

Asset injection to fuel strong growth

Strong FY14 results with sustainable high gross margins; maintain as top pick

Maintain as top pick for strong sales growth visibility

After achieving HKD140.8bn contracted sales in FY14, COLI set a FY15 sales target of HKD168bn (+20% y-y), supported with ~HKD260bn saleable resources. We like COLI's strong sales growth, and hence, maintain it as our top pick with revised TP of HKD30.12, based on 10% premium to end-FY15F NAV of HKD27.38, after factoring in FY14 results and recent land acquisitions.

Minimal EPS and NAV per share impact, but asset injection should improve medium-term growth visibility

On 24 March, COLI announced to acquire 30 projects located in 12 cities with a total GFA of 10.9mn sqm from its parent for a total consideration of CNY33.8bn. COLI will issue 1.69bn shares at HKD25.38 (7.8% premium to its latest price) for payment, representing 17.1% of the enlarged share capital. The deal will be closed in May per management's guidance; our financials and TP do not factored in the deal details due to non-disclosure yet.

However, if we assume 20% of the injected GFA have been pre-sold, while the remaining GFA are sold evenly over the next four years, and the injected projects have similar GMs as COLI's current projects, there would be minimal impact on EPS and NAV/sh after new shares dilution, based on our estimates.

Sustainable high gross margin to achieve 20% earnings growth in FY15F

Thanks to its low construction costs and funding cost (4.3% in FY14), COLI should maintain its GMs high at ~32% level in the next few years, which in turn supports FY15F earnings to grow 20% y-y to HKD28.3bn, and FY16-17F growth will likely come from asset injections.

Strong FY14 results

COLI reported revenues up 46% y-y to HKD120bn and core profits up 25.6% y-y to HKD23.8bn. GM remained stable at 32.7% (vs. 32.5% in FY13). Net gearing on attributable equity remained low at 32% vs. 28% at end-FY13. COLI has proposed a final dividend of HKD0.35/sh to offer a total dividend of HKD0.55/sh, which implies a 2.3% dividend yield on the current price.

Year-end 31 Dec	FY14	FY15F		FY16F		FY17F	
Currency (HKD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	119,997	127,849	131,400	147,624	143,683		123,074
Reported net profit (mn)	27,680	29,311	29,540	33,269	32,807		29,352
Normalised net profit (mn)	23,830	27,491	28,257	32,229	31,382		28,589
Normalised EPS	2.92	3.36	3.46	3.94	3.84		3.50
Norm. EPS growth (%)	25.7	19.8	18.6	17.2	11.1		-8.9
Norm. P/E (x)	8.1	N/A	6.8	N/A	6.1	N/A	6.7
EV/EBITDA (x)	6.2	N/A	3.9	N/A	1.5	N/A	-0.6
Price/book (x)	1.4	N/A	1.2	N/A	1.0	N/A	0.9
Dividend yield (%)	2.3	N/A	2.9	N/A	3.3	N/A	3.0
ROE (%)	20.8	19.0	18.8	18.3	17.9		14.2
Net debt/equity (%)	32.5	net cash	net cash	net cash	net cash		net cash

Source: Company data, Nomura estimates

Key company data: See page 2 for company data and detailed price/index chart

Global Markets Research

25 March 2015

Rating	Buy
Remains	
Target price	HKD 30.12
Increased from 30.05	
Closing price	HKD 23.55
24 March 2015	
Potential upside	+27.9%

Anchor themes

We expect overall property sector sales growth to be flat in 2015F, but big developers should see ~10% y-y growth, in view of market consolidation. We believe policy / credit will remain supportive and companies' balance sheets shall improve, with slower growth targets.

Nomura vs consensus

Our 2015F/16F core earnings are more positive than consensus. Our TP implies 28% potential upside.

Research analysts

China Property

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

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

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

Key data on China Overseas Land & Inv

Relative performance chart



Source: Thomson Reuters, Nomura research

Notes:

Performance

(%)	1M	3M	12M		
Absolute (HKD)	1.9	9.8	18.2	M cap (USDmn)	24,819.4
Absolute (USD)	2.0	9.9	18.3	Free float (%)	43.5
Rel to MSCI China	-4.8	3.0	-1.6	3-mth ADT (USDmn)	72.0

Income statement (HKDmn)

Year-end 31 Dec	FY13	FY14	FY15F	FY16F	FY17F
Investment properties	858	1,185	1,566	1,964	2,193
Property development	78,615	116,254	127,148	138,898	117,919
Hotels/serviced apartments					
Other Revenue	2,997	2,558	2,686	2,821	2,962
Revenue	82,469	119,997	131,400	143,683	123,074
EBIT contributions					
Investment properties	858	1,185	1,566	1,964	2,193
Property development	22,968	35,494	37,898	41,283	34,332
Hotels/serviced apartments					
Other income	3,229	4,136	4,343	4,560	4,788
Management expenses	-2,817	-3,570	-4,336	-4,310	-3,692
EBITDA	24,237	37,245	39,470	43,497	37,620
Dep and amort					
EBIT	24,237	37,245	39,470	43,497	37,620
Net interest expense	369	-346	693	2,190	4,147
Associates & JCEs	5,231	1,599	2,921	2,005	1,268
Other income	0	0	0	0	0
Earnings before tax	29,838	38,498	43,085	47,691	43,035
Income tax	-9,250	-14,170	-14,178	-15,496	-13,698
Net profit after tax	20,588	24,329	28,906	32,195	29,337
Minority interests	-135	-525	-650	-813	-748
Other items	-1,492	27	0	0	0
Preferred dividends					
Normalised NPAT	18,960	23,830	28,257	31,382	28,589
Extraordinary items	4,084	3,850	1,283	1,425	763
Reported NPAT	23,044	27,680	29,540	32,807	29,352
Dividends	-3,841	-4,496	-5,651	-6,276	-5,718
Transfer to reserves	19,203	23,184	23,888	26,531	23,634

Valuations and ratios

Reported P/E (x)	8.4	7.0	6.5	5.9	6.6
Normalised P/E (x)	10.2	8.1	6.8	6.1	6.7
FD normalised P/E (x)	10.2	8.1	6.8	6.1	6.7
Dividend yield (%)	2.0	2.3	2.9	3.3	3.0
Price/cashflow (x)	na	na	2.4	1.9	2.1
Price/book (x)	1.8	1.4	1.2	1.0	0.9
EV/EBITDA (x)	7.6	6.2	3.9	1.5	-0.6
EV/EBIT (x)	7.6	6.2	3.9	1.5	-0.6
EBIT margin (%)	29.4	31.0	30.0	30.3	30.6
Effective tax rate (%)	31.0	36.8	32.9	32.5	31.8
Dividend payout (%)	16.7	16.2	19.1	19.1	19.5
ROA (pretax %)	13.3	14.0	14.7	18.6	21.1

Source: Company data, Nomura estimates

Cashflow statement (HKDmn)

Year-end 31 Dec	FY13	FY14	FY15F	FY16F	FY17F
EBITDA	24,237	37,245	39,470	43,497	37,620
Change in working capital	-31,222	-27,258	52,617	69,203	66,743
Other operating cashflow	-3,933	-10,070	-10,997	-12,215	-10,687
Cashflow from operations	-10,917	-83	81,090	100,485	93,676
Capital expenditure					
Free cashflow	-10,917	-83	81,090	100,485	93,676
Reduction in investments	-4,094	-12,223	-2,565	-643	-1,313
Net acquisitions	-789	109	-982	981	848
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	1,815	-221	0	0	0
CF after investing acts	-13,986	-12,417	77,543	100,823	93,212
Cash dividends	-3,432	-4,496	-5,651	-6,276	-5,718
Equity issue	0	0	0	0	0
Debt issue	13,636	21,833	0	0	0
Convertible debt issue					
Others	4,313	4,884	2,926	3,297	4,909
CF from financial acts	14,517	22,221	-2,726	-2,980	-809
Net cashflow	531	9,804	74,818	97,843	92,403
Beginning cash	40,880	41,411	51,215	126,033	223,876
Ending cash	41,411	51,215	126,033	223,876	316,280
Ending net debt	31,288	43,317	-31,501	-129,344	-221,748

Balance sheet (HKDmn)

As at 31 Dec	FY13	FY14	FY15F	FY16F	FY17F
Cash & equivalents	41,411	51,215	126,033	223,876	316,280
Properties held for sale	184,205	211,517	183,130	121,046	59,260
Accounts receivable	7,953	13,252	13,915	14,610	15,341
Other current assets	7,647	8,037	8,246	8,476	8,728
Total current assets	241,216	284,021	331,324	368,009	399,609
Investment properties	32,532	44,755	47,320	47,963	49,275
Other fixed assets (net)	1,528	1,502	1,513	1,513	1,513
Associates	15,949	15,748	16,611	15,521	14,563
Other LT assets	5,298	4,910	5,056	5,208	5,368
Total assets	296,522	350,937	401,822	438,213	470,329
Short-term debt	3,303	22,542	22,542	22,542	22,542
Accounts payable	22,726	36,831	47,881	62,245	80,919
Other current liabilities	84,899	76,537	90,589	84,269	71,535
Total current liabilities	110,928	135,910	161,011	169,056	174,995
Long-term debt	69,397	71,990	71,990	71,990	71,990
Convertible debt					
Other LT liabilities	5,147	6,229	7,475	8,970	10,763
Total liabilities	185,472	214,129	240,477	250,016	257,749
Minority interest	1,080	3,474	4,124	4,445	5,193
Preferred stock					
Shareholders' Equity	109,971	133,334	157,222	183,752	207,387
Other equity and reserves					
Total shareholders' equity	109,971	133,334	157,222	183,752	207,387
Total equity & liabilities	296,522	350,937	401,822	438,213	470,329

Leverage

Interest cover	na	107.79	na	na	na
Gross debt/prop assets (%)	24.5	26.9	23.5	21.6	20.1
Net debt/EBITDA (x)	1.3	1.2	net cash	net cash	net cash
Net debt/equity (%)	28.5	32.5	net cash	net cash	net cash

Growth (%)

Revenue	27.7	45.5	9.5	9.3	-14.3
EBITDA	5.1	53.7	6.0	10.2	-13.5
EBIT	5.1	53.7	6.0	10.2	-13.5
Normalised EPS	20.0	25.7	18.6	11.1	-8.9
Normalised FDEPS	20.0	25.7	18.6	11.1	-8.9

Dupont decomposition

Net margin (%)	27.9	23.1	22.5	22.8	23.8
Asset utilisation (x)	0.3	0.3	0.3	0.3	0.3
ROA (%)	7.8	7.9	7.4	7.5	6.2
Leverage (Assets/Equity x)	2.7	2.6	2.6	2.4	2.3
ROE (%)	20.95	20.76	18.79	17.85	14.15

Per share

Reported EPS (HKD)	2.82	3.39	3.61	4.01	3.59
Norm EPS (HKD)	2.32	2.92	3.46	3.84	3.50
FD norm EPS (HKD)	2.32	2.92	3.46	3.84	3.50
BVPS (HKD)	13.45	16.31	19.23	22.48	25.37
DPS (HKD)	0.47	0.55	0.69	0.77	0.70

Source: Company data, Nomura estimates

Fig. 1: COLI: Summary of FY14 results

(HKD mn)	FY14	FY13	y-y %
Revenue	119,997	82,469	46%
Cost of sales	(80,759)	(55,647)	45%
Gross profit	39,238	26,822	46%
SG&A	(3,570)	(2,817)	27%
Other operating income/expenses	1,578	892	77%
Operating profit	37,245	24,897	50%
Interest expenses	(346)	(290)	19%
Share of results of associates and JCE	1,599	5,231	-69%
Pre-tax exceptional items	5,169	3,451	50%
Profit before tax	43,667	33,289	31%
Income tax	(15,462)	(10,110)	53%
Profit before minority interests	28,205	23,179	22%
Minority interests	525	135	288%
Reported net profit	27,680	23,044	20%
Core net profit	23,830	18,960	26%
Core EPS (basic)	2.92	2.32	26%
Core EPS (diluted)	2.92	2.32	26%
Key ratios			(p.p.)
Gross margin	32.7%	32.5%	0%
Core net margin	19.9%	23.0%	-3%
Net gearing on total equity	32%	28%	3%
Net gearing on attributable equity	32%	28%	4%

Source: Company data, 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

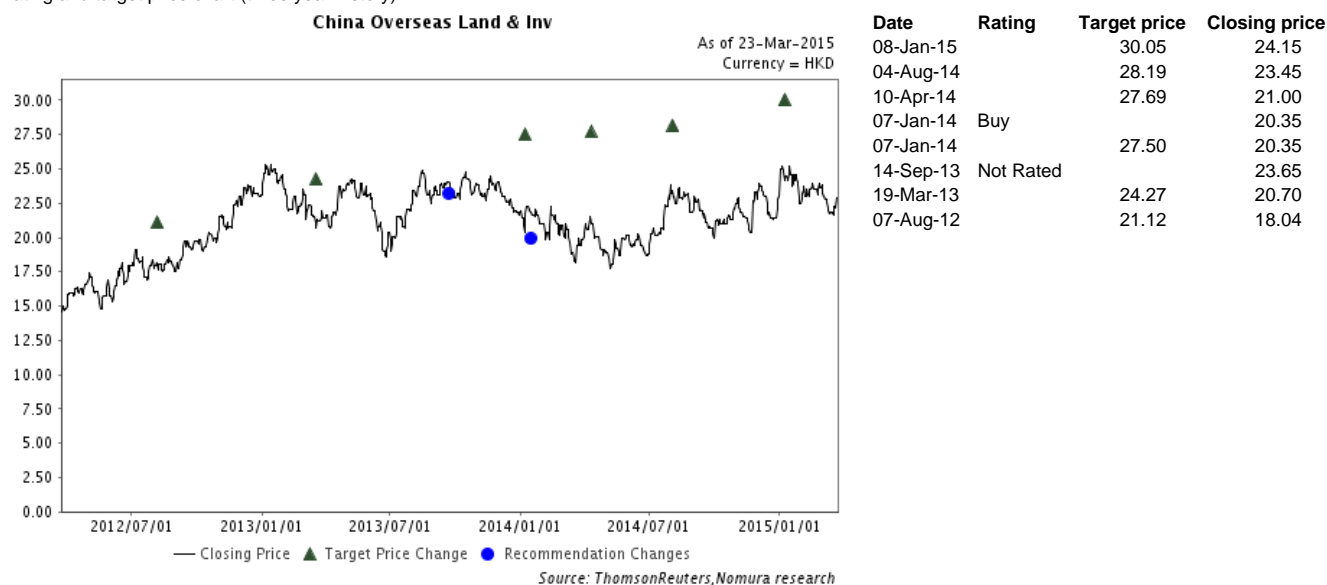
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
China Overseas Land & Inv	688 HK	HKD 23.55	24-Mar-2015	Buy	N/A	A10

A10 The Nomura Group is a registered market maker in the securities / related derivatives of the issuer.

China Overseas Land & Inv (688 HK)

HKD 23.55 (24-Mar-2015) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of HKD30.12 is based on a 10% premium to its end-2015F NAV of HKD27.38. The benchmark index for this stock is MSCI China.

Risks that may impede the achievement of the target price Key risks to the achievement of our target price include: 1) sales falling short of our estimates; and 2) failure to acquire quality land.

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:

49% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 43% 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*.

8% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 26% of companies with this rating are investment banking clients of the Nomura Group*.

As at 31 December 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 on page 1 and/or with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are also specified on page 1 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. 'NSFSPL' next to an employee's name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements.

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 and quantitative analysis; 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.

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 © 2015 Nomura International (Hong Kong) Ltd. All rights reserved.