

Japanese Retail Investors

– a unique and powerful investor base

5 November 2007

NOMURA



Gateway to

ASIA

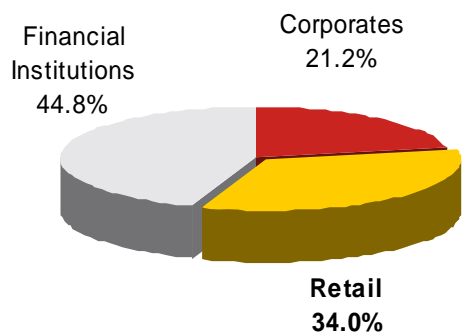
The Largest Liquid Retail Asset Base in the World

Large Liquid Asset Base – Mostly Held in Cash

- Japanese retail assets are a crucial part of Japanese financial assets, accounting for one third of total financial assets
 - More than US\$45.9tn of Japanese financial assets – US\$15.4tn held by retail. This is the second largest pool of retail assets worldwide next to the US
 - Compared with other major economies, Japanese retail investors hold a very high proportion of highly liquid bank or post office deposits (currently at 50.1%) – approximately US\$6.7tn liquid assets

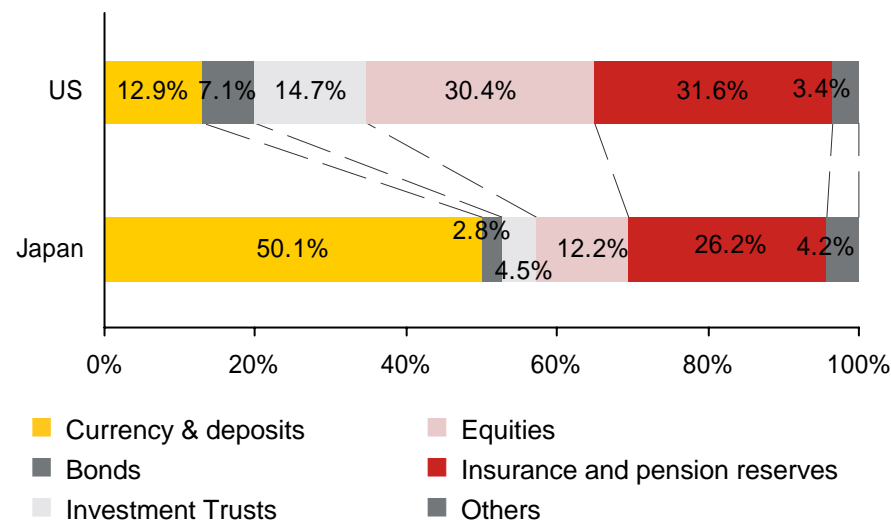
Japanese Retail Assets – the largest liquid retail asset base in the world

Financial Assets Breakdown



Financial Institution	US\$ 20.5 tn
Retail	US\$ 15.4 tn
Corporate	US\$ 10.0 tn
Total	US\$ 45.9 tn

Comparison of Retail Assets

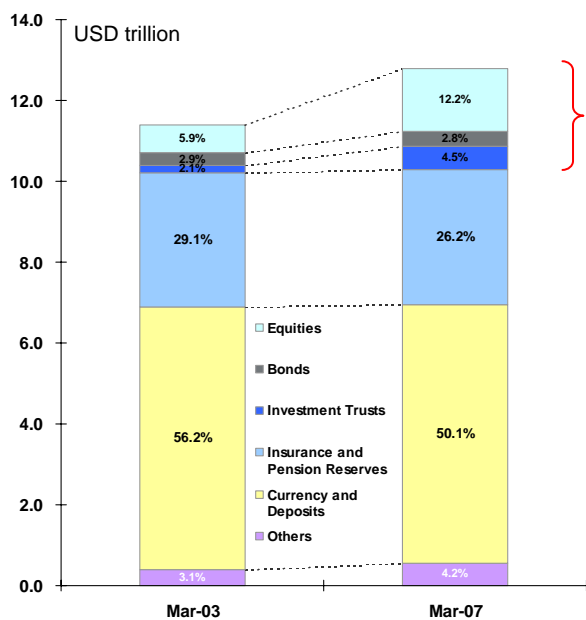


Note: Government and Public Corporations are not included. US\$1 = JPY 119
Source: Bank of Japan (March 2007)

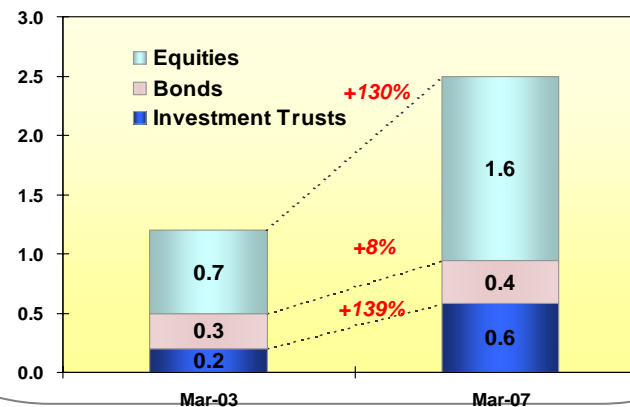
Investors Are More Willing To Take Risks

- Reflecting economic recovery and “Shift to investment vehicles from savings” movement which is backed by governmental policies, the holding amount of investment assets such as equities, bonds, and investment trusts has gradually increased among Japanese households
- Investment assets now accounts for about 19.5% against only 10.9% as of March 2003

Transition of Japanese Household Financial Assets



USD trillion
(USD trillion)

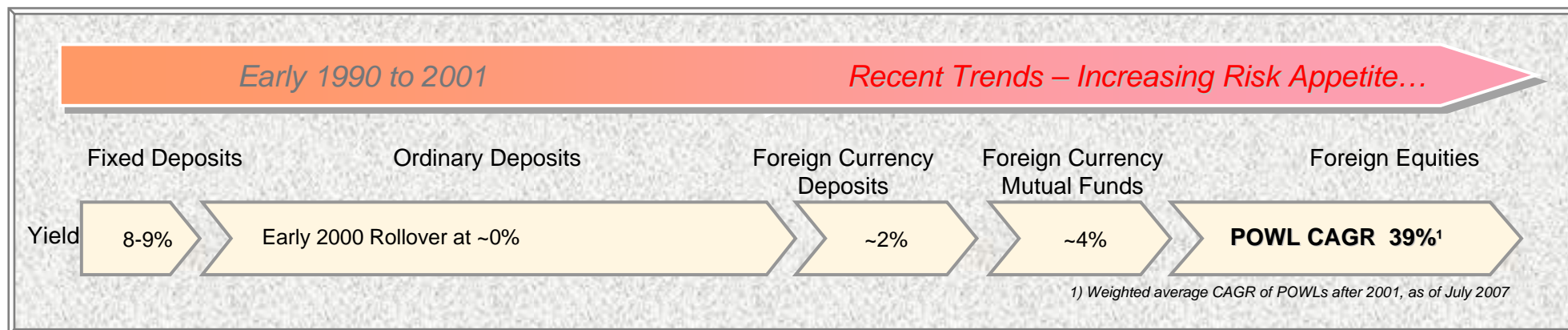


1USD = JPY120

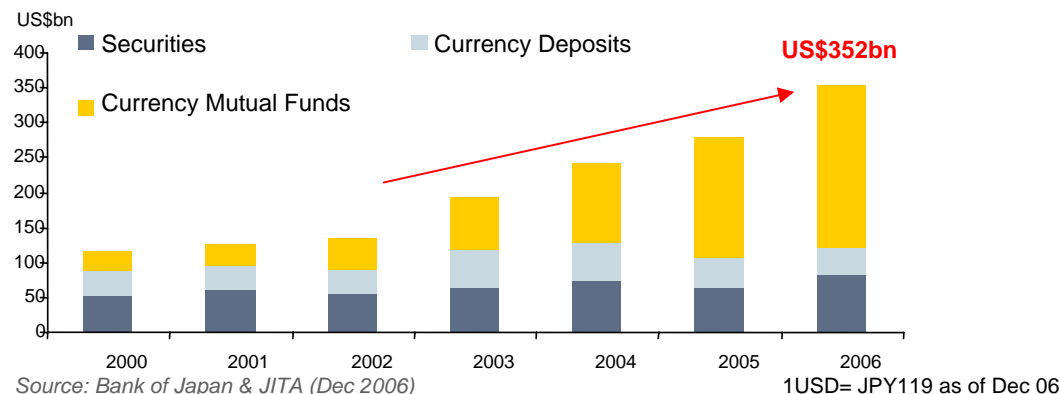
Source: Bank of Japan

Foreign Currency Assets Becoming Attractive

- Especially, as investors have been switching to liquid deposits awaiting better investment alternatives, foreign currency deposits started to appear attractive
- Foreign currency securities generate even higher yields and saw a triple turnover of Japanese retail investment since 2002 to US\$352bn in 2006



Transition of Foreign Assets in Japan

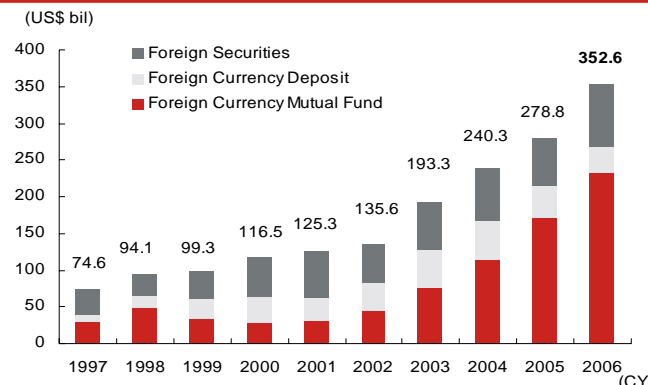


Retail Investments in International Stocks

Retail Investors Interested in International Stocks

- Japanese retail investors have become to show interest in international stocks in recent years
- Retail investors have shown consistent and large demand for global offerings and POWLs (“Public Offering Without Listing”) arranged by Nomura
- Among the international stocks held by Japanese investors, US stocks occupy a large share

Retail Financial Assets in Foreign Securities and Deposits



Source: Bank of Japan, as of Dec 2006 (Announced Jun 2007)

Retail Investors are Driving the Japanese Market

Nomura's Recent Global Offerings

Date	Issuers	Size (US\$m)	Allocation to Retail*
Nov-06	Toyota	2,500	60%
Oct-06	Aeon	1,600	90%
Jul-06	Elpida	1,200	90%
Mar-06	ANA	850	83%
Jan-06	Mitsui & Co	1,700	85%
Jan-06	SMFG	5,200	90%
Nov-05	SUMCO	1,300	80%
Feb-05	Shinsei Bank	2,485	90%

Source: Nomura

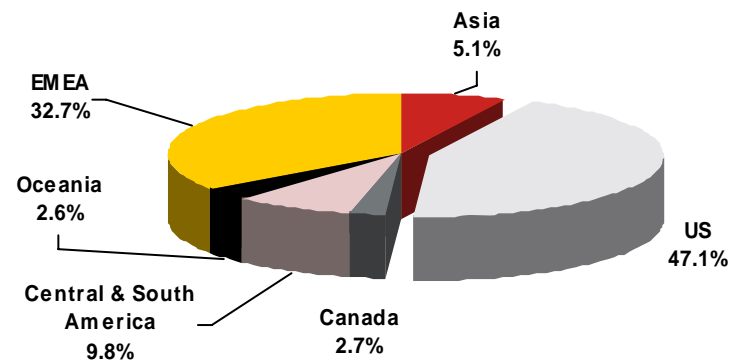
* of domestic tranche

Nomura's Recent POWL's

Date	Issuers	Size (US\$m)	POWL Demand
Jun-07	Sterlite	2,000	300%
Apr-07	Citic Bank	5,400	157%
Dec-06	China Coal	1,700	282%
Nov-06	Infosys	1,600	206%
Oct-06	ICBC	22,000	177%
Jan-06	Lotte	3,700	100%
Dec-05	ICICI	1,700	165%
Nov-05	POSCO	691	217%
Nov-05	EDF	7,500	42%
Feb-05	KRW/DPWN	1,400	107%

Investment in International Stocks

Total Investments in US for Year 2006: US\$ 224 bn



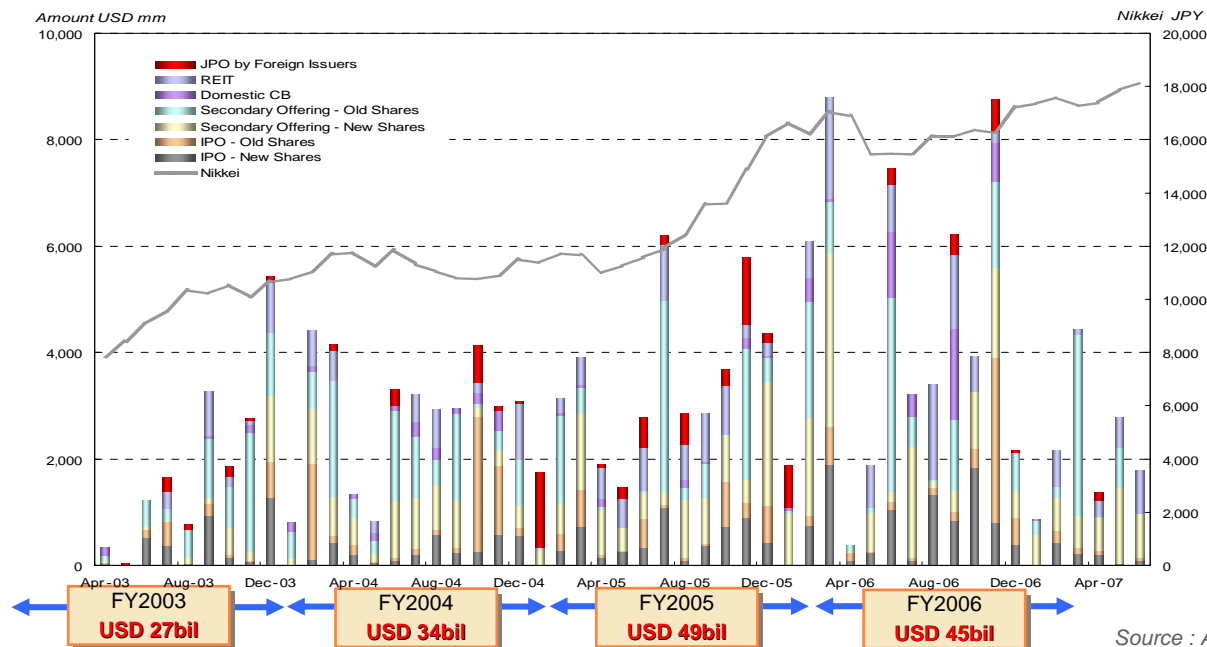
Source: Bank of Japan, as of Dec 2006 (Announced May 2007)
US\$1 = ¥119

Nomura has in excess of 4.5 m retail customers with assets in custody of US\$ 670bn

Affluent Fund Raising Opportunities in Japan

- When having a look at issuers' side, reflecting changes of investors' behavior, fund raising activities have been stably increased, where the main source of purchasers in Japanese capital market is retail investors
- For the last four years, US\$ 27bn to US\$49bn has been raised on annual basis, which shows Japanese capital markets is affluent in terms of the opportunities to raise funds for not only Japanese issuers but also foreign issuers

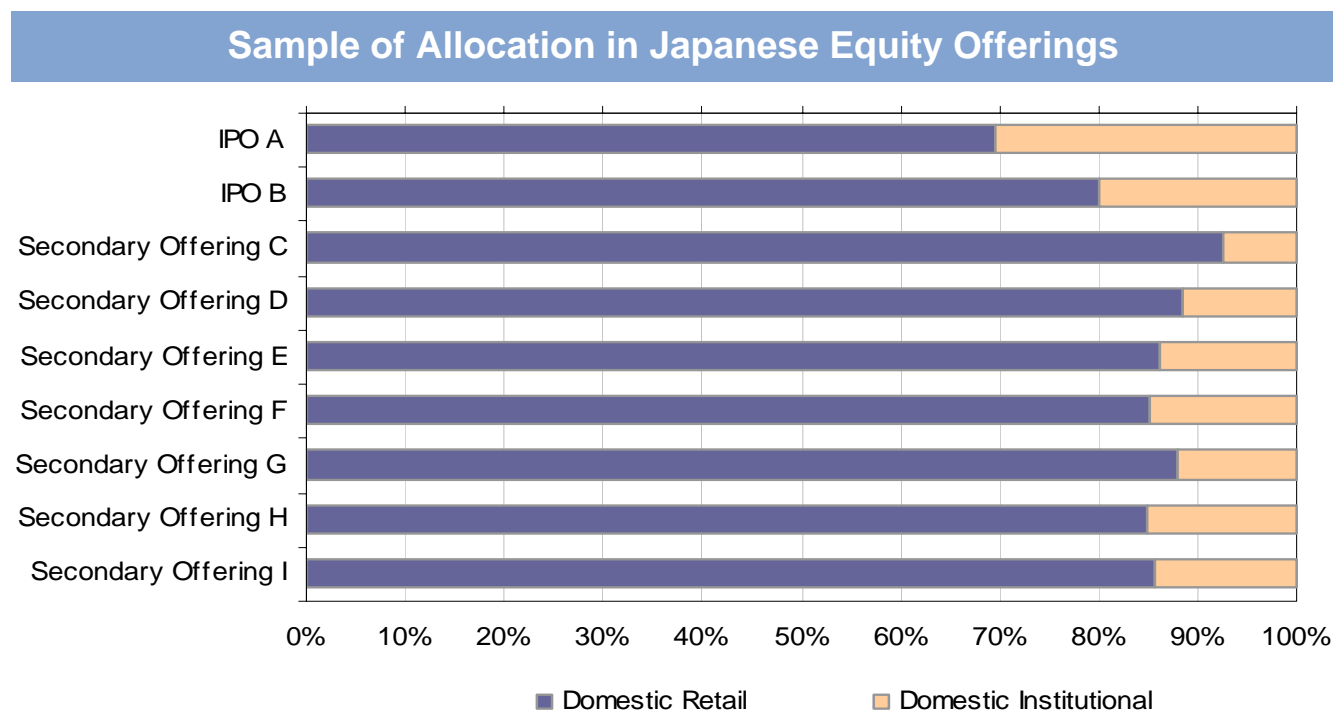
Monthly Record of Public Offering in Japanese Capital Markets



Source : AURORA, Nomura
1USD=JPY120

Retail Investors Taking Critical Role at Offerings in Japan

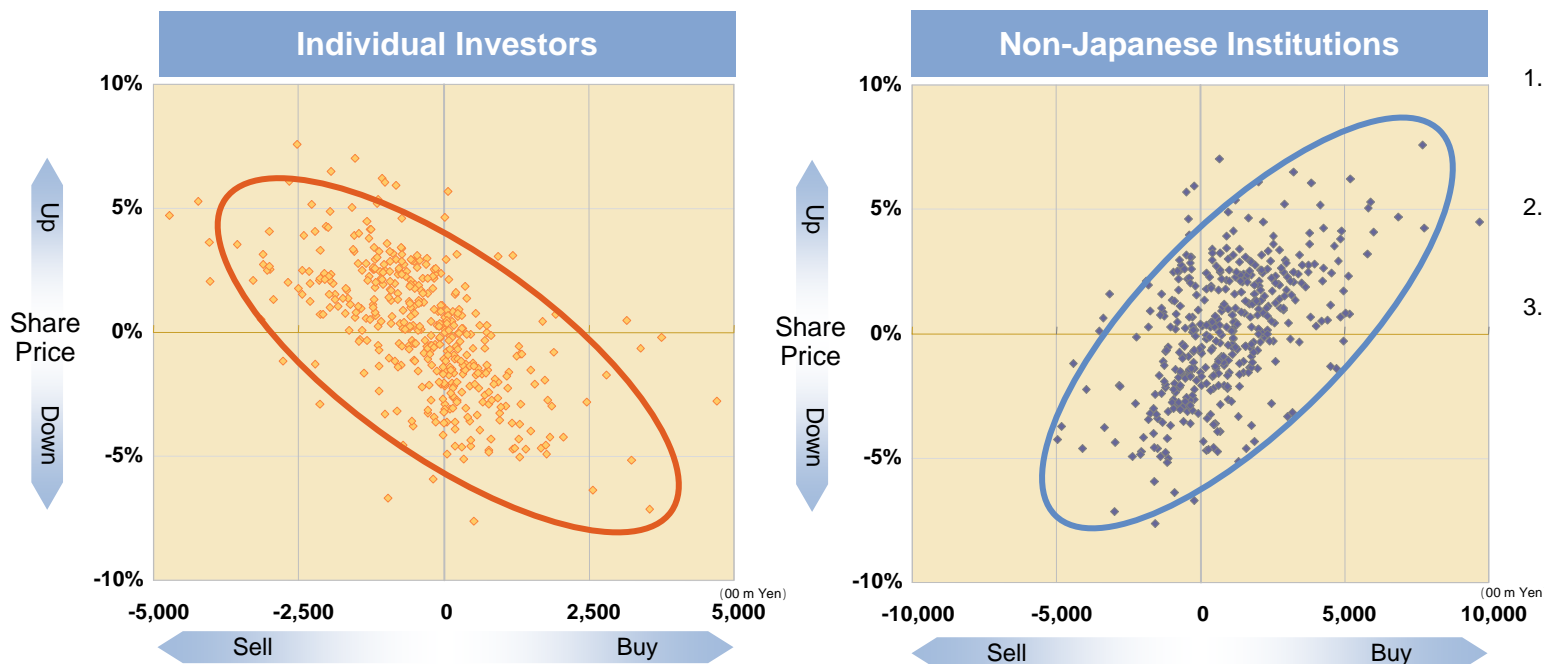
- It is common in Japan that most of the shares are placed to retail investors in equity public offerings
- When it comes to the offerings by foreign issuers, historically more than 95% of the offerings were allocated to retail investors, especially to high net worth investors



Source: Nomura

Unique Investment Behaviors of Japanese Retail

- There is a tendency among Japanese Individual Investors to sell when share price goes up and to hold when share price goes down considering their behavior in investment into listed companies in Japan
- On the contrary, it is observed that foreign Institutional Investors buy more when price is up, and take opposite behavior when price is down
- By mixing different investor base into shareholders portfolio at the offerings, it is expected that issuers would be able to enjoy more stabilized share price movement



1. Examined investors' behavior from February 1998 to January 2007 in Japanese Stock Exchanges
2. Vertical axis indicates changes in Topix compared with the previous week
3. Horizontal axis indicates net purchase or selling of each investor base (Individual and Non-Japanese Institutions)

Nomura's Placement Capability

- Nomura is a pioneer and leader in placing global equities into Asia / Japan
- Landmark transactions completed every year
- Unrivalled in Japan Public Offerings ("JPO")

Combined International + Japan Distribution

100% Japan Distribution

First Large Scale Asian JPO

Korea Telecom
Deal size: \$2.2bn
Japan demand: \$450m

2001

First Chinese JPO

Bank of China
Deal size: \$1.4bn
Japan demand: \$550m

Bank of China
Deal size: \$2.5bn
Japan demand: \$2.9bn

2002

First Taiwanese JPO

China Life
Deal size: \$3.01bn
Japan demand: \$6bn

PICC
Deal size: \$696m
Japan demand: \$980m

China Insurance
Deal size: \$815m
Japan demand: \$500m

2003

First TSE Listed JPO

CNC
Deal size: \$1.1bn
Japan demand: \$2bn

Amgen
Deal size: \$45m
Japan demand: \$790m

Enel
Deal size: \$9.5bn
Japan demand: \$2.2bn

COI
Deal size: \$321m
Japan demand: \$420m

StarHub
Deal size: \$271m
Japan demand: \$64m

CS
Deal size: \$985m
Japan demand: \$800m

Bluebird
Deal size: \$1.8bn
Japan demand: \$1.6bn

2004

First Japan Targeted JPO

ICICI Bank
Deal size: \$1.7bn
Japan demand: \$2.8bn

posco
Deal size: \$691m
Japan demand: \$1.5bn

GDF
Deal size: \$7.5bn
Japan demand: \$3.2bn

Bank of China
Deal size: \$9.2bn
Japan demand: \$11bn

Infosys
Deal size: \$3.3bn
Japan demand: \$5.1bn

Infosys
Deal size: \$1.1bn
Japan demand: \$3.1bn

kfw
Deal size: \$1.4bn
Japan demand: \$1.5bn

2005

First TSE listed Chinese Issuer

S
Deal size: \$2.0bn
Japan demand: \$6.0bn

China Citic Bank
Deal size: \$5.4bn
Japan demand: \$8.5bn

ASIA MEDIA
Deal size: \$43.3m
Japan demand: 467m

Infosys
Deal size: \$1.6bn
Japan demand: \$3.3bn

Bank of China
Deal size: \$22.0bn
Japan demand: \$39bn

Largest Ever Asian JPO

LOTTE
Deal size: \$3.7bn
Japan demand: \$3.7bn
US\$790m sold into Japan

Since 2006 to date

Power of Japanese Investors Being fully Recognized

INFOSYS – Best Public Offer Without Listing

FinanceAsia.com

... On the demand size of the equation, what proved key to ensuring this deal's success was the POWL... Bankers say that the enthusiastic Japanese buying of Infosys stock was instrumental in the syndication process, making this the POWL that had the greatest impact on a transaction this year...

FinanceAsia (Dec 2006)

International bookrunners need to change their approach to the POWL

Japanese demand for Asian equity has never been greater... (Japanese) appetite has now widened to Asian companies as a whole... Japanese demand can be a vital part of an Asian equity transaction.

... the Nomura deal (Infosys POWL) was different to other regional Japanese offerings in its specific allocation target. At the time of the launch, the POWL was fixed in size but later upsized following the exceptional demand from Japan – which equated to an oversubscription level ratio of 15x.

FinanceAsia (Oct 2005)

Japan's changing role in the world's capital markets

... companies wanting to gain the best possible result with future equity offerings would be wise to keep the country [Japan] uppermost in their thoughts. After all, Japan is recovering from a decade-long economic malaise, and a new level of confidence has been especially apparent in the attitude of domestic retail investors... The proof of rising investor demand for the international offerings, and the response from international companies can be evidenced by the increasing number of public offerings of shares being made in Japan, whether through a TSE listing, or through a Public Offering Without Listing (POWL)... Japan is gaining more traction as an attractive destination for global issuers seeking successful fund raising. ... Like other investors in the world, the country's retail investors have noted some rapidly improving companies flourishing in markets that have unparalleled growth rates. Issues from China and India in particular, the two heavy weight economies of the region, have gained particular demand as investors seek diversification and yield.

FinanceAsia (Jul 27, 2005)

Bloomberg

... ICICI, India's biggest private bank, picked Nomura principally because of its expertise in Japan, Chief financial Officer Vishakha Mulye said in a March 24 interview from Mumbai.

Whatever they promised, in terms of delivery, in terms of commitment, in terms of their expectations for the level of demand, they delivered, said she."

Bloomberg (Nov, 2005)



... Japanese public offers without listings (Powls) a virtually obligatory part of decent-sized equity deals in the region...

Powls have rescued several deals and provided a source of retail liquidity that has meant that issuers and their bankers no longer have to list deals in New York to tap retail interest.

IFR (Jul 30, 2005)



Chinese companies have been tapping into the Japanese market for years via public offers without listing (Powl) and have drawn abundant retail demand.

Powl offerings have become an essential part of any big China deal and have proved particularly useful for deals that have generated lukewarm demand in Hong Kong or New York...

IFR Asia (Oct 16, 2004)

Conclusion: three ways to access Japanese capital markets

Listing on Tokyo Stock Exchange

- ✓ Access to retail, institutional and corporate investors
- ✓ Expansion of new dedicated Asian investor base
- X Undertaking listing examination by Tokyo Stock Exchange is time consuming (up to approx. 12 months)
- X Detailed application & documentation requirements
- X Continuous disclosure obligations (e.g. quarterly reporting)
- X The process is relatively costly

Private Placement

- ✓ International Offering Circular is sufficient
- ✓ Minimal additional selling restrictions
- ✓ Limited cost and time consuming
- X Limited numbers of investors
- X No access to retail investor base

Public Offering Without Listing (POWL)

- ✓ Access to retail, institutional and corporate investors
- ✓ Expansion of new dedicated Asian investor base
- ✓ No listing required
- ✓ Relatively straight forward documentation requirements
- ✓ On-going disclosure as per international market