

Types of Credit Ratings and Definitions of Rating Symbols

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> <ul style="list-style-type: none"> (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.
Structured Finance Products, etc.	<p>Creditworthiness of those as given below:</p> <ul style="list-style-type: none"> (i) Asset Securitization Products (ii) Other Structured Finance Products as given below: <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. Preliminary Rating

A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The credit rating determined in this way is sometimes called a final rating. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.

5. Unsolicited Credit Rating (“p” Rating)

An unsolicited credit rating is a credit rating assigned without solicitation by an obligor (issuer). JCR will assign an unsolicited credit rating with the consent of an issuer and, when assigned, JCR shall publicize the unsolicited credit rating without delay. In this case, JCR shall make it clear by affixing “p” to the rating symbol that the relevant credit rating is assigned without the solicitation by the issuer. Even for an unsolicited credit rating, JCR will assign the credit rating based on the same credit rating process, information and methodologies as those for a solicited credit rating, in principle. Even in cases where it is impossible to conduct an interview with the issuer or where only partial undisclosed information will be available or none of such information will be obtainable, JCR may assign an unsolicited credit rating when JCR can ensure the quality of the information used for the unsolicited credit rating. For a credit rating for a sovereign, in some cases, JCR may assign a rating without the consent of the applicable nation. Further, JCR will publicize a sovereign credit rating without affixing “p” to the rating symbol even if it is an unsolicited sovereign credit rating, however, JCR shall indicate in its press release that the relevant credit rating is the unsolicited credit rating.

6. 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 in one or two years after determination of the rating. 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 credit rating may be upgraded or downgraded. Multiple means that an issuer has multiple outlooks for its ratings when it is highly likely that a credit rating on individual bonds, bank loans, an issuer rating, etc. will be revised with different directions of rating.

Even in cases where a rating outlook is Positive, Negative, Developing, or Multiple for a credit rating, it does not mean that the credit rating will necessarily be changed and, in the same way, even in cases where a rating outlook is Stable, the credit rating may be changed without changing the outlook in advance.

7. Credit Monitor

While there is a likelihood of a change in the credit rating, because a serious event occurs or is likely to occur such as a serious accident, proposed merger, lawsuit, administrative action, substantial change in business performance or capital enhancement, and when JCR deems it necessary to obtain additional information or make an additional analysis with respect to the event for determination of the credit rating, JCR will at any time place the credit rating under Credit Monitor, initiate a review procedure for the rating and will make a public announcement to that effect. A credit rating under Credit Monitor is identified by prefixing “#” to the rating symbol until its removal.

JCR designates directions to the Credit Monitor placed on all credit ratings, which indicates 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 upgraded, while Negative means it may be downgraded. Developing means that a rating may be upgraded or downgraded.

Credit Monitor will be removed usually when JCR obtains the necessary information and completes the analysis about the event. The time to be spent before removing Credit Monitor is usually relatively short. However, in cases where JCR deems it important to confirm that certain conditions must be satisfied such as the case of approval for a merger by shareholders or the regulatory authority, then the time to the removal of Credit Monitor may become prolonged.

A credit rating under Credit Monitor does not mean that the credit rating will necessarily be changed in the future. In the same way, a credit rating may be changed without being placed under Credit Monitor in advance.

8. Suspension and Withdrawal of Credit Rating

JCR may suspend a credit rating if JCR deems that it is temporarily difficult or impossible to review the credit rating when a significant change occurs to the objective circumstances such as a situation where it becomes difficult or impossible to obtain the necessary information to review the credit rating. Suspension is a temporary measure, and if the event that caused Suspension is unlikely to be resolved, the credit rating will be withdrawn.

A credit rating will be withdrawn if JCR deems that it will be impossible to conduct a rating review into the future, because a significant change occurs to the objective circumstances such as lack of obligor (issuer) cooperation for provision of information. A credit rating may also be withdrawn if JCR deems that it is no longer necessary to sustain the credit rating due to bankruptcy procedures involving the issuer or other circumstances, or in the event that the need arises in order to comply with laws and ordinances,



or in the event that unavoidable circumstances occur in order to conduct business. A credit rating will be withdrawn when JCR receives a request from the person who solicited the rating to withdraw the rating and accepts the request.

When any securities or money market instruments to be rated extinct due to reasons such as redemption at maturity, early redemption, withdrawal of shelf registration, or change from preliminary rating to final rating, such ratings shall cease to exist without the need to be withdrawn.