Nomura Individual Investor Survey

January 2013

January 18, 2013

Investment Strategy Department

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 jumps 27.4pt m-m, to 68.8

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 68.8 for January, up 27.4pt m-m. While the largest proportion of respondents, 51.8%, said they expect a rise of "about 1,000 points," the proportion of respondents expecting a rise of "about 2,000 points" increased by 13.3ppt, to 23.3%, and the proportion expecting a rise of "more than 2,000 points" rose by 6.6ppt, to 9.3%, suggesting a notable increase in the number of individual investors anticipating a large rise in share prices. The combined proportion of respondents expecting share prices to fall was just 15.6%.

(2) Forex trends attracting increased attention, closing in on domestic politics as most-watched factor

Respondents were asked to select the factor most likely to impact the stock market in the next three months. Domestic politics was selected by the largest proportion of respondents, but that proportion was down 7.7ppt m-m, to 32.1%. This month saw increasing attention focus on forex trends, market factors & psychological factors, and domestic interest rates. The proportion of investors selecting forex trends increased by 5.4ppt m-m to 29.0%, putting it just behind domestic politics.

(3) Capital goods/other was most attractive sector, with autos and financials also gaining popularity

Respondents were asked to choose one sector as an "appealing" investment target and one as "unappealing" over a timeframe of about three months. We calculated a diffusion index for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." Capital goods/other was the most attractive sector this month. Pharmaceuticals had been the most appealing sector since the June 2012 survey, and this marked the first change at the top of the ranking in eight months. The DIs for automobiles and financials also rose markedly, putting these sectors in second and third place, respectively. At the same time, the DIs for domestic demand-related and defensive sectors fell across the board, with pharmaceuticals slipping down to fifth place after a 9.9pt drop in its DI—the largest m-m decline among all sectors.

(4) Two-thirds of respondents now expect the yen to weaken against the US dollar

On the outlook for the USD/JPY rate over the next three months, the combined proportion of respondents expecting the yen to weaken against the dollar was 66.1%, up 2.5ppt from the previous month. The largest proportion of respondents, 53.2%, said they expected a "fall of about ¥5 against the dollar", with the response rate for this category rising 2.1ppt m-m. The proportion of respondents expecting a "fall of more than ¥10 against the dollar" was 10.4%.

(5) US dollar and euro continue to gain appeal

Respondents were asked to choose one currency as an "appealing" investment target and one as "unappealing" over an approximately three-month timeframe. We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." The Australian dollar remained the most appealing currency, but its DI declined for the third straight month. DIs for the euro and the US dollar continued to rise m-m.

(6) Sharp increase in appeal of equities sees its DI close in on that for cash & deposits

To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. The DI for equities rose 10.9pt m-m, to 39.0, its highest level since the survey question was introduced and close to the DI for cash & deposits, which remained the highest among all financial instruments, at 41.9.

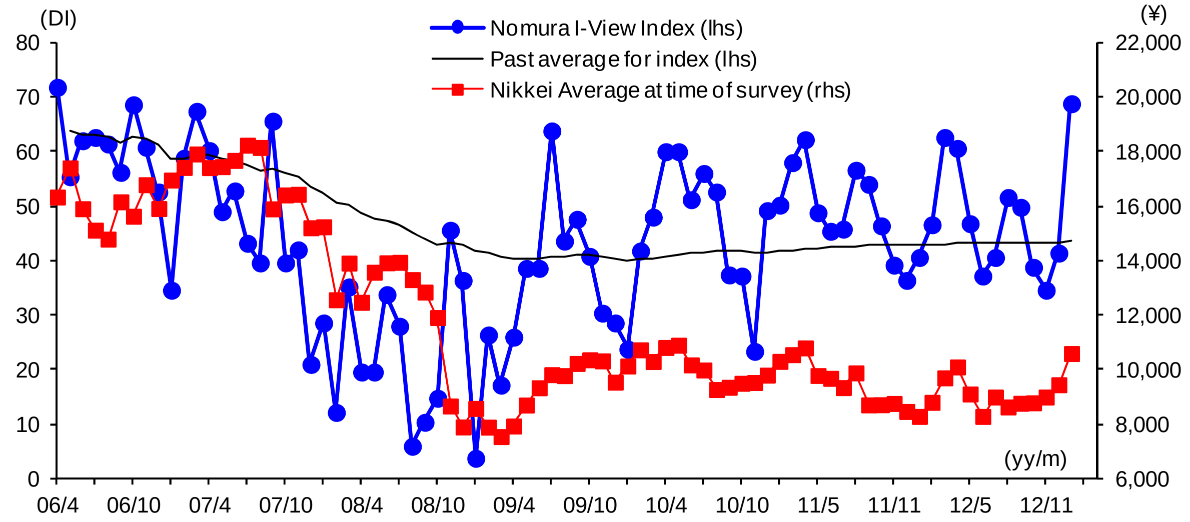
2. Survey results

(1) Nomura I-View Index jumps 27.4pt m-m, to 68.8

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 68.8 for January, up 27.4pt m-m. This month's figure ranks second only to the reading of 71.8 for April 2006 (the first survey), and represents the second largest m-m increase, after the 30.8pt rise seen in November 2008. It appears that the number of individual investors expecting share prices to rise has increased since last month (Figure 1).

The Nikkei Average reference level (7 January close) was 10,599, up by 1,141pt from the previous survey (3 December 2012 close of 9,458).

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

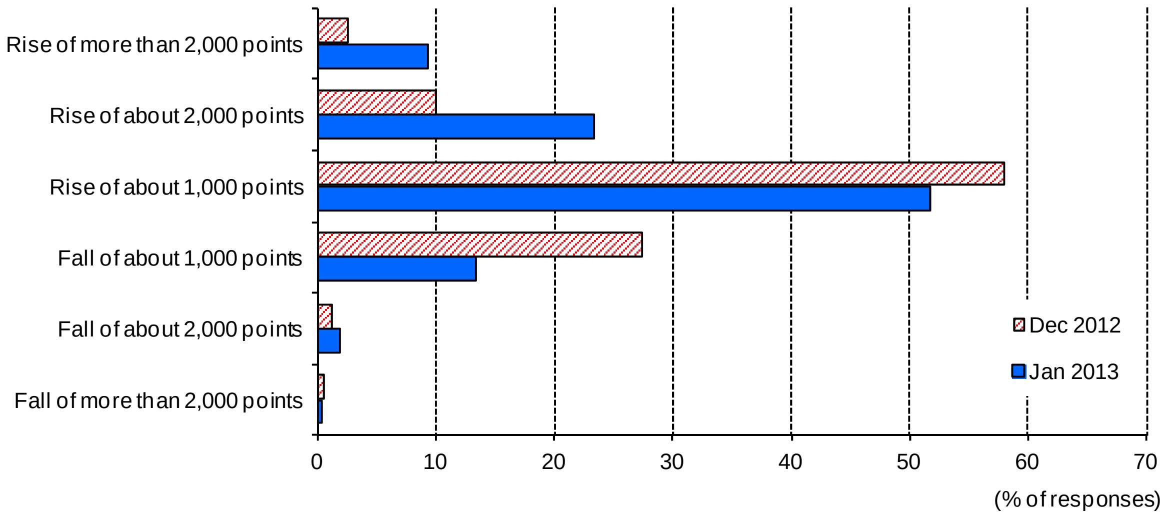


Note: (1) The Nomura I-View Index is based on data collected by this survey and expressed as a diffusion index. The calculation method is as follows: [(Number of responses indicating expected rise in share prices in the next three months) minus (number of responses indicating expected fall in share prices in the next three months) divided by number of respondents] x 100. The figure for January 2010 used here excludes respondents who projected the Nikkei Average would be flat. (2) 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 combined proportion of respondents expecting the Nikkei Average to rise over the next three months was 84.4%, up 13.7ppt from 70.7% in the last survey. The largest proportion of respondents, 51.8%, said they expect a rise of "about 1,000 points," although that proportion was down 6.2ppt from the previous month. The proportion of respondents expecting a rise of "about 2,000 points" increased by 13.3ppt, to 23.3%, and the proportion expecting a rise of "more than 2,000 points" rose by 6.6ppt, to 9.3%, indicating a notable increase in the percentage of individual investors anticipating a large rise in share prices through to around April.

The combined proportion of respondents expecting share prices to fall was just 15.6%. The proportion expecting a "fall of about 1,000 points" was 13.4%, down 14.0ppt from 27.4% last month (Figure 2).

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

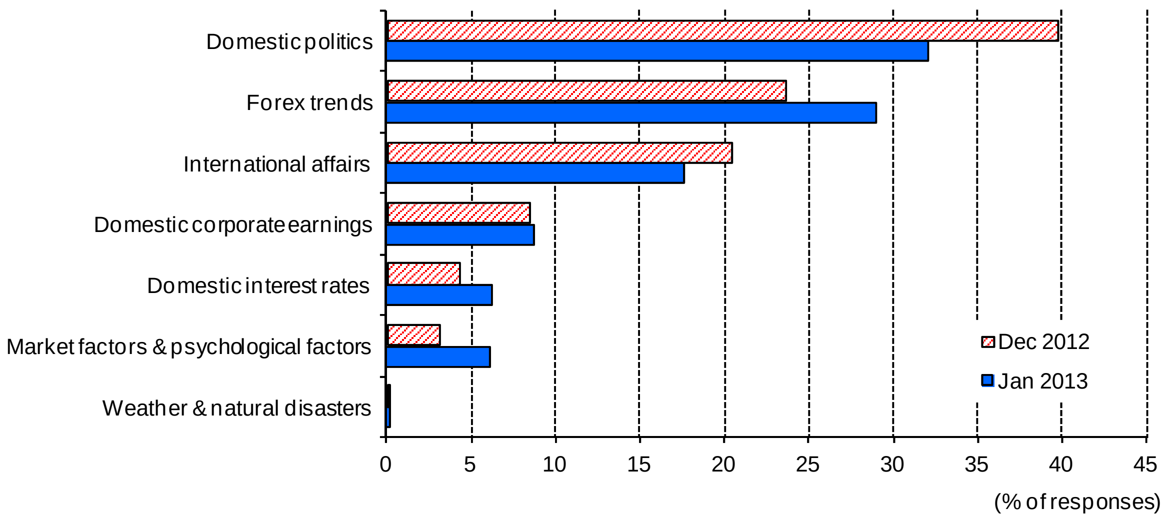


Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 7 January closing figure of 10,599. Respondents could choose one answer from a possible six responses ranging from a rise of more than 2,000 points to a fall of more than 2,000 points with 1,000-point increments in between.

(2) Forex trends attracting increased attention, closing in on domestic politics as most-watched factor

Respondents were asked to select the factor most likely to impact the stock market in the next three months. As was also the case last month, domestic politics was selected by the largest proportion of respondents, but that proportion was down 7.7ppt m-m, to 32.1%. This month there was increased attention on forex trends, market factors & psychological factors, and domestic interest rates. The proportion of investors selecting forex trends increased by 5.4ppt m-m to 29.0%, closing in on the reading for domestic politics. The response rate for international affairs declined for the third straight month, by 2.9ppt m-m to 17.6%, its lowest level since the June 2011 survey (14.7%) (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) Capital goods/other was most attractive sector, with autos and financials also gaining popularity

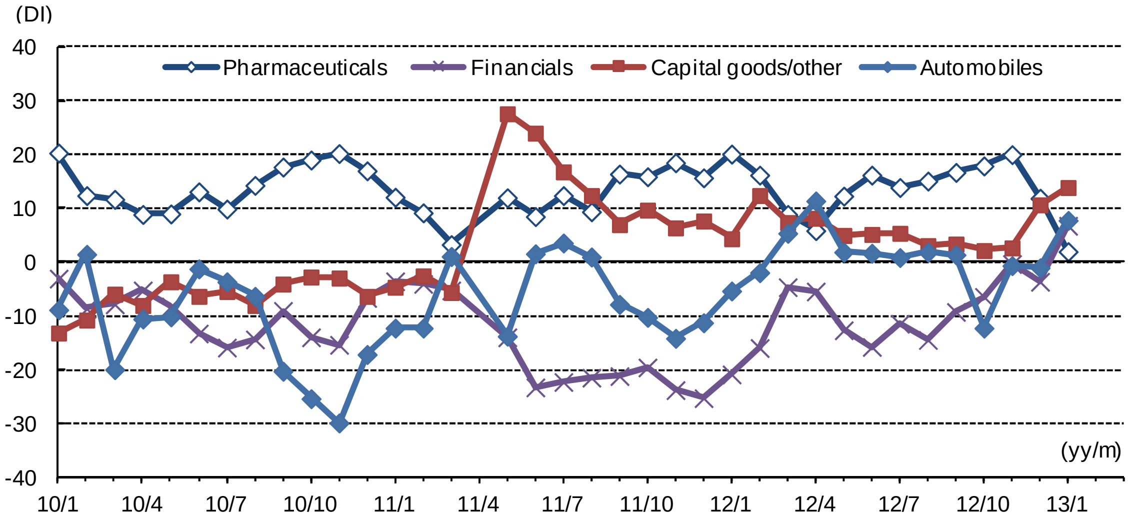
Respondents were asked to choose one sector as an "appealing" investment target and one as "unappealing" over a timeframe of about three months. We calculated a diffusion index for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." Capital goods/other was the most attractive sector this month, with a DI of 13.9, up 3.2pt m-m. Pharmaceuticals had been the most appealing sector since June 2012, so this marked the first change at the top of the ranking in eight months. There were notable increases in popularity for automobiles, the DI for which rose 8.8pt m-m, to 7.8, and for financials, the DI for which advanced 10.4pt, to 6.8, putting these sectors into second and third place, respectively. The DIs for domestic demand-related and defensive sectors fell across the board, with pharmaceuticals slipping down to fifth place after a 9.9pt drop in its DI—the largest m-m decline among all sectors (Figures 4, 5).

Fig. 4: Investment appeal by sector

Sector	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Capital goods/other	13.9	17.7	3.8	10.7
Automobiles	7.8	16.4	8.6	-1.0
Financials	6.8	15.6	8.8	-3.6
Materials	6.6	14.0	7.4	9.2
Pharmaceuticals	2.0	8.9	6.9	11.9
Telecommunications	-1.9	4.5	6.4	2.5
Consumer goods	-8.0	8.3	16.3	0.6
Transportation and utilities	-12.1	5.8	17.9	-8.3
Electrical equipment/precision equipment	-15.1	8.8	23.9	-22.0

Note: Respondents were given nine 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 materials sector comprises mining, textiles, paper & pulp, chemicals, oil, ceramics, steel, nonferrous metals, and trading houses. The financials sector comprises banks, miscellaneous finance, securities, and insurance. The capital goods/others 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: Trend 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 find appealing. We show the most popular responses below (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	115	9202	All Nippon Airways	12
8411	Mizuho Financial Group	41	4755	Rakuten	11
4502	Takeda Pharmaceutical	30	6502	Toshiba	11
8306	Mitsubishi UFJ Financial Group	18	7201	Nissan Motor	11
9984	Softbank	17	9437	NTT Docomo	11
2702	McDonald's Holdings (Japan)	16	5401	Nippon Steel & Sumitomo Metal	10
6752	Panasonic	16	6753	Sharp	10
6501	Hitachi	15	8750	Dai-ichi Life Insurance	10
4661	Oriental Land	14	6758	Sony	9
6301	Komatsu	14	7974	Nintendo	9
7267	Honda Motor	14	7011	Mitsubishi Heavy Industries	8
8604	Nomura Holdings	14	7751	Canon	8
2811	Kagome	13	3402	Toray Industries	7
8058	Mitsubishi Corp	13			
8267	Aeon	12			

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

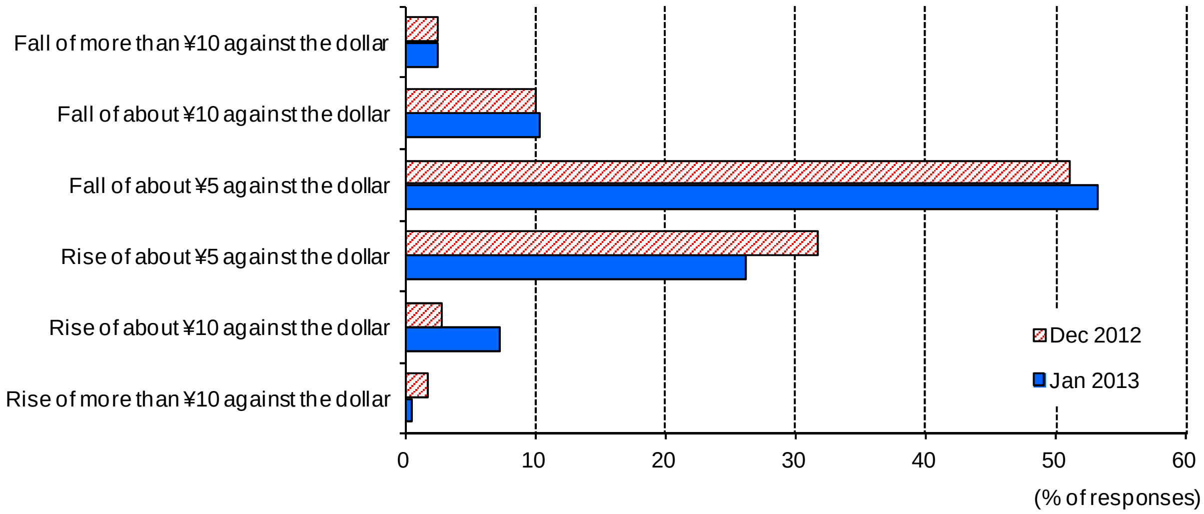
(5) Roughly two-thirds of respondents now expect the yen to weaken against the US dollar

On the outlook for the USD/JPY rate over the next three months, the combined proportion of respondents expecting the yen to weaken against the dollar was 66.1%, up 2.5ppt from 63.6% last month. The largest proportion of respondents, 53.2%, said they expected a "fall of about ¥5 against the dollar", with the response rate for this category rising 2.1ppt m-m. The proportion of respondents expecting a "fall of more than ¥10 against the dollar" was 10.4%.

The combined proportion of respondents expecting the yen to strengthen against the dollar was 33.9%, down 2.5ppt from the previous month's reading of 36.4%. The proportion of investors expecting a "rise of about ¥5 against the dollar" declined by 5.7ppt m-m, while the proportion expecting a "rise of about ¥10 against the dollar" increased by 4.4ppt. It appears that a minority of investors expect to see a dramatic reversal of the yen's recent sharp depreciation against the dollar (Figure 7).

At the time of the latest survey (7 January), the noon indicative USD/JPY rate was 88.07, indicating a weaker yen than at the time of the previous survey (82.37 as of 3 December 2012).

Fig. 7: Respondents’ three-month outlook for the USD/JPY rate



Note: Respondents were asked to share their outlook for the USD/JPY rate over the next three months, referencing a 7 January indicative rate of US$1=¥88.07. They could choose one answer from a possible six responses ranging from a rise of ¥10 or more against the dollar to a fall of ¥10 or more against the dollar, with ¥5 increments in between.

(6) US dollar and euro continue to gain appeal

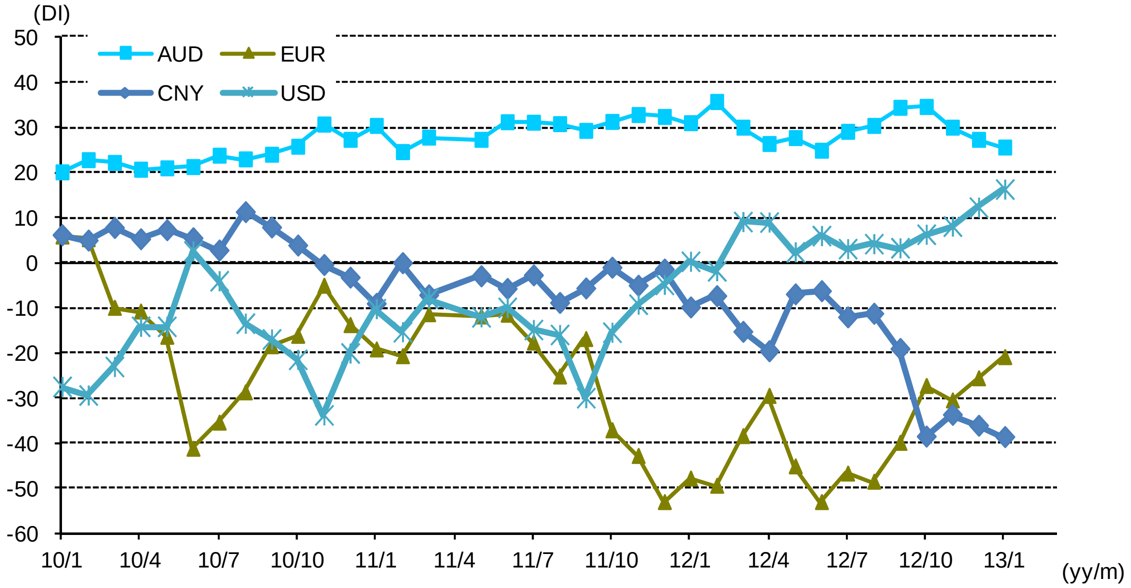
Respondents were asked to choose one currency as an "appealing" investment target and one as "unappealing" over an approximately three-month timeframe. We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." The Australian dollar was the most appealing currency for the 36th straight time since this survey question was introduced in January 2010 (no survey was conducted in April 2011), but its DI declined for the third straight month, by 1.7pt to 25.5. The DI for the euro rose again this month (+4.7pt m-m), as did the DI for the US dollar (+4.0pt). For the second straight month, the DI for the US dollar reached its highest level since the question was introduced. By contrast, the DI for the Chinese yuan fell 2.5pt m-m to -38.6, its lowest level since the question was introduced. The yuan has now been seen as the least appealing currency for four consecutive months (Figures 8, 9).

Fig. 8: Investment appeal by currency

Currency	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Australian dollar	25.5	27.0	1.5	27.2
US dollar	16.2	24.4	8.2	12.2
Japanese yen	13.4	26.6	13.2	14.7
Brazilian real	4.3	9.6	5.3	4.8
Canadian dollar	1.5	1.9	0.4	2.2
Pound sterling	-2.7	1.1	3.8	-1.6
Euro	-20.9	4.0	24.9	-25.6
Chinese yuan	-38.6	3.6	42.2	-36.1

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

Fig. 9: Trend in DIs for selected currencies



(7) Sharp increase in appeal of equities sees its DI close in on that for cash & deposits

To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. The DI for equities rose 10.9pt m-m, to 39.0, its highest level since the survey question was introduced in January 2010 and close to the 41.9 reading for cash & deposits, which has remained at the top of the ranking since the question was launched (Figure 10).

Fig. 10: Financial instruments for which investors are either seeking to increase or decrease their holdings

Currency	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Plan to increase	Plan to decrease	
Cash & deposits	41.9	46.3	4.4	40.1
Equities	39.0	53.2	14.2	28.1
Gold	13.0	13.1	0.1	13.2
Investment trusts	10.3	20.7	10.4	9.0
Securities issued overseas	9.5	11.0	1.5	9.6
Bonds	8.9	11.2	2.3	9.4
Hybrid securities	2.1	2.5	0.4	3.1
Other	0.7	0.9	0.2	0.9
None	-47.8	25.4	73.2	-44.7

Note: Respondents were given a selection of nine financial instruments and asked to choose those for which they planned to increase their holdings and those for which they planned to decrease their holdings (multiple responses were allowed). In the exhibit, "plan to increase" refers to financial instruments that investors plan to hold for the first time or for which they plan to increase their holding, while "plan to decrease" refers to instruments that investors plan to cease holding or for which they plan to decrease their holding. Hybrid securities and gold were added to the list of choices from the February 2012 survey.

3. Nomura Individual Investor Survey

With the aim of better understanding investing activity by individuals and providing information on those trends, the Equity Research Department 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 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 7 January with deadline for responses on 8 January.

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 rate outlook and attractive currencies, and (5) financial instruments for which investors plan to change their holdings. Respondents are also queried each month on their personal profiles.

4. Nomura Individual Investor Survey (January 2013) respondents

Gender: Male (80.8%), Female (19.2%)

Age: Under 30 (2.1%), 30–39 (13.1%), 40–49 (28.6%), 50–59 (30.4%), 60 and above (25.8%)

Occupation: Self-employed/fisheries, agriculture, forestry (8.1%), Professional (physician/medical professional, lawyer, etc) (2.7%), Company management/corporate officer (4.8%), Company employee/public servant (54.4%), Housewife (9.2%), Part-time worker/casual worker/job-hopper (4.7%), Unemployed/pensioner (13.3%), Other (2.6%)

Region: Kanto (46.7%), Kinki (20.2%), Tokai/Koshinetsu/Hokuriku (16.9%), Hokkaido/Tohoku (5.2%), Chugoku/Shikoku/Kyushu (11.0%)

Financial assets held: Less than ¥1,000,000 (6.6%), ¥1,000,000–¥2,999,999 (12.1%), ¥3,000,000–¥4,999,999 (13.6%), ¥5,000,000–¥9,999,999 (19.2%), ¥10,000,000–¥29,999,999 (28.8%), ¥30,000,000–¥49,999,999 (11.0%), ¥50,000,000 or more (8.7%)

Value of domestic stocks held: Less than ¥500,000 (16.3%), ¥500,000–¥999,999 (14.8%), ¥1,000,000–¥2,999,999 (26.6%), ¥3,000,000–¥4,999,999 (14.9%), ¥5,000,000–¥9,999,999 (12.4%), ¥10,000,000–¥29,999,999 (10.9%), ¥30,000,000 or more (4.1%)

Investment experience: Less than three years (7.3%), Three years to less than five years (14.4%), Five years to less than 10 years (27.8%), 10 years to less than 20 years (27.8%), 20 years or more (22.7%)

Investment plan for domestic stocks: Mainly for long-term holding (45.2%), Pursuit of gains from short-term appreciation (11.6%), Pursuit of dividends and shareholder perks (24.8%), No particular plan (18.4%)

Notice

The next Nomura Individual Investor Survey (February 2013) is scheduled for release on Friday, 15 February 2013.

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

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Online availability of research and conflict-of-interest disclosures

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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 in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.
Benchmarks are as follows: **United States/Europe**: 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.

SECTORS

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Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

STOCKS

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