

## The Rating Policy

In the process of assigning credit ratings, Japan Credit Rating Agency, Ltd. (JCR) shall adhere to the following Policies.

### 1: Credit Rating and Results Validation

JCR shall ensure that credit ratings are assigned based on a thorough analysis of all information known to it, as is relevant to such analysis according to its established policies and methodologies associated with the assignment of credit ratings(hereafter, “the Rating Policies and methodologies.”). JCR shall use Rating Policies and methodologies that are rigorous and systematic, and shall publish them in written form. The credit ratings resulting from such policies shall be subjected to objective validation based on historical experience.

### 2: Credit Ratings by Responsible Rating Analysts

Responsible Rating analysts who individually or collectively have appropriate professional knowledge and expertise in developing credit rating opinions for the types of credit being applied, shall apply the Rating Policies and methodologies in a consistent manner, as determined by JCR. Credit ratings shall represent the opinions of JCR. JCR shall take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading concerning to the general creditworthiness of rated financial instruments or corporations.

### 3: Rating Teams and the Rating Committees

JCR shall compose its credit rating teams of two or more rating analysts, to rate an issuer or obligation. When structuring these rating teams, it shall assess whether it is able to devote sufficient rating personnel with sufficient professional knowledge and expertise to assign appropriate credit ratings, and whether its personnel are likely to have access to information sufficient to assign credit ratings. JCR shall also confirm that its personnel do not have conflict of interests with Subject Entities, and ensure continuity, and to avoid bias in the credit rating process. Based upon its own assessment and analysis, the rating teams shall make proposals concerning credit ratings to the rating committee or the rating council (hereafter referred to as “the Rating Committees”), consisting of the members with sufficient professional knowledge and expertise regarding the credit ratings. The Rating Committees shall then decide credit ratings.

### 4: Quality of Information in Assigning Rating

JCR shall adopt reasonable measures so that the information it uses in the process of assigning credit ratings is of sufficient quality to support the credible ratings. If the credit ratings involve asset

securitization products, the structure of which is materially different from that of asset securitization products, to which JCR assigned credit ratings in the past, JCR shall make a clear statement about the limitations of the credit ratings when publishing such credit ratings.

#### **5: Review of Feasibility of Providing a Credit Rating**

JCR shall establish a review function that includes senior managers with appropriate experience to review the feasibility of providing a credit rating for asset securitization products, the structure of which is materially different from that of asset securitization products, to which JCR provided credit ratings in the past. In cases where factors, such as the complexity or structure of asset securitization products, the structure of which is materially different from that of asset securitization products, to which JCR provided credit ratings in the past, or the lack of robust data about the assets underlying such asset securitization products, raise serious questions as to whether JCR can determine a credible credit rating for the securities, JCR shall refrain from issuing a credit rating.

#### **6: Review of the Rating Policies and methodologies**

JCR shall establish a rigorous and formal collegial body that determines rating criteria. This collegial body shall then periodically review the Rating Policies and methodologies as well as their significant detailed rules (including the models it uses) and their changes.

#### **7: Assessment of the Rating Policies and methodologies**

JCR shall assess whether the existing Rating Policies and methodologies as well as their significant detailed rules for assigning credit ratings of asset securitization products are appropriate when the risk characteristics of the assets underlying the asset securitization products change materially.

#### **8: Credit Ratings Review and Withdrawal**

JCR shall monitor credit ratings on an ongoing basis, and update them in the following manner: regularly reviewing the issuer's creditworthiness; review the status of the credit rating upon becoming aware of any information that might reasonably be expected to result in a rating action (including withdrawal), consistent with the applicable rating policies; and methodologies timely updates of the credit rating, as appropriate, based on the results of the review above. Subsequent monitoring shall incorporate all cumulative experience obtained. Changes in the Rating Policies and methodologies or assumptions used for credit ratings shall be applied to subsequent credit ratings, when necessary. When JCR discontinues credit ratings, apart from cases when rated issuers or obligations come to extinct, it shall announce that it will discontinue the rating of an issuer or obligation. If JCR continues to make such credit ratings available to the public, it shall state the dates on which ratings were last updated, and the fact that such ratings are no longer being updated.

## **9: Initial Rating and Monitoring by Separate Analytical Team**

JCR shall use separate analytical teams for determining the initial credit ratings and for subsequent monitoring of asset securitization products. Each team shall consist of rating analysts with the sufficient level of professional knowledge and expertise to assign appropriate credit ratings in a timely manner.