

CapitaRetail China Trust CRCT SP

Target (SGD): 1.490 → 1.560

Upside: 7.6%

12 Jul price (SGD): 1.450

- 1 Buy
- 2 Outperform (unchanged)
- 3 Hold
- 4 Underperform
- 5 Sell

Acquiring something big

David Lum, CFA

(65) 6329 2102

david.lum@sg.daiwacm.com

- Gets the thumbs up for deal
- Raising DPU by 5.4% for 2015E
- Maintain Outperform rating

■ What's new

CapitaRetail China Trust (CRCT) has announced the acquisition of Grand Canyon Mall (GCM) in Beijing for CNY1.82bn.

■ What's the impact

CapitaMalls Asia (Not rated) was awarded GCM through a recently completed tender for CNY1.76bn. CRCT immediately exercised its right of first refusal for GCM. CRCT's consideration includes CNY60m for ancillary land-related costs that the sponsor still has to pay the vendor. CRCT is buying GCM at a valuation of CNY26,000/sq m of gross floor area (GFA), which is 12% lower than the valuation (as at December 2012) for CRCT's CapitaMall Xizhimen property.

The initial annualised net-property income (NPI) yield is only 3.5%, based on the mall's performance from Jan-April 2013. However, management believes GCM is under-rented. After lease renewals for the remainder of 2013, accounting for 27% of the mall's gross rental (management estimates that these leases are 49% below the current market rate of CNY340/sq m/month) and an improvement in the current occupancy rate of 92.7%, GCM could enjoy a 40% rise in

annualised NPI by 2014. Moreover, management is targeting an NPI yield of 7-8% by end-2017 (possibly earlier), based on the relatively low passing rents for leases that will expire in 2014-17 (about 37% of the mall's total gross rental).

The acquisition is still subject to approval and should be completed by 2Q14. The sponsor will operate on an interim management agreement with the vendor before completion. Management expects to fund the acquisition through existing cash and new debt of CNY1.4-1.6bn, with the remainder from new equity financing.

■ CRCT: Daiwa's DDM valuation

Weighted-average remaining leasehold (years)	30
Cost of equity	7.5%
Long-term growth rate	1.5%
Effective 'cap rate'	6.0%
PV of 10-year DPU forecasts (SGD)	0.86
PV of terminal value (SGD)	0.79
PV of debt obligation (SGD)	(0.09)
DDM valuation (SGD)	1.56

Source: Daiwa estimates

We raise our 2014-15 distribution-per-unit (DPU) estimates by 2.4-5.4% and assume that CRCT will acquire GCM at the end of June 2014. Our NPI forecasts for GCM are equivalent to NPI yields of 5.5% for 2014 and 6.5% for 2015. We have assumed that CRCT will raise CNY291m of equity (SGD60m) at an issue price of SGD1.55/unit in mid-2014. In line with the increase in its future DPU stream, we raise our six-month target price, pegged to our DDM valuation, to SGD1.56 (from SGD1.49).

■ What we recommend

We maintain our Outperform (2) rating and give our 'thumbs up' to the deal. CRCT has finally come through with a sizable and highly DPU-accretive (in our view)

acquisition and its valuations (2014-15 DPU yields on our revised forecasts of 6.9-7.8%) look undemanding. A risk to our call would be a placement overhang as some equity would still be needed to fund the GCM deal.

■ How we differ

Our 2015 DPU forecast is now 5% higher than that of the Bloomberg consensus, but we expect the consensus to increase its forecasts after incorporating the benefits of the deal.

Forecast revisions (%)

Year to 31 Dec	13E	14E	15E
Revenue change	-	9.2	19.3
Net-property-income chg	-	9.1	19.5
DPU change	-	2.4	5.4

Source: Daiwa forecasts

Share price performance



12-month range	1.330-1.865
Market cap (USDbn)	0.86
3m avg daily turnover (USDm)	1.89
Shares outstanding (m)	752
Major shareholder	CapitaMalls Asia (34.3%)

Financial summary (SGD)

Year to 31 Dec	13E	14E	15E
Revenue (m)	159	182	213
Net property income (m)	105	121	145
Distribution (m)	69	77	90
DPU	0.092	0.100	0.113
DPU change (%)	(3.5)	8.7	13.3
Daiwa vs Cons. EPS (%)	(2.1)	0.1	5.0
DPU yield (%)	6.3	6.9	7.8
PER (x)	8.9	10.9	5.9
Core EPU (fully-diluted)	0.162	0.133	0.247
P/BV (x)	1.0	1.0	0.9
ROE (%)	11.9	9.3	16.2

Source: FactSet, Daiwa forecasts

Financial summary

■ Key assumptions

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Funds from operations (SGDm)	37	41	26	25	32	41	46	53
FFO per unit (SGD)	0.061	0.066	0.042	0.038	0.046	0.055	0.059	0.067
Debt to assets (%)	31.3	33.8	31.5	28.2	28.3	22.8	30.9	28.8

■ Profit and loss (SGDm)

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Total revenue	109	120	119	132	153	159	182	213
Operating expenses	(39)	(43)	(42)	(46)	(53)	(54)	(61)	(69)
Net property income	69	77	77	86	100	105	121	145
Other income	0	0	0	0	0	0	0	0
Management fees	(6)	(6)	(6)	(7)	(8)	(8)	(9)	(11)
Other operating expenses	(3)	(3)	(1)	(1)	5	(1)	(2)	(2)
Depreciation and amortisation	0	0	0	0	0	0	0	0
EBIT	61	68	70	78	97	96	110	132
Net-int. income/(expenses)	(8)	(8)	(11)	(10)	(11)	(11)	(15)	(22)
Share of associates	0	0	0	0	0	0	0	0
Revaluation gains/(loss)	(1)	2	84	96	103	80	57	143
Except./other inc./(exp.)	3	(0)	1	(2)	2	0	0	0
Profit before tax	55	61	145	162	191	166	152	253
Taxation	(16)	(18)	(33)	(41)	(51)	(43)	(48)	(55)
Min. int./pref. div./others	(0)	(1)	(1)	(1)	(3)	(2)	(2)	(2)
Net profit	39	43	111	120	137	121	103	197
Total return	39	43	111	120	137	121	103	197
Adjustments	7	8	(59)	(62)	(70)	(52)	(25)	(107)
Distributable income	46	51	52	57	67	69	77	90
Distribution rate	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Distribution	46	51	52	57	67	69	77	90
EPU (SGD)	0.064	0.069	0.178	0.182	0.196	0.162	0.133	0.247
DPU (SGD)	0.075	0.081	0.084	0.087	0.095	0.092	0.100	0.113

■ Cash flow (SGDm)

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Profit before tax	55	61	145	162	191	166	152	253
Depreciation and amortisation	0	0	0	0	0	0	0	0
Net-interest expenses	8	8	11	10	11	11	15	22
Share of associate	0	0	0	0	0	0	0	0
Change in working capital	(30)	(10)	4	5	(13)	0	0	0
Tax paid	(3)	(5)	(7)	(13)	(34)	(17)	(19)	(22)
Other operating CF items	5	4	(80)	(90)	(97)	(76)	(52)	(136)
Cash flow from operation	35	59	73	75	57	83	96	117
Capex	(296)	(16)	(5)	(77)	(12)	(8)	(383)	(2)
Net investment and sale of FA	(1)	(1)	(1)	(2)	(3)	0	0	0
Other investing CF items	1	0	0	0	1	1	0	0
Cash flow from investing	(296)	(16)	(6)	(79)	(14)	(7)	(383)	(2)
Change in debt	118	(3)	(3)	31	34	(85)	250	0
Equity raised/(repaid)	188	0	0	70	86	0	60	0
Distribution paid	(36)	(52)	(52)	(53)	(86)	(45)	(73)	(84)
Other financing CF items	(10)	(10)	(10)	(15)	(13)	(12)	(16)	(22)
Cash flow from financing	259	(64)	(65)	33	22	(142)	220	(106)
Forex effect/others	7	(4)	(1)	1	(3)	0	0	0
Change in cash	6	(25)	1	30	62	(66)	(66)	9

Source: FactSet, Daiwa forecasts

Financial summary continued ...

■ Balance sheet (SGDm)

As at 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Cash & cash equivalent	51	26	40	70	140	75	8	18
Accounts receivable	13	10	8	7	9	9	9	9
Other current assets	4	5	8	13	16	16	16	16
Total current assets	68	41	56	91	166	100	34	43
Investment properties	1,254	1,157	1,215	1,441	1,477	1,563	2,000	2,142
Fixed assets	4	3	3	5	6	6	6	6
Associates	0	0	0	0	0	0	0	0
Goodwill and intangible assets	0	0	0	0	0	0	0	0
Other long-term assets	0	0	0	0	0	0	0	0
Total assets	1,326	1,201	1,274	1,536	1,649	1,669	2,040	2,190
Short-term debt	0	0	0	0	0	0	0	0
Accounts payable	65	39	43	50	34	34	34	34
Other current liabilities	57	60	78	120	147	172	199	231
Total current liabilities	122	99	121	170	182	206	234	266
Long-term debt	415	406	401	433	465	380	630	630
Other non-current liabilities	0	0	0	0	0	0	0	0
Total liabilities	536	506	522	603	647	587	864	896
Unitholders' funds	773	680	735	914	979	1,059	1,153	1,271
Minority interests	17	15	18	19	23	23	23	23
Total equity & liabilities	1,326	1,201	1,274	1,536	1,649	1,669	2,040	2,190
Book Value per unit	1.248	1.092	1.174	1.327	1.307	1.409	1.452	1.595

■ Key ratios (%)

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Total revenue (YoY)	51.6	10.5	(1.1)	10.8	15.7	4.1	14.4	17.4
Net property income (YoY)	49.3	11.0	0.2	11.1	16.2	5.6	14.7	19.7
Net profit (YoY)	8.3	10.5	160.7	7.5	14.5	(11.4)	(15.3)	91.5
Distribution (YoY)	43.4	10.4	3.1	9.6	16.8	3.2	12.2	16.6
EPU (YoY)	(14.7)	7.4	159.5	2.1	7.5	(17.3)	(17.9)	86.0
DPU (YoY)	12.0	8.1	2.7	4.1	9.7	(3.5)	8.7	13.3
ROE	6.2	5.9	15.7	14.5	14.5	11.9	9.3	16.2
ROA	3.6	3.4	9.0	8.5	8.6	7.3	5.5	9.3
ROCE	6.3	5.9	6.2	6.2	6.8	6.5	6.7	7.1
ROIC	4.8	4.3	5.0	4.8	5.4	5.2	4.7	5.6
Debt to asset	27.4	31.7	28.3	23.6	19.7	18.3	30.5	28.0
Net debt to equity	46.0	54.7	48.0	38.8	32.4	28.3	52.9	47.3
Effective tax rate	28.9	29.3	22.5	25.5	26.6	25.7	31.3	21.7

Source: FactSet, Daiwa forecasts

■ Company profile

CapitaRetail China Trust (CRCT) is a pure-play China retail S-REIT. Its portfolio consists of nine shopping-mall properties in Xizhimen, Wangjing, Shuangjing and Anzhen in Beijing, Qibao in Shanghai, Erqi in Henan Province, Saihan in Inner Mongolia, Wuhu in Anhui Province, and Wuhan in Hubei Province. At the end of 2012, CRCT's mall portfolio was valued at CNY7,614m, or CNY14,224 psm.

Disclaimer

This publication is produced by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, and distributed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, except to the extent expressly provided herein. This publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Daiwa Securities Group Inc. nor any of its respective parent, holding, subsidiaries or affiliates, nor any of its respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication may not necessarily reflect those of Daiwa Securities Capital Markets Co. Ltd., and/or its affiliates nor any of its respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person.

Daiwa Securities Group Inc., its subsidiaries or affiliates, or its or their respective directors, officers and employees from time to time have trades as principals, or have positions in, or have other interests in the securities of the company under research including derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. The following are additional disclosures.

Japan

Daiwa Securities Co. Ltd. and Daiwa Securities Group Inc.
Daiwa Securities Co. Ltd. is a subsidiary of Daiwa Securities Group Inc.
Investment Banking Relationship

Within the preceding 12 months, The subsidiaries and/or affiliates of Daiwa Securities Group Inc. * has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: REXLot Holdings Limited (555 HK); Huadian Fuxin Energy Corporation Limited (816 HK); Chaowei Power Holdings Limited (951 HK); CITIC Securities Company Limited (6030 HK); China Outfitters Holdings Limited (1146 HK); The People's Insurance Company (Group) of China Limited (1339 HK); China Precious Metal Resources Holdings Company Limited (1194 HK); Jiangnan Group Limited (1366 HK); Blackgold International Holdings Ltd (BGG AU).

*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of: Daiwa Capital Markets Hong Kong Limited, Daiwa Capital Markets Singapore Limited, Daiwa Capital Markets Australia Limited, Daiwa Capital Markets India Private Limited, Daiwa-Cathay Capital Markets Co., Ltd., Daiwa Securities Capital Markets Korea Co., Ltd.

Hong Kong

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.

Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Dislosures.action>.

Investment Banking Relationship

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Dislosures.action>.

Relevant Relationship (DHK)

DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

DHK market making

DHK may from time to time make a market in securities covered by this research.

Singapore

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or its representative's interest in securities). Recipients of this research in Singapore may contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with the research.

Australia

This research is distributed in Australia by Daiwa Capital Markets Stockbroking Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.

Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Dislosures.action>.

India

This research is distributed by Daiwa Capital Markets India Private Limited (DAIWA) which is an intermediary registered with Securities & Exchange Board of India. This report is not to be considered as an offer or solicitation for any dealings in securities. While the information in this report has been compiled by DAIWA in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made or given as to its accuracy, completeness or correctness. DAIWA its officers, employees, representatives and agents accept no liability whatsoever for any loss or damage whether direct, indirect, consequential or otherwise howsoever arising (whether in negligence or otherwise) out of or in connection with or from any use of or reliance on the contents of and/or omissions from this document. Consequently DAIWA expressly disclaims any and all liability for, or based on or relating to any such information contained in or errors in or omissions in this report. Accordingly, you are recommended to seek your own legal, tax or other advice and should rely solely on your own judgment, review and analysis, in evaluating the information in this document. The data contained in this document is subject to change without any prior notice DAIWA reserves its right to modify this report as may be required from time to time. DAIWA is committed to providing independent recommendations to its Clients and would be happy to provide any information in response to any query from its Clients. This report is strictly confidential and is being furnished to you solely for your information. The information contained in this document should not be reproduced (in whole or in part) or redistributed in any form to any other person. We and our group companies, affiliates, officers, directors and employees may from time to time, have long or short positions, in and buy sell the securities thereof, of company(ies) mentioned herein or be engaged in any other transactions involving such securities and earn brokerage or other compensation or act as advisor or have the potential conflict of interest with respect to any recommendation and related information or opinion. DAIWA prohibits its analyst and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analyst cover. This report is not intended or directed for distribution to, or use by any person, citizen or entity which is resident or located in any state or country or jurisdiction where such publication, distribution or use would be contrary to any statutory legislation, or regulation which would require DAIWA and its affiliates/ group companies to any registration or licensing requirements. The views expressed in the report accurately reflect the analyst's personal views about the securities and issuers that are subject of the Report, and that no part of the analyst's compensation was, is or will be directly or indirectly, related to the recommendations or views expressed in the Report. This report does not recommend to US recipients the use of Daiwa Capital Markets India Private Limited or any of its non - US affiliates to effect trades in any securities and is not supplied with any understanding that US recipients will direct commission business to Daiwa Capital Markets India Private Limited.

Taiwan

This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd and it may only be distributed in Taiwan to institutional investors or specific investors who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd in respect of any matter arising from or in connection with the research.

Philippines

This research is distributed in the Philippines by DBP-Daiwa Capital Markets Philippines, Inc. which is regulated by the Philippines Securities and Exchange Commission and the Philippines Stock Exchange, Inc. Recipients of this research in the Philippines may contact DBP-Daiwa Capital Markets Philippines, Inc. in respect of any matter arising from or in connection with the research. DBP-Daiwa Capital Markets Philippines, Inc. recommends that investors independently assess, with a professional advisor, the specific financial risks as well as the legal, regulatory, tax, accounting, and other consequences of a proposed transaction. DBP-Daiwa Capital Markets Philippines, Inc. may have positions or may be materially interested in the securities in any of the markets mentioned in the publication or may have performed other services for the issuers of such securities.

For relevant securities and trading rules please visit SEC and PSE Link at <http://www.sec.gov.ph/irr/AmendedIRRfinalversion.pdf> and <http://www.pse.com.ph/> respectively.

United Kingdom

This research report is produced by Daiwa Capital Markets Europe Limited and/or its affiliates and is distributed in the European Union, Iceland, Liechtenstein, Norway and Switzerland. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange, Eurex and NYSE Liffe. Daiwa Capital Markets Europe Limited and/or its affiliates may, from time to time, to the extent permitted by law, participate or invest in other financing transactions with the issuers of the securities referred to herein (the "Securities"), perform services for or solicit business from such issuers, and/or have a position or effect transactions in the Securities or options thereof and/or may have acted as an underwriter during the past twelve months for the issuer of such securities. In addition, employees of Daiwa Capital Markets Europe Limited and/or its affiliates may have positions and effect transactions in such securities or options and may serve as Directors of such issuers. Daiwa Capital Markets Europe Limited may, to the extent permitted by applicable UK law and other applicable law or regulation, effect transactions in the Securities before this material is published to recipients.

This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FCA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at <http://www.uk.daiwacm.com/about-us/corporate-governance-and-regulatory>. Regulatory disclosures of investment banking relationships are available at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

Germany

This document has been approved by Daiwa Capital Markets Europe Limited and is distributed in Germany by Daiwa Capital Markets Europe Limited, Niederlassung Frankfurt which is regulated by BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht) for the conduct of business in Germany.

Bahrain

This research material is issued/compiled by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 license and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th floor, P.O. Box 30069, Manama, Kingdom of Bahrain. Tel No. +973 17534452 Fax No. +973 535113

This material is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Accordingly, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. Content herein is based on information available at the time the research material was prepared and may be amended or otherwise changed in the future without notice. All information is intended for the private use of the person to whom it is provided without any liability whatsoever on the part of Daiwa Capital Markets Europe Limited, Bahrain Branch, any associated company or the employees thereof. If you are in doubt about the suitability of the product or the research material itself, please consult your own financial adviser. Daiwa Capital Markets Europe Limited, Bahrain Branch retains all rights related to the content of this material, which may not be redistributed or otherwise transmitted without prior consent.

United States

This report is distributed in the U.S. by Daiwa Capital Markets America Inc. (DCMA). It may not be accurate or complete and should not be relied upon as such. It reflects the preparer's views at the time of its preparation, but may not reflect events occurring after its preparation; nor does it reflect DCMA's views at any time. Neither DCMA nor the preparer has any obligation to update this report or to continue to prepare research on this subject. This report is not an offer to sell or the solicitation of any offer to buy securities. Unless this report says otherwise, any recommendation it makes is risky and appropriate only for sophisticated speculative investors able to incur significant losses. Readers should consult their financial advisors to determine whether any such recommendation is consistent with their own investment objectives, financial situation and needs. This report does not recommend to U.S. recipients the use of any of DCMA's non-U.S. affiliates to effect trades in any security and is not supplied with any understanding that U.S. recipients of this report will direct commission business to such non-U.S. entities. Unless applicable law permits otherwise, non-U.S. customers wishing to effect a transaction in any securities referenced in this material should contact a Daiwa entity in their local jurisdiction. Most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as a process for doing so. As a result, the securities discussed in this report may not be eligible for sales in some jurisdictions. Customers wishing to obtain further information about this report should contact DCMA: Daiwa Capital Markets America Inc., Financial Square, 32 Old Slip, New York, New York 10005 (telephone 212-612-7000).

Ownership of Securities

For "Ownership of Securities" information please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

Investment Banking Relationships

For "Investment Banking Relationships" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

DCMA Market Making

For "DCMA Market Making" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

Research Analyst Conflicts

For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

Research Analyst Certification

For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analyst(s) is named on the report); and no part of the compensation of such analyst(s) (or no part of the compensation of the firm if no individual analyst(s) is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

The following explains the rating system in the report as compared to relevant local indices, based on the beliefs of the author of the report.

- "1": the security could outperform the local index by more than 15% over the next six months.
- "2": the security is expected to outperform the local index by 5-15% over the next six months.
- "3": the security is expected to perform within 5% of the local index (better or worse) over the next six months.
- "4": the security is expected to underperform the local index by 5-15% over the next six months.
- "5": the security could underperform the local index by more than 15% over the next six months.

Additional information may be available upon request.

Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law

(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, we will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
 - In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
 - For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
 - There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
 - There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
 - Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.
- *The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.
Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships: Japan Securities Dealers Association, Financial Futures Association of Japan
Japan Securities Investment Advisers Association
Type II Financial Instruments Firms Association