

JCR modifies Types of Credit Ratings and Definitions of Rating Symbols

Japan Credit Rating Agency, Ltd. (JCR) modifies its descriptions of Types of Credit Ratings and Definitions of Rating Symbols as described below.

JCR published the press release, titled “JCR considers modifying Types of Credit Ratings and Definitions of Rating Symbols” on July 5, 2012. After due consideration, JCR concluded to modify its descriptions of Types of Credit Ratings and Definitions of Rating Symbols as was publicized. Regarding the modified version, please refer to the annex.

The modified Types of Credit Ratings and Definitions of Rating Symbols will be effective from August 28, 2012.

These modifications have no direct impact on individual credit ratings.

While JCR renames Long-term Senior Debts Rating and Short-term Senior Debts Rating to Long-term Issuer Rating and Short-term Issuer Rating, respectively, the meanings of these two types of ratings will not change. JCR will not change the name of ratings that have already been publicized but will apply renewed names to ratings that will be assigned after the renaming becomes effective.

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Types of Credit Ratings and Definitions of Rating Symbols (to be effective from August 28, 2012)

1. Credit Rating Categories and Details

Credit Rating Categories	
Corporations, etc.	<p>Creditworthiness of corporations or similar entities as given below, and creditworthiness of financial instruments such as securities (excluding asset securitization products and other structured financial instruments) that are issued by the relevant corporations or similar entities:</p> <p>(i) (Industrial) Corporations, etc. (ii) Financial Institutions, etc. (including insurance companies) (iii) Public Sector Entities (iv) Medical Institutions, Educational Institutions, etc. (v) Sovereign and Overseas Public Sector Entities, etc.</p>
Structured Finance Products, etc.	<p>Creditworthiness of those as given below:</p> <p>(i) Asset Securitization Products (ii) Other Structured Finance Products as given below:</p> <ul style="list-style-type: none"> • Securities issued by investment companies or the relevant companies, or loans to the relevant companies • ABCP program (limited to types with the bank's full support) • Repackaged products (limited to single-credit financial products with the credit situation of their underlying assets being deemed effectively the same as the credit situation of the relevant financial products) • Securities issued by companies associated with project finance or the relevant companies, or loans to the relevant companies • Securities issued by companies associated with shipping finance or the relevant companies, or loans to the relevant companies • Other products similar to the above

2. Types of Credit Ratings and Definitions of Rating Symbols for Corporations, etc.

(1) Definition of Default

“Default” means a state in which principal and/or interest payments of financial obligations cannot be made as initially agreed. This includes the state where JCR judges it is impossible that principal and interest payments of the financial obligations can be made as agreed due to filing of a petition for legal proceedings such as Bankruptcy, Corporate Reorganization, Civil Rehabilitation, or Special Liquidation proceedings.

(2) Long-term Issuer Rating Scale

AAA	The highest level of certainty of an obligor to honor its financial obligations
AA	A very high level of certainty to honor the financial obligations
A	A high level of certainty to honor the financial obligations
BBB	An adequate level of certainty to honor the financial obligations. However, this certainty is more likely to diminish in the future than with the higher rating categories.
BB	Although the level of certainty to honor the financial obligations is not currently considered problematic, this certainty may not persist in the future.
B	A low level of certainty to honor the financial obligations, giving cause for concern
CCC	There are factors of uncertainty that the financial obligations will be honored, and there is a possibility of default.
CC	A high default risk
C	A very high default risk
LD	JCR judges that while an obligor does not honor part of the agreed to financial obligations, but it honors all its other agreed to financial obligations.
D	JCR judges that all the financial obligations are, in effect, in default.

A plus (+) or minus (-) sign may be affixed to the rating symbols from AA to B to indicate relative standing within each of those rating scales.

- (a) A Long-term Issuer Rating Scale enables comparison of the overall capacity of an obligor (issuer) to honor its entire financial obligations with such overall capacity of others.
- (b) The same Definitions of Rating Symbols and Scales shall be applied to the Ability to Pay Insurance Claims Rating.

(3) Long-term Issue Rating Scale

AAA	The highest level of certainty of an obligor to honor its financial obligations
AA	A very high level of certainty to honor the financial obligations
A	A high level of certainty to honor the financial obligations
BBB	An adequate level of certainty to honor the financial obligations. However, this certainty is more likely to diminish in the future than with the higher rating categories.
BB	Although the level of certainty to honor the financial obligations is not currently considered problematic, this certainty may not persist in the future.
B	A low level of certainty to honor the financial obligations, giving cause for concern
CCC	There are factors of uncertainty that the financial obligations will be honored, and there is a possibility of default.
CC	A high default risk
C	A very high default risk
D	JCR judges that the obligation is in default.

A plus (+) or minus (-) sign may be affixed to the rating symbols from AA to B to indicate relative standing within each of those rating scales.

- (a) A Long-term Issue Rating Scale enables comparison of certainty that the obligations of more than a year will be honored.
- (b) In light of attempting to call investors' attention to this matter, JCR may make notch differences between a Long-term Issue Rating and Long-term Issuer Rating when it considers there is a difference in terms of probability of recovery between the two as a result of assessing the degree of certainty that the obligation will be honored as agreed.
- (c) A Long-term Issue Rating includes an issuer's specific obligations it owes such as bonds and issue programs (e.g., medium-term note program).
- (d) The same Definitions of Rating Symbols and Scales shall be applied to ratings for hybrid securities such as preferred stock.

(4) Short-term Issuer Rating Scale

J-1	The highest level of certainty of an obligor to honor its short-term financial obligations. Within this rating category, obligations for which the certainty is particularly high are indicated by the symbol J-1+.
J-2	A high level of certainty to honor the short-term financial obligations, but slightly less than J-1
J-3	An adequate level of certainty of an obligor to honor its short-term financial obligations, but susceptible to adverse changes in circumstances
NJ	The certainty of an obligor to honor its short-term financial obligations is less than in the upper-ranking categories.
LD	JCR judges that while an obligor does not honor part of the agreed to financial obligations, but it honors all its other agreed to financial obligations.
D	JCR judges that all the financial obligations are, in effect, in default.

- (a) An Issuer Rating Scale enables comparison of the overall capacity of an obligor (issuer) to honor its entire financial obligations with such overall capacity of others. A Short-term Issuer Rating reflects an issuer's overall capacity to honor its entire financial obligations within a year.

(5) Short-term Issue Rating Scale

J-1	The highest level of certainty of an obligor to honor its short-term financial obligations. Within this rating category, obligations for which the certainty is particularly high are indicated by the symbol J-1+.
J-2	A high level of certainty to honor the short-term financial obligations, but slightly less than J-1
J-3	An adequate level of certainty of an obligor to honor its short-term financial obligations, but susceptible to adverse changes in circumstances
NJ	The certainty of an obligor to honor its short-term financial obligations is less than in the upper-ranking categories.
D	JCR judges that the obligation is in default.

(a) A Short-term Issue Rating Scale enables comparison of degrees of certainty that the obligations of within a year will be honored.

(b) A Short-term Issue Rating includes an issuer's specific obligations it owes such as commercial paper programs (including electronic commercial paper).

3. Types of Credit Ratings and Definitions of Rating Symbols for Structured Finance Products, etc.

All the aforementioned Types of Credit Ratings and Definitions of Rating Symbols shall be applied to ratings for Structured Finance Products, etc. For ratings on Investment Corporations, etc., both Issuer Rating and Issue Rating shall be applied.

4. "p" Rating (Unsolicited Rating)

A "p" rating is a credit rating based on an analysis of information including publicly available data and is given to an obligor (issuer) that has not requested a solicited rating but has given consent. A "p" rating is shown with a letter "p" following a rating symbol. For "p" ratings, there are cases in which JCR cannot interview a rating stakeholder or cannot obtain non-public information. When JCR judges that it cannot ensure sufficient quality of information used in assignment of a credit rating, it does not assign a "p" rating. For a credit rating for a sovereign, JCR does not place a "p" after a rating symbol even when it assigns and publicly announces the rating without a request.

5. Rating Outlook

A Rating Outlook is JCR's opinion regarding the likely direction of an issuer rating or an ability to pay insurance claims rating over the medium term. A Rating Outlook falls into the following five categories: Positive, Stable, Negative, Developing, or Multiple. Positive means that a rating may be raised, while Negative means it may be lowered. Stable means that a rating is not likely to change in the foreseeable future. In a few instances, Developing or Multiple Outlook is assigned. Developing means that a rating may be raised or lowered. Multiple means that an issuer has multiple outlooks for its ratings when it is highly likely that a rating on individual bonds, loans, an issuer rating, etc. will be revised with different directions of rating.

6. Credit Monitor

When an event occurs such as an outbreak of war, serious accident, proposed merger, lawsuit, administrative action, or substantial change in business performance that may necessitate a credit rating change, JCR will at any time initiate a reviewing procedure for the rating and will publicly announce that the rating is placed under Credit Monitor. A credit rating under Credit Monitor is identified by "#" preceding the rating symbol until its removal. JCR designates directions to the Credit Monitor placed on all credit ratings, which shows its opinion regarding the likely direction of the rating. A direction falls under three categories: Positive, Negative, or Developing. Positive means that a rating may be raised, while Negative means it may be lowered. Developing means that a rating may be raised or lowered.

7. Suspension and Withdrawal

JCR may suspend or withdraw a credit rating when obtaining information becomes difficult or a significant change occurs to the objective circumstances. In the event that it becomes difficult or temporarily impossible to obtain information necessary for reviewing a credit rating, the existing rating will be suspended. In the event JCR deems that it will be impossible to conduct credit rating reviews in the future as a result of being unable to obtain cooperation with regard to provision of information from an obligor (issuer), the existing rating will be withdrawn.