



NEWS RELEASE

Jun 30, 2004

The Relationship Between Ratings and Default The Broad-Definition Default Ratio and the Rating Transition Matrix

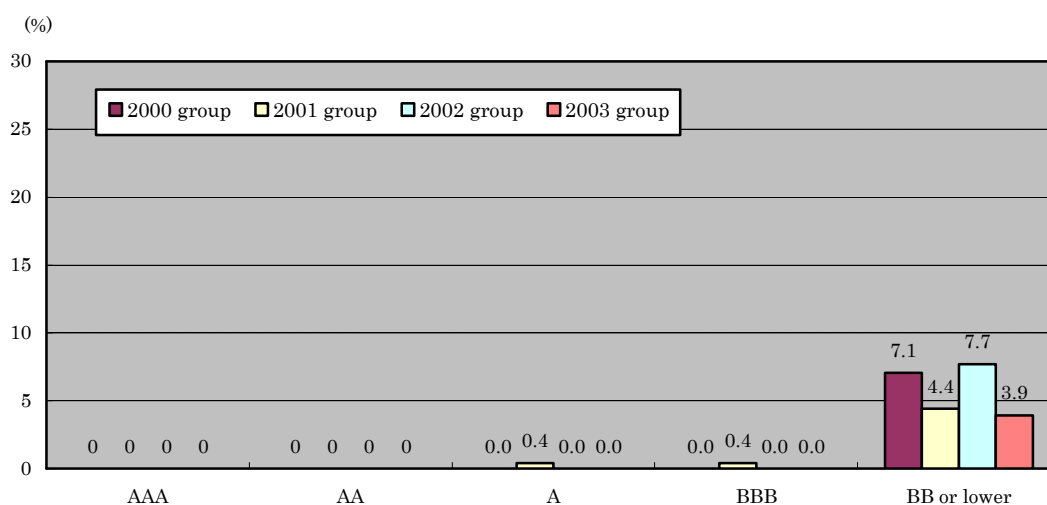
In June 2000, Rating and Investment Information, Inc. (R&I), began to publicly announce the broad-definition default ratio as an indicator of the probability of a corporate issuer being substantially incapable of making payment on its debts. R&I releases an update each year, and data for fiscal 2003 (April 1, 2003 to March 31, 2004) have now been added. The definition of broad-definition default includes not only bond default and legal bankruptcy procedures but also such events as loan waivers. The surveys on which this ratio is based cover 1,250 issuers rated by R&I from fiscal 1978 to the beginning of fiscal 2003. A strong correlation between R&I ratings and the broad-definition default ratio can be observed.

Some of the major characteristics for fiscal 2003 are as follows.

- The number of issuers covered by the survey that suffered broad-definition default was eight, half the number in fiscal 2002
- Of the 637 Japanese corporate issuers rated by R&I at the start of fiscal 2003, two suffered broad-definition default during the year. The ratings for both of these issuers at the beginning of the fiscal year were BB or lower. As a result, the broad-definition default ratio for fiscal 2003 as a whole was zero for ratings of BBB or more, and 3.92% for ratings of BB or lower.

Clarification of the relationship between ratings and default on the basis of actual historical values can be seen as an important fundamental building block for the bond market. A transition matrix for asset-backed securities, which was added last year, will be announced separately. The broad-definition default ratio figures, as well as the rating transition matrix data on which they are based, can be downloaded from R&I's web site (<http://www.r-i.co.jp/>). R&I will continue making this kind of information openly available.

Exhibit 1
Rating-specific one-year broad-definition default ratios for annual groups



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I. The Broad-Definition Default Ratio

1. The Broad-Definition Default Ratio in Fiscal 2003

The broad-definition default ratio (referred to below as the “default ratio”) refers to the probability of an issuer being substantially incapable of making payment on its debts. At the present time, when there are few actual instances of defaulting on publicly offered corporate bonds, this ratio serves as an indicator of the potential bond default ratio. The sample of issuers covered includes all of the issuing entities domiciled in Japan that received an R&I long-term debt rating during the period from April 1, 1978 to April 1, 2003. Altogether, there are 1,250 such issuers, of which 637 had ratings as of April 1, 2003.

When R&I calculates the default ratio, issuers that fit the definition shown in Exhibit 2 are counted as instances of broad-definition default. This definition provides a detailed enumeration of circumstances in which third-party economic loss is incurred due to substantial default. Beginning this year, “Debt equity swap (DES)” has been added to definition (3). Since the past year, DES have been regarded as broad-definition default. This addition is only a matter of notation. Exhibit 3 shows the transition in the number of cases of default on the basis of this definition. While the number of cases was at a high level in fiscal 2001 and 2002, the number in fiscal 2003 decreased to eight, roughly half the number (15) in fiscal 2002. Three issuers fit Category 1 or 2 of the definition, both of which are typically viewed as bankruptcy (For the difference in default ratios by definition, see Appendix 2).

Two of the eight issuers had an R&I rating at the start of fiscal 2003. The other six were issuers that had received ratings at least one year prior to the end of fiscal 2003 (that is, on or before March 31, 2002), and the impact of their default status is also reflected in the revision of the cumulative default ratios for two years or longer.

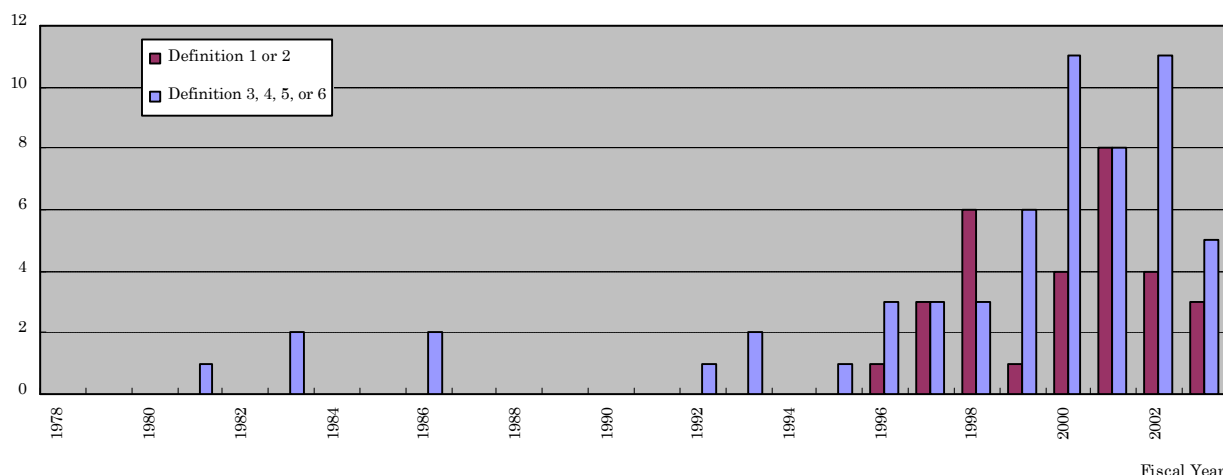
Exhibit 2

Definition of the broad-definition default ratio

- (1) Bond default
- (2) Legal bankruptcy
 - (a) Court application for bankruptcy
 - (b) Court application to come under the protection of the Corporate Reorganization Law
 - (c) Court application to come under the protection of the Civil Rehabilitation Law (under the Composition Act prior to April 2000)
 - (d) Court application for special liquidation measures to commence
 - (e) Court application for liquidation procedures under commercial law to commence
 - (f) Discretionary liquidation after a first nonpayment
 - (g) Receipt of an order terminating bank dealings following a second nonpayment
 - (h) Internal liquidation even without nonpayment (i.e., when a company representative acknowledges a state of bankruptcy)
- (3) Nationalization as part of bankruptcy proceedings
- (4) Voluntary termination of business
- (5) Abandonment of claims, Debt equity swap
- (6) Emergency merger or transfer of key operating assets (when the assets do not have any value)
- (7) Infusion of capital to avoid having negative equity
- (8) A position of negative equity (when this is followed by the receipt of financial assistance to avoid bankruptcy)

Exhibit 3

Incidence of broad-definition default



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2. Results of the Broad-Definition Default Ratio Calculation

Exhibit 1 on the first page of this news release presents the rating-specific one-year default ratios for annual groups. It shows the proportion of default among issuers with identical ratings at the outset of each fiscal year. In fiscal 2003, default was not observed for BBB or higher ratings, and overall it is clear the occurrence of default is lower when ratings are high. A gap among different ratings is obvious even in the case of cumulative default ratios for periods of two years or longer (Exhibits 4 and 5).

The groups that appear in the Exhibits indicate groupings for default ratio surveys. Each group has been named according to the first fiscal year of its survey period. For example, the 2003 group refers to the group of 637 issuers that had R&I ratings as of April 1, 2003.

Trends in the three-year cumulative default ratio (Exhibit 6) show changes in the default ratio according to the first year of the survey period. The default ratio rises from the second half of the 1990s when credit risk increased. The three-year cumulative default ratio measured from 1998 had risen to 2.46% for all companies that had ratings as of April 1, 1998, 1.29% for companies with a rating of BBB or higher and 25.64% for companies with a rating of BB or lower. Although the ratios declined in the two years that followed, those measured from 2001 have risen again.

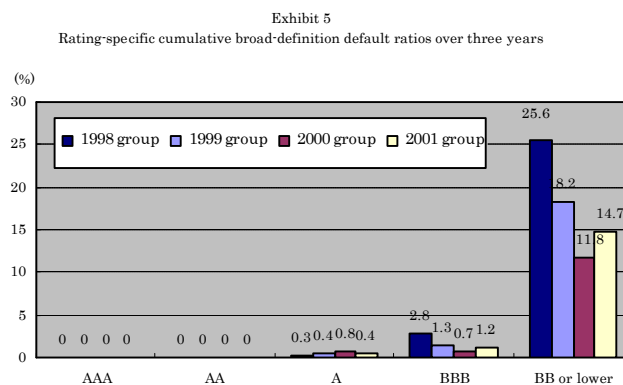
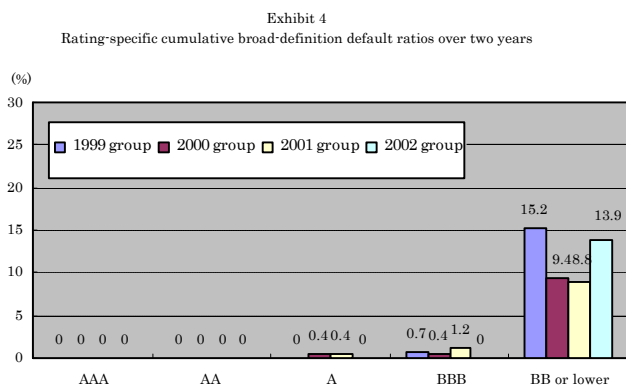
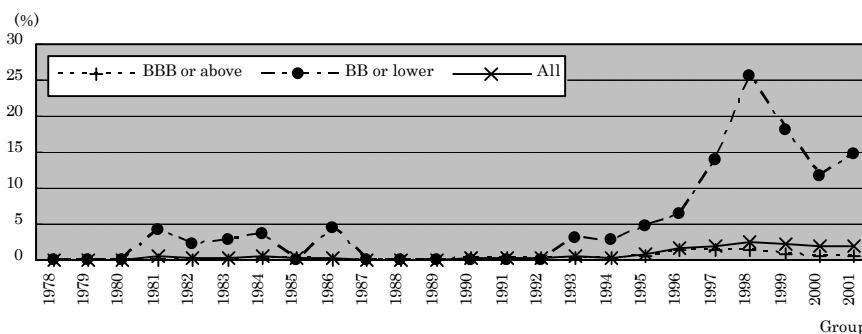


Exhibit 6
Trends in three-year cumulative broad-definition default ratios



Exhibits 7 and 8 show the default ratio for issuers with ratings of BB and lower broken down into BB and B ratings. The number of issuers in the B sample was 11 in the 2000 group, eight in the 2001 group, 12 in the 2002 group, and 11 in the 2003 group. While it should be pointed out that just a single case of default causes the default ratio to change by as much as 10 percentage points or so, there is nevertheless a visible difference between the BB and B ratings.

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Exhibit 7
One-year default ratios for issues rated BB or lower

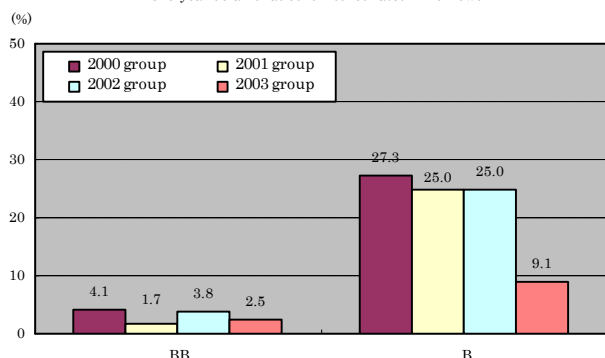
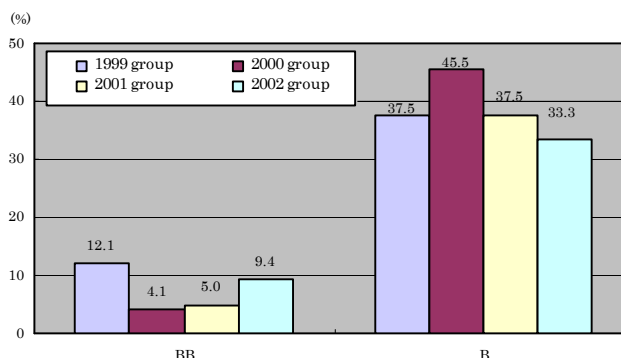


Exhibit 8
Two-year cumulative default ratios for issues rated BB or lower



II. The Rating Transition Matrix

The rating transition matrix shows how ratings assigned to issuers change over a certain period of time. Exhibit 9 is a concrete example of a rating transition matrix. It indicates what specific issuer ratings as of April 1, 2003, had become one year later, on April 1, 2004. For example, on April 1, 2003, there were 66 issuers with a BBB- rating. Of these, 48 still had a BBB- rating on April 1, 2004, 2 had upgraded to BBB, 2 had downgraded to BB+, . The 14 remaining companies did not have ratings as of April 1, 2004, mainly because their rated bonds had been redeemed.

Exhibit 9: Sample rating transition matrix

		Cumulative no. of companies fitting definition 1, 2, 3, 4, 5, or 6 of broad-definition default through April 1 of the final survey year																No. of companies with no rating on April 1 of the final survey year	TOTAL											
		Rating on April 1 of the final survey year																NR												
First survey year																														
Final survey year																														
2003 (2001)		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	BD1	BD2	BD3	BD4	BD5	BD6	NR	TOTAL
Rating on April 1 of the first survey year	AAA	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	
	AA+	0	27	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29
	AA	0	2	31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33
	AA-	0	0	1	36	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	42
	A+	0	0	0	0	59	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	63
	A	0	0	0	0	1	64	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	68
	A-	0	0	0	0	0	2	103	6	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	118
	BBB+	0	0	0	0	0	0	3	68	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	82
	BBB	0	0	0	0	0	0	0	9	51	9	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	78
	BBB-	0	0	0	0	0	0	0	0	2	48	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	66
	BB+	0	0	0	0	0	0	0	0	0	0	14	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	11	27
	BB	0	0	0	0	0	0	0	0	0	0	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	6
	BB-	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	1	0	0	0	0	0	2	7
	B+	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	3	8
	B	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	1	3
	B-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CCC+	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CCC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CCC-	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

The rating transition matrix serves as the basis for broad-definition default ratio computations. Exhibit 9 shows that the total number of companies considered cases of broad-definition default (the numbers appear in columns “BD1” through “BD6”) was two. All issuers were in the BB zone or lower on April 1, 2003. Meanwhile, as the exhibit’s “Total” column shows, a total of 51 companies had a rating in the BB zone or lower on that date. Accordingly, the broad-definition default ratio for the BB zone or lower can be calculated as 3.92% (2 / 51).

Because the broad-definition default is not the same as actual default, there are instances when an issuer has a rating while it has been counted as a case of broad-definition default. Such issuers are categorized as an instance of broad-definition default in Exhibit 9. For example, even when an



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issuer has an actual rating of B+, it will be tallied in the “BD6” column and not in the column for a B+ rating if that issuer fits Category 6 of the definition of broad-definition default. (The data that can be downloaded are available not only in the format shown in Exhibit 9 but also as a matrix that consists solely of actual ratings and omits any consideration of the concept of broad definition default.)

III. Methodology

1. The broad-definition default ratio

a. Issuers Covered

The sample of issuers covered includes all issuers domiciled in Japan that received an R&I long-term debt rating during the period from April 1, 1978 to April 1, 2003. Sovereign entities, prefectures, insurance companies, and issuers of asset-backed securities are excluded. The total number of such issuers was 1,250, of which 637 had current ratings as of April 1, 2003.

b. Ratings

The ratings used for the default ratio calculation are senior long-term credit ratings, which R&I introduced in October 2001. The calculation does not include insurance claims-paying ability ratings or short-term debt ratings. It also excludes ratings for bonds backed by guarantees by parent companies, banks, or financial guarantee companies. For the fiscal years through March 31, 1998, the calculation uses ratings issued by the Japan Bond Research Institute (JBRI) and Nippon Investors Services (NIS), the two companies that merged to form R&I. It also includes publicly announced trial ratings assigned prior to these two companies' commencement of business ratings. In instances when there are ratings from both JBRI and NIS, the lower of the two ratings is used.

When R&I assigns an issuer a long-term debt rating, it first analyzes that company's default risk. In other words, R&I determines the likelihood that the issuer will fall into default or other management difficulties. The next step is to analyze recovery risk, which means gauging the likely extent of the recovery of the principal of corporate bonds and other specific obligations in the event of default. Analysis of default risk constitutes the essence of the rating process. Such analysis evaluates an issuer's ability to meet all of its financial obligations, and its outcome carries considerable weight in terms of assessing a company's creditworthiness. The rating at this stage is known as a senior long-term credit rating. It is used for the default ratio in order to perform a rating-specific calculation of the probability of a corporate issuer being substantially incapable of making payment on its debts.

Definition of the senior long-term credit rating

An R&I senior long-term credit rating is an opinion regarding an issuer's overall capacity to pay its entire financial obligations, without taking into account the degree of recovery of specific obligations.

A senior long-term credit rating will in principle be assigned to all issuers. A rating for an individual issue may be higher or lower than the issuer's senior long-term credit rating depending on the terms and conditions of the issue.

c. Calculation Method

The groups that appear in Exhibit 1 and elsewhere indicate groupings for default ratio surveys. Each group has been named according to the first fiscal year of its survey period. For example, the 2000 group refers to the group of 737 companies that had R&I ratings as of April 1, 2000.

The survey starts on April 1 of each year from 1978 to 2003. This produces a total of 26 sets of survey results.

Each group is broken down by each rating as of the survey's starting point. The number of default cases over the years that have elapsed since the survey began is counted for each rating.

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The default figure for each rating is then divided by the total number of issuers that initially held that rating. The outcome of this process is each group's rating-specific cumulative default ratios.

Using the 2000 group as an example, its 737 issuers can be broken down by their initial ratings as follows: 18 issuers had an AAA rating, 92 an AA, 263 an A, 279 a BBB, 74 a BB, and 11 a rating of B or lower. Of the 11 issuers with a rating of B or lower, three companies had defaulted within one year, five within two years, six within three years, and six within four years. When each of these annual figures is divided by the original total of 11 companies, this yields cumulative default ratios for the first through the fourth year of 27.3%, 45.5%, 54.5%, and 54.5%, respectively.

d. Method for Computing the Cumulative Average Default Ratio

The computation of the cumulative average default ratios that appear in Appendix A was performed as follows. First, R&I compiled data such as those in Exhibit 10, which presents data for the 2000 group. For example, the number "1" shown under "Year 3" in the "B or lower" row indicates that one of the 11 companies with a rating of B or lower on April 1, 2000, defaulted during the third year. (It should be noted that this number is not the cumulative default figure in the first three years.) The data thus compiled then served as the basis for computing the proportion of issuers to which the definition of default applies in specific n'th years, as is shown in Exhibit 11. For example, the proportion of issuers rated B or lower actually defaulting in the third year becomes 9.09% (1 / 11). The proportion thus calculated is referred to as the "n'th-year default ratio." It is clear from the definition of the n'th-year default ratio that adding up individual n'th-year default ratios when "n" is equivalent to 1 through 10 will produce a figure that corresponds to the 10-year cumulative broad-definition default ratio. In this way, the n'th-year default ratios for each group are calculated in the same way as for the 2000 group in Exhibit 11. There is an upper limit, though, on "n" for each group. For example, the ratio calculation for the 2000 group can only be done up to four years (to fiscal 2003).

The next step is to calculate the averages of the n'th-year default ratios for all the annual groups. The averages are weighted to compensate for the different sizes of the individual sample groups. The number of groups included in the average for each successive year shrinks as the value of "n" increases. This means there are 26 groups in the case of Year 1 and 25 in the case of Year 2. The results of this process, the average n'th-year default ratios, are shown in Exhibit 12. Taking those results, the 10-year cumulative average default ratios can be obtained by adding up the broad-definition default ratios for each year from the first to the tenth. Exhibit 13 presents the outcome of performing such a calculation to determine the cumulative average default ratios for each year.

The rationale behind selecting this methodology is that it makes maximum use of all currently available data. In the case of the 2000 group, for example, tracking surveys have been performed over four years. To a certain extent, though, this 2000 group's data also contain information that is relevant in terms of the cumulative default ratios for five- and six-year periods. This is because a

Exhibit 10: No. of companies defaulting in the n'th years

2000 group	Year 1	Year 2	Year 3	Year 4	No. in sample
AAA	0	0	0	0	18
AA	0	0	0	0	92
A	0	1	1	0	263
BBB	0	1	1	0	279
BB	3	0	1	4	74
B or lower	3	2	1	0	11

Exhibit 11: Default ratios in the n'th years (%)

2000 group	Year 1	Year 2	Year 3	Year 4	No. in sample
AAA	0.00	0.00	0.00	0.00	18
AA	0.00	0.00	0.00	0.00	92
A	0.00	0.38	0.38	0.00	263
BBB	0.00	0.36	0.36	0.00	279
BB	4.05	0.00	1.35	5.41	74
B or lower	27.27	18.18	9.09	0.00	11

Exhibit 12: Average n'th-year default ratios (%)

Average	Year 1	Year 2	Year 3	Year 4
AAA	0.00	0.00	0.00	0.00
AA	0.00	0.00	0.06	0.06
A	0.04	0.09	0.19	0.25
BBB	0.13	0.27	0.34	0.39
BB	1.90	1.75	1.60	1.16
B or lower	7.89	4.47	3.59	1.89

Exhibit 13: Cumulative average default ratios (%)

Average	Year 1	Year 2	Year 3	Year 4
AAA	0.00	0.00	0.00	0.00
AA	0.00	0.00	0.06	0.12
A	0.04	0.13	0.32	0.58
BBB	0.13	0.40	0.74	1.13
BB	1.90	3.65	5.25	6.41
B or lower	7.89	12.36	15.96	17.84



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cumulative default ratio of 1% for a four-year period means that the cumulative default ratio over a period of five or more years will at the very least never be smaller than 1%. A process that follows this sequence—first, calculate n'th-year default ratios for individual groups as previously described, then find the averages of all of the groups' n'th-year default ratios, and subsequently use these n'th-year averages to generate cumulative figures—allows the four years' worth of default information provided by the 2000 group to also be utilized as information for the cumulative default ratios for periods of five years or longer. Conversely, information provided by the 2000 group will not be reflected at all in cumulative default ratios for five years or longer if the sequence of the methodology is to first calculate the cumulative default ratios for individual groups and then compute the averages of those ratios.

2. To Access the Data

Detailed calculation results can be downloaded from R&I's web site (<http://www.r-i.co.jp/>). For a list of broad-definition default bond issuers not covered in this news release and changes in their ratings, please contact R&I as follows;

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Appendix 1: Broad-definition default ratios for each rating

1. Cumulative average broad-definition default ratios (%)

Year elapsed	1	2	3	4	5	6	7	8	9	10
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.36	0.55	0.76
AA	0.00	0.00	0.06	0.12	0.18	0.38	0.60	0.84	1.20	1.39
A	0.04	0.13	0.32	0.58	0.93	1.26	1.55	1.90	2.30	2.61
BBB	0.13	0.40	0.74	1.13	1.53	2.01	2.48	2.90	3.27	3.68
BB	1.90	3.65	5.25	6.41	7.55	8.80	10.34	11.77	13.13	14.11
B or lower	7.89	12.36	15.96	17.84	19.19	20.62	22.83	25.05	28.11	30.47
BBB or above	0.07	0.23	0.46	0.74	1.05	1.41	1.77	2.12	2.49	2.82
BB or lower	3.00	5.25	7.21	8.51	9.69	10.98	12.65	14.26	16.00	17.31
All	0.28	0.59	0.94	1.28	1.65	2.07	2.51	2.95	3.41	3.82

2. Broad-definition default ratios for each group (%)

2003 group (The group for which the survey commenced April 1, 2003. The same applies below.)

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	-	-	-	-	-	-	-	-	-	7
AA	0.00	-	-	-	-	-	-	-	-	-	104
A	0.00	-	-	-	-	-	-	-	-	-	249
BBB	0.00	-	-	-	-	-	-	-	-	-	226
BB	2.50	-	-	-	-	-	-	-	-	-	40
B or lower	9.09	-	-	-	-	-	-	-	-	-	11
BBB or above	0.00	-	-	-	-	-	-	-	-	-	586
BB or lower	3.92	-	-	-	-	-	-	-	-	-	51
All	0.31	-	-	-	-	-	-	-	-	-	637

2002 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	-	-	-	-	-	-	-	-	18
AA	0.00	0.00	-	-	-	-	-	-	-	-	92
A	0.00	0.00	-	-	-	-	-	-	-	-	261
BBB	0.00	0.00	-	-	-	-	-	-	-	-	238
BB	3.77	9.43	-	-	-	-	-	-	-	-	53
B or lower	25.00	33.33	-	-	-	-	-	-	-	-	12
BBB or above	0.00	0.00	-	-	-	-	-	-	-	-	609
BB or lower	7.69	13.85	-	-	-	-	-	-	-	-	65
All	0.74	1.34	-	-	-	-	-	-	-	-	674

2001 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	-	-	-	-	-	-	-	18
AA	0.00	0.00	0.00	-	-	-	-	-	-	-	88
A	0.39	0.39	0.39	-	-	-	-	-	-	-	255
BBB	0.39	1.16	1.16	-	-	-	-	-	-	-	258
BB	1.67	5.00	11.67	-	-	-	-	-	-	-	60
B or lower	25.00	37.50	37.50	-	-	-	-	-	-	-	8
BBB or above	0.32	0.65	0.65	-	-	-	-	-	-	-	619
BB or lower	4.41	8.82	14.71	-	-	-	-	-	-	-	68
All	0.73	1.46	2.04	-	-	-	-	-	-	-	687

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2000 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	-	-	-	-	-	-	18
AA	0.00	0.00	0.00	0.00	-	-	-	-	-	-	92
A	0.00	0.38	0.76	0.76	-	-	-	-	-	-	263
BBB	0.00	0.36	0.72	0.72	-	-	-	-	-	-	279
BB	4.05	4.05	5.41	10.81	-	-	-	-	-	-	74
B or lower	27.27	45.45	54.55	54.55	-	-	-	-	-	-	11
BBB or above	0.00	0.31	0.61	0.61	-	-	-	-	-	-	652
BB or lower	7.06	9.41	11.76	16.47	-	-	-	-	-	-	85
All	0.81	1.36	1.90	2.44	-	-	-	-	-	-	737

1999 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-	24
AA	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-	90
A	0.00	0.00	0.37	0.74	0.74	-	-	-	-	-	271
BBB	0.00	0.66	1.31	1.64	2.62	-	-	-	-	-	305
BB	3.45	12.07	13.79	15.52	20.69	-	-	-	-	-	58
B or lower	25.00	37.50	50.00	50.00	50.00	-	-	-	-	-	8
BBB or above	0.00	0.29	0.72	1.01	1.45	-	-	-	-	-	690
BB or lower	6.06	15.15	18.18	19.70	24.24	-	-	-	-	-	66
All	0.53	1.59	2.25	2.65	3.44	-	-	-	-	-	756

1998 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	-	29
AA	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	-	118
A	0.00	0.33	0.33	0.66	1.32	1.32	-	-	-	-	302
BBB	0.93	1.23	2.78	3.40	3.70	4.94	-	-	-	-	324
BB	11.43	14.29	20.00	20.00	20.00	25.71	-	-	-	-	35
B or lower	25.00	50.00	75.00	75.00	75.00	75.00	-	-	-	-	4
BBB or above	0.39	0.65	1.29	1.68	2.07	2.59	-	-	-	-	773
BB or lower	12.82	17.95	25.64	25.64	25.64	30.77	-	-	-	-	39
All	0.99	1.48	2.46	2.83	3.20	3.94	-	-	-	-	812

1997 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	30
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	120
A	0.35	0.69	1.04	1.39	1.74	2.08	2.08	-	-	-	288
BBB	0.00	1.15	2.02	3.75	4.32	4.90	6.63	-	-	-	347
BB	2.86	11.43	14.29	17.14	17.14	17.14	17.14	-	-	-	35
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	1
BBB or above	0.13	0.76	1.27	2.17	2.55	2.93	3.69	-	-	-	785
BB or lower	2.78	11.11	13.89	16.67	16.67	16.67	16.67	-	-	-	36
All	0.24	1.22	1.83	2.80	3.17	3.53	4.26	-	-	-	821

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1996 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	29
AA	0.00	0.00	0.91	0.91	0.91	0.91	0.91	0.91	-	-	110
A	0.00	0.35	1.05	1.75	2.11	2.46	2.81	2.81	-	-	285
BBB	0.58	0.87	1.74	2.61	3.77	4.64	4.93	6.09	-	-	345
BB	0.00	0.00	4.65	6.98	11.63	13.95	18.60	18.60	-	-	43
B or lower	25.00	25.00	25.00	25.00	25.00	25.00	50.00	50.00	-	-	4
BBB or above	0.26	0.52	1.30	1.95	2.60	3.12	3.38	3.90	-	-	769
BB or lower	2.13	2.13	6.38	8.51	12.77	14.89	21.28	21.28	-	-	47
All	0.37	0.61	1.59	2.33	3.19	3.80	4.41	4.90	-	-	816

1995 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	31
AA	0.00	0.00	0.00	0.99	0.99	0.99	0.99	0.99	0.99	-	101
A	0.00	0.00	0.37	0.74	1.11	1.85	2.21	2.58	2.58	-	271
BBB	0.00	0.58	0.86	2.02	2.88	4.03	4.61	4.90	5.48	-	347
BB	0.00	0.00	2.63	2.63	5.26	10.53	13.16	18.42	21.05	-	38
B or lower	25.00	25.00	25.00	25.00	25.00	25.00	25.00	50.00	50.00	-	4
BBB or above	0.00	0.27	0.53	1.33	1.87	2.67	3.07	3.33	3.60	-	750
BB or lower	2.38	2.38	4.76	4.76	7.14	11.90	14.29	21.43	23.81	-	42
All	0.13	0.38	0.76	1.52	2.15	3.16	3.66	4.29	4.67	-	792

1994 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29
AA	0.00	0.00	0.00	0.00	0.91	0.91	0.91	0.91	0.91	0.91	110
A	0.00	0.00	0.00	0.77	1.93	2.32	3.09	3.47	3.86	3.86	259
BBB	0.00	0.00	0.66	0.66	1.66	2.66	3.99	5.32	5.65	5.98	301
BB	0.00	0.00	0.00	3.03	3.03	6.06	12.12	12.12	18.18	21.21	33
B or lower	0.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	50.00	50.00	4
BBB or above	0.00	0.00	0.29	0.57	1.57	2.15	3.00	3.72	4.01	4.15	699
BB or lower	0.00	2.70	2.70	5.41	5.41	8.11	13.51	13.51	21.62	24.32	37
All	0.00	0.14	0.41	0.82	1.77	2.45	3.53	4.21	4.89	5.16	736

1993 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
AA	0.00	0.00	0.00	0.00	0.00	0.89	0.89	0.89	1.79	1.79	112
A	0.00	0.00	0.00	0.00	0.79	1.98	2.77	3.95	3.95	4.35	253
BBB	0.80	0.80	0.80	1.61	1.61	2.81	3.21	4.02	6.02	6.83	249
BB	0.00	0.00	0.00	0.00	0.00	0.00	3.70	11.11	11.11	14.81	27
B or lower	0.00	0.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	40.00	5
BBB or above	0.31	0.31	0.31	0.62	0.93	2.02	2.48	3.26	4.19	4.65	645
BB or lower	0.00	0.00	3.13	3.13	3.13	3.13	6.25	12.50	12.50	18.75	32
All	0.30	0.30	0.44	0.74	1.03	2.07	2.66	3.69	4.58	5.32	677

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1992 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35
AA	0.00	0.00	0.00	0.00	0.00	1.68	3.36	3.36	3.36	4.20	119
A	0.00	0.00	0.00	0.00	0.00	0.00	0.81	1.62	3.24	3.24	247
BBB	0.00	0.86	0.86	1.29	2.16	2.16	3.45	3.88	4.31	6.47	232
BB	0.00	0.00	0.00	0.00	4.17	4.17	8.33	12.50	16.67	16.67	24
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33.33	33.33	3
BBB or above	0.00	0.32	0.32	0.47	0.79	1.11	2.21	2.69	3.48	4.42	633
BB or lower	0.00	0.00	0.00	0.00	3.70	3.70	7.41	11.11	18.52	18.52	27
All	0.00	0.30	0.30	0.45	0.91	1.21	2.42	3.03	4.09	5.00	660

1991 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	2.38	2.38	2.38	2.38	42
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.91	2.73	2.73	2.73	110
A	0.00	0.00	0.89	0.89	1.33	1.33	1.33	2.22	3.11	4.89	225
BBB	0.00	0.00	0.00	0.00	0.00	0.89	0.89	1.79	2.23	2.68	224
BB	0.00	0.00	0.00	0.00	0.00	4.17	4.17	8.33	12.50	12.50	24
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	33.33	33.33	33.33	66.67	3
BBB or above	0.00	0.00	0.33	0.33	0.50	0.83	1.16	2.16	2.66	3.49	601
BB or lower	0.00	0.00	0.00	0.00	0.00	3.70	7.41	11.11	14.81	18.52	27
All	0.00	0.00	0.32	0.32	0.48	0.96	1.43	2.55	3.18	4.14	628

1990 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.22	4.44	4.44	45
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	1.85	1.85	108
A	0.00	0.00	0.00	1.01	1.01	1.52	1.52	1.52	2.02	2.53	198
BBB	0.00	0.00	0.41	0.41	0.41	0.41	1.23	1.23	2.46	2.87	244
BB	0.00	0.00	0.00	0.00	0.00	0.00	4.55	4.55	4.55	9.09	22
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00	50.00	50.00	2
BBB or above	0.00	0.00	0.17	0.50	0.50	0.67	1.01	1.34	2.35	2.69	595
BB or lower	0.00	0.00	0.00	0.00	0.00	0.00	4.17	8.33	8.33	12.50	24
All	0.00	0.00	0.16	0.48	0.48	0.65	1.13	1.62	2.58	3.07	619

1989 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.56	39
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.27	2.27	88
A	0.00	0.00	0.00	0.00	1.18	1.18	1.76	1.76	1.76	1.76	170
BBB	0.00	0.00	0.00	0.36	0.36	0.36	0.36	1.09	1.45	2.55	275
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00	4.00	4.00	25
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00	50.00	2
BBB or above	0.00	0.00	0.00	0.17	0.52	0.52	0.70	1.05	1.57	2.27	572
BB or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.70	7.41	7.41	27
All	0.00	0.00	0.00	0.17	0.50	0.50	0.67	1.17	1.84	2.50	599

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1988 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.47	68
A	0.00	0.00	0.00	0.00	0.00	1.31	1.31	1.96	3.27	3.27	153
BBB	0.00	0.00	0.00	0.00	0.34	0.34	0.34	0.34	0.34	0.68	296
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.17	4.17	24
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33.33	3
BBB or above	0.00	0.00	0.00	0.00	0.18	0.55	0.55	0.73	1.10	1.46	547
BB or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.70	7.41	27
All	0.00	0.00	0.00	0.00	0.17	0.52	0.52	0.70	1.22	1.74	574

1987 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.85	117
BBB	0.00	0.00	0.00	0.00	0.00	0.37	0.37	0.37	0.37	0.37	271
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00	25
B or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3
BBB or above	0.00	0.00	0.00	0.00	0.00	0.21	0.21	0.21	0.21	0.43	469
BB or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.57	28
All	0.00	0.00	0.00	0.00	0.00	0.20	0.20	0.20	0.20	0.60	497

1986 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	96
BBB	0.00	0.00	0.00	0.00	0.00	0.00	0.43	0.43	0.43	0.43	230
BB	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	23
B or lower	-	-	-	-	-	-	-	-	-	-	0
BBB or above	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	401
BB or lower	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	23
All	0.24	0.24	0.24	0.24	0.24	0.24	0.47	0.47	0.47	0.47	424

1985 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	92
BBB	0.00	0.51	0.51	0.51	0.51	0.51	0.51	1.02	1.02	1.02	197
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14
B or lower	-	-	-	-	-	-	-	-	-	-	0
BBB or above	0.00	0.28	0.28	0.28	0.28	0.28	0.28	0.56	0.56	0.56	357
BB or lower	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14
All	0.00	0.27	0.27	0.27	0.27	0.27	0.27	0.54	0.54	0.54	371

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1984 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	78
BBB	0.00	0.00	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	168
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18
B or lower	0.00	0.00	11.11	11.11	11.11	11.11	11.11	11.11	11.11	11.11	9
BBB or above	0.00	0.00	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	303
BB or lower	0.00	0.00	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	27
All	0.00	0.00	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	330

1983 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	74
BBB	0.00	0.00	0.00	0.65	0.65	0.65	0.65	0.65	0.65	0.65	155
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26
B or lower	10.00	10.00	10.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	10
BBB or above	0.00	0.00	0.00	0.35	0.35	0.35	0.35	0.35	0.35	0.35	284
BB or lower	2.78	2.78	2.78	5.56	5.56	5.56	5.56	5.56	5.56	5.56	36
All	0.31	0.31	0.31	0.94	0.94	0.94	0.94	0.94	0.94	0.94	320

1982 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	76
BBB	0.00	0.00	0.00	0.00	0.68	0.68	0.68	0.68	0.68	0.68	148
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29
B or lower	0.00	5.88	5.88	5.88	11.76	11.76	11.76	11.76	11.76	11.76	17
BBB or above	0.00	0.00	0.00	0.00	0.36	0.36	0.36	0.36	0.36	0.36	281
BB or lower	0.00	2.17	2.17	2.17	4.35	4.35	4.35	4.35	4.35	4.35	46
All	0.00	0.31	0.31	0.31	0.92	0.92	0.92	0.92	0.92	0.92	327

1981 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	73
BBB	0.00	0.00	0.00	0.00	0.00	0.74	0.74	0.74	0.74	0.74	136
BB	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45	29
B or lower	0.00	0.00	5.56	5.56	5.56	11.11	11.11	11.11	11.11	11.11	18
BBB or above	0.00	0.00	0.00	0.00	0.00	0.38	0.38	0.38	0.38	0.38	265
BB or lower	2.13	2.13	4.26	4.26	4.26	6.38	6.38	6.38	6.38	6.38	47
All	0.32	0.32	0.64	0.64	0.64	1.28	1.28	1.28	1.28	1.28	312

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1980 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44
BBB	0.00	0.00	0.00	0.00	0.00	0.00	1.05	1.05	1.05	1.05	95
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23
B or lower	0.00	0.00	0.00	12.50	12.50	12.50	18.75	18.75	18.75	18.75	16
BBB or above	0.00	0.00	0.00	0.00	0.00	0.00	0.57	0.57	0.57	0.57	175
BB or lower	0.00	0.00	0.00	5.13	5.13	5.13	7.69	7.69	7.69	7.69	39
All	0.00	0.00	0.00	0.93	0.93	0.93	1.87	1.87	1.87	1.87	214

1979 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45
BBB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	96
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20
B or lower	0.00	0.00	0.00	0.00	6.25	6.25	6.25	12.50	12.50	12.50	16
BBB or above	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	175
BB or lower	0.00	0.00	0.00	0.00	2.78	2.78	2.78	5.56	5.56	5.56	36
All	0.00	0.00	0.00	0.00	0.47	0.47	0.47	0.95	0.95	0.95	211

1978 group

Year elapsed	1	2	3	4	5	6	7	8	9	10	No. of issuers
AAA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13
AA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19
A	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	48
BBB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	96
BB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20
B or lower	0.00	0.00	0.00	0.00	0.00	6.25	6.25	6.25	12.50	12.50	16
BBB or above	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	176
BB or lower	0.00	0.00	0.00	0.00	0.00	2.78	2.78	2.78	5.56	5.56	36
All	0.00	0.00	0.00	0.00	0.00	0.47	0.47	0.47	0.94	0.94	212

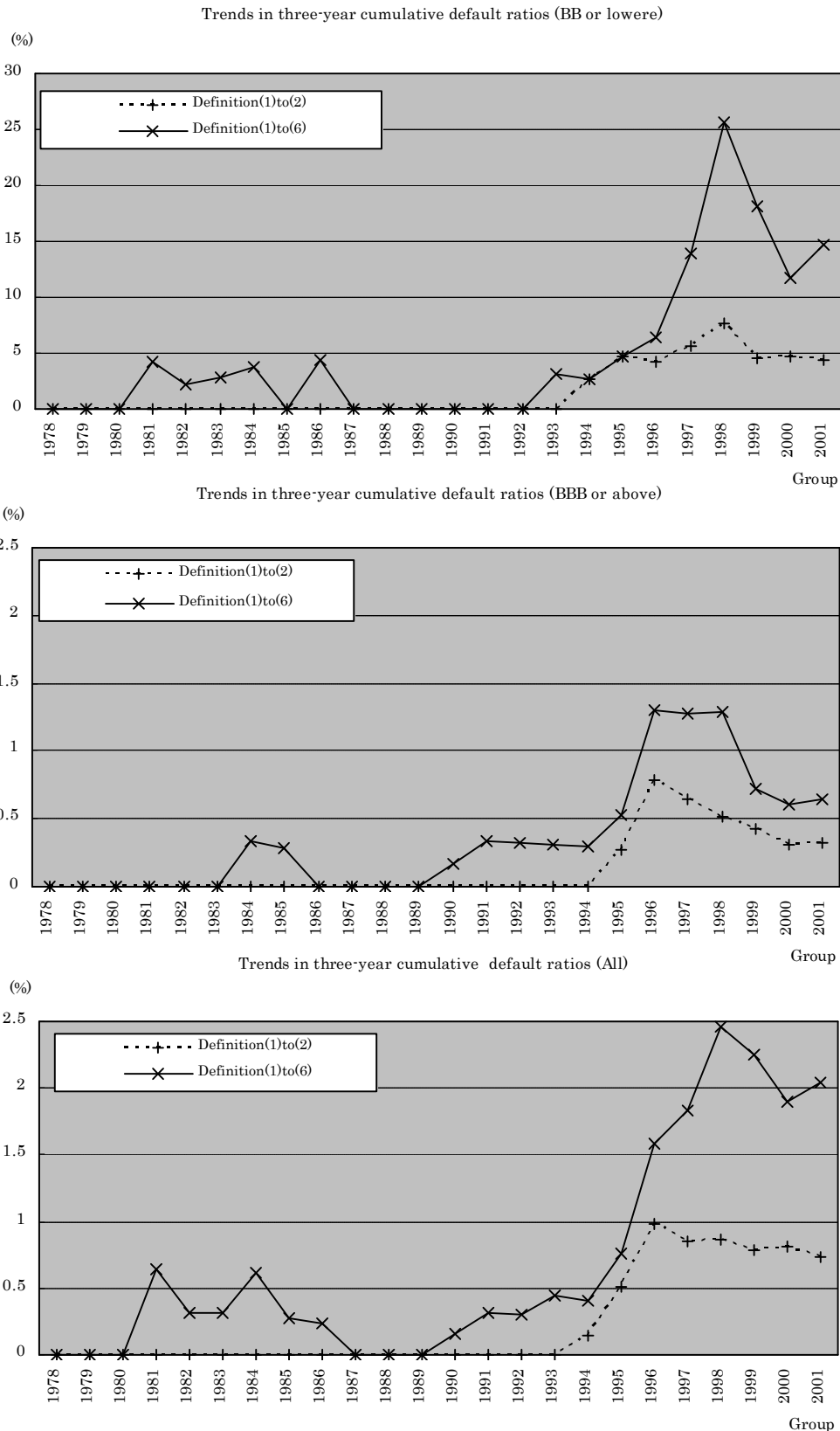
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Appendix 2: Difference in three-year cumulative default ratios by the definition of default



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