



NEWS RELEASE

No.2005-A-034
Sep 2, 2005

- R&I Revises Rating Methodology to Jointly Supported Obligations -

On October 26, 1999, Rating and Investment Information, Inc. (R&I) released its "Approach to Jointly Supported Obligations" securitization criteria. R&I recently revised its rating methodology to jointly supported obligations.

'Joint support' is a mechanism by which multiple guarantors jointly guarantee a single debt obligation. When comparing a debt obligation supported by two guarantors with an obligation guaranteed by a single guarantor, the credit support for the former is stronger. This is because when a debt obligation is jointly supported by two guarantors, no loss will occur as long as both obligors are not in default during the obligation interest and principal payment period. Therefore, R&I believes it is possible to assign a rating that is higher than the rating of the guarantors when a structured finance transaction utilizes joint support.

The determination of whether the joint support will function depends on the debt obligation mechanism, the creditworthiness of each guarantor and the strength of the correlation of the creditworthiness between the guarantors. The strength of the correlation is determined by the extent to which the guarantors share common risk factors such as the content of their businesses, their capital relationship and their business relationship.

The joint support rating matrix previously released by R&I focused on joint support by guarantors from different industry sectors. In the future, R&I will evaluate joint support case-by-case, taking into consideration the characteristics of each issue.



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The following tables show the guarantor ratings and the ratings of jointly supported obligations, assuming the simple case when two guarantors jointly support a single obligation. Table 1 shows the ratings when the content of common risk factors shared by the guarantors is comparatively large, and Table 2 shows the ratings when the content of common risk factors shared by the guarantors is comparatively small. The joint support rating will be higher for cases where there are smaller the content of common risk factors.

■Table 1 When the content of common risk factors shared by guarantors is comparatively large

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-
AAA	AAA												
AA+	AAA	AAA											
AA	AAA	AAA	AA+										
AA-	AAA	AAA	AA+	AA									
A+	AAA	AAA	AA+	AA	AA-								
A	AAA	AAA	AA+	AA	AA-	AA-							
A-	AAA	AA+	AA	AA-	AA-	AA-	A+						
BBB+	AAA	AA+	AA	AA-	AA-	AA-	A+	A					
BBB	AAA	AA+	AA	AA-	AA-	AA-	A+	A	A-				
BBB-	AAA	AA+	AA	AA-	AA-	AA-	A+	A	A-	BBB+			
BB+	AAA	AA+	AA	AA-	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	
BB	AAA	AA+	AA	AA-	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	
BB-	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BBB-	BB+	BB

■Table 2 When the content of common risk factors shared by guarantors is comparatively small

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-
AAA	AAA												
AA+	AAA	AAA											
AA	AAA	AAA	AAA										
AA-	AAA	AAA	AAA	AAA									
A+	AAA	AAA	AAA	AAA	AA+								
A	AAA	AAA	AAA	AAA	AA+	AA							
A-	AAA	AAA	AAA	AA+	AA+	AA	AA-						
BBB+	AAA	AAA	AAA	AA+	AA+	AA	AA-	A+					
BBB	AAA	AAA	AAA	AA+	AA+	AA	AA-	A+	A				
BBB-	AAA	AAA	AA+	AA	AA-	AA-	AA-	A+	A	A-			
BB+	AAA	AAA	AA+	AA	AA-	AA-	A+	A	A-	BBB+	BBB		
BB	AAA	AAA	AA+	AA	AA-	AA-	A+	A	A-	BBB+	BBB	BBB-	
BB-	AAA	AA+	AA	AA-	AA-	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+