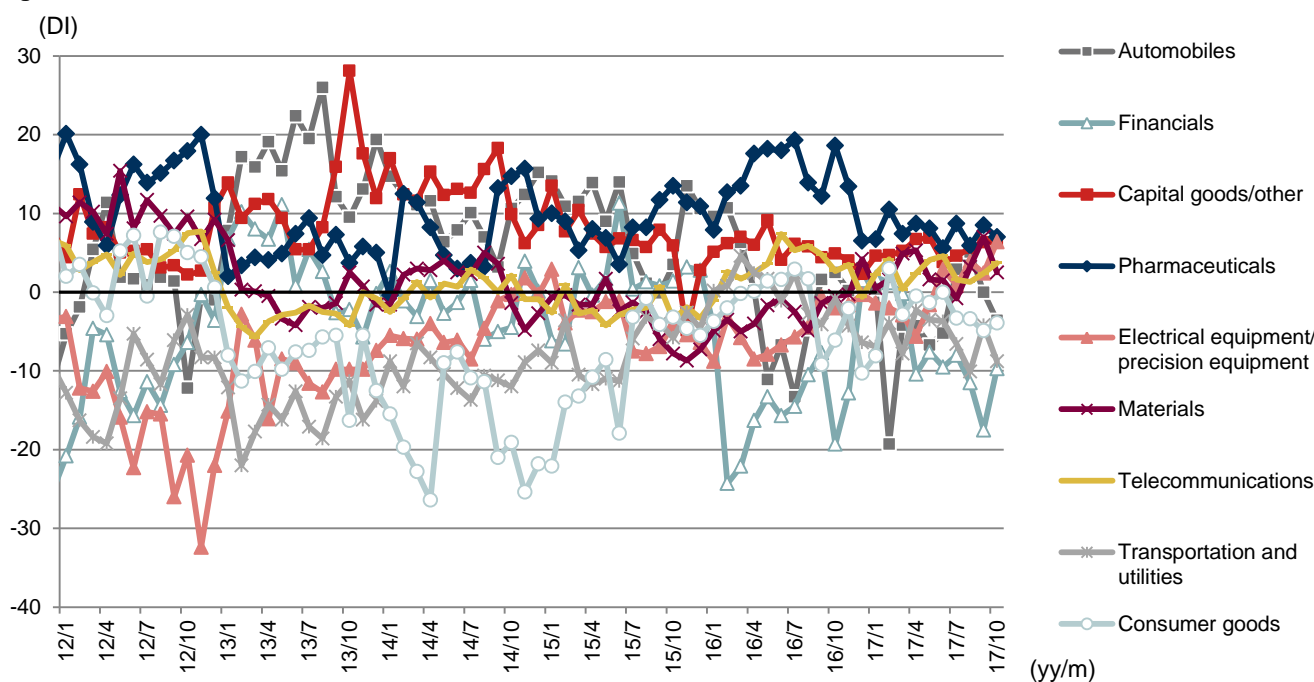
On the outlook for sectors over the next three months or so, we calculate a diffusion index (DI) by subtracting the percentage of responses for "unappealing" from that for "appealing." The DI for the financial sector rose 7.8ppt m-m to -9.7, the first rise in three months. The DI for the electrical equipment/precision equipment sector rose 4.0ppt m-m to 6.4, the highest level since March 2011. On the other hand, the DI for the transportation and utilities sector fell 4.6ppt m-m to -8.8. The DI for the materials sector fell 4.5ppt to 2.5, the first decline in three months (Figures 4 and 5).

Fig. 4: Investment appeal by sector

Sector	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Pharmaceuticals	7.0	11.4	4.4	8.5
Capital goods/other	6.4	11.3	4.9	6.3
Electrical equipment/precision equipment	6.4	13.6	7.2	2.4
Telecommunications	3.7	7.7	4.0	2.4
Materials	2.5	14.2	11.7	7.0
Automobiles	-3.6	12.1	15.7	0.0
Consumer goods	-3.9	14.2	18.1	-4.9
Transportation and utilities	-8.8	5.6	14.4	-4.2
Financials	-9.7	9.9	19.6	-17.5

Note: Respondents were given nine sectors and asked to choose one they viewed as an appealing investment target and one they viewed as unappealing. For each sector, we calculated a DI by subtracting the percentage of responses for "unappealing" from that for "appealing." The materials sector comprises mining, textiles, paper & pulp, chemicals, oil, ceramics, steel, nonferrous metals, and trading houses. The financial sector comprises banks, miscellaneous finance, securities, and insurance. The capital goods/other sector comprises construction, machinery, shipbuilding, transportation equipment, miscellaneous manufacturing, and real estate. The transportation and utilities sector comprises railroads & buses, trucking, shipping, airlines, warehousing, electric power, and gas. The consumer goods sector comprises marine products, food, retail, and services.

Fig. 5: Trends in DIs for selected sectors



(4) 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 found appealing. We show the most popular responses in Figure 6.

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

Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	83	6758	Sony	9
9984	Softbank Group	27	6954	Fanuc	9
8411	Mizuho Financial Group	24	8058	Mitsubishi Corp	9
4502	Takeda Pharmaceutical	20	1812	Kajima	8
8267	Aeon	19	2802	Ajinomoto	8
9202	ANA Holdings	19	2811	Kagome	8
6501	Hitachi	15	3402	Toray Industries	8
7974	Nintendo	15	5401	Nippon Steel & Sumitomo Metal	8
7201	Nissan Motor	13	6503	Mitsubishi Electric	8
4661	Oriental Land	12	7011	Mitsubishi Heavy Industries	8
6594	Nidec	12	6506	Yaskawa Electric	7
6752	Panasonic	12	6869	Sysmex	7
8306	Mitsubishi UFJ Financial Group	12	9432	Nippon Telegraph and Telephone	7
3197	Skylark	9	9437	NTT Docomo	7

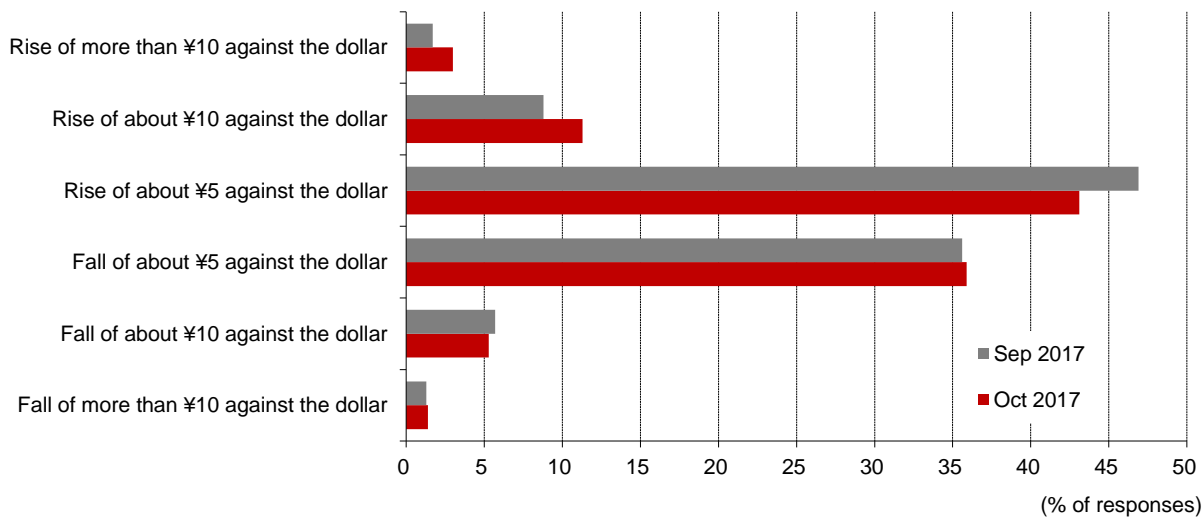
Note: Not included in valid responses were answers of "none" or clearly mistaken responses.

(5) No change in percentage of respondents expecting yen appreciation against the US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to appreciate against the US dollar was 57.4%, flat versus the previous month. The response rate for "rise of about ¥5 against the dollar" fell 3.8ppt m-m to 43.1%, whereas the response rate for "rise of about ¥10 against the dollar" was up 2.5ppt to 11.3% and the response rate for "rise of more than ¥10 against the dollar" was up 1.3ppt to 3.0%.

The response rate for "fall of about ¥5 against the dollar" rose 0.3ppt m-m to 35.9%, while the response rate for "fall of more than ¥10 against the dollar" rose 0.1ppt to 1.4%. The response rate for "fall of about ¥10 against the dollar" fell 0.4ppt to 5.3% (Figure 7).

Fig. 7: Respondents' three-month outlook for USD/JPY



Note: Respondents were asked to share their outlook for USD/JPY over the next three months, referencing a 10 October 2017 indicative rate of 112.65. They could choose one answer from six possible responses ranging from a rise of more than ¥10 against the dollar to a fall of more than ¥10 against the dollar, with ¥5 increments in between.

(6) Investment appeal of US dollar rises sharply

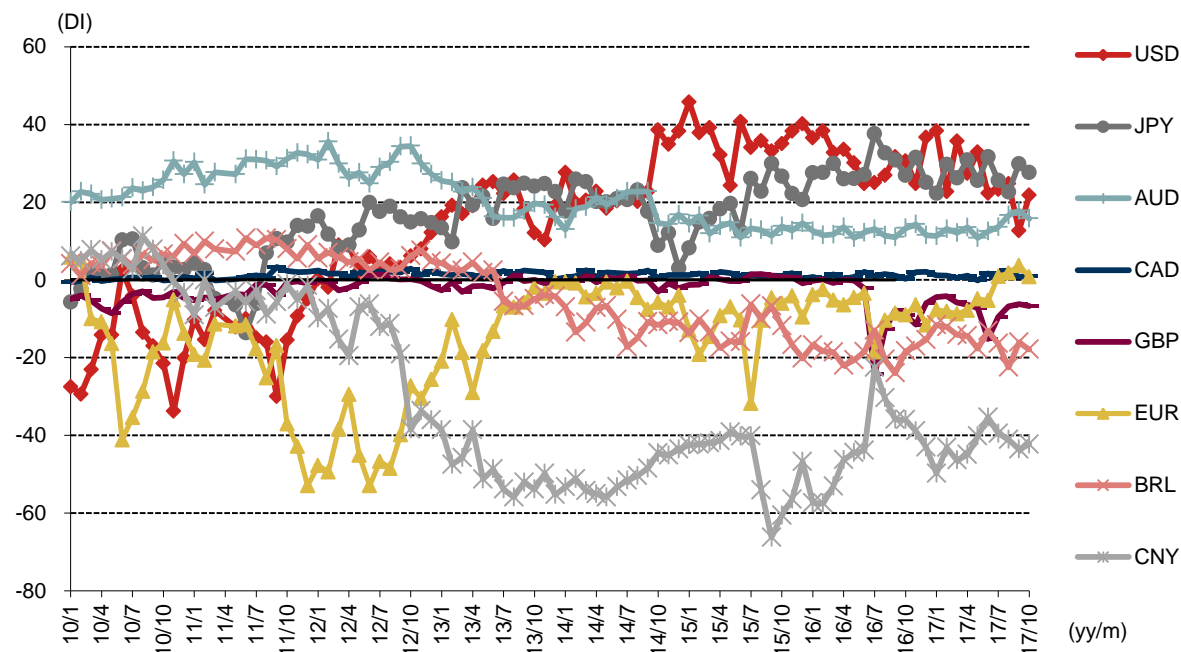
On the outlook for different currencies over the next three months, we calculate a DI for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." This month, the DI for the US dollar rose 9.1pt m-m to 21.8. The DI for the euro fell 2.9pt m-m to 0.8 and the DI for the yen fell 2.2pt to 27.7 (Figures 8 and 9).

Fig. 8: Investment appeal by currency

Currency	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Japanese yen	27.7	35.8	8.1	29.9
US dollar	21.8	31.3	9.5	12.7
Australian dollar	15.8	18.0	2.2	17.8
Canadian dollar	1.1	2.0	0.9	0.8
Euro	0.8	6.0	5.2	3.7
Pound sterling	-6.7	1.7	8.4	-6.2
Brazilian real	-17.9	2.1	20.0	-16.1
Chinese yuan	-42.3	2.0	44.3	-43.6

Note: Respondents were given nine possible responses, consisting of the above eight currencies and "other," and asked to choose one they viewed as an appealing investment target and one they viewed as unappealing. Those selecting "other" were asked to specify a currency.

Fig. 9: DIs for investment appeal of selected currencies



(7) Japanese equities attract further interest

To give an indication of plans for holding financial instruments, we calculate DIs for each type of financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holdings from the percentage planning to hold the instrument for the first time or increase their holdings. The DI for Japanese equities rose 1.7pt m-m to 41.6, up for the first time in four months. The DI for foreign bonds rose 1.2pt m-m to 3.3. On the other hand, the DI for foreign equities declined 0.6pt to 8.5 and the DI for hybrid securities fell 0.6pt (Figures 10 and 11).

Fig. 12: Outlook for prices one year out

	Choices	% of responses	(Ref) Previous % of responses
1	Fall of 5% or more	2.0	2.6
2	Fall of 2% up to 5%	4.3	3.6
3	Fall of less than 2%	6.5	9.5
4	No change (0%)	47.5	47.3
5	Rise of less than 2%	31.3	29.5
6	Rise of 2% up to 5%	6.8	6.2
7	Rise of 5% or more	1.6	1.3
	Total	100	100

Note: Respondents were asked to select one response to the question: "How do you expect prices of regularly purchased goods and services to differ from current levels one year out?"

(9) ESG investment

For this month's spot question, we asked investors about environmental, social, and governance (ESG)-related investment. Respondents were first asked if they thought it was necessary to consider environmental, social, and governance (ESG) factors when investing in the stock market. Some 45.2% of respondents chose the answer "Return on investment is important for stock market investment, but it is also important to consider ESG factors to some extent," while 21% picked "Given the importance of sustainable growth, ESG factors are at least as important to consider as return on investment when investing in the stock market" (Figure 13).

Fig. 13: Necessity of considering environmental, social, and governance (ESG) factors

	Choices	No. of respondents	% of responses
1	Return on investment is what is important for stock market investment, so it is not necessary to consider ESG factors	71	7.1
2	Return on investment is important for stock market investment, but it is also important to consider ESG factors to some extent	452	45.2
3	Given the importance of sustainable growth, ESG factors are at least as important to consider as return on investment when investing in the stock market	210	21.0
4	Don't know	267	26.7
	Total	1,000	100.0

Note: Respondents were asked to select a single response to the question: "Do you think it is necessary to consider environmental, social, and governance (ESG) factors when investing in the stock market?"

Next, respondents were asked, "which of these environmental, social, and governance (ESG)-related products are you interested in?" The product with the highest response (19.2%) was investment trusts that actively invest in environmentally friendly companies, followed by investment trusts that actively invest in companies excelling in corporate governance (18.7%). Some 35.9% of respondents chose the answer "I have no interest in ESG-related financial products" (Figure 14).

Fig. 14: Interest in ESG-related financial products

	Choices	No. of respondents	% of responses
1	Investment trusts that actively invest in environmentally friendly companies	245	19.2
2	Investment trusts that actively invest in companies promoting women's participation in the workforce	99	7.8
3	Investment trusts that actively invest in companies excelling in corporate governance	239	18.7
4	Green bonds (bonds issued to fund environmentally friendly businesses)	98	7.7
5	ETFs that track ESG indices (indices made up of companies with high scores based on a comprehensive assessment of ESG factors)	135	10.6
6	Other	1	0.1
7	I have no interest in ESG-related financial products	458	35.9
	Total	1,275	100.0

Note: Respondents were asked to select multiple responses to the question: "Which of these environmental, social, and governance (ESG)-related products are you interested in?"

3. Nomura Individual Investor Survey

With the aim of better understanding investing activity by individuals and providing information on those trends, 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 3,000 individual investors randomly selected from the approximately 24,000 with equity investment experience 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 10 October, with deadline for responses on 11 October 2017.

Survey content: Questions included each month are (1) share price outlook, (2) factors expected to impact the stock market, (3) attractive sectors and stocks, (4) USD/JPY outlook and attractive currencies, (5) financial instruments for which investors plan to change their holdings, and (6) inflation outlook (since July 2013). Respondents are also asked spot questions each month and queried about their personal profiles.

4. Nomura Individual Investor Survey (October 2017) respondents

Gender: Male (83.2%), female (16.8%)

Age: Under 30 (1.0%), 30–39 (7.1%), 40–49 (21.1%), 50–59 (28.5%), 60 and above (42.3%)

Occupation: Self-employed/fisheries, agriculture, forestry (7.8%), professional (physician/medical professional, lawyer, etc) (2.9%), company management/corporate officer (3.3%), company employee/public servant (44.4%), student (0.1%), full-time homemaker (7.9%), part-time worker/casual worker/job-hopper (6.2%), unemployed/pensioner (25.5%), other (1.9%)

Region: Kanto (49.8%), Kinki (18.5%), Tokai/Koshinetsu/Hokuriku (15.6%), Hokkaido/Tohoku (5.2%), Chugoku/Shikoku/Kyushu (10.9%)

Financial assets held: Less than ¥1,000,000 (5.6%), ¥1,000,000–¥2,999,999 (7.7%), ¥3,000,000–¥4,999,999 (9.2%), ¥5,000,000–¥9,999,999 (18.0%), ¥10,000,000–¥29,999,999 (30.3%), ¥30,000,000–¥49,999,999 (14.6%), ¥50,000,000 or more (14.6%)

Value of domestic stocks held: Less than ¥500,000 (8.9%), ¥500,000–¥999,999 (10.6%), ¥1,000,000–¥2,999,999 (22.2%), ¥3,000,000–¥4,999,999 (17.3%), ¥5,000,000–¥9,999,999 (16.7%), ¥10,000,000–¥29,999,999 (18.6%), ¥30,000,000 or more (5.7%)

Investment experience: Less than three years (1.9%), three years to less than five years (7.2%), five years to less than 10 years (21.4%), 10 years to less than 20 years (33.3%), 20 years or more (36.2%)

Investment plan for domestic stocks: Mainly for long-term holding (44.9%), pursuit of gains from short-term appreciation (13.1%), pursuit of dividends and shareholder perks (29.3%), no particular plan (12.7%)

Notice

The next Nomura Individual Investor Survey (November 2017) is scheduled for release on Friday, 24 November 2017.

Any Authors named on this report are Research Analysts unless otherwise indicated

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As at 30 September 2017.

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** As defined by the EU Market Abuse Regulation

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STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Target Price

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