

“Downgrade to SELL on earnings cut and lower target PER”

### Share price performance



	1M	3M	12M
Absolute (%)	-4.1	-10.8	40.4
Rel KLCI (%)	-4.4	-9.9	33.3

	BUY	HOLD	SELL
Consensus	1	1	1

Source: Bloomberg

### Stock Data

Sector	Healthcare & Pharmaceuticals
Issued shares (m)	475.2
Mkt cap (RMm)/(US\$m)	1,568.3/388.2
Avg daily vol - 6mth (m)	0.2
52-wk range (RM)	1.77-4.55
Est free float	19.3%
Stock Beta	0.78
Net cash/(debt) (RMm)	145.2
ROE (CY21E)	12.3%
Derivatives	No
Shariah Compliant	Yes

### Key Shareholders

Apex Pharmacy Holding	40.1%
Washington H Soul	29.9%

Source: Affin Hwang, Bloomberg

### Isaac Chow

T (603) 2146 7536

E Isaac.chow@affinhwang.com

## Apex Healthcare (APEX MK)

**SELL (downgrade)**

Up/Downside: -15.2%

**Price Target: RM2.80**

Previous Target (Rating): RM3.80 (HOLD)

### Downgrading: slower-than-expected revenue recovery

- Notwithstanding a weaker 4Q20 revenue of RM162m (lowest since 1Q17), Apex's 4Q20 core net profit grew by 3% yoy (+1% qoq) on lower operating costs and higher associate earnings
- 2020 core net profit of RM55m (+5.7% yoy) was within our expectation
- We cut our 2021-22E earnings forecasts by 3-14% after incorporating a less bullish revenue growth trajectory. Separately, we lowered our target PER to 22x (from 29x) in anticipation of a gradual shift in investor focus to recovery plays / undervalued companies. Downgrade Apex to SELL.

### Earnings were in line – lower operating costs and higher associate earnings cushioned revenue disappointment

Notwithstanding a weaker 4Q20 revenue of RM161.6m (-5.3% yoy / -4.5% qoq), Apex's 4Q20 core net profit grew by 3% yoy / 1.4% qoq to RM14.3m on lower operating costs and higher associate earnings. Apex's 2020 core net profit of RM55.3m (+5.7% yoy) was within market and our expectations. The group declared a higher final dividend of 2.8 sen per share (vs 2.0 sen in 2019), translating to full-year dividend of 4.5 sen per share (2019: 3.7 sen).

### 4Q20 manufacturing revenue of RM30.8m was lowest since 1Q17

The recovery in Apex's Malaysia businesses continued to be slow due to subdued demand from the private, government and export sectors. Notably, the group's 4Q20 manufacturing & marketing revenue of RM30.8m (-7.8% qoq / -31.6% yoy) was its lowest since 1Q17. Looking ahead, we expect the launch of new generic pharmaceutical products and higher contract manufacturing activities to drive a recovery in manufacturing revenue, but likely to fall short of our prior expectations.

### Cutting 2021-22E earnings forecasts by 3-14%, downgrade to SELL

We cut our 2021E and 2022E earnings forecasts by 3% and 14% respectively after incorporating a weaker revenue growth trajectory. While we expect Apex to generate additional revenue from the distribution of the Covid-19 vaccine, the contribution may be minor at 2-4% of Apex's revenue. Separately, we have lowered our valuation multiple to 22x 2021E PER based on 1 standard deviation above its 6-year average PER of 15x (from 29x) as we expect investors to shift their focus to economic recovery plays and undervalued companies. All in all, we downgrade APEX to SELL with a lower price target of RM2.80 (from RM3.80). Key risks to our call are: (i) higher-than-expected earnings; and (ii) the securing of major new contract manufacturing jobs.

### Earnings & Valuation Summary

FYE 31 Dec	2019	2020	2021E	2022E	2023E
Revenue (RMm)	688.8	698.7	772.3	829.2	867.9
EBITDA (RMm)	74.1	76.6	82.9	90.0	95.5
Pretax profit (RMm)	66.3	70.2	79.0	86.2	92.4
Net profit (RMm)	52.8	56.0	60.1	65.5	70.2
EPS (sen)	11.2	11.8	12.7	13.8	14.8
PER (x)	29.5	27.9	26.0	23.8	22.2
Core net profit (RMm)	52.3	55.3	60.1	65.5	70.2
Core EPS (sen)	11.1	11.7	12.7	13.8	14.8
Core EPS growth (%)	-13.1	5.7	8.6	9.1	7.2
Core PER (x)	29.7	28.2	26.0	23.8	22.2
Net DPS (sen)	3.7	4.5	4.2	4.6	4.9
Dividend Yield (%)	1.1	1.4	1.3	1.4	1.5
EV/EBITDA	19.7	18.4	17.1	15.5	14.3

Chg in EPS (%)		-3.1	-14.4	new
Affin/Consensus (x)		1.0	0.9	-

Source: Company, Affin Hwang estimates



Fig 1: Results Comparison

FYE Dec (RMm)	4Q19	3Q20	4Q20	QoQ % chg	YoY % chg	2019	2020	YoY % chg	Comments
<b>Revenue</b>	170.6	169.1	161.6	-4.5	-5.3	688.8	698.7	1.4	Lower 4Q20 revenue due to subdued demand from the private, government and export sectors. Notably, 4Q20 manufacturing revenue of RM30.8m was the weakest since 1Q17
Op costs	-148.9	-149.9	-143.3	-4.4	-3.8	-614.7	-622.1	1.2	
EBITDA	21.7	19.2	18.3	-4.6	-15.7	74.1	76.6	3.4	2020 EBITDA margin improved by 0.2 ppt due to stringent cost control
<i>EBITDA margin (%)</i>	12.7	11.3	11.3	0 ppt	-1.4 ppt	10.8	11.0	+0.2 ppt	
Deprn and amort	-4.6	-4.0	-4.0	-1.2	-13.9	-16.0	-16.5	2.7	Strong 4Q20 contribution from Straits Apex as customers' orders improved significantly after the weak demand seen in the first nine months of 2020
EBIT	17.1	15.2	14.3	-5.5	-16.3	58.0	60.1	3.6	
Int expense	-0.6	-0.3	-0.3	17.0	-46.2	-1.6	-1.1	-27.8	
Int and other inc	0.5	0.5	0.4	-13.7	-26.3	2.1	1.8	-16.8	
Associates	1.3	2.0	3.9	94.1	204.9	7.3	8.7	18.6	
Exceptional items	0.1	0.1	0.1	-26.9	-28.3	0.4	0.7	68.6	
<b>Pretax Profit</b>	<b>18.5</b>	<b>17.5</b>	<b>18.4</b>	5.2	-0.4	<b>66.3</b>	<b>70.2</b>	5.8	
Tax	-4.5	-3.1	-4.0	28.2	-10.0	-13.6	-14.2	4.4	
<i>Tax rate (%)</i>	24.2	18.0	21.9	3.9 ppt	-2.3 ppt	20.4	20.2	-0.3 ppt	
MI	0.0	-0.1	0.0	nm	nm	0.0	0.0	nm	
<b>Net profit</b>	<b>14.0</b>	<b>14.2</b>	<b>14.4</b>	1.2	2.8	<b>52.8</b>	<b>56.0</b>	6.2	
EPS (sen)	3.0	3.0	3.0	1.2	2.4	11.2	11.8	5.8	
<b>Core net profit</b>	<b>13.9</b>	<b>14.1</b>	<b>14.3</b>	<b>1.4</b>	<b>3.0</b>	<b>52.3</b>	<b>55.3</b>	5.7	Within market and our expectations.

Source: Affin Hwang, Company



## Important Disclosures and Disclaimer

This publication is prepared by Affin Hwang Investment Bank Berhad ("Affin Hwang") and reviewed by Daiwa Securities Group Inc. and/or its non-U.S. affiliates (collectively, "Daiwa"), and is distributed and/or originated from outside Malaysia by Daiwa Securities Group Inc. and/or its non-U.S. affiliates, except to the extent expressly provided herein. The role of Daiwa Securities Group Inc. and/or its non-U.S. affiliates in connection with this publication is solely limited to the review and distribution of this publication; and Daiwa Securities Group Inc. and/or its non-U.S. affiliates are not involved in the preparation of this publication in any other way. This research is for Daiwa clients only and the publication and the contents hereof are intended for information purposes only, and may be subject to change without further notice. Other than disclosures relating to Daiwa, this research is based on current public information that Affin Hwang and Daiwa consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such.

The analysts named in this report may have from time to time discussed with clients, including Daiwa's salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

Any use, disclosure, distribution, dissemination, copying, printing or reliance on this publication for any other purpose without our prior consent or approval is strictly prohibited. Neither Affin Hwang, Daiwa Securities Group Inc. nor any of its or their respective parent, holding, subsidiaries or affiliates, nor any of its or their respective directors, officers, servants and employees, represent nor warrant the accuracy or completeness of the information contained herein or as to the existence of other facts which might be significant, and will not accept any responsibility or liability whatsoever for any use of or reliance upon this publication or any of the contents hereof. Neither this publication, nor any content hereof, constitute, or are to be construed as, an offer or solicitation of an offer to buy or sell any of the securities or investments mentioned herein in any country or jurisdiction where such an offer or solicitation would be illegal nor, unless expressly provided, any recommendation or investment opinion or advice. Any view, recommendation, opinion or advice expressed in this publication constitutes the views of the analyst(s) named herein and does not necessarily reflect those of Affin Hwang, Daiwa Securities Group Inc. and/or its affiliates nor any of its respective directors, officers, servants and employees except where the publication states otherwise. This research report is not to be relied upon by any person in making any investment decision or otherwise advising with respect to, or dealing in, the securities mentioned, as it does not take into account the specific investment objectives, financial situation and particular needs of any person. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents in relation to such investments.

All research reports are disseminated and available to our clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Daiwa and Affin Hwang responsible for the redistribution of our research by third party aggregators.

Affin Hwang, Daiwa Securities Group Inc., their subsidiaries and affiliates, or their respective directors, officers and employees, from time to time may have trades as principals, or may have positions in, or have other interests in the securities of the company under research including market making activities, derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. Affin Hwang, Daiwa Securities Group Inc., their respective subsidiaries or affiliates may do and may seek to do business with the company(s) covered in this research report. Therefore, investors should be aware that a conflict of interest may exist. The following are additional disclosures.

### Ownership of Securities of Daiwa Securities Group Inc., its subsidiaries and affiliates

For "Ownership of Securities" information, please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

### Investment Banking Relationship of Daiwa Securities Group Inc., its subsidiaries and affiliates

For "Investment Banking Relationship", please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

## Japan

### Disclosure of Interest of Daiwa Securities Group Inc.

#### Investment Banking Relationship

Within the preceding 12 months, the subsidiaries and/or affiliates of Daiwa Securities Group Inc. \* has lead-managed public offerings and/or secondary offerings of the equities or relevant securities of the following companies: Smoore International Holdings Limited (6969 HK).

\*Subsidiaries of Daiwa Securities Group Inc. for the purposes of this section shall mean any one or more of: Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司), Daiwa Capital Markets Singapore Limited, Daiwa Capital Markets Australia Limited, Daiwa Capital Markets India Private Limited, Daiwa-Cathay Capital Markets Co., Ltd., Daiwa Securities Capital Markets Korea Co., Ltd.

Within the last 12 months, the subsidiaries and/or affiliates of Daiwa Securities Group Inc. \*has received compensation for investment banking services from Henderson Land Development Company Limited (12 HK), Keppel Corporation Limited (KEP SP) and KT Corporation (030200 KS).

This research may only be distributed in Japan to "qualified institutional investors", as defined in the Financial Instruments and Exchange Act (Article 2 (3) (i)), as amended from time to time.

### Disclosure of Interest of Affin Hwang Investment Bank

#### Investment Banking Relationship

Within the preceding 12 months, Affin Hwang Investment Bank has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SERBA DINAMIK HOLDINGS BERHAD (SDH MK), QL RESOURCES BERHAD (QLG MK), KOSSAN RUBBER INDUSTRIES (KRI MK), VELESTO ENERGY BERHAD (VEB MK).

## Hong Kong

For "Investment Banking Relationship", if any, please refer to the Japan paragraph as above.

This research is distributed in Hong Kong by Daiwa Capital Markets Hong Kong Limited (大和資本市場香港有限公司) ("DHK") which is regulated by the Hong Kong Securities and Futures Commission. Recipients of this research in Hong Kong may contact DHK in respect of any matter arising from or in connection with this research.

### Relevant Relationship (DHK)

DHK may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.

## Singapore

This research is distributed in Singapore by Daiwa Capital Markets Singapore Limited and it may only be distributed in Singapore to accredited investors, expert investors and institutional investors as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. By virtue of distribution to these category of investors, Daiwa Capital Markets Singapore Limited and its representatives are not required to comply with Section 36 of the Financial Advisers Act (Chapter 110) (Section 36 relates to disclosure of Daiwa Capital Markets Singapore Limited's interest and/or its representative's interest in securities). Recipients of this research in Singapore may contact Daiwa Capital Markets Singapore Limited in respect of any matter arising from or in connection with the research.

## Australia

This research is distributed in Australia by Daiwa Capital Markets Stockbroking Limited and it may only be distributed in Australia to wholesale investors within the meaning of the Corporations Act. Recipients of this research in Australia may contact Daiwa Capital Markets Stockbroking Limited in respect of any matter arising from or in connection with the research.

## India

This research is distributed in India to Institutional Clients only by Daiwa Capital Markets India Private Limited (Daiwa India) which is an intermediary registered with Securities & Exchange Board of India as a Stock Broker, Merchant Bank and Research Analyst. Daiwa India, its Research Analyst and their family members and its associates do not have any financial interest save as disclosed or other undisclosed material conflict of interest in the securities or derivatives of any companies under coverage. Daiwa India and its associates, may have received compensation for any products other than Investment Banking (as disclosed) or brokerage services from the subject company in this report or from any third party during the past 12 months. Daiwa India and its associates may have debt holdings in the subject company. For information on ownership of equity, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

There is no material disciplinary action against Daiwa India by any regulatory authority impacting equity research analysis activities as of the date of this report.

Associates of Daiwa India, registered with Indian regulators, include Daiwa Capital Markets Singapore Limited and Daiwa Portfolio Advisory (India) Private Limited and Associates of Daiwa India having office in India but not registered with any Indian regulators include Daiwa Corporate Advisory India Private Limited.

## Taiwan

This research is solely for reference and not intended to provide tailored investment recommendations. This research is distributed in Taiwan by Daiwa-Cathay Capital Markets Co., Ltd. and it may only be distributed in Taiwan to specific customers who have signed recommendation contracts with Daiwa-Cathay Capital Markets Co., Ltd. and non-customers including (i) professional institutional investors, (ii) TWSE or TPEX listed companies, upstream and downstream vendors, and specialists that offer or seek advice, and (iii) potential customers with an



actual need for business development in accordance with the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers. Recipients of this research including non-customer recipients of this research shall not provide it to others or engage in any activities in connection with this research which may involve conflicts of interests. Neither Daiwa-Cathay Capital Markets Co., Ltd. nor its personnel who writes or reviews the research report has any conflict of interest in this research. Since Daiwa-Cathay Capital Markets Co., Ltd. does not operate brokerage trading business in foreign markets, this research is prepared on a "without recommendation" to any foreign securities basis and Daiwa-Cathay Capital Markets Co., Ltd. does not accept orders from customers to trade in such foreign securities. Recipients of this research shall carefully judge their own investment risk and take full responsibility for the results of any resulting investments in the companies and/or sectors featured in this research. Without the prior written permission of Daiwa-Cathay Capital Markets Co., Ltd., recipients of this research are prohibited from disclosing the research to the media, reprinting the research, or quoting from the research to other parties. Recipients of this research in Taiwan may contact Daiwa-Cathay Capital Markets Co., Ltd. in respect of any matter arising from or in connection with the research.

#### Philippines

This research is distributed in the Philippines by DBP-Daiwa Capital Markets Philippines, Inc. which is regulated by the Philippines Securities and Exchange Commission and the Philippines Stock Exchange, Inc. Recipients of this research in the Philippines may contact DBP-Daiwa Capital Markets Philippines, Inc. in respect of any matter arising from or in connection with the research. DBP-Daiwa Capital Markets Philippines, Inc. recommends that investors independently assess, with a professional advisor, the specific financial risks as well as the legal, regulatory, tax, accounting, and other consequences of a proposed transaction. DBP-Daiwa Capital Markets Philippines, Inc. may have positions or may be materially interested in the securities in any of the markets mentioned in the publication or may have performed other services for the issuers of such securities.

For relevant securities and trading rules please visit SEC and PSE link at <http://www.sec.gov.ph> and <http://www.pse.com.ph/> respectively.

#### United Kingdom

This research report is produced by Daiwa Securities Co. Ltd. and/or its affiliates and is distributed in the European Union, Iceland, Liechtenstein, Norway and Switzerland. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Conduct Authority ("FCA") and is a member of the London Stock Exchange and Euronext. This publication is intended for investors who are not Retail Clients in the United Kingdom within the meaning of the Rules of the FCA and should not therefore be distributed to such Retail Clients in the United Kingdom. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at <http://www.uk.daiwacm.com/about-us/corporate-governance-regulatory>.

#### Germany

This document has been approved by Daiwa Capital Markets Europe Limited and is distributed in Germany by Daiwa Capital Markets Deutschland GmbH which is regulated by BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht) for the conduct of business in Germany.

#### Bahrain

This research material is distributed in Bahrain by Daiwa Capital Markets Europe Limited, Bahrain Branch, regulated by The Central Bank of Bahrain and holds Investment Business Firm – Category 2 license and having its official place of business at the Bahrain World Trade Centre, South Tower, 7th floor, P.O. Box 30069, Manama, Kingdom of Bahrain. Tel No. +973 17534452 Fax No. +973 535113

#### United States

This research is distributed into the United States directly by Daiwa Capital Markets Hong Kong Limited and indirectly by Daiwa Capital Markets America Inc. (DCMA), a U.S. Securities and Exchange Commission registered broker-dealer and FINRA member firm, exclusively to "major U.S. institutional investors", as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission (SEC). This report is not an offer to sell or the solicitation of any offer to buy securities. U.S. customers wishing to effect transactions in any designated investment discussed in this report should do so through a qualified salesperson of DCMA. Non-U.S. customers wishing to effect transactions in any designated investment discussed in this report should contact a Daiwa entity in their local jurisdiction. The securities or other investment products discussed in this report may not be eligible for sale in some jurisdictions.

Analysts employed outside the U.S., as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of DCMA, and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

ADDITIONAL IMPORTANT DISCLOSURES CAN BE FOUND AT:

<https://daiwa3.bluematrix.com/sellside/Disclosures.action>

#### Ownership of Securities

For "Ownership of Securities" information please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

#### Investment Banking Relationships

For "Investment Banking Relationships" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

#### DCMA Market Making

For "DCMA Market Making" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

#### Research Analyst Conflicts

For updates on "Research Analyst Conflicts" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The principal research analysts who prepared this report have no financial interest in securities of the issuers covered in the report, are not (nor are any members of their household) an officer, director or advisory board member of the issuer(s) covered in the report, and are not aware of any material relevant conflict of interest involving the analyst or DCMA, and did not receive any compensation from the issuer during the past 12 months except as noted: no exceptions.

#### Research Analyst Certification

For updates on "Research Analyst Certification" and "Rating System" please visit BlueMatrix disclosure link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>. The views about any and all of the subject securities and issuers expressed in this Research Report accurately reflect the personal views of the research analyst(s) primarily responsible for this report (or the views of the firm producing the report if no individual analyst is named on the report); and no part of the compensation of such analyst (or no part of the compensation of the firm if no individual analyst is named on the report) was, is, or will be directly or indirectly related to the specific recommendations or views contained in this Research Report.

**For stocks and sectors in Malaysia covered by Affin Hwang, the following rating system is in effect:**

#### Stocks:

BUY: Total return is expected to exceed +10% over a 12-month period

HOLD: Total return is expected to be between -5% and +10% over a 12-month period

SELL: Total return is expected to be below -5% over a 12-month period

NOT RATED: Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

#### Sectors:

OVERWEIGHT: Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months

NEUTRAL: Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months

UNDERWEIGHT: Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

#### Conflict of Interest Disclosure

##### Ownership of Securities

For "Ownership of Securities" information, please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

##### Investment Banking Relationships

For "Investment Banking Relationship", please visit BlueMatrix disclosure Link at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

##### Relevant Relationships

Affin Hwang may from time to time have an individual employed by or associated with it serves as an officer of any of the companies under its research coverage.



Affin Hwang market making

Affin Hwang may from time to time make a market in securities covered by this research.

**Additional information may be available upon request.**

**Japan - additional notification items pursuant to Article 37 of the Financial Instruments and Exchange Law**

(This Notification is only applicable where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with us based on the information described in materials presented along with this document, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, we will collect a trading commission\* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
- In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants. \*The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.  
Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108  
Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan  
Japan Investment Advisers Association  
Type II Financial Instruments Firms Association