

CREDIT OPINION

17 April 2020

Update

 Rate this Research

RATINGS
Cyrela Commercial Properties S.A.

Domicile	Sao Paulo, Brazil
Long Term Rating	Ba3
Type	LT Corporate Family Ratings - Dom Curr
Outlook	Positive

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Analyst Contacts

Juan Acosta +1.212.553.4849
 AVP-Analyst
 juan.acosta@moodys.com

Philip Kibel +1.212.553.4402
 Associate Managing Director
 philip.kibel@moodys.com

Jamaal Edwards +1.212.553.7123
 Associate Analyst
 jamaal.edwards@moodys.com

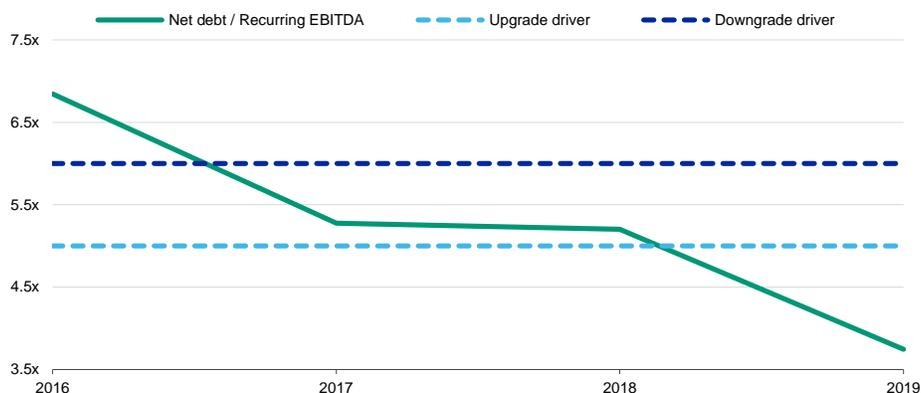
Cyrela Commercial Properties S.A.

Update to credit analysis

Summary

Cyrela Commercial Properties S.A.'s (CCP) Ba3/A1.br corporate family ratings reflect the company's status as one of the leading owners and operators of high-quality corporate office towers and shopping malls in Brazil. The ratings also consider the company's solid balance sheet with reduced leverage metrics and higher cash flows generated from a growing, top-quality portfolio. The company maintains sound financial flexibility, supported by an ample cash balance and a substantial unencumbered asset base, to meet a manageable near-term debt maturity schedule. These positive factors should provide some buffer against the expected temporary shocks from the outbreak of the coronavirus to both the economy and consumer demand in [Brazil \(Ba2 stable\)](#), which will ultimately affect CCP's earnings.

The rapid and widening spread of the coronavirus will impair Brazil's GDP growth, unemployment rate and retail activity. The financial profile of many retailers, and other mall tenants such as restaurants, gyms and movie theaters, will experience negative effects of varied intensity. CCP's management has temporarily closed its shopping malls, consistent with actions taken by other commercial real estate landlords, and as mandated by certain local government authorities, or by its own choice. However, essential businesses such as pharmacies, health-related services and food-related operations in the malls remain open. The performance of the office segment is expected to remain stable, serving as counterweight to the malls.

Exhibit 1
CCP's lower operating leverage will provide cushion against potential earnings erosion resulting from the economic effects of the coronavirus.


Note: Analyst use upgrade and downgrade drivers for guidance; they are not automatic. All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Sources: Company's CVM filings and Moody's Investors Service

Credit strengths

- » One of the largest commercial real estate firms in Brazil
- » Solid balance sheet with improved credit metrics and no exposure to foreign debt
- » Growing, high-quality portfolio of corporate office towers and malls
- » Ample cash position and substantial unencumbered asset base to meet its minimal near-term debt maturities

Credit challenges

- » Retail tenants' credit quality could sharply weaken, such that considerable rent concessions will be required to maintain occupancy levels, but offset by the resiliency of the office properties and the government's stimulus package
- » Although improving, secured debt levels remain elevated
- » Moderate near-term lease maturity risk
- » Geographic concentration in Sao Paulo, but mitigated by the strong regional economy

Rating outlook

The positive rating outlook is based on our expectation that the company will continue to lower its leverage through its liability management plan while improving the portfolio's operational performance and profitability, as the economy continues to expand.

Factors that could lead to an upgrade

Upward rating movement would be predicated upon CCP achieving the following criteria on a sustained basis:

- » Maintenance of a cash balance between BRL 200 and BRL 400 million to meet its debt obligations and short-term liquidity needs
- » Total debt plus preferred stock as a percentage of gross assets below 40%
- » Net debt-to-EBITDA below 5.0x (adjusted for any acquisitions)
- » Secured debt at or below 35% of gross assets
- » Fixed charge cover ratio above 2.0x
- » An increase in CCP's owned share of total portfolio would be credit positive

Factors that could lead to a downgrade

Downward rating movement or a return to a stable outlook would likely result from the following criteria on a sustained basis:

- » A loss of liquidity to cover 24 months of debt obligations
- » Total debt plus preferred stock as a percentage of gross assets approaching 50%
- » Net debt-to-EBITDA above 6.0x
- » Significant decline in the portfolio's occupancy rate or a 10% decline in EBITDA margins
- » Fixed charge coverage ratio approaching 1.2x
- » Downward rating pressure on Brazil's credit profile would also negatively affect the company's ratings and outlook

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Cyrela Commercial Properties S.A.

	2019	2018	2017	2016
Net Debt / Recurring EBITDA	3.7x	5.2x	5.3x	6.8x
Recurring EBITDA / Fixed Charges	2.0x	1.7x	1.0x	1.0x
Gross Assets (US\$ mil)	\$1,384	\$1,010	\$1,181	\$1,555
Secured Debt / Gross Assets	30.6%	39.5%	34.5%	40.2%
Total Debt + Pfd Equity / Gross Assets	36.0%	47.5%	45.3%	50.5%

Note: All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Profile

Based in Sao Paulo, Brazil, Cyrela Commercial Properties S.A. [B3: CCPR3] is in the business of owning, acquiring, developing and managing Class A corporate office towers and shopping centers. As of year-end 2019, CCP owned whole and partial stakes in 16 corporate office towers and seven shopping malls with a total gross leasable area (GLA) of 262,234 square meters (sqm). The company's owned consolidated share of the GLA was approximately 242,000 sqm.

Detailed credit considerations

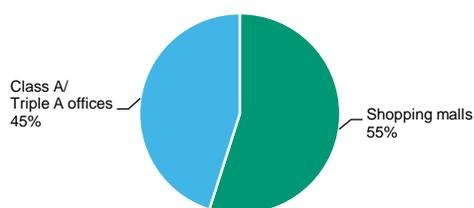
Higher recurring rental revenue and increases in GLA produced strong operating results

For full-year 2019, CCP reported healthy net operating income and adjusted EBITDA growth rates of nearly 7% and 14%, respectively. Physical and financial occupancy rates remained high in the mid-90% range. After the acquisition of ownership stakes in several properties and one property sale during the year, the company's total GLA under management and owned share of GLA grew by almost 3% and 7%, respectively. Adjusted Funds from Operations (FFO) rose over 23% in the same period due to more GLA and higher recurring rental revenues. For 2020-21, CCP has moderate lease expiration risk with approximately 8% and 13% of its total revenue expiring. Considering the current operating environment, we anticipate modest to no increases in spreads for leases renewals or third-year market realignment (68% of revenue) as management will very likely maintain its focus on occupancy levels.

The portfolio remains heavily weighted towards the shopping mall segment (see exhibits 3 and 4). In support of the development and integration of e-commerce and omnichannel retail in Brazil, CCP has a partnership with Delivery Center Holdings to strengthen the malls' on-line platform, "On Stores", allowing the malls to serve as distribution points for stores and food centers. As counterbalance to the malls, the office towers performance is expected to remain stable. Approximately, three quarters of the portfolio's GLA is located in the city of Sao Paulo. A number of the properties are classified as Class A/A+ and with several of them having received Gold or Silver-level LEED certifications. In light of the geographic concentration, the risk is mitigated by the large, vibrant and diversified economy of the state of Sao Paulo, reflecting its role as the country's industrial engine and financial hub.

Exhibit 3

CCP's owned GLA mix [1]

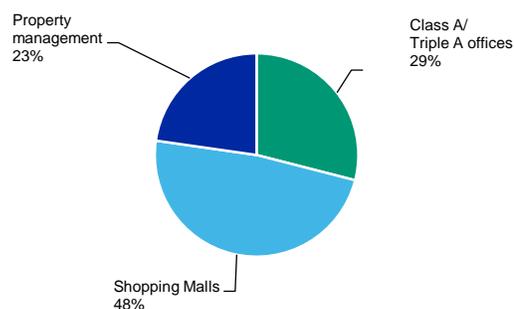


[1] As of year-end 2019

Source: Company's CVM filings

Exhibit 4

Revenue by segment [1]



[1] As of year-end 2019

Source: Company's CVM filings

Brazilian economy is expected to contract in 2020, followed by a recovery in 2021

After growing 1.1% in 2019, the Brazilian economy will contract by 1.6% in 2020 from the negative effects of the coronavirus before recovering by 2.7% in 2021, in our estimates. This contraction is based on a sharp reduction of domestic economic activity and reduced consumption due to quarantine efforts. In mid-March 2020, the Brazilian government approved a BRL 585 billion [stimulus package](#), amounting to approximately 8% of GDP, to combat the effects of the coronavirus by providing liquidity, supporting businesses and protecting low-income households. A "State of Public Calamity" was also declared, allowing the government to deviate from its fiscal targets.

There is new legislation working its way through the Lower House in the Brazilian Congress for additional measures. If approved, a separate "war budget" would be created, allowing the government to allocate more funding to fight the pandemic from regular government operations and expedite emergency spending. In addition to creating a separate budget, the constitutional amendment will allow the central bank to act more proactively, authorizing it to implement quantitative easing measures by buying and selling corporate debt securities.

In response to the local coronavirus outbreak, CCP's management has curtailed the operations of its malls by reducing operating hours, while maintaining essential businesses open, such as supermarkets and drug stores. As management consider some form of supportive measures on a case-by-case basis to its most vulnerable tenants, for now we expect that any interruption in cash flow generation would be temporary and partially offset by a combination of the stimulus package, stable earnings from CCP's corporate office segment and reduced leverage ratios.

However, we will continue to closely monitor the government's response to the pandemic as well as both the business and retail operating environment, especially after first quarter 2020 when the economic effects from the mall closures and restriction in movement will become more visible.

Lower leverage ratios and minimal near-term debt maturities provide cushion against weaker operating performance

Cyrela Commercial's credit metrics have improved since the time our initial rating in early 2017. As of 31 December 2019, CCP's total debt as a percentage of gross assets and net debt-to-EBITDA decreased to 36% and 3.7x, respectively, from approximately 48% and 5.2x in 2018 and 49% and 8.5x at 1Q17. In terms of actual figures, the firm's total indebtedness rose year-over-year (YOY) by almost 8% to BRL 2.0 billion in 2019, while gross assets rose 42% YOY to BRL 5.56 billion as a result of acquisitions.

The increase in total debt is mainly attributed to new secured debt financing, totaling nearly BRL 395 million, related to the acquisition of two trophy assets (JK Towers D and E) for the 70/30 the joint venture split with the Canada Pension Plan Board. However, the debt increase was partially offset by net proceeds from a public follow-on equity offering in December 2019, the early prepayment of several debentures and net proceeds from sale of an asset during the year. The firm began 2020 with an unrestricted cash and cash equivalent balance of approximately BRL 900 million.

Other positive factors include the firm's active liability management to take advantage of the current low inflation/low interest rate environment in Brazil. In 2019, management lowered its weighted average cost of debt by 141 basis points to 7.56% from 8.97% in the prior year, while also increasing firm's weighting of CDI-linked debt instruments to 80% up from 43% in 2018. Also, management was able to extend its weighted average remaining debt duration to beyond five years.

Although still considered to be elevated for its rating category, CCP's secured debt as a percentage of gross assets decreased to 31% at year-end 2019, down from approximately 40% since 2016-18, due to a larger gross asset base. Secured debt remains the most competitively priced form of long-term debt financing in Brazil, and we do not anticipate this changing in the medium term. The firm has no foreign currency debt exposure - a credit positive.

Cyrela Commercial Properties' credit profile and rating outlook, however, could be compromised, if the operating environment were to weaken rapidly or the negative impact from the coronavirus were to become protracted, resulting in a deterioration in the firm's credit profile.

ESG considerations

Moody's regards the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety.

Considering the relatively young age of less than 15 years, Cyrela's Commercial's portfolio has obtained and utilizes the latest technology and highest quality in construction material, design and engineering for its properties. CCP is a founding member of the Green Building Council Brasil (GBC Brasil), an institution that promotes sustainable construction in the country. All projects that CCP manages meet the strict social and environmental responsibility criteria, and several of its owned properties have LEED certification, granted by the U.S. Green Building Council (USGBC). The company is also a member of CBC5 (Brazilian Council of Sustainable Construction), which aims at raising awareness and encouraging the building sector to make use of sustainable practices in order to offer a better quality of life to users, employees, and areas around its buildings. CCP's management has implemented several corporate citizenship, social well-being/ community focus, and sustainability programs.

CCP is a publicly held company with shares listed on the Novo Mercado Special Corporate Governance Segment of B3, level with the highest standards of corporate governance in the Brazilian stock market. The controlling shareholder is the Horn family, holding 36.7% of the total shares. According to its bylaws, the company's board of directors is composed of, at least, five and up to 12 members, for a unified one-year term, and can be reelected at any time. Currently, there are five board members, of which 20% are independent, as defined by B3. The company has internal Audit and Risk oversight committees that meet on a quarterly basis, along with its Boards of the Directors' quarterly meetings. The firm operates with a prudent leverage policy of net debt-to-EBITDA between 4.0x and 5.0x.

Liquidity analysis

Moody's considers Cyrela Commercial Properties' liquidity and funding profile to be moderate, as measured by its near-term sources and uses of funds. CCP closed out 2019 with a reported cash and cash equivalents balance of approximately BRL 900 million. We note that the company completed a public equity follow-on offering in December 2019, resulting in BRL 864 million of fresh capital.

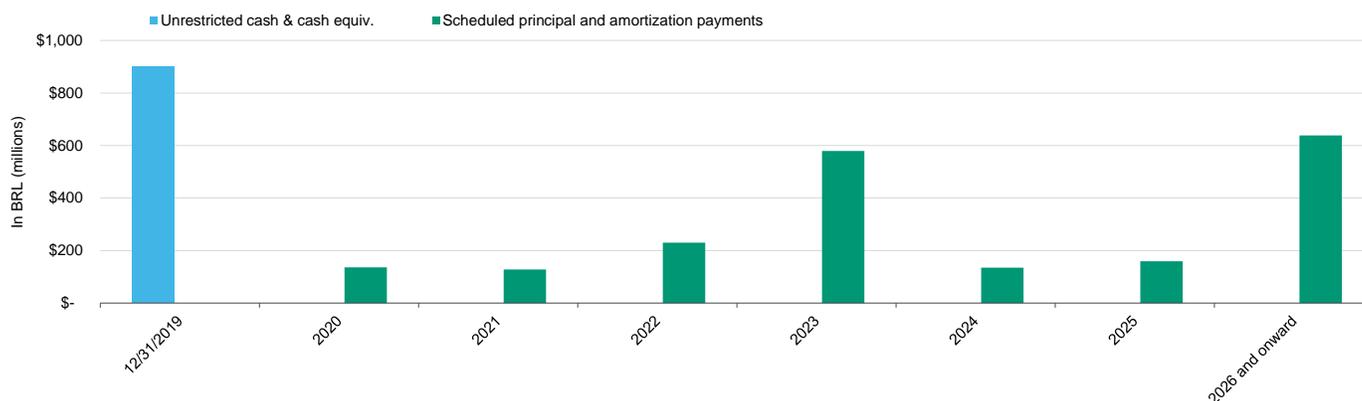
Relative to its liquidity, the firm's near-term debt maturity schedule is very manageable with less than 7% of its total principal and amortization obligations due in 2020-21. The company has a proven record in meeting its debt obligations, evidenced by the repayment/refinancing of approximately BRL 885 million of debt with BRL 1.1 billion of new and cheaper debt in 2019. In terms of cash conservation to support its liquidity, the firm has no active development projects in place and has various levers through which to reduce its variable operating expenses at the corporate and property-level. Subsequent to year-end 2019, in February 2020 CCP entered into contract to increase its stake in the Faria Lima Financial Center for BRL 43 million. We anticipate that management will scale back or delay any new acquisitions in the near future.

Lastly, the company's financial flexibility is supported by an unencumbered asset base of approximately 52% of gross assets and a fixed charge coverage ratio of 2.0x, which rose from 1.7x in the prior year. The coverage should also soften a decline in cash flows.

Exhibit 5

With its cash balance, CCP can cover its debt amortization commitments for the next two years by approximately 3.4 times.

Debt amortization schedule



Sources: CCP's CVM filings and presentations

Rating methodology and scorecard factors

Exhibit 6

Rating Factors

Cyrela Commercial Properties S.A.

REITs and Other Commercial Real Estate Firms		Current LTM 12/31/2019	
Factor 1 : Scale (5%)	Measure	Score	
a) Gross Assets (USD Billion)	\$1.4	Ba	
Factor 2 : Business Profile (25%)	Baa	Baa	
a) Market Positioning and Asset Quality	Ba	Ba	
b) Operating Environment	Ba	Ba	
Factor 3 : Liquidity and Access To Capital (25%)			
a) Liquidity and Access to Capital	Ba	Ba	
b) Unencumbered Assets / Gross Assets	52%	Ba	
Factor 4 : Leverage and Coverage (45%)			
a) Total Debt + Preferred Stock / Gross Assets	36%	Baa	
b) Net Debt / EBITDA	3.7x	A	
c) Secured Debt / Gross Assets	31%	B	
d) Fixed-Charge Coverage	2.0x	Ba	
Rating:			
a) Indicated Outcome from Scorecard		Ba1	
b) Actual Rating Assigned		Ba3	

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Ratings

Exhibit 7

Category	Moody's Rating
CYRELA COMMERCIAL PROPERTIES S.A.	
Outlook	Positive
Corporate Family Rating -Dom Curr	Ba3
Senior Unsecured -Dom Curr	Ba3
NSR Corporate Family Rating	A1.br
NSR Senior Unsecured	A2.br

Source: Moody's Investors Service

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.