



News Release

April 2, 2012
Capital Eye Ltd.

BEST DEALS OF 2011 Awards Selection:

Nissan's Straight Bond, Taiheiyo Cement's Stock Offer Headline 'Market Revival' Deals

On April 2, Capital Eye Ltd. announced its "Best Deals of 2011" and "Best Issuers of 2011" awards recipients. Winners of fixed income and equities capital markets awards were selected on the basis of survey returns from underwriters, institutional investors, and through evaluation by Capital Eye's panel of editors.

After a fiscal year marred by the aftermath of the March 11, 2011 earthquake that devastated Japan's northeast region, debt issues were at the center of attention, highlighted by a slew of so-called 'market revival' deals. All of the offers were in some way symbolic of the re-booting of a market that had lost its bearings due to quake-induced trauma, from Nissan Motor, Mitsubishi Corp., and Nippon Steel in the straight bond (SB) category, to the Development Bank of Japan (DBJ) in the zaito (agency bond) space, Fukuoka Prefecture's 20-year offer, and Japan Housing Finance Agency in the securitized zone. Japan Bank For International Cooperation's (JBIC) bond also reminded international markets of the vitality of Japanese issuers.

Tohoku Electric Power garnered a special award for its bond, which came to market at a time when such paper from power companies had essentially halted due to the severe nuclear accident at a facility operated by Tokyo Electric Power (Tepco). Indeed, Tohoku Electric was the first power company operating reactors to revisit the debt market. Meanwhile, Taiheiyo Cement's follow-on stock offer, intended to fund post-quake reconstruction, garnered strong interest. KDDI also managed to print a Euro-yen convertible bond—a so-called 'recapitalization' (or 'recap') CB—in order to raise cash to repurchase a trove of shares sold down by Tepco.

Among IPOs, online gaming firm NEXON, along with electronic bookmaker eBOOK Initiative Japan, brought vitality to the new issue market. Tsugami Corporation's follow-on stock offer deal was also welcomed as the firm sought funds to help it enter the rapidly-growing smartphone market.

Japan Housing Finance Agency's monthly repeating deal was the largest such regular bond offer to date, while Takeda Pharmaceutical's straight bond garnered attention as the largest SB of the fiscal year devised for M&A intentions. Tokyo Metropolitan Government won an award for the fifth straight year, while Nissan won for the third year in a row, and Softbank and Industrial & Infrastructure Fund Investment Corp. each won for the second consecutive year, respectively.

STRAIGHT BONDS

Best Deal-Winner

No. 54 Nissan Motor	Apr 22	5-year	Y70 billion
〈SMBC Nikko / Mizuho / Citigroup〉			

Coming just a month-and-a-half after the 2011 earthquake amid elevated credit risk, Nissan's successful bond issue paved the way for further such issuance. The single-A issue was moreover significant as the entire automobile sector was at the time wracked by supply chain worries brought about by the quake's aftermath. Alas, in the end, extensive dialogue with the market enabled Nissan to achieve appropriate pricing level that enabled smooth digestion of Y70 billion in paper.

Best Deal-Runner-up

No. 76 Mitsubishi Corporation	May 17	10-year	Y50 billion
〈Mitsubishi UFJ Morgan Stanley / Mizuho / SMBC Nikko / Daiwa Capital Markets / Nomura〉			

Best Deal-Runner-up

No. 66 Nippon Steel Corporation	May 17	5-year	Y10 billion
〈Daiwa Capital Markets〉			
No. 67 Nippon Steel Corporation	May 17	10-year	Y30 billion
〈Nomura / Goldman Sachs〉			

Mitsubishi Corp. and Nippon Steel were the first double-A issuers to come to market after power company bonds had essentially evaporated, concurrently helping to restore the index. Both issuers appeared with 10-year deals of reasonable size. Mitsubishi's offer, done via five Japanese underwriters, was offered at launch spreads comparable with similar transactions appearing before the quake, helping re-establish secondary pricing marks. Nippon Steel's offer was promptly perceived as a proxy for former ubiquitous power company issues, drawing robust investor demand as the dual-tranche five- and 10-year paper saw wide participation levels.

Best Deal-Runner-up

No. 11 Takeda Pharmaceutical Company	Mar 13	4-year	Y70 billion
No. 12 Takeda Pharmaceutical Company	Mar 13	5-year	Y60 billion
No. 13 Takeda Pharmaceutical Company	Mar 13	6-year	Y60 billion
〈Nomura / SMBC Nikko / Mitsubishi UFJ Morgan Stanley / Daiwa Capital Markets〉			

Designed to facilitate the company's purchase of European drug maker Nycomed, Takeda's three-tranche offer was an indeed a rarity as the first such M&A-motivated debt offer in some 37 years. The firm's double-A plus rating (R&I) certainly helped with sales, but as an industrial company wholesale offer, the Y190 billion deal, offered in medium-year tenors, was by no means a guaranteed success. It nevertheless met with overwhelming demand.

Special Prize

No. 459 Tohoku Electric Power Company 〈Nomura / Daiwa Capital Markets〉	Mar 2	5-year	Y50 billion
No. 460 Tohoku Electric Power Company 〈Mizuho〉	Mar 2	10-year	Y10 billion

Tohoku Electric power's offer was the first such transaction from a nuclear power generator since the 2011 quake. Earmarked to raise funds for reconstruction projects in the prefectures of Niigata and Fukushima following severe July rains, the firm was able to court a discreet investor base that produced Y60 billion worth of demand and laid the foundation for other power companies also considering issuance.

Special Prize

No. 1 Penta-Ocean Construction 〈Mizuho〉	Oct 19	3-year	Y10 billion
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General contractor and triple B-rated Penta-Ocean Construction produced the first paper amid an increasingly opaque market dominated by concerns over European sovereign credit risk. But the company was able to tout its reputation as a top domestic marine constructor entity, completing its transaction with great aplomb. The coupon came in at 1.25%, well under the terms of a loan it secured the prior fiscal year.

Best Issuer of 2011

SOFTBANK

Softbank won the award for Best Issuer for the second consecutive year. In fiscal 2011, the company produced a retail bond and two wholesale bonds which together tallied Y180 billion. In February of that year, the firm's single-A credit was restored, and in the succeeding fiscal year became a foreign-rated investment-class credit. Softbank's paper then became eligible for Bank of Japan corporate bond buying operations. In January 2012, the company came to market pricing two-year paper at L-flat levels, strategically reducing its interest costs. In September, the firm also printed Y200 billion worth of preferred equity securities.

ZAITO (AGENCY) BONDS

Best Deal-Winner

No. 12 Development Bank of Japan	Apr 8	3-year	Y30 billion
No. 13 Development Bank of Japan 〈Mizuho / Mitsubishi UFJ Morgan Stanley / SMBC Nikko〉	Apr 8	5-year	Y30 billion

Best Issuer of 2011

Development Bank of Japan

Development Bank of Japan (DBJ) was the first issuer to return to the zaito (agency bond) space after the quake, properly pricing a Y60 billion deal following very careful and minute preparation that allowed for ready market digestion. DBJ also garnered the Best Issuer award. For its January 2012 offer (Nos. 20 and 21), the bank took the initiative amid worsening conditions, adjusting its spreads and raising the bar for the space with a milestone transaction in a field dominated by a lock-step issuer mentality.

Best Deal-Winner

Fukuoka Prefecture, located in southwestern Japan, produced the first 20-year regional bond since the quake, illustrating its vitality in this market. In order to achieve some balance with paper issued by others before the disaster, the Y20 billion issue was priced wider than comparable March tenors. With demand hitting four times the deal total, Fukuoka effectively became a leading-name indicator for succeeding deals.

Fukushima Prefecture, which endured great damage from the quake, was the first public issuer from disaster-struck areas to come to market, pricing Y10 billion worth of paper at a spread of just 0.5bp above comparable issuers and drawing together widely disparate views on the market. Indeed, this offer had a deep and wide-ranging significance for other would-be issuers that had also suffered disaster damage.

Tokyo Metropolitan Government's offer was the first 30-year paper to come after the quake, the first such offer in a half-year, and followed up by a rare seven-year offer. Five-year spreads subsequently widened in March. A leader in paper amount as well as in paper quality in the regional bond space, the market's deep trust of Tokyo allows its influence to stretch far beyond the regional issuance arena, affecting deals of all tenors. Tokyo later printed a foreign currency- denominated bond, its first in some four years.

Best Deal-Winner

Rabobank, winner of the Best Issuer and Best Deal awards in the Samurai space, came to market on two occasions in this period, raising a total of ¥166.7 billion. The bank's November four-tranche transaction, which came amid great consternation over European sovereign debt woes, still managed to garner nearly ¥90 billion in demand after just over a week of marketing, and was credited as a path breaker. Rabobank, a de facto benchmark-like Samurai issuer, indeed showed that it is the unrivalled top player in the field.

Best Deal-Winner

Appearing just over a month after the 2011 quake, Japan Housing Finance Agency's Y514.3 billion mega-deal was a blockbuster that left an indelible impression on the new issue market. Compared to the prior March, spreads came to 1.0bp tighter both on the JGB spread and the option adjusted spread (OAS), enabling price continuity and inviting broad, overwhelming demand.

Best Deal-Winner

Japan Bank for International Cooperation (JBIC)'s mammoth offer was the first government guaranteed deal to test the waters following the credit event affecting the nation's sovereign rating outlook in the aftermath of the March quake. Despite broad disruptions in Japanese credit spreads, JBIC still managed to find good market digestion of its largest-ever five-year debt, gallantly reviving its proud name.

Tokyo Metropolitan Government's five-year non-government guaranteed dollar-denominated offer was the first from a regional Japanese public institution and the first foreign currency bond from Tokyo in four years. Against the backdrop of a volatile underlying market, the municipality nimbly chose a time of relative calm to bring out its paper, and its next-best-thing-to-government-guaranteed credit was a hit with investors, who posted some \$800 million in demand for the issue.

Among non-government issuers, Sumitomo Mitsui Banking Corporation produced the biggest debt offer of the fiscal year, totaling \$5 billion dollars in three deals, including the bank's first dollar-denominated subordinated bond. The change in tenor and fundraising scheme from prior plans worked to expand the company's investor base. With U.S. and European issuers looking volatile, SMBC's offers were praised for their stability, elevating the issuer's name and presence in the international market.

NEW PUBLIC EQUITY ISSUES/URIDASHI

Best Deal-Winner

NEXON	Dec 14 (Listing date)	Public Issue/Uridashi
		Total shares: 70,100,000
		Total amount: Y 91,130,000,000

〈Global Coordinators : Nomura / Morgan Stanley MUFG / Goldman Sachs〉

〈Lead Managers : Nomura / Morgan Stanley / Goldman Sachs / Barclays〉

The largest initial public stock offer of the fiscal year, NEXON's December IPO found the South Korea-based online game maker garnering a wide investor base for its shares. The success of the transaction was by no means a lock, however, considering the opaque state of the market at the time. But the relatively high barriers to entry in NEXON's space, along with the company's high-profit business model and global expansion plans were lauded by investors, and the offer helped break the market's need to break out of its stagnation.

Best Deal-Runner-up

eBOOK Initiative Japan 〈Daiwa Capital Markets〉	Oct 28 (Listing date)	Public Issue
		Total shares: 200,000
		Total amount: Y 152,000,000

Despite the relatively small size of its IPO deal, eBOOK Initiative Japan, active in the fast-growing and high-profile electronic book-making space, came to market with the smartphone and tablet PC boom, producing a signature initial offer. With good aftermarket performance, the transaction was an investor darling that also served to expand its investor base.

Best Issuer of 2011

No selection

EXISTING PUBLIC EQUITY ISSUES/URIDASHI

Best Deal-Winner

TAIHEIYO CEMENT CORPORATION 〈Mizuho / SMBC Nikko〉	Aug 30	Public Issue
		Total shares: 250,000,000
		Total amount: Y 30,250,000,000

Taiheiyo Cement's follow-on offer came with fortuitous timing, as the firm had posted net losses for the prior two fiscal years and was set to return to profitability thanks to restructuring. The company's story of post-quake reconstruction demand as key to its turnaround struck a chord with investors, who were widely sympathetic to the cause.

Best Deal-Runner-up

TSUGAMI CORPORATION 〈Nomura〉	Jan 16	Public Issue
		Total shares: 6,000,000
		Total amount: Y 3,168,000,000

Tsugami Corporation's follow-on offer was designed to expand its China-based subsidiaries' facilities, and hasten the firm's capabilities in rapidly-expanding smart phone market. Investors had few qualms with the firm's clear explanation of the business-enhancing aim of this stock deal. A solid aftermarket performance also afforded investors the opportunity to turn a timely profit.

Best Issuer of 2011

No selection

REAL ESTATE INVESTMENT TRUSTS

Best Deal-Winner

Industrial & Infrastructure Fund Investment

Feb 15

Public Issue

Total shares: 44,762

Total amount: Y 19,343,226,870

〈Global Coordinators : Nomura / SMBC Nikko / Morgan Stanley MUFG〉

〈Lead Managers : Nomura / SMBC Nikko / Morgan Stanley / Mitsubishi UFJ Morgan Stanley / UBS〉

In the REIT space, Industrial & Infrastructure Fund Investment Corporation large-scale capital raising follow-on offer enabled it to acquire assets with an appraised value of just under Y4.5 billion, boosting its portfolio's profits. Despite the size of the dilution, it nevertheless resulted in increasing the REIT's EPS and net asset value (NAV).

Best Issuer of 2011

No selection

CONVERTIBLE BONDS

Best Deal-Winner

KDDI Euro-yen CB

Nov 28

4-year Y200 billion

〈Daiwa Capital Markets Europe〉

KDDI's Euro-yen convertible bond was borne of the company's motivation to re-purchase a swathe of shares that Tepco decided to sell down in the aftermath of the quake. The international CB market was in anything but ideal condition for such issuance, but the telecommunications provider was nevertheless able to place the Y200 billion issue as investors praised its decision. The large issue was tonic for the market, paving the way for future deals. It was the largest-ever so-called 'recap CB'.

Best Issuer of 2011

No selection

About Capital Eye awards:

Capital Eye's awards recognize the year's best and most reputable capital market transactions. Surveys are distributed to industry players, including underwriters and institutional investors, which assist in identifying worthy issuers and transactions, along with relevant asset classes: straight bonds, zaito (agency) bonds, regional bonds, Samurai bonds, foreign currency bonds (Japanese corporations issuing debt abroad), and securitized offers, as well as new share issues, existing share issues, J-REITs, and convertible bonds, etc. Transactions are also appraised by Capital Eye editors on such aspects as market digestion, significance and

relevance, including towards promoting further activity.

About Capital Eye Limited

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Business: Financial service product provider, specializing in real-time (online) and published capital markets intelligence and analyses (Capital Eye News) geared for industry professionals. Fixed income coverage includes corporate bonds, zaito (agency) bonds, government guaranteed bonds, secondary market activity, as well as credit default swaps and corporate paper. Equities coverage includes corporate issuance, REITs, and convertible bonds, as well as mergers and acquisitions (M&A) and stock lending-related news and analyses.

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