

Conflicts of Interest Management Policy

Japan Credit Rating Agency, Ltd. (hereinafter, "JCR") shall manage all the conflicts of interest comprehensively pursuant to “Financial Instruments and Exchange Act (Act No. 25 of 1948) related to Regulation on Credit Rating Agencies (Japanese Laws)”, “Cabinet Office Ordinance on Financial Instruments Business, etc. (Ordinance No. 52 of 2007) related to Regulation on Credit Rating Agencies (Japanese Laws)”, “Securities Exchange Act of 1934 (the U.S. laws)”, “General Rules and Regulations of Securities Exchange Act of 1934 (the U.S. laws)” and other related laws (hereinafter, these laws and regulations are called “relevant laws and regulations”) in order to assign and provide fair and neutral credit ratings.

JCR shall not take credit rating actions to any stakeholders¹ or to their securities when the conflicts of interest prohibited by relevant laws and regulations exist between officers and employees of JCR and the stakeholders. If JCR finds any acts posing the actual or potential conflicts of interest except those addressed as prohibited conflicts of interest (hereinafter, “specified acts”), it will take measures to protect the investors’ benefit (hereinafter, “measures for preventing conflicts of interest”). In this policy, JCR identifies the prohibited conflicts of interest, specified acts and measures for preventing conflicts of interest.

I. Prohibited conflicts of interest

JCR and its officers and employees are prohibited from having the following conflicts of interest.

1. JCR issues or maintains a credit rating solicited by a person that, in the most recently ended fiscal year, provided JCR with net revenue equaling or exceeding 10% of the total net revenue of JCR for the fiscal year.
2. JCR issues or maintains a credit rating with respect to a person associated with JCR.
3. JCR issues, maintains, provides or discloses a credit rating with respect to an obligor or a security where JCR or a person associated with JCR made recommendations to the Stakeholder of the security about any of the following matters that may materially influence a credit rating concerning the Stakeholder. (An explanation as to how the information or facts provided by the Stakeholder may affect the determination of credit rating, in accordance with the rating policies and methodologies and any matter incidental thereto shall be excluded from the prohibited conflicts.)
 - i) The corporate or legal structure of the juridical person and the composition of the

¹ It shall mean a Stakeholder as stipulated in Article 307 of the Cabinet Office Ordinance Concerning the Financial Instruments Business (Cabinet Office Ordinance No. 52, 2007). It includes a rated corporation, an issuer of financial instruments, and an arranger of financial instruments.

principal assets and liabilities thereof, when the object of the credit rating is the assessment of the credit status of such juridical person, securities issued by such juridical person or claim pertaining to a monetary loan held against a juridical person; and

- ii) Material matter on the structures of financial instruments or the structures of the juridical person, in cases where the object of the credit rating is the assessment of such financial instruments or juridical person issues or maintains.
4. JCR issues or maintains a credit rating where the fee paid for the rating was negotiated, discussed, or arranged by responsible members for credit ratings² or an officer or employee of the Company who has responsibility for developing or approving procedures or methodologies used for determining credit ratings.
 5. JCR issues or maintains a credit rating where a person within JCR who participates in determining or monitoring the credit rating, or developing or approving procedures or methodologies used for determining the credit rating, including qualitative and quantitative models, also participates in sales or marketing of a product or service of JCR or a product or service of an affiliate of JCR, or is influenced by sales or marketing considerations.
 6. JCR issues or maintains a credit rating where a responsible member for the credit ratings or a responsible rating officer who attends the Rating Committee of the Stakeholder is an officer of the Stakeholder or holds an equivalent position, or is a relative (limited to a spouse and a relative by blood and a relative by affinity of the first degree of kinship) of an officer of the Stakeholder or of a person who holds an equivalent position
 7. JCR issues or maintains a credit rating where a responsible member for credit ratings or a responsible rating officer who attends the Rating Committee of the Stakeholder holds³ securities or derivatives issued by a Stakeholder.
 8. JCR issues or maintains a credit rating where a responsible member for credit ratings or a responsible rating officer who attends the Rating Committee of the Stakeholder holds³ securities or derivatives issued by the affiliated partner of a Stakeholder.
 9. JCR issues or maintains a credit rating where a responsible member for credit ratings or a

² Responsible members for credit ratings shall mean a rating analyst or a member of the collegial body that assigns final credit ratings.

³ Such a holder includes a person who has the authority to exercise his/her voting rights or any other rights as a shareholder of the issuer, or to give instructions as to the exercise of said voting rights or any other rights, based on a money trust contract or any other contract or a person who has the authority necessary to make investments in securities, based on a discretionary investment contract or any other contracts.

responsible rating officer who attends the Rating Committee of the Stakeholder had an employer-employee relationship (including if he or she was an officer or equivalent) or other important business relationship with the Stakeholder in the last year and such relationship might lead to a conflict of interest, or if he or she currently has such relationship.

10. JCR issues or maintains a credit rating where a responsible member for credit ratings received, requested for or accepted the proposal of gifts, including entertainment, from any stakeholders, excluding cases where the total value of such money or goods received in the same day is three thousand yen or less, and the cases as may be provided in the context of normal business activities.
11. JCR promises any stakeholders, prior to implementing the credit assessment, to provide or make available to the public a certain credit rating as a result of the credit assessment (excluding an act to provide in advance any Stakeholder with a credit rating estimated based on the rating policies and methodologies and any other information incidental thereto).
12. In cases where the object of a credit rating is the assessment of the credit status of asset securitization products, JCR refuses to determine a credit rating for the assessment of the credit status of such asset securitization products, merely on the grounds that another credit rating agency had already determined a credit rating for the assessment of the credit status of such asset securitization products or the relevant underlying assets.
13. JCR has a person associated with JCR that is a broker or dealer engaged in the business of underwriting securities or money market instruments.
14. JCR issues or maintains a credit rating where a responsible member for credit ratings as well as their lineal relatives who makes a livelihood the same, either on their own account or on behalf of another person, buy or sell or engage in any securities transactions issued by the stakeholders to which the responsible members assign ratings, or derivatives (limited to those based on a security issued by the Stakeholder or by issuers related to the Stakeholder).
15. When an issuer or the subject of the rating has, or is simultaneously pursuing, regulatory function over JCR (e.g., governments), JCR uses the same employees for conducting its credit rating actions as those in liaison with its Regulatory Agency.

II. Specified Acts and Measures for Preventing Conflicts of Interest

1. Type of Specified Acts

The Company classifies the Specified Acts as follows.

- (1) A Specified Act which is detrimental for the interests of investors such as the case that the Company or the officers or the employees of the Company have close relationship with a Stakeholder
- (2) A Specified Act which should be avoided in order to ensure a fair and right credit rating
- (3) Other Specified Acts which entail any actual or potential Conflict of Interest.

2. How to manage Specified Acts

JCR shall take necessary measures for preventing conflicts of interest relating to specified acts by one of the following methods or any combination thereof;

- Separating the rating departments from those engaging in businesses addressed as specified acts.
- Excluding an officer or an employee who has a relationship addressed as a specified act from responsible members for credit ratings concerned.
- Disclosing the existence of facts falling under Specified Acts.
- The Chief Compliance Officer takes necessary measures as described below in order to prevent the aforementioned relationship prescribed in the specified acts from affecting adversely to the credit rating actions.

Attending the Rating Committee or the Rating Council Committee (hereinafter, “the Rating Committees”) for the aforementioned credit ratings and verifies whether the rating activities comply with the rating policies and methodologies or not, and the rating procedures are executed properly or not. .

3. Specified Acts and Measures for Preventing Conflicts of Interest

A. Cases of potential conflicts of interest between JCR and Stakeholders

- (1) A Specified Act which is detrimental for the interests of investors such as the case that JCR has close relationship with a Stakeholder

- a) [Specified Act]

JCR is paid by issuers or underwriters to determine credit ratings with respect to securities or money market instruments they issue or underwrite.

- b) [Specified Act]

JCR is paid by obligors to determine credit ratings with respect to the obligors.

[Measures for Preventing Conflicts of Interest](for both a) and b))

- 1) JCR shall not forbear or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of such action on JCR, a Stakeholder, an investor, or other market participant. The determination of a credit rating shall be influenced only by factors relevant to the credit assessment.
- 2) The departments/divisions in charge of sales, managing the revenues from the

ancillary businesses shall be separated from those in charge of delivering credit ratings, particularly, any rating analysts shall not initiate or participate in any discussions regarding fees or payments with any Stakeholders.

- 3) Confidential information shall be managed strictly pursuant to the related internal policies and shall not be disclosed to parties other than those entitled to access in accordance with those policies (except where permitted by confidentiality or nondisclosure agreements or when required by law).

c) [Specified Act]

JCR receives fiscal benefit such as a significant amount of money etc., as a compensation for business other than the credit rating activities (hereinafter, “Ancillary Business”).

[Measures for Preventing Conflicts of Interest]

- 1) The departments/divisions in charge of sales or managing the revenues from ancillary businesses shall be separated from those in charge of delivering credit ratings,
- 2) Measures for preventing credit rating activities from becoming adversely affected by ancillary businesses are prescribed in the internal rules “Rules for Handling Ancillary and Other Services” and “Policy for preventing improper effect of the ancillary service on credit ratings”.
- 3) Pursuant to a request of the Chief Compliance Officer, the Compliance Management Division presents a list of the stakeholders whose payments to JCR for ancillary services or conveyance of other financial benefits to JCR have exceeded one hundred million yen (“Confirmation List”); abovementioned List is maintained at a location to which the officers and employees of rating departments/divisions can have a ready access.
- 4) Whenever a Responsible Rating Analyst has found out from the Confirmation List the existence of a relationship referred to in the above section, he/she is required to report that fact to the Compliance Management Division before accepting to start a credit rating activity in which the stakeholder has interest.
- 5) The Chief Compliance Officer takes necessary measures as described below so that the relationship referred to as “Specified Act” may not adversely affect the credit rating activity: attending the Rating Committee for the credit rating involved and investigating whether or not the rating activity complies with the rating policies and methodologies and whether or not the rating procedure is properly Executed.
- 6) The Chief Compliance Officer reports to the Supervisory Committee the measures taken for avoiding a conflict of interest involving the credit rating activity. The Internal Audit Division inspects the appropriateness of all steps taken for this matter.

d) [Specified Act]

JCR is financed, guaranteed or secured the payment by a stakeholder.

e) [Specified Act]

A stakeholder underwrites securities issued by JCR.

f) [Specified Act]

A stakeholder has more than 5% of the voting rights of JCR.

[Measures for Preventing Conflicts of Interest](from d) through f))

- 1) The departments/divisions in charge of receiving financing, issuing and selling securities and matters related to shareholders are separated from those in charge of delivering credit ratings. The physical mutual access between those departments is restricted and the access to the confidential information is strictly intercepted.
- 2) Pursuant to a request of the Chief Compliance Officer, the Compliance Management Division presents a list of the stakeholders whose payments to JCR for ancillary services or conveyance of other financial benefits to JCR have exceeded one hundred million yen (“Confirmation List”); abovementioned List is maintained at a location to which the officers and employees of rating departments/divisions can have a ready access.
- 3) Whenever a Responsible Rating Analyst has found out from the Confirmation List the existence of a relationship referred to in the above section, he/she is required to report that fact to the Compliance Management Division before accepting to start a credit rating activity in which the stakeholder has interest.
- 4) The Chief Compliance Officer takes necessary measures as described below so that the relationship referred to as “Specified Act” may not adversely affect the credit rating activity: attending the Rating Committee for the credit rating involved and investigating whether or not the rating activity complies with the rating policies and methodologies and whether or not the rating procedure is properly Executed.
- 5) The Chief Compliance Officer reports to the Supervisory Committee the measures taken for avoiding a conflict of interest involving the credit rating activity. The Internal Audit Division inspects the appropriateness of all steps taken for this matter.

g) [Specified Act]

JCR receives a considerable amount of payments from a stakeholder.

[Measures for Preventing Conflicts of Interest]

- 1) The departments/divisions in charge of finance, issuing or selling of securities or shareholder-related matters are separated from those other departments/divisions that are in charge of delivering credit ratings. Mutual physical access is restricted and any access to confidential information is strictly discouraged.

- 2) The compensation arrangements for the members who are responsible for credit ratings are not affected by a revenue received from a stakeholder for whom such member is responsible. The foregoing is prescribed in internal rules. The Internal Audit Division monitors whether or not the process of employee performance evaluation complies with this rule.
- 3) Pursuant to a request of the Chief Compliance Officer, the Compliance Management Office compiles a list of the stakeholders whose payments to JCR have exceeded 10% of the company's total revenue from the credit rating activities. The list is called "Confirmation List" and is filed at a location to which the officers and employees of rating departments/divisions have easy access.
- 4) Whenever a Responsible Rating Analyst has discovered the prescribed relationship with a stakeholder from the Confirmation List, he/she is required to report that fact to the Compliance Management Office before accepting to start a credit rating activity on any matters as to which the stakeholder has any interest.
- 5) The Chief Compliance Officer takes necessary measures, as described below, so that the aforementioned relationship which constitutes a Specified Act may not affect the credit rating activity: attending the Rating Committee for the credit rating and verifies that the rating activity complies with the rating policies and methodologies and that the rating procedure is executed properly.
- 6) If JCR received more than 10% of its total annual revenue from credit ratings from a single stakeholder in the most recent fiscal year, the company is required to disclose that fact clearly, concisely, completely, specifically and timely.
- 7) The Chief Compliance Officer reports to the Supervisory Committee on any of the measures taken for avoiding the conflicts of interest for aforementioned credit rating activities. The Internal Audit Division inspects the appropriateness of all the procedures taken in this matter.

(2) Other Specified Acts which entail any actual or potential Conflict of Interest.

a) [Specified Act]

Other acts which entail any actual or potential Conflict of Interest.

[Measures for Preventing Conflicts of Interest]

- 1) A responsible rating analyst verifies that the Specified Acts prescribed in the preceding five clauses (from (c) to (g)) do not exist between JCR and stakeholders before accepting to start the credit rating activities by referring "the Confirmation List". Even when he/she confirms that there is no such relationship but the possibility of the conflicts of interest cannot be denied, he/she must notifies it to request The Chief Compliance officer via Compliance Management Division to determine whether JCR can take credit rating action or not.
- 2) The Chief Compliance officer inspects whether the appropriate measures for

preventing conflicts of interest or not and determine whether JCR can start the credit rating activities or not.

- 3) In case that JCR has taken a credit rating action but the potential of conflicts of interest cannot be erased, JCR shall disclose the fact timely, clearly, concisely, completely and specifically.
- 4) The Chief Compliance Officer reports to the Supervisory Committee the measures taken for avoiding the conflicts of interests for the aforementioned credit rating activities. The Internal Audit Division inspects the appropriateness of all the procedures taken for this matter.

B. Cases of potential conflicts of interest between the officers or the employees of JCR and Stakeholders

- (1) A Specified Act which is detrimental for the interests of investors such as the case that the officers or the employees of JCR have close relationship with a Stakeholder

- a) [Specified Act]

Responsible Members for credit ratings approach a Stakeholder to become an Officer (or the equivalent) of the Stakeholder

[Measures for Preventing Conflicts of Interest]

JCR prohibits the responsible members for determining the credit rating from approaching a stakeholder to become an officer (or the equivalent) of the Stakeholder. Officers and Employees should swear at the beginning of the employment that they will not approach to the stakeholders, rating advisers and the like to become an officer (or the equivalent) after joining JCR.

- b) [Specified Act]

In case that a rating analyst or a Rating Committee member who retired from JCR has become an officer or employee of the Stakeholders which he/she was involved in the rating process of the relevant Stakeholders

[Measures for Preventing Conflicts of Interest]

- 1) JCR will examine the appropriateness of the credit rating of which a reemployment employer (i.e. employer by which the former staff has been employed as an officer or as an equivalent) of the former staff is a stakeholder and the former staff participated in the process as a responsible member for the credit ratings within two years in advance when he/she ceased to be an employee of JCR.
- 2) JCR will examine the appropriateness of the latest credit rating of which the employer of the former staff is a stakeholder and the former staff participated in the process as a responsible member for the credit ratings and all of the credit ratings during 1-year period preceding the date of the latest credit rating action.

- 3) When the objects are examined under 1) above, it is not necessary to examine again the same subjects under 2) above.

c) [Specified Act]

A responsible member for credit ratings as well as their lineal relatives who make a livelihood the same, buys, sells, or otherwise deals in securities, posing a potential conflict of interest except any transactions falling under “prohibited conflicts” prescribed in the preceding chapter.

[Measures for Preventing Conflicts of Interest]

When engaging in any transactions in any securities or derivatives other than those described in the preceding paragraph, responsible members for credit ratings (or an immediate relation under the common livelihood) shall report the details of all such transactions to the Compliance Management Division through the responsible General Manager/ Division Manager to obtain an approval of the Chief Compliance Officer prior to each such transaction. Following the consultation with the General Manager of rating department/division, the Chief Compliance Officer shall prohibit the employees from entering into such transactions if they judge that these transactions may cause or may be perceived as causing a conflict of interests. This includes cases when the responsible members for credit ratings trade securities issued by or derivatives related to an entity that belongs to the same industry as that in which the entity the responsible rating analyst is rating operates.

d) [Specified Act]

Officers and employees, other than persons involved in determining credit rating (hereinafter, “other officers and employees”) as well as their lineal relatives who make a livelihood the same, engage in securities transactions involving securities issued by the stakeholders related to the credit ratings assigned by JCR that has been publicly announced (including any officer or employee who is aware of the stakeholder, even though the stakeholders has not been publicly announced).

[Measures for Preventing Conflicts of Interest]

Pursuant to “the regulations for insider trading and other transactions”, other officers and employees must obtain the approval of the Chief Compliance Officer through the responsible General Manager/ Division Manager of rating department/division and the Compliance Management Division. The Chief Compliance Officer shall determine the justifiability of the applicant engaging in the securities transactions, after hearing the opinion of the responsible General Manager/ Division Manager of the rating department/division. An officer, a manager or an employee who does not belong to any specific division shall obtain the approval of the Chief Compliance Officer directly. The Chief Compliance Officer as well as their lineal relatives who

makes a livelihood the same must obtain the approval of the President, when engaging in securities transactions involving securities issued by the stakeholders related to the credit ratings assigned by JCR that has been publicly announced (including the Chief Compliance Officer is aware of the stakeholder, even though the stakeholder has not been publicly announced.)

(2) A Specified Act which should be avoided in order to ensure a fair and right credit rating

a) [Specified Act]

A responsible member for credit ratings consecutively participates in the process of issuing credit ratings for the same stakeholder.

[Measures for Preventing Conflicts of Interest]

No more than one third of the members of the Rating Committees are allowed to consecutively take part in decisions of the Rating Committees relating to credit ratings for matters in which the same Stakeholder has an interest

b) [Specified Act]

Rating fee income affects the remuneration and performance evaluation of responsible members for credit ratings. The business results of credit rating business affect the amount of remuneration of the Compliance Officer.

[Measures for Preventing Conflicts of Interest]

The remuneration of responsible members for credit ratings is never determined or assessed based on the amount of income from the Stakeholders for which the responsible members for credit ratings are personally responsible. The Chief Compliance Officer, who is responsible for compliance with laws and regulations in JCR, shall not be compensated or evaluated on the basis of the records of their credit rating operations. To ensure the remuneration policies are properly taking effect, the Internal Audit Division shall verify it each time the bonus evaluation and the qualification evaluation are conducted. When carrying out the verification above, the Internal Audit Division shall also review policies for determining the relevant salaries and remuneration.

c) [Specified Act]

JCR allows officers and employees of JCR to have a business relationship that is more than an arm's length ordinary course of business relationship with issuers or obligors subject to a credit rating determined by JCR and to receive the compensations.

[Measures for Preventing Conflicts of Interest]

1) In case that an officer of JCR has a business relationship that is more than arms length ordinary course of business relationship with issuers or obligors subject to a

credit rating determined by JCR and accepts the compensations, they shall notify it to the Chief Compliance Officer. The Chief Compliance Officer shall determine the justifiability of such business relationship. The officer shall accept the decision by the Chief Compliance Officer.

- 2) Employees of JCR must not engage in any outside activities without the order or the permission of the Company. If he/she is employed by other entities without the permission of the Company, the company will impose disciplinary punishment on him/her. In case that an employee of JCR will accept writings of a manuscript or giving a lecture by the order or with the permission of the Company, he/she must be pursuant to the internal rules regardless of engaging in business hours or not.

d) [Specified Act]

A responsible member for credit ratings or a responsible rating officer who has a personal relationship with an officer or an employee of the Stakeholder or their representative which might lead to an actual or perceived conflict of interest involved in the credit rating process related to the Stakeholder.

[Measures for Preventing Conflicts of Interest]

If such relationship falls in the category of Section I-5 through 8 of this Policy, such responsible member for credit ratings or a responsible rating officer shall not take part in issuing or maintaining the credit rating of the Stakeholder.

Otherwise, any responsible members for credit ratings who have a personal relationship with an officer or an employee of the Stakeholder or their representative which might lead to an actual or perceived conflict of interest should report this to the Compliance Management Office in advance. If it is judged that this will lead to a conflict of interest, the Chief Compliance Officer will take necessary measures to remove such responsible member for credit ratings from credit rating actions in relation to the Stakeholder.

(3) Other Specified Acts which entail any actual or potential Conflict of Interest.

a) [Specified Act]

A director participates in the process of issuing credit ratings, including the attendance at the Rating Committees.

[Measures for Preventing Conflicts of Interest]

- 1) JCR does not give voting rights at the Rating Committees to its directors.
- 2) JCR does not appoint a director who participates in the process of issuing credit ratings as the executive director in charge of marketing activities.
- 3) JCR prohibits a director who participates in the process of issuing credit ratings from negotiating with the stakeholders for rating fee and taking part in the determination of rating fee.

b) [Specified Act]

Other acts which entail any actual or potential Conflict of Interest.

[Measures for Preventing Conflicts of Interest]

The Compliance Management Division is notified in advance and the Chief Compliance Officer judges the propriety of such Rating Analyst undertaking the credit rating action in relation to such Stakeholder. If the Chief Compliance Officer judges that this constitutes a potential conflict of interest, the Rating Analyst, Rating Committee member, etc. in relation to whom there is a potential conflict of interest is not allowed to assume responsibility for such credit rating.

C. Other cases of potential conflicts of interest

a) [Specified Act]

JCR is paid by persons for subscriptions to receive or access the credit ratings of JCR and/or for other services offered by JCR where such persons may use the credit ratings of JCR to comply with, and obtain benefits or relief under, statutes and regulations using the term “nationally recognized statistical rating organization”.

b) [Specified Act]

JCR is paid by persons for subscriptions to receive or access the credit ratings of JCR and/or for other services offered by JCR where such persons also may own investments or have entered into transactions that could be favorably or adversely impacted by a credit rating issued by JCR.

[Measures for Preventing Conflicts of Interest](for both a) and b))

- 1) JCR shall not forbear or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of such action on JCR, a Stakeholder, an investor, or other market participant. The determination of a credit rating shall be influenced only by factors relevant to the credit assessment.
- 2) The departments/divisions in charge of sales of services for receiving or accessing the credit ratings of JCR and/or other services offered by JCR shall be separated from those in charge of delivering credit ratings.

Any revision or abolition of this policy shall be made by the Board of Directors.

Supplementary Provisions

Established on March 26, 2012

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