

Credit Pricing Corp.
Company Outlook

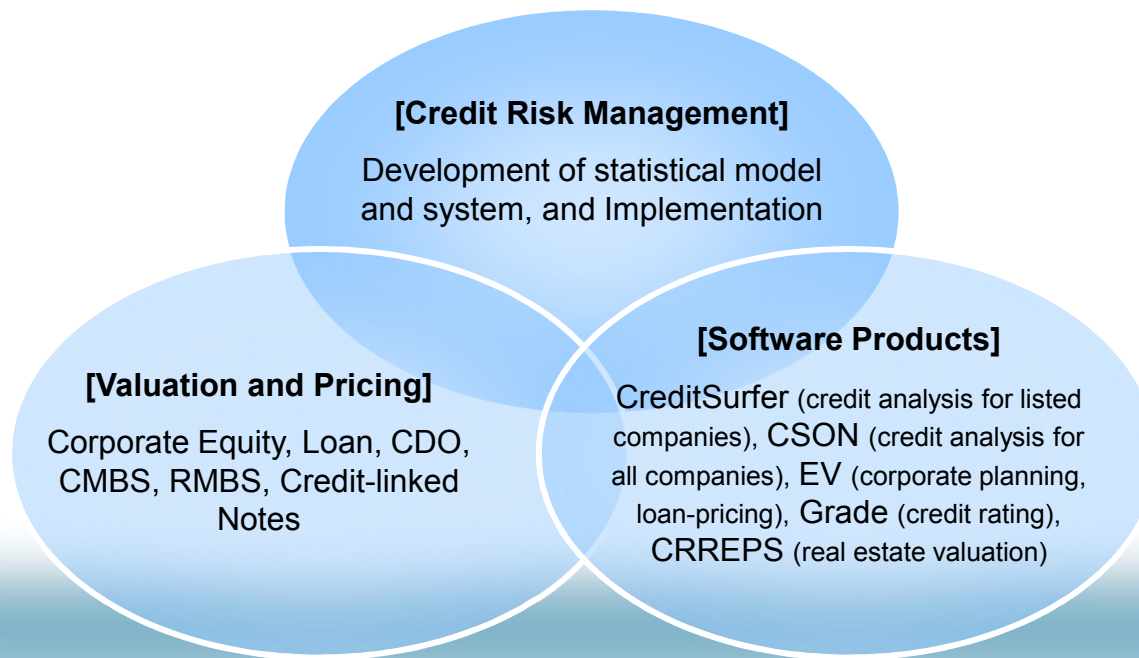
April 2012

Company Profile – *What is CPC doing?*

- ◆ Credit Pricing Corporation (CPC) is an independent consulting firm established in Japan in 2001.
- ◆ CPC specializes in:
 - Development of financial risk management models and systems for financial institutions, general trading companies, and non-banks in Japan
 - Valuation of various financial assets, including debts, equities, and structured products including CDOs, CLOs, CMBS, and RMBS
 - Delivery of produced data such as estimated credit ratings of all listed and most unlisted Japanese companies and their probabilities of default, together with historical track records
 - Estimation and anticipation of CAP Rates of real estate located in Japan
- ◆ CPC has a goal of expanding its service to investors in foreign countries.

CAP Rate: the ratio between the net operating income produced by an asset and the original price paid to buy the asset

- ◆ With a strong command of advanced financial technology and statistical skills, CPC provides practical solutions to its clients. The practicality of these solutions is ensured by the extensive experience of its staff in the banking and securities businesses.
- ◆ CPC's uniqueness lies in its focus on "credit pricing." Credit pricing requires the integration of statistical analysis skills with in-depth insight into financial markets. There are professional modelers or market specialists, most of whom work independently. They rarely join forces to derive a price. CPC has pursued the role of credit pricing specialist from its inception. CPC will continue to devote itself to properly price every financial asset to stimulate the nation's economy.



History (1)

- **2001 Foundation**

Signed consultation agreements for credit risk management with banks, trading companies, and non-banks, despite the fact that 2001 was CPC's first year. These lines of business have continued to expand.

Started research into instantiating its intellectual property into software.

- **2002-present Software Applications**

CPC's first software application, CREDITSurfer®, was released. It was followed in subsequent years by EV Series®, CREDITSurfer Online®, CSS®, and CREPPS®. Many of these products were developed in cooperation with NS Solutions Corporation (a subsidiary of Nippon Steel Corporation, the largest steel mill company in Japan).

- **2002 Mortgage Loan Pricing**

The turmoil in the Japanese banking system in the 2000s forced some large banks to liquidate a part of their assets. Well over ¥1 trillion worth of residential mortgages were priced by CPC for its clients. CPC was the first appraiser to use a quality mathematical approach for residential mortgage pricing.

History (2)

- **2005 Alliance with CRD**

Credit Risk Database (CRD) is a database institute known for the widest coverage of small and medium-size enterprises (SMEs) in Japan. CPC consulted with the organization from its beginning. The relationship evolved to provide credit models as well as applications for turnaround of SMEs through CRD's network.

- **2009 CDO Pricing**

In the aftermath of the Lehman Shock, quite a few Japanese investors were hurt by a plunge in CDO prices. Market pricing became unavailable. CPC helped those investors settle their accounts at the end of their fiscal year by providing "theoretical pricing" backed by a well-grounded data and calculation methodology. This experience became CDOSurfer® for general users.

- **2009 CMBS Pricing**

BIS regulation required that banks objectively value commercial mortgages. CPC was involved in responding to this requirement as a modeler. The experience helped CPC develop CREPPS® (CPC Real Estate Products Pricing System). Now both current and future property values are obtainable using the software. Thus pricing of respective tranches of a CMBS became possible in a verifiable manner.

History (3)

- **2010 Grade Series®**

Grade Series® enables credit risk investors to verify various classes of investments in one place. One special feature of this software is that it can provide the latest probability-of-defaults of all listed companies, worldwide.

- **2011-present Residential Mortgage Loan Valuation Models**

With a lack of domestic investment opportunities, Japanese banks have rushed into the residential mortgage market. The banks appear to be on the verge of profitability. The combination of the probability-of-default model and the prepayment model allows them to know where they stand. The demand for the models is surging.

Overseas Initiative (1)

◆ For Japanese Company Subsidiaries and Branches

- If you have difficulty in locating Japan-touch analytical services, look to CPC. Complicated financial products can be explained and analyzed in plain Japanese. CPC also can be of assistance with the creation your own products with local credit materials.
- CPC provides model-estimated credit information on the listed companies on any stock exchange, worldwide. This could assist with your daily credit extension.

◆ For Foreign Investors

- If you have concerns with the acquisition of assets in Japan, CPC can be a good pilot.
- For 10 years CPC has been actively credit-screening all the listed companies in Japan on a weekly basis. The current status and the past record of a company can add value to your Japan investment research.
- Investments in real estate or real estate-based instruments are always a popular choice. Instead of diving directly into deep seas, it may be worthwhile to keep an

Overseas Initiative (2)

eye on a macro picture. You can see, through CPC, where you are in the real estate value cycle. An objective price range derived from CPC's CAP Rate Model would be informative.

- CPC is good at valuing almost all assets held by Japanese banks. Quantitative valuation is not everything. But CPC's analysis may add a worthwhile twist when you are deciding whether to buy a portion of a Japanese bank's assets or the entire bank.

Business Line 1 Credit Risk Management

- ◆ In response to client's requests, CPC develops credit risk measurement models, designs credit risk management guidelines, and maintain the quality of the models.

Credit Risk Models / Delivery Track Record (2001~ 2011)

Client Category	Total Number of Models	for Corporation		for Individual
		Large	Small	
Government Offices, Central Bank	4	2	2	
Governmental Agencies	11	4	6	1
Local Governments & Related	78		78	
Major Banks	26	13	10	3
Regional Banks and others	58	13	35	10
Investment Banks, Securities Houses, Insurance Companies	12	8	4	
Funds, Asset Managers	12	8	4	
Trading Companies	10	5	5	
Non-banks	13	5	6	2
Business Enterprises	18	9	9	
Grand Total	242	67	159	16

Business Line 2 Valuation & Pricing

- ◆ CPC prices almost all classes of financial products. Simple loans to complex securitized products, all are targets of CPC's pricing. Except for CDOs, all pricing subjects have their origins in Japan

Pricing Track Record (2001~ 2011)

Client Category	Contents
Trust Banks	Pricing of loan and bonds portfolios
Large Banks and Insurance Companies	Pricing advisory for residential mortgage trading
Business Enterprises and Investors	Valuation of ordinary stocks, preferred stocks, convertible bonds and mezzanine loans
Large Banks	Pricing of CDOs, valuation of foreign ABSs (backed by auto-loans and credit cards), ABS-CDOs and CLOs
Large Banks and Securities Firms	Pricing of real-estate-backed non-recourse loans and CMBS
Large Securities Firms	Quotation on CMBS for their clients

Business Line 3 Software Products (1)

- ◆ The software products are the cream of the crop extracted from CPC's wide range activities. The products help clients facilitate their solutions.

Software	Features
CREDITSurfer / CDOSurfer	<ul style="list-style-type: none">▪ CREDITSurfer is for credit risk assessment of listed companies in Japan. It presents credit data distributed by CPC and also calculates the value of an investment portfolio.▪ Credit data are updated every week. The data include probability-of-default (PD), estimated credit ratings (comparable to an independent credit agency's), historical PDs and their volatilities, and estimated spreads.▪ You can screen the bonds to match risk and return, or preclude companies likely to be down-graded. Value-at-Risk calculation for your investment portfolio will be finished in an instant. Valuation of more complex financial instruments also is in CREDITSurfer's domain.▪ Information provided by CREDITSurfer may be useful not only for credit investors but also for those who are interested in buying into Japanese companies.

Business Line 3 Software Products (2)

Software	Features
CREDITSurfer ONLINE	<ul style="list-style-type: none">• The number of listed companies in Japan is not more than four thousand. However, including unlisted companies with sales greater than US\$4 million increases this number tenfold. CREDITSurfer ONLINE can be a very useful instrument to investigate this vast corporate universe.• You can see outlines of the financials, the financial indexes, index deviations, and the credit worthiness measured by CPC's models of the company you selected.• Its screening function should not be overlooked. Based on specified filters, qualified companies will be displayed on-screen from the 140 thousand company pool.• Access to this service is through the Internet. No client application is necessary.

Business Line 3 Software Products (3)

Software	Features
EV-Series	<ul style="list-style-type: none">• EV-Series is a combination of a program that projects future financials (PL, BS, CF) of a company, statistical models to measure future credit risks, and various data (industrial or comparable company's statistics) to support the projection.• EV-Series best-fits pricing of the loans to the companies expecting a turn-around, M&A, or a similar event. In those cases their current financial status inevitably will have to change. Thus valuation has to be performed based on the future of the companies. Numerous scenarios are drawn for a final choice. Net Present Value has to be calculated with discount rates properly reflecting the future risk. EV-Series accommodates all of these needs.• Rather than just doing a single name pricing, you can evaluate a portfolio of loans or equity investments all together at once.• One popular use of EV-Series is monitoring. Banks or funds with many investments can reevaluate their assets regularly in a common manner through EV-Series.

Business Line 3 Software Products (4)

Software	Features
GRADE Series	<ul style="list-style-type: none">• • When one examines the regulatory side of the credit rating system, GRADE Series comes to mind. With minimal additional labor, GRADE Series offers quality ratings of major bank assets. GRADE Series-provided ratings help you weather a regulatory body's audit. Medium or small size banks are major followers of this option because costly in-house modeling and maintenance do not make sense for this banking category.• One of the models composing GRADE Series is independently useful. Credit assessment by the model gives you a credit view of any company listed on stock exchanges around the world. The probability-of-default information from the model is one of the least expensive, even though it has high quality compared to other alternatives. The model works only on Bloomberg's outlet, from which necessary data are down-loaded.

Business Line 3 Software Products (5)

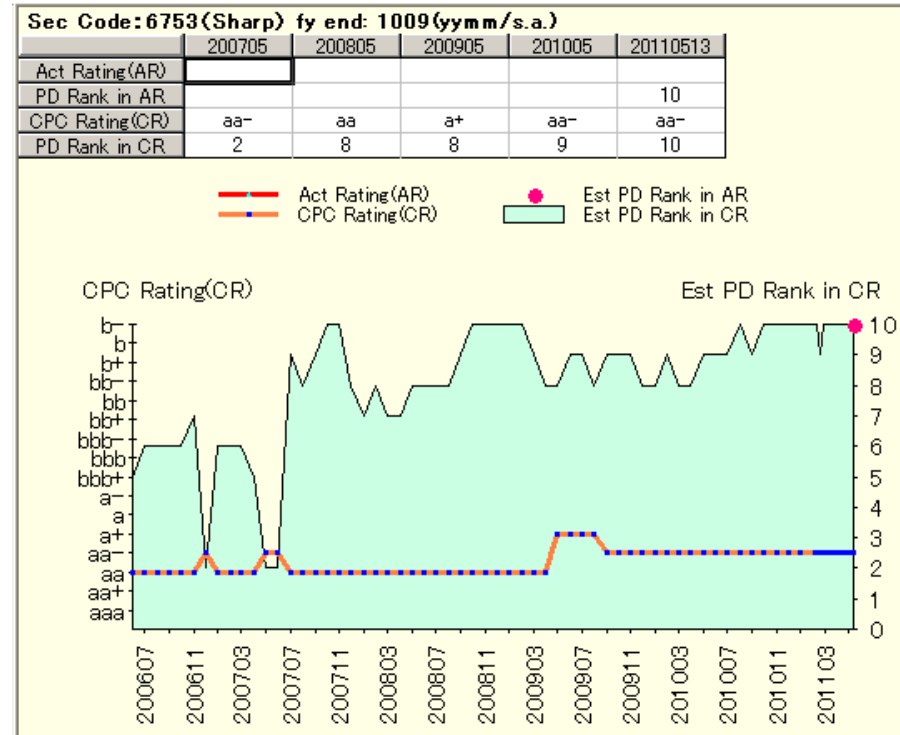
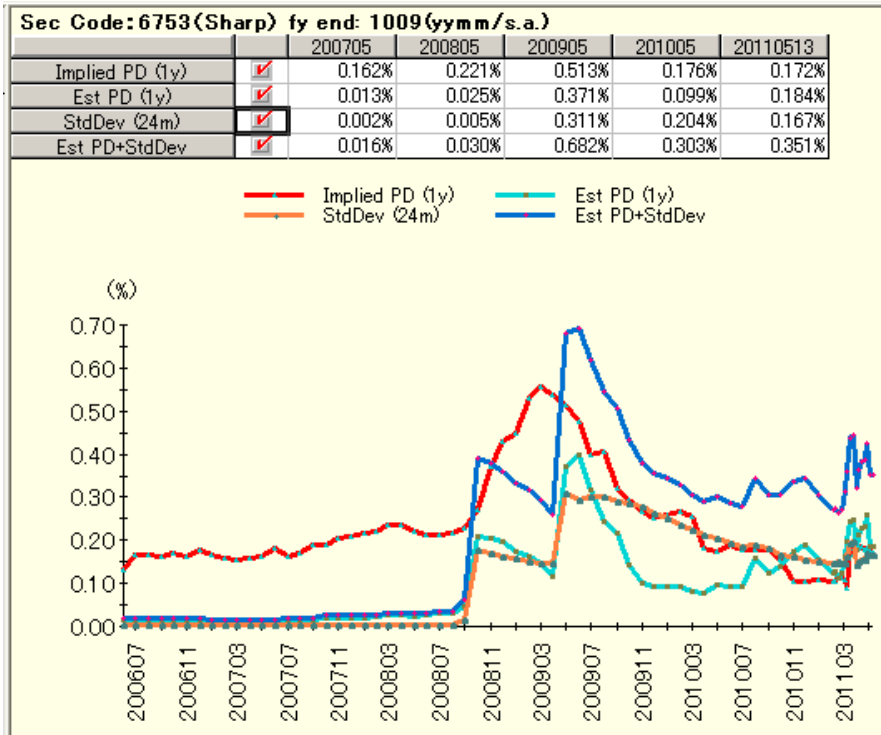
Software	Features
CREPPS	<ul style="list-style-type: none">• CREPPS delivers proprietary CAP rate data and calculates values of real estate and assets backed by real estate.• All J-REIT properties are given quotes by the CAP Rate model, the engine of CREPPS. You can also obtain the future values of the properties.• CAP Rate Model incorporates actual transactions recorded in the J-REIT market over the past 10 years. The model is fortified for future projection and description of cyclicity by macro-economic factors. The model first works on “standard properties” set up virtually for this model. An individualization process is then applied. You can exercise valuation at any point of time, in the past or the future.• CREPPS can handle collective assets. It produces a value distribution of the portfolio whereby the chance that a slice of debt is overwhelmed by the other senior portions can be calculated. Pricing of a structured product such as CMBS is done in this way on the CREPPS platform.

Business Line 3 Software Products (6)

Software	Features
CREPPS	<ul style="list-style-type: none">• For real estate investment, timing is the key for success. CREPPS tells you where you are now and going to be. When you are wondering whether to buy a piece of junior tranche in a debt instrument, you may be assured by CREPPS regarding the decision.• CPC undertakes a variety of tailor-made services which capitalize on CREPPS' capabilities.

A Facet of CPC (1)

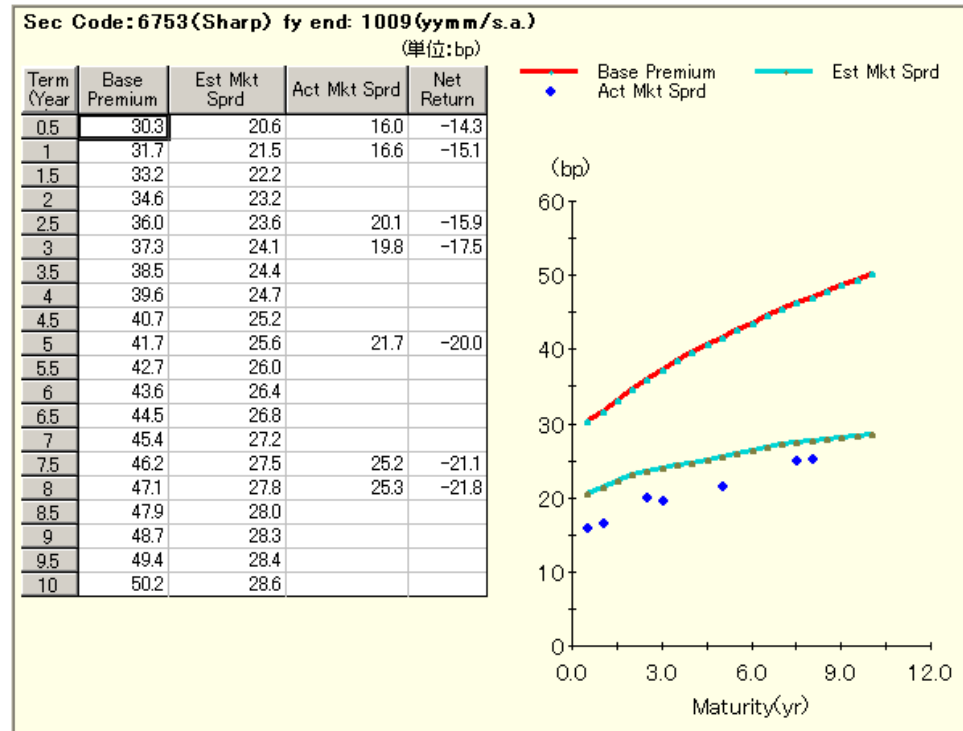
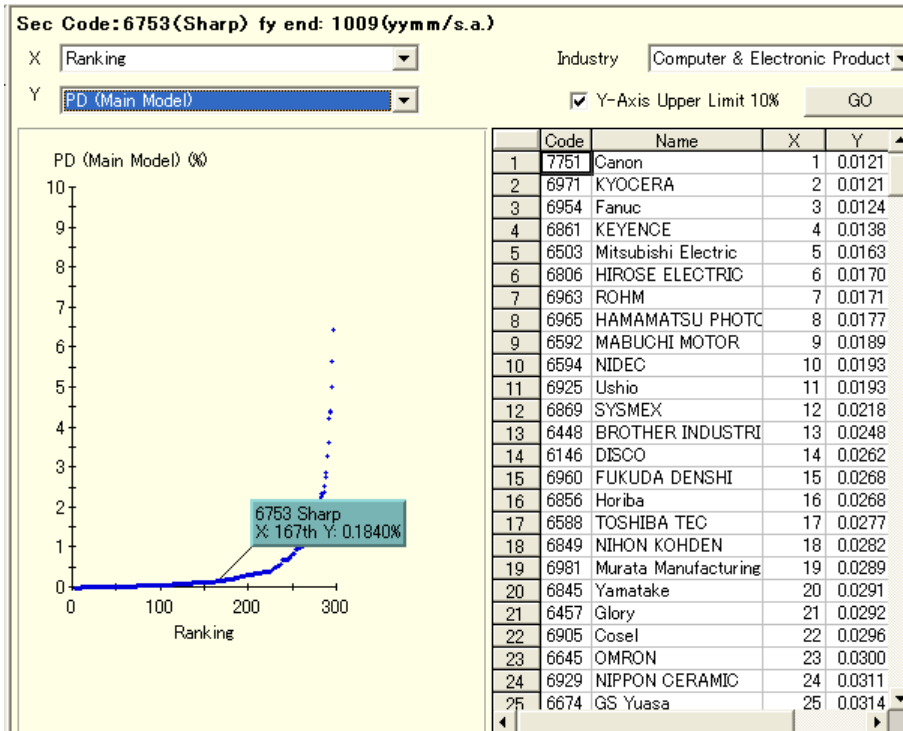
Scenery of "Sharp Corporation"



From CREDITSurfer®

A Facet of CPC (2)

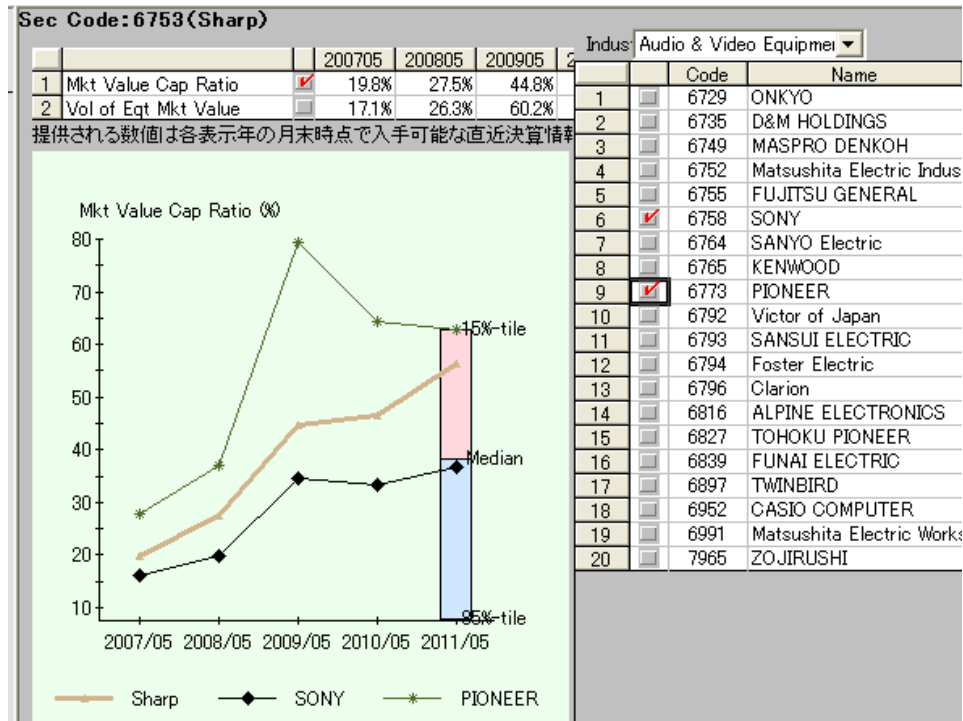
Scenery of "Sharp Corporation"



From CREDITSurfer®

A Facet of CPC (3)

Scenery of "Sharp Corporation"



From CREDITSurfer®

A Facet of CPC (4)

A Bird's-Eye View of Japanese Corporation Credit

Est Mkt Sprd		3.0Yr	Go	Code	average(bp)	inds	all	none											
						rtng	all	none											
		Total	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	
Total		331	19	21	20	20	26	28	30	46	54	75	94	514	834	1103	1197	1977	
Agriculture, Forestry, Fi	+ ✓	166						22	26			52		435	252	235			
Mining	+ ✓	316			18			35		36	36		87			1964			
Food Manufacturing	+ ✓	151			18	20	20	24	25	33	41	49	70	330	551	729			
Textile & Textile Produc	+ ✓	360					20	24	26	36	44	64	81	565	840	1109			
Paper	+ ✓	103						30	25	27	46	77	71		454				
Chemical	+ ✓	182			18	19	20	26	25	39	43	63	68	476	682	1189			
Pharmaceuticals	+ ✓	207	17	17	19	18	19	22	26	35	43	57	52		116	521	928		
Petroleum & Coal Produ	+ ✓	155						24	33	61	36	227	49	486	117				
Resin & Synthetic Rubb	+ ✓	225				18		19	26	34	47		155	417	1163	688	424		
Nonmetallic Mineral Pro	+ ✓	346			19	19	21	30	29	44	47	61	104	741	867	847			
Steel & Steel Product	+ ✓	223				20		24	27	45	48	63	160	422	978	1217			
Nonferrous Metal Produ	+ ✓	329			18	19	26	36	46	62	101	122	422	422	926	1021			
Metal Product	+ ✓	345			18	19	23	27	50	41	75	86	497	856	1107				
Machinery	+ ✓	269			18	18	20	25	30	41	44	68	94	699	759	1253			
Computer & Electronic P	+ ✓	307		18	19	20	21	25	28	42	57	81	110	520	691	706	1045	2181	
Transportation Equipme	+ ✓	143	21	19	20	21	20	21	32	35	46	74	131	649	505	1177	813		
Precision Mchinery	+ ✓	415			18	17		25	29	38	44	64	59	753	1215		1064		
Miscellaneous	+ ✓	373			19	19		23	28	53	50	61	100	510	832	1062			
Construction	+ ✓	365				21	19	25	28	44	55	76	123	713	798	1669	1923		
Wholesale Trade	+ ✓	310				20	21	25	26	42	47	63	82	404	687	987	1776	1675	
Retail Trade	+ ✓	338				19	19	26	29	49	51	74	97	550	909	863	800	1640	
Utilities	+ ✓	42		22	21	20	24	67	34			36		59	253				
Ground Transportation	+ ✓	158		20	20	20	22	24	27	38	45	123	75	438	642				
Water Transportation	+ ✓	292				24				60	47			480	777				
Air Transportation	+ ✓	230								50				410					
Warehousing & Transpor	+ ✓	182				18		24	31	40	44	86	61	434		2259			
Information & Communic	+ ✓	379		18	17	18	20	29	27	56	57	59	63	357	728	1008	932	2036	
Other Finance	+ ✓	820				23	24	74	64	122	220	230	227	494	1407	1642		2507	
Real Estate & Rental &	+ ✓	1141			20		23	35	48	53	79	164	308	1378	1358	2051	2326	2375	
General Services	+ ✓	404			19	18	24	30	27	48	65	66	76	460	734	1051		2069	
Banks	+ ✓	72			22	41	39	40	44	59	130	160							
Securities & Commodity	+ ✓	50					41	53		30	38	124							
Insurance	+ ✓	49			35		40			73									

業種		Real Estate_Rental Leasing	>> Hide
Rtn	a-	Restore	
	Cod	Name	bp
1	✓ 8871	Goldcrest	67
2	✓ 3231	Nomura Real E	56
3	✓ 8815	TOKYU LAND	55
4	✓ 8818	Keihanshin Rea	52
5	✓ 8830	Sumitomo Real	46
6	✓ 8864	AIRPORT FAC	46
7	✓ 8833	TOHO REAL E	40
8	✓ 8821	TACHIHI ENTE	40
9	✓ 8870	Sumitomo Real	34

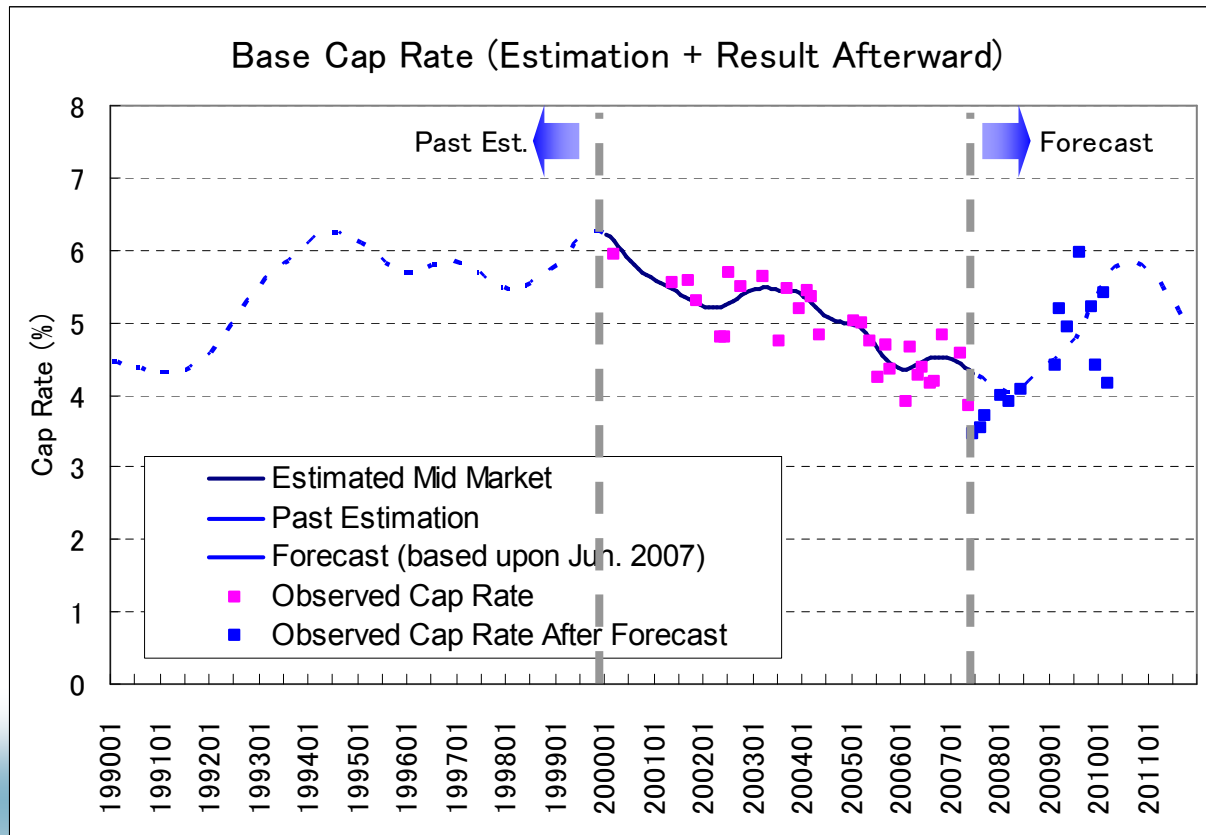
From CREDITSurfer®

A Facet of CPC (5)

CAP Rate Model Equation:

$$(\text{Base Cap Rate})_t = a_t (\text{Tankan lag})_t + b_t (\text{IIP lag})_t + \text{const}_t + \varepsilon_t$$

Tankan: Diffusion Index of Business Conditions for Real Estate sector
 (a short-term economic survey of enterprises released quarterly by Bank of Japan)
 IIP: Indices of Industrial Production



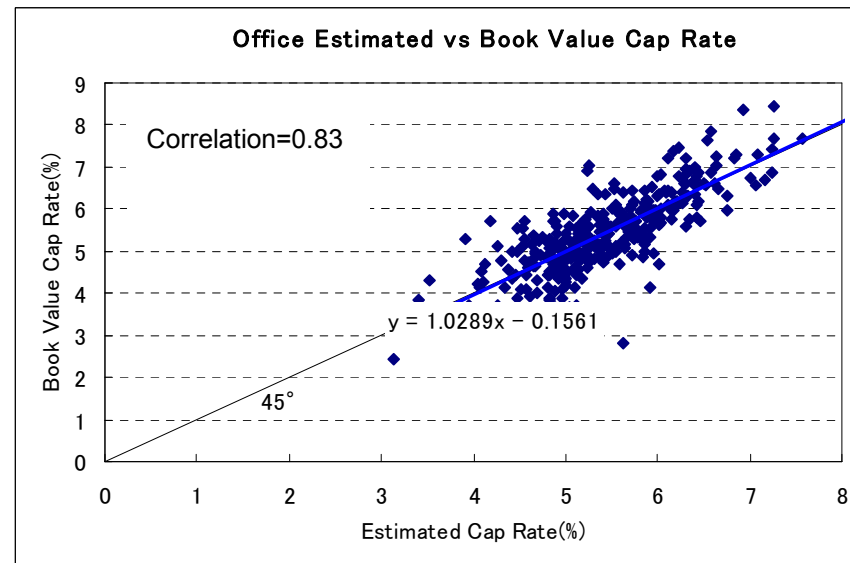
From CREPPS®

A Facet of CPC (6)

Individualization Process:

$$(\text{Subject Property Cap Rate}) = (\text{Cap Rate of Standard Building}) \cdot (1 + \text{Adj Rate}_1) \cdot (1 + \text{Adj Rate}_2) \cdots$$

Attribute	Range	Adj. Rate
Age (Year)	~0.7	-0.7%
	0.7~8.9	+0.0%
	8.9~11.4	+4.5%
	11.4~20	+6.3%
	20~31.7	+9.0%
	31.7~	+13.6%
Floor Area (m ²)	~1,572	+9.9%
	1,572~2,041	+5.7%
	2,041~4,798	+5.1%
	4,798~16,994	+0.0%
	16,994~36,450	-4.8%
Distance from Close Station(m)		
Area Grade		
Building Ownership		
Land Ownership		



From CREPPS®

A Facet of CPC (7)

- Analysis, assumed 8% Coupon of Mezz.

Expected IRR	17.7%
Probability in Area A	3.9%
Probability in Area A & B	22%
Probability of conversion	64%

Area A: Mezzanine is completely 0 value.

Area B: Partly default

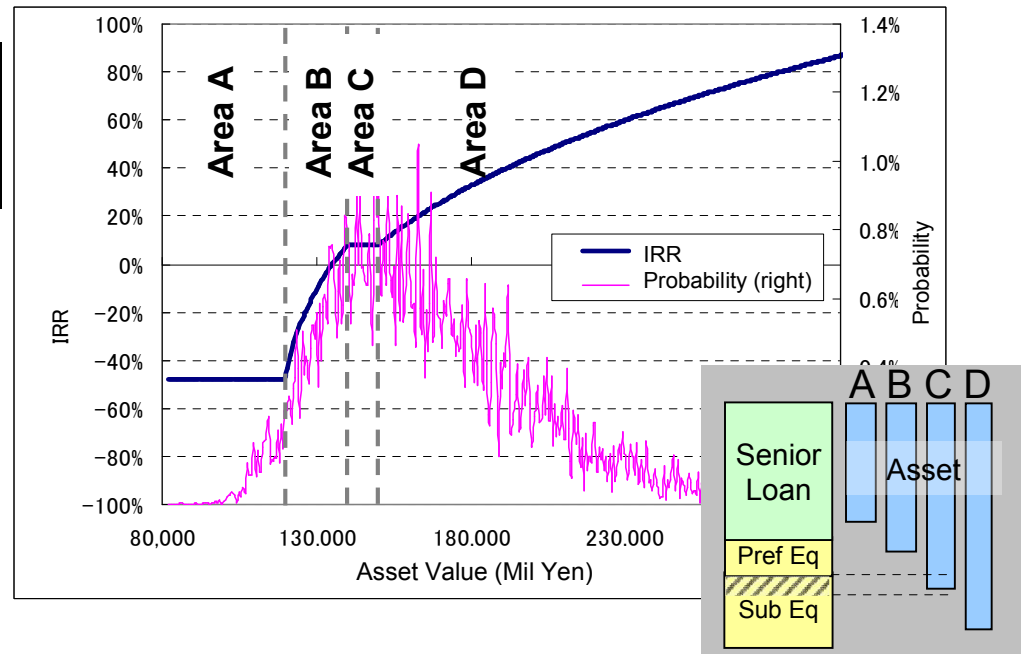
Area C: Over Mezz. & under Kicker

Area D: Mezz. to be converted to Equity

Equity Kicker Assumption:

Equity kicker is set at ¥150B. That means capital gain over ¥150B will be proportionately distributed by the ratio of (Preferred Eq.): (Subordinate Eq.)=2:1.

Various cash flow structure with appropriate terms of conditions could be priced and arranged in this way.



- Senior Loan

- Default risk of the senior loan is much lowered by the mezzanine loan.

	Def Prob	Loss Rate
Loan in case of ¥140B	23.2%	1.9%
Loan in case of ¥120B	4.2%	0.2%

From CREPPS ®

CPC Facts

- ◆ Company Name Credit-Pricing Corporation Ltd.
- ◆ Address Floor 28th, St. Luke Tower, 8-1 Akashi-cho,
Chuo-ku, Tokyo, Japan
- ◆ Foundation October 2001
- ◆ Shareholders Management
- ◆ Representatives Yoichi Suzuki (President),
Hiroshi Norizuki (Deputy President)
- ◆ Advisor Takashi Anzai (Chairman of Seven Bank,
Ex-Executive Director of Bank of Japan)
- ◆ Technical Advisor Masaki Kijima (Prof. Tokyo Metropolitan Univ.),
Hiroshi Tsuda (Prof. Doshisha Univ.)
- ◆ Head Count 14
- ◆ Clients Approximately 150
- ◆ URL <http://www.credit-pricing.com>
- ◆ TEL 03-3524-7220
- ◆ FAX 03-3524-7221



Professionals

- ❑ **YOUICHI SUZUKI** (President, Representative Director) Established CPC. B.A. and Master degree in business from Yokohama National University.
- ❑ **HIROSHI NORIZUKI** (Vice President, Representative Director) Co-founder. B.A. degree in economics from Keio University.
- ❑ **SHINICHI MOTOMIYA** (Director) Co-founder. a B.A. degree from Tokyo Metropolitan University.
- ❑ **HAJIME MATSUURA** (Director) Co-founder. a B.A. degree from Kwansei Gakuin University and a M.B.A. degree from Graduate School of International Corporate Strategy, Hitotsubashi University.
- ❑ **TAKESHI SASAKI** (Director) University of Tokyo and a M.B.A. degree from University of California at Berkeley.
- ❑ **KATSUHIRO KUBO** (Director) a B.A. degree in Engineering from University of Tokyo and a M.B.A. degree from M.I.T.
- ❑ **HIROYUKI MORINAGA** a B.A. degree in Law from Waseda University.
- ❑ **KIYOSHI KANZAKI** a B.A. and a M.A. degree in engineering from University of Tokyo.
- ❑ **YASUHIRO TAMBA** a B.A. degree in science from Tohoku University, a M.A. in economics and social development degree from University of Pittsburgh and a Ph.D. degree from Graduate School of Economics, Osaka University.

Advisors

- ❑ **TAKASHI ANZAI, Chairman and Representative Director of Seven Bank, Ltd.** --- TAKASHI ANZAI, Chairman and Representative Director of Seven Bank, Ltd.— He gives advice to CPC for management and business development. He is the chairman of Seven Bank Ltd., a listed company in Seven & I Holdings, the largest retailer in Japan. He was president of the Long-Term Credit Bank of Japan, Ltd. while it was under government control. His preceding position was an executive director of the Bank of Japan. He began his career as a central banker in 1963. He received a B.A. degree in law from Tohoku University.
- ❑ **MASAAKI KIJIMA, Professor at Tokyo Metropolitan University** --- He is one of the most reputable professors in financial engineering research in Japan. He received a B.A., a M.A. and a Ph.D. degree from Tokyo Institute of Technology. He also holds a Ph.D. degree from University of Rochester. He is a fellow of the Operations Research Society of Japan and belongs to following societies; Institute for Operations Research and the Management Sciences, Institute of Mathematical Statistics and International Association of Financial Engineers.
- ❑ **HIROSHI TSUDA, Professor at Doshisha University** --- He teaches at Statistical Finance Laboratory of Department of Mathematical Sciences in Doshisha university. He also works as a visiting professor at the Institute of Statistical Mathematics where he belongs to Risk Analysis Research Center. Prior to his academic career, he worked for NLI Research Institute as a chief researcher and for Nomura Securities. He received a B.A. degree in engineering from Kyoto University, a M.A. degree from University of Tokyo and a Ph.D. degree from the Graduate University for Advanced Studies.

Notes

Contact to Credit Pricing Corporation:

Hiroshi Norizuki hiroshi_norizuki@credit-pricing.com

Takeshi_Sasaki takeshi_sasaki@credit-pricing.com

TEL: 81-3-3524-7220 FAX: 81-3-3524-7221

HP: <http://www.credit-pricing.com/>