

Prepare for massive launches in September

What do we expect for the property market in 3Q?

Traditionally, July and August are comparatively weaker months for property sales due to seasonality. We believe this summer won't deliver any surprises before we see massive launches in September (i.e. no m-m improvement). However, sales should be relatively stronger than in 2Q with narrowing y-y sales decline due to the subtle credit and policy easing. We believe selective companies – including COLI, Vanke and Shimao – should outperform the others in 3Q sales with strong execution and flexible pricing.

Property sales should be relatively strong with more price cuts

July and August are usually a low season for property sales with fewer new launches (~20% in 2011-2013 on average). We don't expect the coming summer to be an exception, but anticipate a narrowing y-y decline. We believe the sales volume will move up gradually, albeit with more price cuts, in 3Q. A solid pick-up should be observed in September and October, in our view.

Major developers hint at more launches in 2H, but performance diverges

As of June, the major developers have achieved 20% y-y growth (vs. target of +16% y-y) in aggregate and reached 45% of their full-year targets. Most of these developers are preparing more new launches in September and cutting prices to achieve their targets. We believe COLI, Vanke, Sunac and CIFI (884 HK) may exceed their targets, while Longfor (960 HK), Guangzhou R&F (2777 HK), CR Land (1109 HK), Sino Ocean (3377 HK), Franshion (817 HK) and Yanlord (YLLG SP) may be under pressure. Our Buy-rated picks are Sunac (1918 HK, TP: HKD10.52), COLI (688 HK, TP: HKD27.69), Vanke (2202 HK, TP: HKD17.94), Shimao (813 HK, TP: HKD25.15), KWG (1813 HK, TP: HKD5.83) and Kaisa (1638 HK, TP: HKD4.27).

Land sales continue to slide and should be weaker in 3Q

CREIS data shows that June land sales volume declined 52%/1%/50% y-y in T1/T2/T3 cities, while YTD land sales volume declined 14%/15% y-y in T2/T3 cities and increased 16% y-y in T1 cities. We believe land prices will drop together with property prices and more land auctions will fail. Based on our conversations with major developers, we believe that some of them are cutting their land purchases and waiting for a better entry point in 4Q.

Property prices will drop further in 3Q

The Soufun property price index shows that property prices were down 0.3% and 0.5% in May and June, respectively, for the top 100 cities. For the top 10 cities, they were down 0.2% in May and 0.4% in June. With more developers likely to cut prices, we expect that the prices will drop further in 3Q, despite the policy and credit easing.

Policy and credit easing

In 2H14, we expect more cities to relax home purchase restrictions (HPR) or start internal discussions aimed at removing them. Huhhot has removed the home-ownership check on all buyers; Jinan has announced that the HPR removal is pending approval; and press reports indicate that Wuhan will abolish the HPR soon. On the credit side, the PBoC has requested local banks to prioritise first-home mortgage at reasonable interest rates. However, most of these policies are not materially implemented yet. We expect a better implementation in 3Q to help in sustaining the market demand.

Global Markets Research

10 July 2014

Anchor themes

We expect overall property sector growth to slow, but big developers with good access to borrowing, cheap financing, and strong execution should benefit from market consolidation. We suggest investors stick with big developers and quality small caps.

Nomura vs consensus

We are more bullish than the market on China's property sector. Our 2014F earnings forecasts are generally higher than consensus.

Research analysts

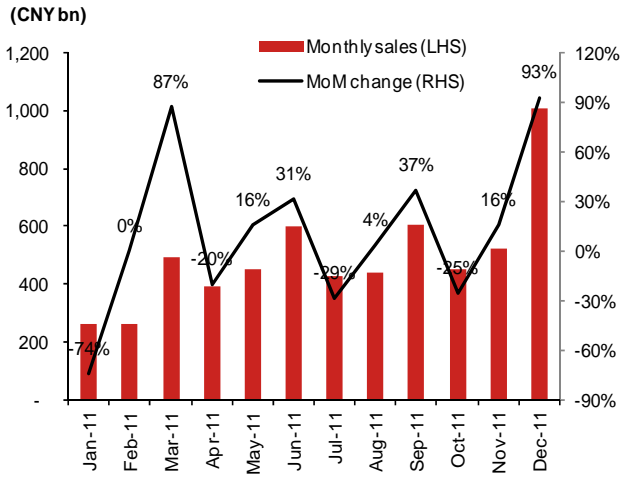
China Property

Jeffrey Gao, CFA - NIHK
jeffrey.gao@nomura.com
+852 2252 1569

Stephen Cheung - NIHK
stephen.cheung@nomura.com
+852 2252 1559

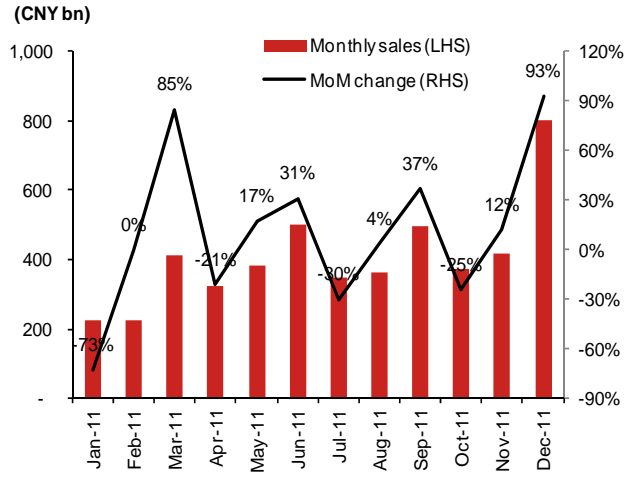
Elly Chen - NIHK
elly.chen@nomura.com
+852 2252 2181

Fig. 1: National commodity housing sales (2011)



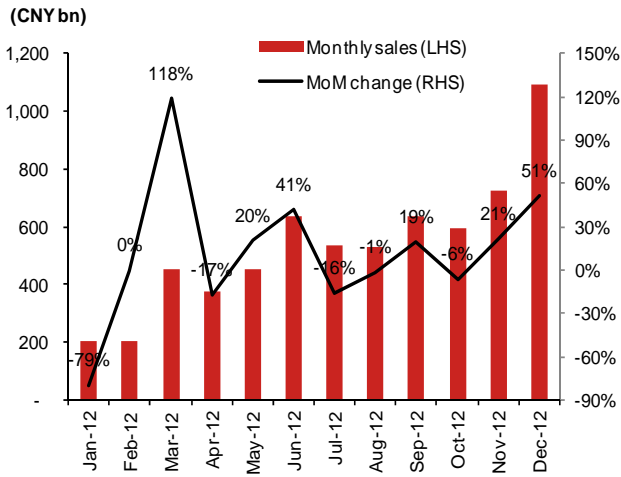
Source: CEIC, Nomura research

Fig. 2: National residential housing sales (2011)



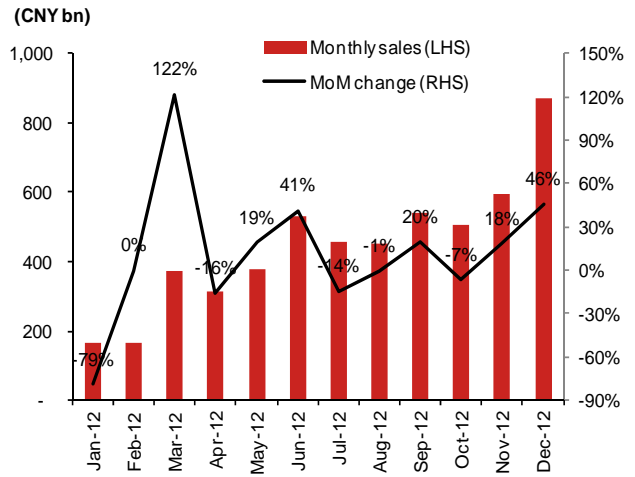
Source: CEIC, Nomura research

Fig. 3: National commodity housing sales (2012)



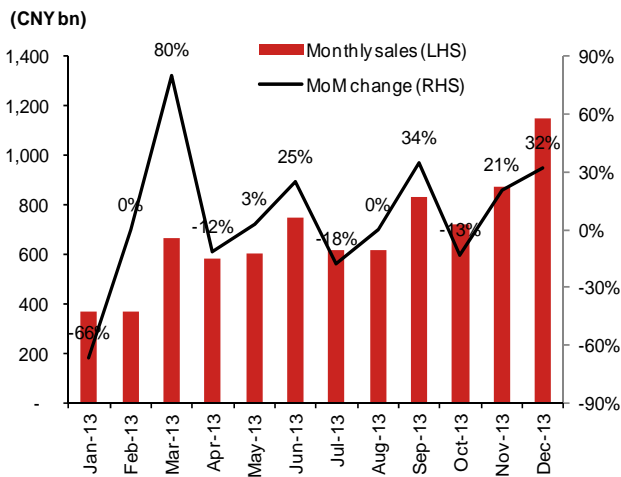
Source: CEIC, Nomura research

Fig. 4: National residential housing sales (2012)



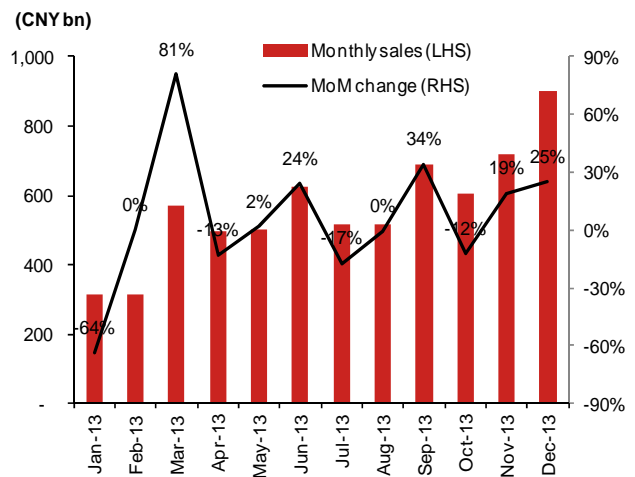
Source: CEIC, Nomura research

Fig. 5: National commodity housing sales (2013)



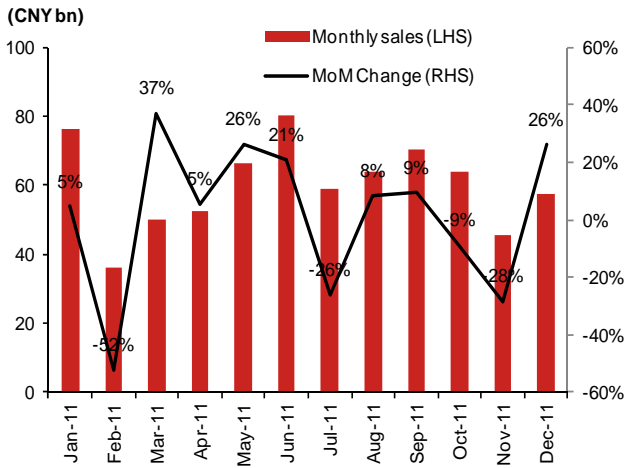
Source: CEIC, Nomura research

Fig. 6: National residential housing sales (2013)



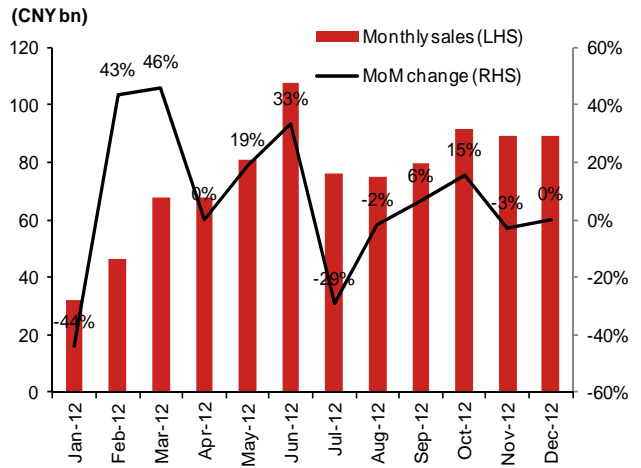
Source: CEIC, Nomura research

Fig. 7: Property sales of major developers (2011)



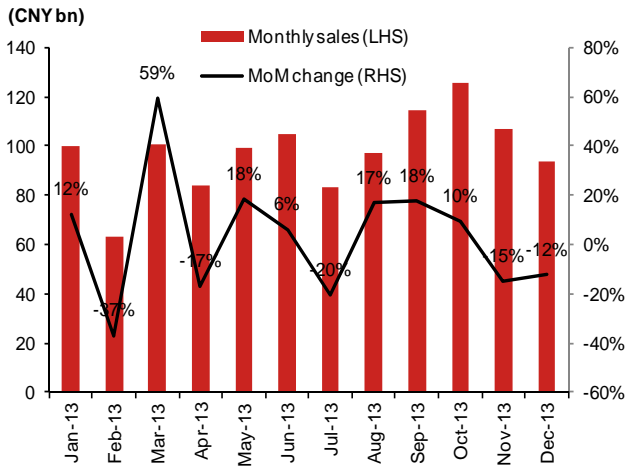
Source: Company data, Nomura research

Fig. 8: Property sales of major developers (2012)



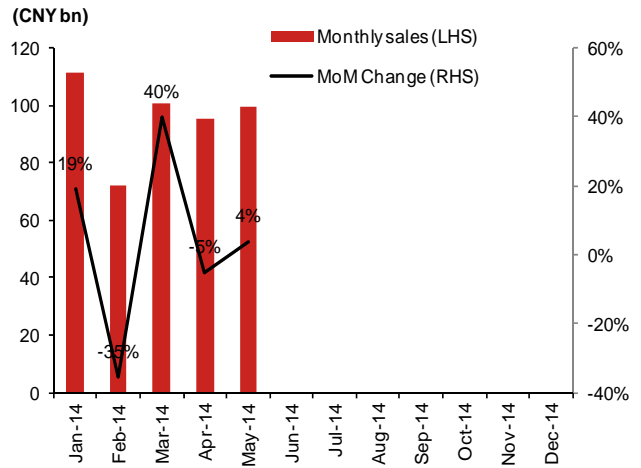
Source: Company data, Nomura research

Fig. 9: Property sales of major developers (2013)



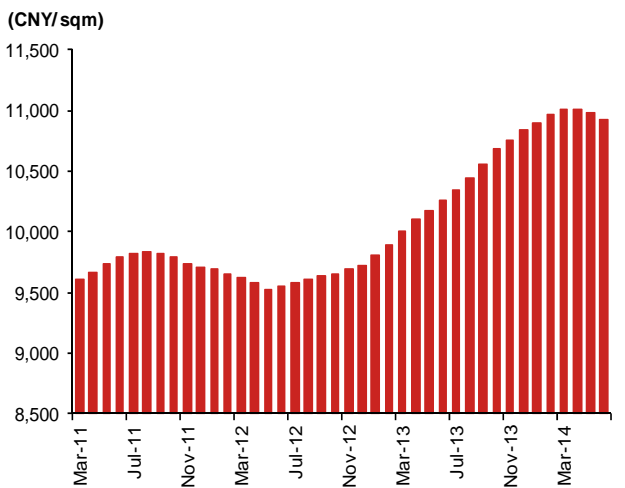
Source: Company data, Nomura research

Fig. 10: Property sales of major developers (2014 YTD)



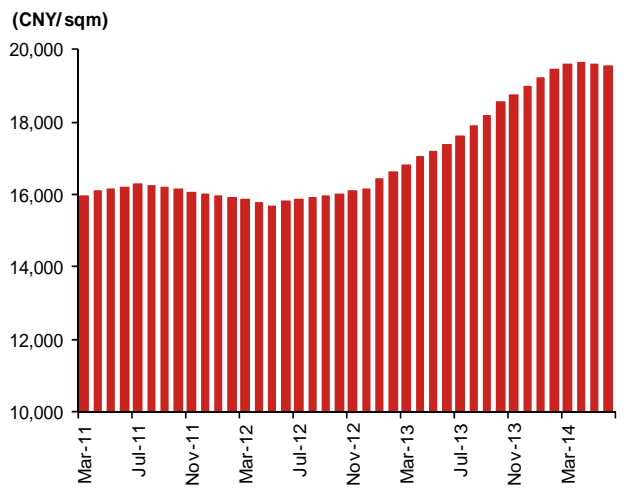
Source: Company data, Nomura research

Fig. 11: ASP of major 100 cities



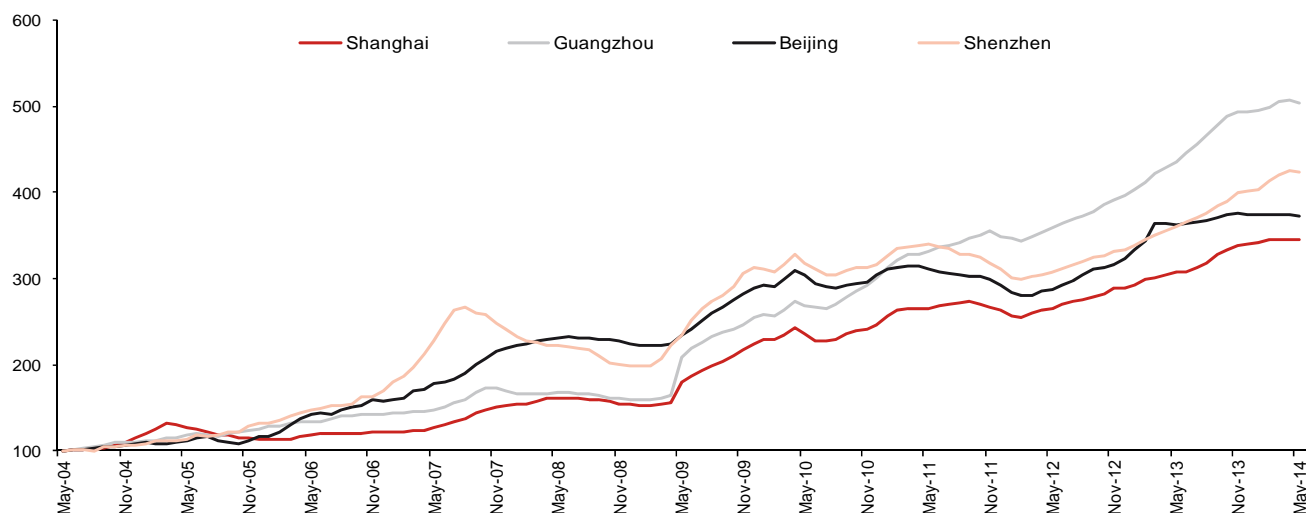
Source: CREIS, Nomura research

Fig. 12: ASP of top-10 cities



Source: CREIS, Nomura research

Fig. 13: Secondary property price index of major cities



Source: Centaline, Nomura research

Fig. 14: Summary of stock ratings and valuations

Stock name	Ticker	Market Cap (USD mn)	Latest Price*	Target Price*	Upside	Rating	P/E			P/B	NAV	NAV discount	Net Gearing 2013A**
							2014F	2015F	2016F	2013A			
Agile	3383 HK	2,529	5.82	7.35	26%	Neutral	3.2	2.9	2.7	0.5	16.33	-64%	90%
CIFI	884 HK	1,112	1.45	2.29	58%	Buy	2.9	2.2	2.1	0.8	4.58	-68%	71%
COGO	81 HK	1,570	5.47	5.74	5%	Neutral	3.8	3.3	3.0	1.1	11.47	-52%	48%
COLI	688 HK	21,094	20.55	27.69	35%	Buy	7.0	5.9	5.8	1.5	25.17	-18%	28%
CR Land	1109 HK	11,316	15.38	22.58	47%	Buy	8.0	6.6	5.4	1.1	28.23	-46%	43%
Franshion	817 HK	2,518	2.14	3.71	73%	Buy	4.9	3.9	3.3	0.6	5.70	-62%	63%
Greentown	3900 HK	2,287	8.43	11.00	30%	Buy	3.0	2.9	2.5	0.6	20.00	-58%	77%
Guangzhou R&F	2777 HK	4,241	10.42	15.73	51%	Buy	4.1	3.3	2.9	0.8	26.21	-60%	116%
Kaisa	1638 HK	1,600	2.49	4.27	71%	Buy	2.8	2.1	1.6	0.6	8.53	-71%	80%
KWG Property	1813 HK	1,822	5.00	5.83	17%	Buy	3.9	3.1	2.4	0.6	11.66	-57%	56%
Longfor	960 HK	7,092	10.42	13.43	29%	Buy	6.1	5.0	4.3	1.2	17.90	-42%	62%
Poly HK	119 HK	1,566	3.42	2.95	-14%	Reduce	5.1	4.4	3.9	0.4	7.38	-54%	90%
Shimao	813 HK	7,115	16.26	25.15	55%	Buy	5.0	3.7	3.1	1.1	33.53	-52%	71%
Shui On	272 HK	2,013	1.97	1.94	-2%	Reduce	9.6	9.5	6.3	0.3	4.85	-59%	76%
Sino-Ocean	3377 HK	3,954	4.19	5.02	20%	Buy	5.4	4.6	3.8	0.5	8.36	-50%	48%
SOHO China	410 HK	4,064	6.19	5.96	-4%	Neutral	10.5	17.1	16.9	0.7	7.01	-12%	17%
Sunac	1918 HK	1,997	4.69	10.52	124%	Buy	2.5	2.0	1.7	0.9	19.13	-75%	93%
Vanke	2202 HK	16,252	15.90	17.94	13%	Buy	7.4	6.3	6.1	1.8	21.11	-25%	42%
Yanlord	YLLG SP	1,801	1.17	0.97	-17%	Reduce	9.5	7.6	6.4	0.6	1.93	-40%	57%
Average							5.5	5.1	4.4	0.83		-51%	65%
Average excl Shui On, SOHO and Yanlord							4.7	3.9	3.4	0.89		-53%	67%

Note: Prices as of 8 July 2014. * The latest prices and target prices are denoted in HKD, except for Yanlord, which is denoted in SGD. ** Net gearing is computed on total equity excluding minority interest

Source: Company data, Nomura estimates

Fig. 15: Property sales of major developers

	Ticker	Monthly sales					YTD Contracted sales			2014 Contracted Sales		2013	
		Jun 13	May 14	Jun 14	% MoM	% YoY	2013	2014	% YoY	Target	% done	Target	Actual
Agile	3383 HK	3.2	3.3	5.2	60%	61%	16.1	21.7	34%	48	45%	42.0	40.3
Beijing Capital	2868 HK	2.2	1.1	1.7	46%	-26%	6.6	6.8	3%	28	24%	20.0	19.6
Central China	832 HK	1.5	1.1	-	n/a	n/a			n/a	17	24%	12.6	14.0
China SCE	1966 HK	1.0	0.9	0.9	-2%	-17%	5.2	5.6	9%	14	40%	7.5	10.8
CIFI	884 HK	1.5	1.4	2.0	40%	35%	7.2	10.2	42%	22	46%	12.5	15.3
COGO	81 HK	1.9	1.8	-	n/a	n/a			n/a	23	24%	17.0	17.2
COLI	688 HK	15.2	10.5	-	n/a	n/a			n/a	140	40%	120.0	138.5
Country Garden	2007 HK	4.9	8.3	9.1	9%	87%	33.7	58.4	74%	128	46%	62.0	106.0
CR Land	1109 HK	5.2	5.7	-	n/a	n/a			n/a	70	28%	57.0	66.3
Evergrande	3333 HK	10.4	11.8	13.1	11%	26%	44.6	69.3	55%	110	63%	100.0	100.4
Fantasia	1777 HK	0.6	0.4	0.4	7%	-24%	3.7	1.8	-51%	15	12%	7.2	10.2
Franshion	817 HK	1.2	0.6	-	n/a	n/a			n/a	22	18%	13.0	14.6
Future Land	1030 HK	1.4	1.6	2.5	54%	73%	7.6	9.7	28%	24	40%	20.0	20.6
Greentown	3900 HK	5.6	5.5	6.7	22%	20%	29.4	27.6	-6%	65	42%	55.0	62.1
Kaisa	1638 HK	2.3	2.2	-	n/a	n/a			n/a	30	28%	22.0	23.9
KWG	1813 HK	1.2	1.4	1.8	31%	48%	8.1	10.0	24%	21	48%	16.0	16.3
Longfor	960 HK	4.3	3.1	-	n/a	n/a			n/a	57	28%	46.0	48.1
Poly China	600048 CH	12.3	12.2	16.5	35%	34%	63.6	65.1	2%	120	54%	120.0	125.3
Poly HK	119 HK	3.2	2.1	-	n/a	n/a			n/a	28	36%	26.0	26.7
Guangzhou R&F	2777 HK	3.1	2.8	4.0	44%	31%	18.6	25.8	39%	70	37%	42.0	42.2
Shimao	813 HK	7.2	6.0	8.1	34%	12%	32.5	32.1	-1%	80	40%	55.0	67.1
Sino-Ocean	3377 HK	3.1	2.1	4.2	99%	37%	17.8	13.2	-26%	40	33%	35.0	35.8
Sunac	1918 HK	4.8	5.2	6.6	27%	36%	20.3	26.0	28%	65	40%	45.0	50.8
Vanke	2202 HK	13.5	14.5	19.4	33%	44%	83.7	100.9	21%	205	49%	n/a	170.8
Yuexiu	123 HK	1.1	2.0	3.1	60%	192%	8.6	10.6	23%	22	48%	13.2	14.6
Yuzhou	1628 HK	0.7	0.9	-	n/a	n/a			n/a	11	34%	9.0	11.0
Total 17 developers		77	81	105	31%	36%	407	495	21.5%	1,077	46%	652	908

Source: Company data, Nomura research

Fig. 16: Residential land sales comparison

	Tier 1	Tier 2	Tier 3
2014 June land sales (sqm)	1,080,159	23,603,184	39,171,496
2013 June land sales (sqm)	2,255,334	23,891,162	78,611,439
June land sales y-y change	-52%	-1%	-50%
2014 YTD land sales (sqm)	15,382,143	119,192,462	297,513,336
2013 YTD land sales (sqm)	13,261,093	139,382,764	351,403,630
YTD land sales y-y change	16%	-14%	-15%

Source: CREIS, Nomura research

Fig. 17: Key emphases of the PBoC Housing Financing Meeting in May

Item	Details
1	Allocate credit resources properly, with priority to meet first home buyer mortgage requests.
2	Consider financial sustainability and risk management, and set reasonable interest rate for first home mortgage borrowers.
3	Enhance efficiency on approving and releasing qualified mortgages.
4	Manage credit risk. Strictly follow all mortgage rules and instructions, and strengthen the monitoring and analysis on mortgage risks.
5	Establish information sharing mechanism, and timely respond to major public concerns.

Source: Nomura research

Fig. 18: Recent housing policy relaxation details

Date	City	Province	Policy relaxation details	政策放松细节
4-Jul	Bangbu	Anhui	All workers are allowed to apply for housing loans with the Housing Provident Fund after making 3-month contributions to the Fund. They are also allowed to apply for loans for buying second homes provided that they have fully repaid the previous loans. The maximum loan amount has been raised to CNY40k from CNY30k for couples, and from CNY20k to CNY30k for singles for both first and second home.	购房职工及其所在单位在该市按时连续缴存住房公积金3个月以上的(含3个月), 符合条件可申请住房公积金贷款。夫妻双方均缴存住房公积金的, 公积金贷款最高额度由原先的30万提高至40万元; 职工一方(含单身)缴存住房公积金的, 贷款最高额度由之前的20万元上调为30万元。 蚌埠职工家庭首套住房公积金贷款还清后的次月, 即可再次申请住房公积金贷款。二套房公积金贷款最高额度, 恢复与首套住房公积金贷款最高额度相同。
1-Jul	Wuhan	Hubei (press report)	Local government will (1) remove the HPR on third homes for local citizens and on second homes for foreign buyers; (2) request banks to reduce mortgage interest rate for first home buyers; (3) ban all aggressive price cuts. Besides, starting from July 1, high school graduates with 2-year working experience and university graduates are eligible to apply for hukou in the city.	放宽本地居民第三套房和外地人购买二套房有关政策; 限制首套贷款利率不下浮的银行承接房贷业务; 同时严禁开发商恶意降价, 下浮15%将约谈、下浮20%将停止网签。 从7月1日起, 凡毕业超过2年的普通高校毕业生或留学回国人员, 在武汉就业创业且具备本科或研究生学历的, 只需提供学历学位证书、劳动合同、1年社保缴纳证明以及合法住所证明, 或者自主创业且本人为法定代表的, 均可在武汉市落户。而在此前, 高校毕业生须毕业2年内武汉就业创业才可落户。
27-Jun	Jinan	Shandong	Considering the complete removal of HPR in the city, pending approval of the Ministry of Housing and Urban-Rural Development (MOHURD).	建议在全市范围内解除新建商品住房与存量住房限购, 待报国家住建部备案后实施。
27-Jun	Huhhot	Inner Mongolia	Abolished the commodity housing background-check system, purchasers are no longer required to provide "home ownership" proofs for buying new houses. Non-local residents are also allowed to buy houses for working in the city.	取消商品房销售方案备案制度, 居民购买商品住房(含二手住房)在办理签约、网签、纳税、贷款以及权属登记时, 不再要求提供住房套数查询证明。产权登记部门在办理相关业务时, 不再对购房人的房屋套数进行查询, 按照中央城镇化工作会议关于“优先解决好进城时间长, 就业能力强, 可以适应城镇产业转型升级和市场竞争环境的人, 使他们及其家庭在城镇扎根落户, 有序引导增量人口流向”等要求, 允许外来人口在市区购买成套商品住房(含二手住房)。
12-May	Zhengzhou	Henan	Housing organisations are allowed to act as the guarantors for home buyers for mortgage borrowing from financial institutions.	住房置业政策性担保机构可以为个人住房置业贷款作保证人, 依据有关个人住房置业政策, 为申请个人住房贷款的借款人提供保证, 在借款人未按合同约定履行住房贷款偿还义务时, 由担保机构代借款人偿还住房贷款债务

Source: Nomura research

Fig. 19: Recent housing policy relaxation details (contd.)

Date	City	Province	Policy relaxation details	政策放松细节
10-May	Foshan	Guangdong	All residents (both local and non-local) are allowed to purchase one commodity house (with ASP <8.3k/sqm) per person in Gaoming district in Foshan; no social security or tax proof is required as before.	5月10日起在高明区试行, 允许市民仅凭借身份证, 每一身份证在佛山限购一套住宅, 无社保、纳税证明等限制; 实际成交建筑面积单价在8300元/平方米以上沿用原有限购政策
5-May	Tongling	Anhui	<p>For first time purchase of ordinary commodity housing (total GFA under 144 sqm per unit), government should subsidise 1% real estate deed tax</p> <p>Qualification to apply for PHAFL (Personal Housing Accumulation Fund Loan) is changed to "6 consecutive months of PHAFL payments" from "3 consecutive months of PHAFL payments" previously.</p> <p>PHAFL cap per household is raised from CNY250,000 to CNY300,000</p> <p>First home buyer PHAFL downpayment threshold is reduced from 30% to 20%</p> <p>If first PHAFL is 100% paid off, the household can apply for PHAFL again for upgrade demand</p> <p>Non-local residents can apply for Hukou once they obtain the housing purchase contract or invoice, etc., and do not need to wait for official housing ownership certificate as previously.</p> <p>Speed up the process and increase the amount of releasing pre-sale restricted cash</p>	<p>购买家庭惟一普通商品住房(建筑面积144平方米及以下), 按房价1%给予契税补贴</p> <p>申请公积金贷款资格认定上, 个人缴存住房公积金期限由过去连续缴存6个月以上, 放宽为连续缴存3个月以上</p> <p>单职工家庭最高可申请公积金贷款额度由25万元提高到30万元</p> <p>职工首次购房申请住房公积金贷款的首付比例由30%降低为20%</p> <p>对还清首次个人住房公积金贷款的职工家庭, 准予再次申请个人住房公积金贷款购买改善性自住住房</p> <p>外地居民在该市购商品住房, 可凭房地产管理部门备案的《商品房买卖合同》、购房发票、契税完税凭证办理户口迁入手续, 改变了以往必须办理房屋产权证后方可迁入户口的限制性条件, 但在办理房屋产权登记之前不得解除《商品房买卖合同》。</p> <p>适度增加预售监管资金拨付节点, 提高拨付比例</p>
5-May	Ningbo	Zhejiang	Relax the investigation of housing ownership during HPR implementation from city level to district level: if no house in a certain district (not city), can count as "first home buyer".	放松限购审查, 购房者房产审核由户籍所在地和拟购房所在地两地核查变为仅在拟购房所在地核查。即拟购房所在地若尚无房产, 即可算作首套房。
28-Apr	Tianjin Binhai New Town	Tianjin	<p>Allow to purchase one house in Binhai New Town as long as the buyer does not own house in this district previously, no matter how many houses s/he owns in other cities or other districts in Tianjin.</p> <p>For people who are qualified to purchase price-capped house, allow them to pay 10% downpayment and get 70% mortgage from banks. Developers own the rest 20%, which can be purchased back by home buyers in the future.</p>	<p>天津滨海新区将实施差别化限购政策, 即不管在天津市内或其他城市拥有几套住房, 只要在滨海新区没有, 即可在新区购买一套商品住宅。差别化限购政策将主要适用于外来务工人员等外来人口。</p> <p>针对有资格购买订单限价房的人群, 实施首付一成的共有产权模式: 购房人只需支付一成首付, 就可取得一套房子70%的贷款, 另外20%房款暂时由开发企业承担。待经济条件成熟后, 购房人可购回其他产权, 拥有全部产权。</p>

Source: Nomura research

Fig. 20: Recent housing policy relaxation details (contd.)

Date	City	Province	Policy relaxation details	政策放松细节
25-Apr	Nanning	Guangxi	Aligned the HPR policy of five cities located in Guangxi West-Bay Economic Zone with that for Nanning local residents. Previously, buyers from these five cities were treated as non-local purchasers.	广西北部湾经济区内的北海、防城港、钦州、玉林、崇左市户籍居民家庭可参照南宁市户籍居民家庭政策在南宁市购房
25-Apr	Hangzhou Xiaoshan District	Zhejiang	Cap the land premium deposit at higher of CNY10mn or 10% of land price, to reduce the capital stress of developers.	在购地保证金为出让地价的 10% 保持不变以外，设置了 1000 万元的上限，目的在于减轻开发商资金成本压力。
18-Apr	Wuxi	Jiangsu	Grant Hukou to non-local employees (including their spouse and children) who purchase commodity residential houses (including second-handed housing) which are above 60 sqm (previously 70 sqm) in Wuxi, Jiangyin and Yixing.	无锡市范围内(包括无锡市区和江阴、宜兴二市)执行统一的户籍准入登记规定，在无锡市购买成套商品住宅(含二手房)、户均建筑面积达 60 平方米以上（此前为 70 平方米），且在本市有稳定工作的人员，准予本人、配偶和未成年子女来锡落户

Source: Nomura research

Appendix A-1

Analyst Certification

I, Jeffrey Gao, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries, and may refer to one or more Nomura Group companies.

Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Previous rating	Date of change	Sector rating
Kaisa Group Holding	1638 HK	HKD 2.49	08-Jul-2014	Buy	Not Rated	18-Feb-2014	N/A
KWG Properties	1813 HK	HKD 5.00	08-Jul-2014	Buy	Not Rated	18-Feb-2014	N/A
Sunac China Holdings	1918 HK	HKD 4.69	08-Jul-2014	Buy	Not Rated	07-Jan-2014	N/A
China Vanke Co	2202 HK	HKD 15.90	08-Jul-2014	Buy	Not Rated	10-Apr-2014	N/A
China Overseas Land & Inv	688 HK	HKD 20.55	08-Jul-2014	Buy	Not Rated	07-Jan-2014	N/A
Shimao Property Holdings	813 HK	HKD 16.26	08-Jul-2014	Buy	Not Rated	07-Jan-2014	N/A

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, MarkitHub, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc. ("NIplc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and NIplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Any authors named in this report are research analysts unless otherwise indicated. *Industry Specialists* identified in some Nomura International plc research reports are employees within the Firm who are responsible for the sales and trading effort in the sector for which they have coverage. Industry Specialists do not contribute in any manner to the content of research reports in which their names appear.

Distribution of ratings (Global)

The distribution of all ratings published by Nomura Global Equity Research is as follows:

47% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 41% of companies with this rating are investment banking clients of the Nomura Group*.

43% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 54% of companies with this rating are investment banking clients of the Nomura Group*.

10% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 24% of companies with this rating are investment banking clients of the Nomura Group*.

As at 30 June 2014. *The Nomura Group as defined in the Disclaimer section at the end of this report.

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America, and Japan and Asia ex-Japan from 21 October 2013

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

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.

Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A **'Buy'** recommendation indicates that potential upside is 15% or more. A **'Neutral'** recommendation indicates that potential upside is less than 15% or downside is less than 5%. A **'Reduce'** recommendation indicates that potential downside is 5% or more. A rating of **'Suspended'** indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

SECTORS

A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A **'Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A **'Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Target Price

A Target Price, if discussed, reflects in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This document contains material that has been prepared by the Nomura entity identified at the top or bottom of page 1 herein, if any, and/or, with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or identified elsewhere in the document. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. or any of its affiliates or subsidiaries and may refer to one or more Nomura Group companies including: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nlplc'), UK; Nomura Securities International, Inc. ('NSI'), New York, US; Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412; P.T. Nomura Indonesia ('PTNI'), Indonesia; Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; NIHK, Taipei Branch ('NITB'), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No : U74140MH2007PTC169116, SEBI Registration No: BSE INB011299030, NSE INB231299034, INF231299034, INE 231299034, MCX: INE261299034) and Nlplc, Madrid Branch ('Nlplc, Madrid'). 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under a Research Assistance Agreement. CNS is not a Nomura entity.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Nomura Group does not warrant or represent that the document is accurate, complete, reliable, fit for any particular purpose or merchantable and does not accept liability for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible all warranties and other assurances by Nomura group are hereby excluded and Nomura Group shall have no liability for the use, misuse, or distribution of this information.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. Nomura Group is under no duty to update this document.

Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. Nomura Group does not provide tax advice.

Nomura Group, and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is

carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

Russell/Nomura Japan Equity Indexes are protected by certain intellectual property rights of Nomura Securities Co., Ltd. and Russell Investments. Nomura Securities Co., Ltd. and Russell Investments do not guarantee the accuracy, completeness, reliability, or usefulness thereof and do not account for business activities and services that any index user and its affiliates undertake with the use of the Indexes. Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis, quantitative analysis and short term trading ideas; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. Nomura Group publishes research product in a number of different ways including the posting of product on Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements. Clients outside of the US may access the Nomura Research Trading Ideas platform (Retina) at <http://go.nomuranow.com/equities/tradingideas/retina/>

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nlplc. Nlplc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nlplc is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes. This document has been approved by NIIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIIHK. This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or 'professional clients' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or 'Business Customers' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nlplc or any other member of Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or 'professional clients' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are an 'Authorised Person', an 'Exempt Person' or an 'Institution' in Saudi Arabia or that you are a 'professional client' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese walls and employee training.

Additional information is available upon request and disclosure information is available at the Nomura Disclosure web page: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>
Copyright © 2014 Nomura International (Hong Kong) Ltd. All rights reserved.