

(Translations are not official, but for reference purposes only.)

Cabinet Office Ordinance on Financial Instruments Business, etc. (Ordinance No. 52 of 2007) related to Regulation on Credit Rating Agencies

Article 1 (Definitions)

(1) As used in this Cabinet Office Ordinance, the terms "Securities," "Public Offering of Securities," "Private Placement of Securities," "Secondary Distribution of Securities," "Issuer," "Underwriter," "Financial Instruments Business," "Financial Instruments Business Operator," "Prospectus," "Financial Instruments Intermediary Service," "Financial Instruments Intermediary Service Provider," "Authorized Financial Instruments Firms Association," "Financial Instruments Market," "Financial Instruments Exchange", "Financial Instruments Exchange Market," "Trading Participant," "Derivative Transactions," "Market Transactions of Derivatives," "Over-the-Counter Transactions of Derivatives," "Foreign Market Derivatives Transactions," "Financial Instruments," "Financial Indicator," "Foreign Financial Instruments Exchange," "Brokerage for Clearing of Securities, etc.," "Financial Instruments Clearing Organization," "Securities Finance Company," "Professional Investor," "Credit Rating," "Credit Rating Business" or "Credit Rating Agency" shall respectively mean the Securities, Public Offering of Securities, Private Placement of Securities, Secondary Distribution of Securities, Issuer, Underwriter, Financial Instruments Business, Financial Instruments Business Operator, Prospectus, Financial Instruments Intermediary Service, Financial Instruments Intermediary Service Provider, Authorized Financial Instruments Firms Association, Financial Instruments Market, Financial Instruments Exchange, Financial Instruments Exchange Market, Trading Participant, Derivative Transactions, Market Transactions of Derivatives, Over-the-Counter Transactions of Derivatives, Foreign Market Derivatives Transactions, Financial Instruments, Financial Indicator, Foreign Financial Instruments Exchange, Brokerage for Clearing of Securities, etc., Financial Instruments Clearing Organization, Securities Finance Company, Professional Investor, Credit Rating, Credit Rating Business or Credit Rating Agency as defined in Article 2 of the Financial Instruments and Exchange Act (hereinafter referred to as the "Act").

(2) – (4) (omitted)

Article 2 (Attachment of Japanese Translation)

In cases where, due to any special circumstance, there is any document to be submitted to the Commissioner of Financial Services Agency, Director-General of a Local Finance Bureau or Director-General of the Fukuoka Local Finance Branch Bureau (hereinafter referred to as the "Commissioner of Financial Services Agency or Other Official") pursuant to the provisions of the Act (limited to Chapter III through Chapter III-III and Article 188 of the Act (limited to the provisions pertaining to Financial Instruments Business Operators, etc., Financial Instruments Intermediary Service Providers or Credit Rating Agencies; the

same shall apply in the following Article)), the Cabinet Order (limited to Chapters IV through IV-III; the same shall apply in the following Article) or this Cabinet Office Ordinance (excluding Article 236 and Articles 239 to 243 inclusive) that cannot be prepared in Japanese, a Japanese translation thereof shall be attached thereto; provided, however, that if the documents to be submitted is the articles of incorporation, or the minutes of a shareholders meeting or a Board of Officers, etc. (meaning a Board of Officers, etc. as prescribed in Article 221, item (i)) prepared in English, attaching a Japanese translation of the outline thereof shall be sufficient.

Article 116-2 (Credit Ratings less likely to Result in Insufficient Protection of Investors)

The acts as specified by Cabinet Office Ordinance, as referred to in Article 38, item (iii) of the Act, shall be as follows:

- (i) a Credit Rating on the assessment regarding the credit status of the Underlying Assets (meaning Underlying Assets as set forth in Article 295, paragraph (3), item (ii)) of the Asset Securitization Products (meaning Asset Securitization Products as set forth in item (i) of that paragraph; hereinafter the same shall apply in this item) for which the Contract for Financial Instruments Transaction was concluded (excluding a Credit Rating which is deemed to be substantially a Credit Rating on the assessment of the credit status regarding said Asset Securitization Products); and
- (ii) In addition to what is provided for in the preceding item, a Credit Rating whose prime object is the assessment regarding the credit status of Securities other than those pertaining to the Contract for Financial Instruments Transaction or the credit status of any party other than the Issuer of Securities pertaining to said Contract for Financial Instruments Transaction (excluding a Credit Rating which is deemed to be substantially the Credit Rating for the assessment of the credit status of said Securities pertaining to said Contracts for Financial Instruments Transaction or the said Issuer of said Securities).

Article 116-3 (Significance of Registration as Credit Rating Agency and Other Matters)

The matters as specified by Cabinet Office Ordinance, as referred to in Article 38, item (iii) of the Act shall be as follows:

- (i) the significance of a registration under Article 66-27 of the Act;
- (ii) the following information regarding the person who has determined the Credit Rating:
 - (a) the trade name or name;
 - (b) in cases where the person is a juridical person (including an organization without juridical personality for which the representative person or administrator has been designated), the names of the Officers (in cases of an organization without juridical personality for which the representative person or administrator has been designated, the name of such representative person or administrator); and
 - (c) the name and location of the head office or any other principal business office or offices.

- (iii) an outline of the policies and methods adopted by the person who has determined a Credit Rating in determining such Credit Rating; and
- (iv) the assumptions, significance and limitations of the Credit Rating.

Chapter IV Credit Rating Agency

Section 1 General Provisions

Article 295 (Definitions)

- (1) In this Chapter (excluding Article 295, paragraph (3), items (i) and (iii), Article 299, item (ix), Article 300, paragraph (1), item (ix), Article 306, paragraph (1), item (xv), Article 307, paragraph (1), item (i), Article 309, item (iii), Article 310, Article 313, paragraph (2), item (ii) and Article 318, item (ii), sub-item (b)3.), the meanings of the terms listed in the following items shall be as prescribed respectively in those items:
- (i) juridical person: meaning a juridical person as set forth in Article 66-27 of the Act; and
 - (ii) Officer: meaning an Officer as set forth in Article 66-28, paragraph (1), item (ii) of the Act.
- (2) In this Chapter, the meanings of the terms listed in the following items shall be as prescribed respectively in those items:
- (i) Rating Stakeholder: meaning a Rating Stakeholder as set forth in Article 66-33, paragraph (2) of the Act;
 - (ii) Rating Policy, etc.: meaning a Rating Policy, etc. as set forth in Article 66-36, paragraph (1) of the Act; and
 - (iii) Subsidiary Juridical Person: meaning a Subsidiary Juridical Person as set forth in Article 66-45, paragraph (2) of the Act.
- (3) In this Chapter, the meanings of the terms listed in the following items shall be as prescribed respectively in those items:
- (i) Asset Securitization Products: meaning Securities as set forth in Article 2, paragraph (1) of the Act (excluding Securities as set forth in item (i), item (ii), item (vi), item (vii), items (ix) to (xi) inclusive, item (xvi), item (xvii) (limited to Securities which have the natures of securities or certificates as specified in item (i), item (ii), item (vi), item (vii), item (ix) or item (xvi) of that paragraph; hereinafter the same shall apply in this item), item (xix), item (xx) (limited to Securities which indicate the rights regarding securities or certificates as specified in item (i), item (ii), item (vi), item (vii), items (ix) to (xi) inclusive, item (xvi), item (xvii) or item (xix) of that paragraph) and item (xxi) of that paragraph (hereinafter referred to as "Excluded Securities" in this item); and including the rights which are regarded as Securities pursuant to the provision of paragraph (2) of that Article (excluding the rights pertaining to the Excluded Securities and also excluding the rights as listed in items (iii) to (vi) inclusive of that paragraph); the same shall apply in Article 307, paragraph (3)) or claim pertaining to a monetary loan, which satisfy any of therequirements listed in the following items (a) to (e) inclusive (excluding those which

do not satisfy the requirements listed in the following items (f) to (h) inclusive):

(a) Securities or claims which satisfy all of the following requirements:

1. that there exist monetary claims or any other assets (hereinafter referred to as the "Underlying Assets" in this item) to be directly or indirectly transferred (including the acquisition) from the owner thereof to a juridical person (referred to as a "Special Purpose Juridical Person" in this sub-item (a)2., sub-item (c), and Article 307, paragraph (2), item (iii)) incorporated or operated for the purpose of the issuance of such Securities or the borrowing of such money (limited to a borrowing pertaining to the aforementioned money; hereinafter the same shall apply in this item); and
2. that the Special Purpose Juridical Person issues such Securities or takes out such monetary loan, and that it allocates money derived from the management, investment or disposition of the Underlying Assets as referred to in 1., to satisfy the obligations pertaining to such Securities or monetary loans (including Securities to be issued for the purpose of refinancing said Securities or loans; and also including loans taken out for the purpose of such refinancing).

(b) Securities or claims which satisfy any of the following requirements:

1. that the trust has been created on Underlying Assets in accordance with the method specified in Article 3, items (i) or (iii) of the Trust Act (including the method under the laws and regulations of foreign states, which is similar to those: hereinafter the same shall apply in 2. and item (d)2.), and that money derived from the management, investment or disposition of said Underlying Assets are allocated to satisfy the obligations pertaining to Trust Beneficiary Certificates, etc. (meaning Trust Beneficiary Certificates as defined in Article 1, item (iv) of the Cabinet Office Ordinance on the Disclosure of Information, etc. on Regulated Securities (Ordinance of the Ministry of Finance No. 22 of 1993); Trust Corporate Bond Certificate as defined in item (iv)-2 of that Article; Foreign Loan Trust Beneficiary Certificate as defined in item (iv)-4 of that Article; and rights as referred to in Article 2, paragraph (2), items (i) and (ii) of the Act; hereinafter the same shall apply in (b) and item (d)2.) of the trust, or the obligations pertaining to monetary loans related to said trust (including Trust Beneficiary Certificates, etc. issued for the purpose of refinancing said Trust Beneficiary Certificates, etc. or said loan; and also including loans taken out for the purpose of said refinancing); or
2. that the trust has been created in accordance with the method specified in Article 3, items (i) or (iii) of the Trust Act, and that Underlying Assets have been acquired by the money derived from said trust, the issuance of Trust Corporate Bond Certificate pertaining to the said trust (meaning Trust Corporate Bond Certificate as defined in Article 1, item (iv)-2 of the Cabinet Office Ordinance on the Disclosure of Information, etc. on Regulated Securities; hereinafter the same shall apply in item (d)2.) or the obligations pertaining to monetary loans related to said trust, and that money derived from the management or disposition of said Underlying Assets are allocated to satisfy the obligations pertaining to Trust Beneficiary Certificates, etc. of the trust, or the

obligations pertaining to monetary loans related to said trust (including Trust Beneficiary Certificates, etc. issued for the purpose of refinancing said Trust Beneficiary Certificates, etc. or said loan; and also including loans taken out for the purpose of said refinancing);

(c) Securities or claims which satisfy all of the following requirements:

1. that the contracts have been concluded, whereby the risk of loss arising from the change of the credit status of the Underlying Assets, in whole or part, will be transferred from a third party to the Special Purpose Juridical Person; and
2. that the Special Purpose Juridical Person issues such Securities or takes out such monetary loan, and that it allocates money derived from the management, investment or disposition of money or any other assets derived from the contract as referred to in 1., the issuance of said Securities or said borrowing to satisfy the obligations pertaining to said Securities or monetary loan (including Securities to be issued for the purpose of refinancing said Securities or monetary loan; and also including monetary loans taken out for the purpose of said refinancing).

(d) Securities or claims which satisfy all of the following requirements:

1. that the trust has been created in accordance with the method specified in Article 3, items (i) or (iii) of the Trust Act, and that the contracts have been concluded wherein the risk of loss arising from the change of the credit status of the Underlying Assets, in whole or part, will be transferred from a third party to the trustee; and
2. that the money derived from the management, investment or disposition of money and any other assets derived from the contract referred to in 1., said trust, the issuance of the Trust Corporate Bond Certificate pertaining to the Trust or from the monetary loan shall be allocated to satisfy the obligations pertaining to the Trust Beneficiary Certificates, etc. of the trust or monetary loan pertaining to the trust (including Trust Beneficiary Certificates, etc. issued for the purpose of refinancing said Trust Beneficiary Certificates, etc. or said loan; and also including the loans taken out for the purpose of such refinancing).

(e) in addition to the requirements listed in items (a) to (d) inclusive above, requirements of a similar nature as designated by the Commissioner of the Financial Services Agency;

(f) such securities or claim pertaining to a monetary loan (hereinafter referred to as "Said Securities, etc." in this sub-item (f) and (g)), whose Underlying Assets are securities (meaning Securities as set forth in Article 2, paragraph (1) of the Act or the rights which are regarded as Securities pursuant to the provision of paragraph (2) of that Article) issued by a single issuer or claims against a single obligor (limited to the cases where the credit status of Underlying Assets is deemed to have substantially the same credit status of Said Securities, etc.)

(g) Said Securities, etc., falling under the case where a Specified Commitment Line Contract as specified by Article 2 of the Act on Specified Commitment Line Contract (Act No. 4 of 1999)(including similar contract concluded under the laws and

- regulations of foreign states) has been concluded between the Special Purpose Juridical Person as referred to in sub-item (a)1. and sub-item (c)1. and a single person and the case where said Special Purpose Juridical Person has an option to effect a loan for consumption based on the contract to satisfy the obligations pertaining to Said Securities, etc. (limited to the cases where the credit status of said person is deemed to have substantially the same credit status of Said Securities, etc.); and
- (h) those designated by the Commissioner of the Financial Services Agency.
 - (ii) Underlying Assets: meaning Underlying Assets as referred to in sub-item (a)1., sub-item (b)1. and 2., sub-item (c)1. and sub-item (d)1. of the preceding item;
 - (iii) Rating Analyst: meaning a person who, prior to determining a Credit Rating, performs an analysis of the credit status of financial instruments or juridical persons (including a juridical person as referred to in Article 24, paragraph (1) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act; the same shall apply in Article 299, item (xxxix), Article 300, paragraph (1), item (ix) , Article 306, paragraph (1), item (xv), Article 307, paragraph (1), item (i), Article 309, item (iii), Article 310, Article 313, paragraph (2), item (ii) and Article 318, item (ii), sub-item (b)3.) as well as an assessment based on such analysis, utilizing their expert knowledge and skills;
 - (iv) Lead Rating Analyst: meaning a single Lead Rating Analyst participating in the process of determining a Credit Rating;
 - (v) Person in Charge of Rating: meaning a Rating Analyst participating in the process of determining a Credit Rating for the matters in which Rating Stakeholders have interests (meaning the matters specified in Article 309; hereinafter the same shall apply in this Chapter), and a member of the council which makes the final decision as a Credit Rating Agency for the determination of the Credit Rating;
 - (vi) Compliance With Laws and Regulations, etc.: meaning compliance with Laws and Regulations, etc. (which collectively means laws and regulations (including laws and regulations of foreign states), the disposition of administrative agencies issued under the laws and regulations (including dispositions of a similar nature issued under the laws and regulations of foreign states) or any other regulations including articles of incorporation; the same shall apply in Article 299, item (x) and Article 306, paragraph (1), item (v), sub-item (c)), in terms of the operation of Credit Rating Business;
 - (vii) Chief Compliance Officer: meaning a person in charge of implementing measures so as to ensure Compliance With Laws and Regulations, etc.;
 - (viii) Credit Rating Activity: meaning an activity for determining a Credit Rating, or providing them to someone or making them available to the public (limited to those pertaining to Credit Rating Business);
 - (ix) Conflict of Interests: meaning an act to undermine the interests of investors, in an attempt to benefit itself or Rating Stakeholders and any other persons; and
 - (x) Associated Juridical Person: meaning the Subsidiary Juridical Person of a juridical person, another juridical person which has the juridical person as its Subsidiary

Juridical Person, or a Subsidiary Juridical Person of another juridical person which has the juridical person as its Subsidiary Juridical Person (excluding said juridical person), which performs Credit Rating Activities in the course of the trade.

Article 296 (Application for Registration)

A person who intends to obtain a registration under Article 66-27 of the Act shall submit to the Commissioner of the Financial Services Agency a written application for registration under Article 66-28, paragraph (1) of the Act prepared in accordance with Appended Form No. 27, attaching a copy thereof as well as documents or Electromagnetic Records to be attached thereto pursuant to the provision of paragraph (2) or (3) of that Article.

Article 297 (Person Equivalent to Representative Person in Japan of Foreign Juridical Person)

A person as specified by Cabinet Office Ordinance, as referred to in Article 66-28, paragraph (1) of the Act, shall be a person who, as a representative of a foreign juridical person (limited to a foreign juridical person which, pursuant to the provision of the proviso to Article 66-30, paragraph (2) of the Act, is not required to have its business office or any other office in Japan), acts as a liaison and coordinator with the Commissioner of the Financial Services Agency (limited to a person who is capable of providing an account of the status of its Compliance With Laws and Regulations, etc.).

Article 298 (Matters to be Included in Written Application for Registration)

The matters as specified by Cabinet Office Ordinance, referred to in Article 66-28, paragraph (1), item (v) of the Act, shall be as follows:

- (i) the name of the Representative Person in Japan as set forth in Article 66-28, paragraph (1) of the Act or the person as set forth in the preceding Article of the registration applicant (limited to a foreign juridical person);
- (ii) the following matters concerning another registration applicant or Credit Rating Agency, which falls under the registration applicant's Associated Juridical Person and which, jointly with the registration applicant, performs Credit Rating Activities:
 - (a) the trade name or name;
 - (b) the location of its head office, or of its principal business office or principal office;
- (iii) the following matters concerning the Associated Juridical Person of the registration applicant (excluding the another registration applicant or Credit Rating Agency, which falls under the registration applicant's Associated Juridical Person and which, jointly with the registration applicant, performs Credit Rating Activities):
 - (a) the trade name or name;
 - (b) the location of its head office, or of its principal business office or principal office;
- (iv) the following matters concerning the registration applicant (limited to a foreign juridical person):
 - (a) the name of the state where the head office, the principal business office or principal

- office is located;
- (b) in cases where the registration applicant is subject to the supervision of any administrative organ of a foreign state or any other agency equivalent thereto, which takes charge of the supervision of parties carrying out businesses equivalent to the Credit Rating Business in the state referred to in item (a) (hereinafter referred to as an "Foreign Administrative Organ, etc." in this Chapter), to that effect and the name and location of said Foreign Administrative Organ, etc.; and
 - (v) the names of the Chief Compliance Officer, a person in charge of supervising Rating Analysts in the process of determining a Credit Rating, and members of Supervisory Committee (meaning the Supervisory Committee as set forth in Article 306, paragraph (1) item (xvii); hereafter the the same shall apply in Article 299, item (xxxv), Article 300, paragraph (1), items (iv) and (v) and Article 304, item (vi)).

Article 299 (Contents and Methods of Business)

The matters specified by Cabinet Office Ordinance, as referred to in Article 66-28, paragraph (2), item (ii) of the Act shall be as follows:

- (i) the fundamental principles governing the business operation;
- (ii) the method of execution of the business;
- (iii) the method of allocation of the business;
- (iv) the details of Credit Rating Activities performed in the course of trade, and the categories of the objects of the Credit Ratings pertaining to said activities;
- (v) the details of the measures to be implemented so that a Person in Charge of Rating, as a party independent of a Rating Stakeholder, fairly and faithfully carries out the business, in cases where such Rating Stakeholder consecutively participates in the processes of determining Credit Ratings for the matter in which the same Rating Stakeholder has an interest;
- (vi) the policies for the recruitment of employees (excluding Rating Analysts);
- (vii) the details of the measures to be implemented for establishing systems to secure the adequacy of the operation of the Credit Rating Business (meaning the measures as set forth in Article 306, paragraph (1), item (iv));
- (viii) the policies and procedures for Compliance with Laws and Regulations, etc.;
- (ix) policies which clearly define the roles and responsibilities for Compliance With Laws and Regulations, etc., such as the appointment of a Chief Compliance Officer;
- (x) the details of the measures for handling the case where an employee is found to have acted in violation of laws and regulations, etc.;
- (xi) policies on the recruitment and training of Rating Analysts;
- (xii) the assignment of duties among Rating Analysts;
- (xiii) the method of the appointment of members of the council which makes the final decision for determining a Credit Rating, and the methods for the decision-making of such council;
- (xiv) the method of the appointment of a person responsible for supervising Rating

- Analysts in the process of determining Credit Ratings;
- (xv) the details of the measures to be implemented so that the information used for determining a Credit Rating is of sufficient quality;
 - (xvi) the details of measures to be implemented so as to refrain from determining a Credit Rating, in cases where it is unable to retain sufficient staff with the expert knowledge and skills required for determining a Credit Rating, or in cases where it is unable to secure a sufficient quality of the information it uses for determining a Credit Rating;
 - (xvii) the details of the functions to properly verify the appropriateness and effectiveness of a Rating Determination Policy, etc. (meaning a Rating Determination Policy, etc. as set forth in Article 313, paragraph (1), item (i); the same shall apply in the following item, item (xxxvi), Article 306, paragraph (1), item (vi), Article 311 and Article 312, item (i));
 - (xviii) the details of the measures to be implemented in cases of any material amendment to a Rating Determination Policy, etc., if any, so as to announce, without delay, the scope of Credit Ratings already determined in accordance with the former Rating Determination Policy, etc. but which require further consideration as to the necessity of being updated in accordance with the amended Rating Determination Policy, etc. and the period of time required for such updating, as well as to update Credit Ratings within such period of time;
 - (xix) the details of the measures to be implemented to verify the ability of adequately determining a Credit Rating, in cases where the object of the Credit Rating is the assessment of the credit status of Asset Securitization Products (limited to the cases where the design of said Asset Securitization Products substantially deviates from the Asset Securitization Products which were determined Credit Ratings in the past);
 - (xx) the details of the measures to be implemented so as to enable implementation of the verification and updating of a Credit Rating already determined, in an appropriate manner and on an ongoing basis;
 - (xxi) the types of Specified Acts (meaning Specified Acts as set forth in Article 306, paragraph (1), item (vii), sub-item (a); the same shall apply in item (xxvii)) and the outline of the Measures for Avoiding Conflicts of Interest (meaning Measures for Avoiding Conflicts of Interest as set forth in sub-item (a) of item (vii) of that paragraph; the same shall apply in item (xxvii));
 - (xxii) the details of the measures to be implemented in order to prevent the Person in Charge of Rating from conducting the Sale and Purchase or Other Transactions of Securities, etc. which may entail any Conflicts of Interest;
 - (xxiii) the details of the measures to be implemented so as to refrain from providing to someone a Credit Rating of any Matter in Which Rating Stakeholders Have Interests or making them available to the public, in cases where the registration applicant or one of its Officers or employees has a close relationship with any Rating Stakeholders as set forth in Article 308;
 - (xxiv) the details of the measures to be implemented to ensure that the interests of

- investors would not be adversely affected in the process of determining a Credit Rating of any Matter in Which Rating Stakeholders Have Interests, in cases where there may arise any Conflict of Interests between the registration applicant and the Rating Stakeholders;
- (xxv) the details of the measures to be implemented to prevent Person in Charge of Ratings from making any approach in an attempt to assume the position of an Officer or any other position equivalent thereto of the Rating Stakeholder;
- (xxvi) the details of the measures to be implemented so as to verify the appropriateness of a Credit Rating of any Matter in Which Rating Stakeholder Have Interests, in cases where any Rating Analyst who no longer assume the position of Officer or employee of registration applicant assumes the position of an Officer or any other position equivalent thereto of the Rating Stakeholder;
- (xxvii) the details of the measures to be implemented for the announcement of types of Specified Acts and an outline of Measures for Avoiding Conflicts of Interest in an appropriate manner;
- (xxviii) the details of the measures to be implemented so that activities pertaining to Ancillary Businesses (meaning businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities; hereinafter the same shall apply in this Chapter) and any Other Lines of Business (meaning businesses excluding Credit Rating Business and also excluding the Ancillary Businesses; hereinafter the same shall apply in this Chapter) would not unreasonably affect the Credit Rating Activities;
- (xxiv) the details of the measures to be implemented to enable a third party, as an independent party, to verify the appropriateness of the Credit Rating, in cases where the object of the Credit Rating is the assessment of the credit status of Asset Securitization Products;
- (xxx) policies for the determination of the Remuneration, etc. (meaning any remuneration, bonus or any other property benefit payable by the registration applicant as a consideration for the performance of duties; the same shall apply in the following item) of Officers and employees of the registration applicant;
- (xxxi) the details of the measures to be implemented to ensure that the policy for the determination of the Remuneration, etc. of Officers and employees of the registration applicant would not adversely affect the performance of its Credit Rating Business in a fair and adequate manner;
- (xxxii) the details of the measures to be implemented so as to prevent the Person in Charge of Ratings from being involved in the negotiation process concerning the determination of the Rating Fee (meaning the value of the money or any other property which has been or will be paid to the registration applicant as a consideration for determining a Credit Rating) for the Credit Rating;
- (xxxiii) the details of the measures to be implemented so as to properly manage information which may come to the attention in the course of the performance of the Credit Rating Business, as well as to properly maintain the confidentiality thereof;

- (xxxiv) the details of the measures to be implemented so as to appropriately and swiftly address any complaints raised against the registration applicant;
- (xxxv) the operational policies of the Supervisory Committee and the method of the appointment of the members thereof; and
- (xxxvi) the following matters concerning the Rating Determination Policy, etc.:
 - (a) the categories of the objects of the Credit Rating and the matters which serve as the assumptions for the assessment of a credit status in accordance with the items so categorized, and the criteria to be used for setting grades indicating the results of the assessment of the credit status;
 - (b) the policy and method which enable a Rating Stakeholder, in advance of providing to someone or making available to the public the determined Credit Rating, to verify whether there was any factual misperception as to the principal information used by the registration applicant in determining the Credit Rating; and
 - (c) the policy and method of determining Credit Ratings, in cases of determining a Credit Rating without a solicitation from any Rating Stakeholder;
- (xxxvii) the Rating Provision Policy, etc. (meaning the Rating Provision Policy, etc. as set forth in Article 313, paragraph (1), item (ii));
- (xxxviii) the details of the measures to be implemented so as to secure compliance with the Rating Policy, etc. by Officers and employees;
- (xxxix) the details of the measures to be implemented to prevent any false representation of the general features of the assessment results of the credit status of any financial instruments or juridical persons, or to prevent any representation which may lead to any misperception as to any material information:
- (xl) the details of the measures to be implemented to prevent any act pertaining to Ancillary Businesses from being misperceived as any act pertaining to the Credit Rating Business, in cases where any act pertaining to Ancillary Businesses is to be conducted; and
- (xli) the code of conduct required to be complied with by the registration applicant as well as its Officers and employees.

Article 300 (Documents to be Attached to Written Application for Registration)

The documents specified by Cabinet Office Ordinance, referred to in Article 66-28, paragraph (2), item (iv) of the Act, shall be as follows:

- (i) the documents describing the business execution system, such as its personnel structures and the operational control systems pertaining to the business;
- (ii) the following documents concerning Officers (including those who are found to have the same or a higher authority over a juridical person as directors, executive officers or any persons holding positions equivalent thereto, irrespective of their job title such as advisor, consultant or others; hereinafter the same shall apply in this item, Article 303 and Article 304, item (ii)):
 - (a) the resumé of the Officers (in cases where an Officer is a juridical person, the

- document describing the background of said Officer);
- (b) the extracts from the certificates of residence of the Officers (in cases where the Officer is a juridical person, its certificate of registered matters; or in cases where the Officer is a foreign national, his/her certificate of matters registered in the alien registration record), or any other document in lieu thereof;
 - (c) the certificate issued by a public agency evidencing that none of the Officers falls under Article 29-4, paragraph (1), item (ii), sub-item (a) or (b) of the Act, or any other document in lieu thereof;
 - (d) the document in which each of the Officers pledges that he/she does not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (c) to (g) inclusive of the Act;
- (iii) the following documents concerning the Representative Person in Japan of the registration applicant (limited to a foreign juridical person), as referred to in Article 66-28, paragraph (1) of the Act, or concerning a person as referred to in Article 297:
- (a) resumé;
 - (b) extract from the certificate of residence (in cases where such person is a foreign national, his/her certificate of the matters registered in the alien registration record), or any other document in lieu thereof;
- (iv) the following documents concerning the Chief Compliance Officer, a person in charge of supervising Rating Analysts in the process of determining a Credit Rating and members of the Supervisory Committee;
- (a) resumé;
 - (b) extracts from the certificates of residence (in cases where such person is a foreign national, his/her certificate of the matters registered in the alien registration record), or any other document in lieu thereof;
- (v) a document describing the reasons based on which the Independent Members (meaning Independent Members as set forth in Article 306, paragraph (1), item (xvii), sub-item (a)) of the Supervisory Committee are deemed to be independent;
- (vi) a document describing the outline of the share-capital relationship, personnel relationship, and business relationship in the most recent year, as between the registration applicant, and another registration applicant or Credit Rating Agency which falls under the category of an Associated Juridical Person of the registration applicant and which performs Credit Rating Activities jointly with the registration applicant;
- (vii) a document describing the following conditions of an Associated Juridical Person of the registration applicant (excluding another registration applicant or Credit Rating Agency which falls under the registration applicant's Associated Juridical Person and performs Credit Rating Activities jointly with the registration applicant, as set forth in the preceding item):
- (a) an outline of the share-capital relationship, personnel relationship, and business relationship in the most recent one year, as between the registration applicant and its Associated Juridical Person;
 - (b) the name of the state where the head office, principal business office or principal

office of the Associated Juridical Person (limited to a foreign juridical person) of the registration applicant is located; and, in cases where it is subject to supervision by any Foreign Administrative Organ, etc. in that state, to that effect, and the name and location of said Foreign Administrative Organ, etc.;

- (viii) the most recent balance sheet (including notes related thereto; the same shall apply in the following paragraph) and the most recent profit and loss statement (including notes related thereto; the same shall apply in that paragraph); and
 - (ix) in cases where the registration applicant possesses any statistical information or any other information on the transition of a credit status (limited to the case where the object of the Credit Rating is the assessment of such credit status) of financial instruments or juridical persons, a document describing such information.
- (2) In cases where the documents specified in item (viii) of the preceding paragraph are to be attached, and where the balance sheet or profit and loss statement has been prepared by means of an Electromagnetic Record, the Electromagnetic Record (limited to an Electromagnetic Record as set forth in the following Article) may be attached in lieu of said documents.
- (3) In cases where the registration applicant has obtained registration under Article 66-27 of the Act, and where it intends to seek approval as set forth in Article 306, paragraph (2) or (3), it may attach to the written application for registration the document as set forth in paragraph (4) of that Article.
- (4) In cases where the registration applicant has obtained registration under Article 66-27 of the Act, and where it intends to seek approval as set forth in Article 306, paragraph (6), it may attach to the written application for registration the document as set forth in paragraph (7) of that Article.

Article 301 (Electromagnetic Records)

- (1) An Electromagnetic Record as specified by Cabinet Office Ordinance, and as referred to in Article 66-28, paragraph (3) of the Act, shall be a 90mm flexible magnetic disk cartridge which complies with X6223 of the Japanese Industrial Standards.
- (2) Entry onto an Electromagnetic Record as set forth in the preceding paragraph shall be completed in accordance with the following methods:
- (i) with regard to the track format, the method designated by the JIS X6225; and
 - (ii) with regard to volume and file configuration, the method designated by the JIS X0605.
- (3) With regard to the Electromagnetic Record set forth in paragraph (1), a document containing the following matters shall be affixed to the label area specified by the JIS X6223:
- (i) the trade name or name of the registration applicant; and
 - (ii) the date of application.

Article 302 (Public Inspection of Registry of Credit Rating Agencies)

The Commissioner of the Financial Services Agency shall keep and make available for

public inspection the registry of Credit Rating Agencies containing information on the Credit Rating Agencies to which he/she has granted registration, at the office of the Financial Services Agency.

Article 303 (Criteria for Examination of Operational Control Systems)

When conducting an examination under Article 66-30, paragraph (1), item (v) of the Act as to whether the registration applicant is a juridical person not found to have established a system necessary for the fair and appropriate performance of the Credit Rating Business, it shall be examined, in addition to the documents describing the matters set forth in Article 299 and the documents listed in Article 300, paragraph (1), whether it is likely that the registration applicant may be have a detrimental effect on the confidence in Credit Rating Business, on the grounds of any Officer or employee having qualities which render them unfit for the operation of the business in light of their careers, relationships with the Organized Crime Group set forth in Article 2, item (ii) of the Act on Prevention of Illegal Acts by Organized Crime Group Members or relationships with the Organized Crime Group Members set forth item (vi) of that Article or any other circumstances.

Article 304 (Notification of Change to Matters Contained in Written Application for Registration)

A Credit Rating Agency which intends to file the notification under Article 66-31, paragraph (1) of the Act shall submit to the Commissioner of the Financial Services Agency a written notification stating the particulars and date of and reason for the change, attaching a document stating the particulars after such change prepared in accordance with Appended Form No. 27, a copy thereof and the documents specified in the following items in accordance with the categories of the cases respectively set forth therein; provided, however, that the documents specified in each of the following items may be filed without delay after submission of the notification, if any unavoidable ground exists:

- (i) in cases where there has been any change to the matters specified in Article 66-28, paragraph (1), item (i) of the Act: the certificate of the registered matters containing the particulars so changed, or any other document in lieu thereof;
- (ii) in cases where there has been any change to the matters specified in Article 66-28, paragraph (1), item (ii) of the Act, the following documents:
 - (a) a document stating the business execution system, such as the personnel structure and the organization, etc. related to the business;
 - (b) the certificate of the registered matters containing the particulars so changed, or any other document in lieu thereof;
 - (c) the following documents concerning a person who has newly assumed the position of Officer:
 1. his/her resumé (in cases where the Officer is a juridical person, the document containing the background of said Officer);
 2. extracts from the certificate of residence (in cases where the Officer is a juridical

- person, its certificate of registered matters; or in cases where such person is a foreign national, his/her certificate of the matters registered in the alien registration record), or any other document in lieu thereof;
3. the certificate issued by a public agency evidencing that none of the Officers falls under Article 29-4, paragraph (1), item (ii), sub-item (a) or (b) of the Act, or any other document in lieu thereof;
4. the documents in which each of the Officers pledges that he/she does not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (c) to (g) inclusive of the Act;
- (iii) in cases where there has been any change to the matter specified in Article 298, item (i): the following documents concerning a person who has newly assumed the position of Representative Person in Japan as set forth in Article 66-28, paragraph (1), or has newly assumed the position of a person set forth in Article 297;
- (a) the resumé; and
- (b) extracts from the certificate of residence (in cases where such person is a foreign national, his/her certificate of the matters registered in the alien registration record), or any other document in lieu thereof;
- (iv) in cases where there has been any change to the matter specified in Article 298, item (ii): a document describing the outline of the share-capital relationship, personnel relationship, and business relationship in the most recent one year as between the Credit Rating Agency and those who have newly become its Associated Juridical Person;
- (v) in cases where there has been any change to the matter specified in Article 298, item (iii): a document describing the following matters:
- (a) an outline of the share-capital relationship, personnel relationship, and business relationship in the most recent one year, as between the Credit Rating Agency and those who have newly become its Associated Juridical Person;
- (b) the name of the state where the head office, principal business office or principal office of those who have newly become the Associated Juridical Person (limited to a foreign juridical person) of the Credit Rating Agency is located; and, in cases where it is subject to supervision by any Foreign Administrative Organ, etc. in that state, to that effect, and the name and location of said Foreign Administrative Organ, etc.;
- (vi) in cases where there has been any change to the matter specified in Article 298, item (v): the following documents concerning a person who has newly assumed the position of Chief Compliance Officer, a person in charge of supervising Rating Analysts in the process of determining a Credit Rating, and members of Supervisory Committee:
- (a) the resumé; and
- (b) extracts from the certificate of residence (in cases where such person is a foreign national, his/her certificate of the matters registered in the alien registration record), or any other document in lieu thereof.

Article 305 (Notification on Change to Contents or Method of Business)

A Credit Rating Agency which intends to file the notification under Article 66-31,

paragraph (3) of the Act shall submit to the Commissioner of the Financial Services Agency a written notification stating the particulars and date of and reason for the change, attaching a document stating the matters listed in the items of Article 299 (limited to those matters whose contents have been changed).

Section 2 Business

Article 306 (Establishment of Operational Control Systems)

(1) The operational control systems required to be established by a Credit Rating Agency pursuant to the provision of Article 66-33, paragraph (1) of the Act shall satisfy the following requirements:

(i) that measures have been implemented so that the Credit Rating Agency shall always maintain a fair and unbiased stance in order to perform its Credit Rating Activities at its sole judgment and responsibility;

(ii) that any of the following measures has been implemented, so that a Person in Charge of Rating, as a party independent from Rating Stakeholders, fairly and faithfully carries out the business, in cases where such Person in Charge of Rating participates consecutively in the processes of determining Credit Ratings of the matters in which the same Rating Stakeholder has an interest;

(a) measures to be implemented so that, in cases where any Lead Rating Analyst participating in the process of determining a Credit Rating had, for five consecutive years, participated in the process of determining a Credit Rating of the matter in which the same Rating Stakeholder has an interest, such Lead Rating Analyst would refrain from participating in the process of determining a Credit Rating of the matter in which the same Rating Stakeholder has an interest for two subsequent years thereafter;

(b) measures to ensure that the final decision as a Credit Rating Agency in determining a Credit Rating shall be made by a resolution of the council; and measures so that one third or more of the total of the council members would not participate consecutively in the processes of determining Credit Ratings for the matter in which the same Rating Stakeholders has an interest (in cases where the object of the Credit Rating is the assessment of the credit status of any subject other than Asset Securitization Products, and where two or more Credit Ratings with the same object were determined in the same business year, such two or more Credit Ratings shall be deemed to be a single Credit Rating);

(iii) that the measures have been implemented, so as not to recruit any person about whom serious questions might be raised as to his/her competency in performing Credit Rating Activities in a fair manner;

(iv) that the measures for establishing the following systems for securing the proper business operation of the Credit Rating Agency have been implemented:

(a) a system to ensure that the Officers will execute their respective duties efficiently;

(b) a system for the preservation and management of information on the execution of

- duties by Officers; and
- (c) regulations and any other system for management of risk of loss.
- (v) that the following measures to secure Compliance With Laws and Regulations, etc. have been implemented:
- (a) the formulation of policies and procedures for Compliance With Laws and Regulations, etc.;
 - (b) the formulation of policies to clearly define responsibilities with regard to Compliance With Laws and Regulations, etc., such as the appointment of a Chief Compliance Officer;
 - (c) the following measures in relation to handling cases where the act of an employee was found to be in violation of the laws and regulations, etc.:
 1. the measures to notify Officers and the Chief Compliance Officer with an account of the act of any employee of a Credit Rating Agency committed in violation of laws and regulations, in cases where any such act has been discovered;
 2. the appropriate measures to be implemented by the Officers and Chief Compliance Officer as notified above, so as to prevent the Credit Rating Agency from committing any act which may violate laws and regulations, etc.; and
 3. the measures to ensure that the person who has made the notification shall not be treated unfavorably on account of having made such notification;
- (vi) that the following measures for the formulation and enforcement of policies on managing the quality of the Credit Rating determining process have been implemented:
- (a) the measures to retain sufficient staffs with the expert knowledge and skills which enable them to implement appropriately and smoothly the operation of the Credit Rating Business (in cases where its final decision as a Credit Rating Agency in determining a Credit Rating is to be made by a resolution of the council, the method of the appointment of the council members, the decision-making process of such council, and any other measures so as to ensure that employees can exercise their expert knowledge and skills in an appropriate manner shall also be included);
 - (b) the measures to ensure that the information used in determining a Credit Rating is of sufficient quality;
 - (c) the measures to refrain from determining a Credit Rating, in cases where the Credit Rating Agency is unable to secure sufficient staff with expert knowledge and skills for determining a Credit Rating, or in cases where it is unable to secure a sufficient quality of the information it uses for determining a Credit Rating;
 - (d) the measures to put in place the functions to properly verify the appropriateness and effectiveness of the Rating Determination Policy, etc. (including measures to secure the proper verification of the appropriateness and effectiveness of a Rating Determination Policy, etc. for Asset Securitization Products, in cases of the occurrence of any change to the characteristics of the credit status of the Underlying Assets of said Asset Securitization Products);
 - (e) the measures to be implemented in cases of any material amendment to the Rating

Determination Policy, etc., if any, so as to announce, without delay, the scope of Credit Ratings already determined in accordance with the former Rating Determination Policy, etc. but which require further consideration as to the necessity of being updated in accordance with the amended Rating Determination Policy, etc. and the period of time required for such updating, as well as to update the Credit Ratings within such period of time;

- (f) the measures to verify the ability of the Credit Rating Agency in determining a Credit Rating in an appropriate manner, in cases where the object of such Credit Rating is the assessment of the credit status of Asset Securitization Products (limited to the cases where the design of said Asset Securitization Products substantially deviates from the Asset Securitization Products to which it determined Credit Ratings in the past);
- (g) the measures so that the Credit Rating Agency will be able to implement the verification and updating of a Credit Rating already determined, in an appropriate manner and on an ongoing basis (in cases where it has decided not to implement such verification or updating, measures to announce, without delay, such fact and any other necessary information);
- (vii) that the following measures to prevent any Conflicts of Interest which may arise in connection with the Credit Rating Business have been implemented:
 - (a) the measures to identify Credit Rating Activities which entail any actual or potential Conflicts of Interest (hereinafter referred to as "Specified Acts" in this Chapter) by an appropriate method, and to secure that such acts would not adversely affect the interest of investors (including the following measures; hereinafter referred to as the "Measures for Preventing Conflicts of Interest" in this Chapter):
 1. the measures to prevent Person in Charge of Rating from conducting any Sales and Purchases or Other Transactions of Securities, etc. which may entail any Conflicts of Interest;
 2. the measures to prevent any Officer or employee who has any potential Conflicts of Interest with a Rating Stakeholder, if any, from participating in the process of determining the Credit Rating of any matter in which said Rating Stakeholder has an interest;
 3. the measures to ensure that the Credit Rating Agency would not undermine the interests of investors in the process of determining a Credit Rating of any Matter in Which Rating Stakeholders Have Interests, in cases where there are any potential Conflicts of Interest between the Credit Rating Agency and the relevant Rating Stakeholder, and in cases where any of the following applies:
 - (i) where the Credit Rating Agency has been furnished with loans (including the guarantee of obligations and the offering of collaterals) by Rating Stakeholder;
 - (ii) where the holder of five percent or more of the Voting Rights Held by All the Shareholders, etc. of the Credit Rating Agency (excluding voting rights set forth in Article 16) falls under the category of a Rating Stakeholder;

- (iii) where the Rating Stakeholder acts as the underwriter of Securities issued by the Credit Rating Agency; or
- (iv) where the Credit Rating Agency has been furnished by the Rating Stakeholder with a large amount of money or any other property benefit, as a consideration of services other than the services pertaining to Credit Rating Activities;
- 4. the measures to prevent Person in Charge of Rating from making any approach in an attempt to assume the position of an Officer or any other position equivalent thereto of the Rating Stakeholder;
- 5. the measures to be implemented so as to verify the appropriateness of a Credit Rating of any Matter in Which Rating Stakeholder Has an Interest, in cases where any Rating Analyst who no longer assumes the position of Officer or employee of the Credit Rating Agency has assumed the position of an Officer or any other position equivalent thereto of such Rating Stakeholder (limited to the cases where such former Rating Analyst participated in the process of determining such Credit Rating within two years prior to the day when he/she ceased to be an Officer or employee of the Credit Rating Agency);
- (b) the measures to announce the types of Specified Acts and the outline of Measures for Preventing Conflicts of Interest, in an appropriate manner;
- (viii) that the measures have been implemented so that activities pertaining to Ancillary Businesses or Other Lines of Business would not unreasonably affect the Credit Rating Activities;
- (ix) that the following measures have been implemented so as to enable a third party, as an independent party, to verify the appropriateness of the Credit Rating, in cases where the object of the Credit Rating is the assessment of the credit status of any Asset Securitization Products:
 - (a) measures to itemize information that may be deemed valuable in an assessment by a third party of the appropriateness of the Credit Rating and to announce such information;
 - (b) measures to encourage Rating Stakeholders to implement measures to enable a third party to verify the appropriateness of the Credit Rating, such as the announcement of information on the Asset Securitization Products (including the items announced pursuant to sub-item (a) above);
 - (c) measures to announce the details of the encouragement taken by the Credit Rating Agency pursuant to sub-item (b) above, as well as the results thereof (meaning the results of the interviews with the Rating Stakeholders in relation to the status of the disclosure of information on the Asset Securitization Products);
- (x) that the measures have been implemented so as to formulate the policy for the determination of the Remuneration, etc. (meaning any remuneration, bonus or any other property benefit payable by the Credit Rating Agency as a consideration for the performance of duties; hereinafter the same shall apply in this Chapter) of the Officers or employees of the Credit Rating Agency (limited to a policy which contains the following

details), and so as to ensure that such policy would not adversely affect the performance of the Credit Rating Business in a fair and adequate manner (including measures pertaining to the establishment of a system for periodically performing a review of such policy):

- (a) that the amount of the Remuneration, etc. payable to the Chief Compliance Officer would not be affected by the performance outcome of the operation of the Credit Rating Business; and
 - (b) that the amount of the Remuneration, etc. payable to Person in Charge of Ratings would not be affected by the amount of the Rating Fee (meaning the value of the money or any other property which has been paid or is to be to the Credit Rating Agency as a consideration for determining a Credit Rating; hereinafter the same shall apply in this Chapter) for the Credit Rating.
- (xi) that the measures have been implemented, so as to prevent the Person in Charge of Ratings from participating in the negotiation process for determining the Rating Fee for the Credit Rating;
- (xii) that the following measures have been implemented, so as to properly manage information which may come to the attention in the course of the performance of the Credit Rating Business, as well as to properly maintain the confidentiality thereof;
- (a) the measures to ensure that any information or secrecy which may come to the attention in the course of performance of the Credit Rating Business would not be used for any other purpose than the purpose deemed necessary for implementing the Credit Rating Business in a fair and adequate manner;
 - (b) the measures to prevent the leakage of secrecy, by means of identifying the scope of such secret and the scope of persons who may obtain such secrecy in the course of their business, and specifying the method of the management of such secrecy;
- (xiii) that the measures have been implemented, so as to appropriately and swiftly address the complaints raised against the Credit Rating Agency (including measures concerning the establishment of a system for reporting such complaints to Officers of the Credit Rating Agency);
- (xiv) that the measures for the performance of the Credit Rating Business in accordance with the Rating Policy, etc. (including measures pertaining to training of Rating Analysts) have been implemented;
- (xv) that the measures have been implemented, so as to prevent the false representation of the general features of the assessment results of the credit status of any financial instruments or juridical persons, or to prevent any representation which may lead to any misperception as to any material information;
- (xvi) that the measures have been implemented, so as to prevent any act pertaining to an Ancillary Business from being misperceived as an act pertaining to the Credit Rating Business, in cases where any act pertaining to an Ancillary Businesses is to be conducted;
- (xvii) that the measures for organizing a committee which satisfies all of the following

requirements (hereinafter referred to as the "Supervisory Committee" in this Chapter) have been implemented, so as to ensure implementation of the measures as listed in each of the preceding items in an appropriate manner:

- (a) that one-third or more of the committee members (two or more committee members, in cases where the number of committee members is three or less) are persons not falling under the category of Officer (excluding an auditor or any other position equivalent thereto) or employee (hereinafter referred to as the "Relevant Officers and Employees, etc." in this item (a)) of the Credit Rating Agency, its Subsidiary Juridical Person, any other juridical person which holds such Credit Rating Agency as its Subsidiary Juridical Person or any Subsidiary Juridical Person of any other juridical person which holds such Credit Rating Agency as its Subsidiary Juridical Person (excluding such Credit Rating Agency), and are persons not having assumed the positions of the Relevant Officers and Employees, etc. within the past five years (such committee member shall be hereinafter referred to as the "Independent Member" in this Chapter);
 - (b) that the majority of the committee members have expert knowledge related to finance;
 - (c) that the amount of the Remuneration, etc. of the Independent Members shall not be affected by the performance outcome of the Credit Rating Business of the Credit Rating Agency;
 - (d) that, during his/her respective tenures, the Independent Member will not be dismissed in opposition to his/her intension, except in the cases where he/she has committed any wrongful act, where he/she is found to have committed any breach of his/her obligations in the course of his/her duties, or where so required under the laws and regulations;
 - (e) that the opinions of the Independent Members shall be periodically submitted to the Supervisory Committee.
- (2) The provision of item (ii) of the preceding paragraph shall not apply in the case where, taking into account the number of Officers and employees of the Credit Rating Agency, the nature, size, and complexity of the Credit Rating Business and any other circumstances, the Credit Rating Agency is found to have difficulty in complying with said provision, and where it is found that implementation of any alternative measures would enable its Officers and employees to carry out its business independently from the Rating Stakeholder and in a fair and faithful manner, provided that approval from the Commissioner of the Financial Services Agency shall be obtained.
- (3) The provision of item (xvii) of paragraph (1) shall not apply in the case where, taking into account the number of Officers and employees of the Credit Rating Agency, the nature, size, and complexity of the Credit Rating Business and other circumstances, the Credit Rating Agency is found to have difficulty in complying with said provision, and where it is found that implementation of any alternative measures would enable the Credit Rating Agency to implement properly the measures listed in the items of that paragraph (excluding item (xvii)), provided that approval from the Commissioner of the

Financial Services Agency shall be obtained.

- (4) In cases where the Credit Rating Agency intends to obtain an approval pursuant to the provisions of preceding two paragraphs, it shall submit to the Commissioner of the Financial Services Agency a written application for approval, attaching thereto the following documents:
 - (i) a written statement of reasons;
 - (ii) a document describing the number of Officers and employees;
 - (iii) a document describing the nature, size, complexity and any other circumstances of the Credit Rating Business;
 - (iv) a document describing the details of alternative measures; and
 - (v) a document containing any other matters which would serve as reference information.
- (5) In cases where two or more Credit Rating Agencies (limited to the cases where said two or more Credit Rating Agencies are Associated Juridical Persons, and where they share the same Representative Persons in Japan or a person as set forth in Article 297) are to jointly carry out Credit Rating Activities in the course of trade, said two or more Credit Rating Agencies may jointly establish their operational control systems.
- (6) The provision of paragraph (1) (limited to item (ii), item(iv), item (vii), sub-item (a)3.to 5. inclusive, item(ix) and item (xvii), and excluding the provisions pertaining to business office or office located in Japan)) shall not apply to cases where the Credit Rating Agencies (limited to a foreign juridical person; hereinafter the same shall apply in this paragraph and the following paragraph) are deemed to perform their business fairly and adequately by taking other alternative measures and the said Credit Rating Agencies are subject to appropriate supervision by the Foreign Administrative Organ, etc. on the proper functioning of such alternative measures for the fair and adequate implementation of business, provided that approval from the Commissioner of the Financial Services Agency shall be obtained.
- (7) In cases where the Credit Rating Agency intends to obtain an approval pursuant to the preceding paragraph, it shall submit to the Commissioner of the Financial Services Agency a written application for approval, attaching thereto the following documents:
 - (i) a written statement of reasons;
 - (ii) a document describing the details of other alternative measures
 - (iii) a document proving that the Credit Rating Agency is subject to the appropriate supervision by the Foreign Administrative Organ, etc.
 - (iv) a document containing any other matters that will be helpful; and
 - (v) a legal opinion stating that the matters related to laws and regulations written in the documents of each of the preceding items are true and accurate, which shall be prepared by legal profession, as well as a copy of the relevant provisions of the applicable laws and regulations referred in said legal opinion
- (8) The Commissioner of the Financial Services Agency may impose conditions or time limit on the approval for paragraph (2), paragraph (3) or paragraph (6), change them or rescind said approval.

Article 307 (Rating Stakeholders)

- (1) The persons as specified by Cabinet Office Ordinance, and as referred to in Article 66-33, paragraph (2) of the Act, shall be the parties set forth in the following items, in accordance with the categories of parties as set forth respectively therein (including persons who are deemed to be substantially the same as these persons):
 - (i) in cases where the object of a Credit Rating is the assessment of the credit status of any juridical person: such juridical person (excluding the juridical person set forth in Article 24, paragraph (1), item (iv) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act), and the consignee of the business affairs related to the structure of said juridical person; and
 - (ii) in cases where the object of a Credit Rating is the assessment of the credit status of financial instruments: the issuers of said financial instruments (limited to the case where said financial instruments are Securities), obligor (limited to the case where said financial instruments are loan claims) or consignees of the business affairs related to the structures of said financial instruments.
- (2) Notwithstanding the provision of the preceding paragraph, the person specified by Cabinet Office Ordinance, as referred to Article 66-33, paragraph (2) of the Act, in cases where the object of a Credit Rating is the assessment of the credit status of the Asset Securitization Products, shall be as follows (including persons deemed to be substantially the same as these persons):
 - (i) a principal holder of the Underlying Assets as specified in Article 295, paragraph (3), item (i), sub-item (a)1. or (b)1. or 2., when said Asset Securitization Products satisfy the requirements set forth in Article 295, paragraph (3), item (i), sub-item (a) or (b);
 - (ii) a third party (limited to a principal third party) as set forth in Article 295, paragraph (3), item (i), sub-item (c)1. or (d)1., when said Asset Securitization Products satisfy the requirements set forth in Article 295, paragraph (3), item (i), sub-item (c) or (d);
 - (iii) a Special Purpose Juridical Person as set forth in Article 295, paragraph (3), item (i), sub-item (a) or (c), in cases where said Asset Securitization Products satisfy the requirements set forth in Article 295, paragraph (3), item (i), sub-item (a) or (c); and
 - (iv) a consignee of business affairs related to the structures of said Asset Securitization Products.
- (3) The provision of paragraph (1), item (ii) shall apply to cases where the object of the Credit Rating is the assessment of the credit status of the Securities or claims pertaining to a monetary loan which satisfy any of requirements listed in Article 295, paragraph (3), item (i), sub-item (a) to (e) inclusive, and where the assessment of the credit status satisfies the requirement listed in sub-item (f) of that item, by deeming the assessment of the credit status of the Underlying Assets as specified in sub-item (f) of that item to be the object of the Credit Rating, and cases where the object of the Credit Rating is the assessment of the credit status of the Securities or claims pertaining to a monetary loan which satisfy any of requirements listed in Article 295, paragraph (1), sub-item (a) to (e)

inclusive, and where the assessment of the credit status satisfies the requirement listed in sub-item (g) of that item, by deeming the assessment of the credit status of Securiteis issued by a single person who concludes a contract pertaining to a monetary loan or claims pertaining to a monetary loan to the said person to be the object of the Credit Rating.

Article 308 (Close Relationship with a Rating Stakeholder)

- (1) The close relationship specified by Cabinet Office Ordinance, as referred to in Article 66-35, item (i) of the Act, shall be the relationship between the Credit Rating Agency or its Officers or employees, and the Rating Stakeholders, in cases where any of the following situations applies:
- (i) where the Person in Charge of Rating of the Credit Rating Agency is the Officer of the Rating Stakeholder or has assumed any other position equivalent thereto;
 - (ii) where the Person in Charge of Rating of the Credit Rating Agency is the relative (limited to a spouse, and a relative by blood and a relative by affinity of the first degree of kinship) of the Officer or any other person equivalent thereto of the Rating Stakeholder (excluding the cases specified in the preceding item);
 - (iii) where the Credit Rating Agency or its Person in Charge of Rating is a holder of Securities (excluding Securities as set forth in Article 2, paragraph (1), item (i) and item (ii) of the Act and Securities as set forth in item (xvii) of that paragraph (limited to Securities which have the nature listed in item (i) and item (ii) of that paragraph) issued by the Rating Stakeholder; or
 - (iv) where the Credit Rating Agency or its Person in Charge of Rating is a person entitled to any rights related to Derivatives Transactions (limited to Derivative Transactions related to the Rating Stakeholders or Securities issued by the Rating Stakeholders)
- (2) The holder as set forth in item (iii) of the preceding paragraph and the person entitled to the right set forth in item (iv) of that paragraph shall include the persons listed in the following persons, in addition to a person who, under its name or any other person's name (including a fictitious name), owns the Securities (including a person who has a right to request the delivery of Securities based on a sale and purchase or any other contract) or is entitled to such right:
- (i) a person who has been vested with the authority to exercise the voting rights or any other rights as a shareholder of the issuing company of Securities or the authority to give instructions on the exercise of said voting rights or any other rights, in accordance with the provisions of a monetary trust contract or any other contracts or of the laws; and
 - (ii) a person who has been vested with the authority necessary to make an investment in Securities, in accordance with the provision of a Discretionary Investment Contract or any other contracts or of the laws.

Article 309 (Matters in Which Rating Stakeholders Have Interests)

The matters specified by Cabinet Office Ordinance, as referred to in Article 66-35, item (i) of the Act shall be as follows:

- (i) the assessment of the credit status of the Rating Stakeholder;
- (ii) the assessment of the credit status of financial instruments, in cases where the Rating Stakeholder is an issuer (limited to the case where said financial instruments are Securities) or obligor (limited to the case where said financial instruments are loan claims) of said financial instruments; and
- (iii) the assessment of the credit status of financial instruments or juridical persons pertaining to certain structures, in cases where the Rating Stakeholder is the consignee of business affairs related to such structures.

Article 310 (Matters Which May Materially Influence Credit Rating)

The matters specified by Cabinet Office Ordinance, as referred to in Article 66-35, item (ii) of the Act, shall be as follows:

- (i) the organizational scheme of the juridical person and the composition of the principal assets and liabilities thereof, in cases where the object of the Credit Rating is the assessment of the credit status of such juridical person or Securities issued by such juridical person; and
- (ii) material matter on the structures of financial instruments or the structures of claim pertaining to a monetary loan held against a juridical person, in cases where the object of the Credit Rating is the assessment of such financial instruments or juridical person.

Article 311 (Manner of Advice Excluded from Application of Prohibition)

The case specified by Cabinet Office Ordinance, as referred to in Article 66-35, item (ii) of the Act, shall be the case where the Credit Rating Agency, in response to a request from the Rating Stakeholder, has provided an explanation as to how the information or facts provided by the Rating Stakeholder may affect the determination of Credit Rating, in accordance with the Rating Determination Policy, etc. and any matter incidental thereto.

Article 312 (Prohibited Acts)

The acts specified by Cabinet Office Ordinance, as referred to in Article 66-35, item (iii) of the Act, shall be as follows:

- (i) an act to promise any Rating Stakeholder, prior to implementing the Credit Assessment (meaning a Credit Assessment as defined in Article 2, paragraph (34) of the Act; hereinafter the same shall apply in this Chapter), to provide or make available to the public certain Credit Rating as a result of said Credit Assessment (excluding an act to provide in advance any Rating Stakeholder with a Credit Rating estimated based on the Rating Determination Policy, etc. and any other information incidental thereto);
- (ii) the act of any Person in Charge of Rating of a Credit Rating Agency, in the process of determining a Credit Rating, of accepting any money or goods delivered by any Rating Stakeholder, to demand the delivery thereof, or to accept an offer for the delivery thereof

(excluding the 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 necessary in the course of trade); and

(iii) in cases where the object of a Credit Rating is the assessment of the credit status of Asset Securitization Products, the act of refusing to determine a Credit Rating for the assessment of credit status of such Asset Securitization Products, merely on the grounds that any other 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.

Article 313 (Matters to be Contained in Rating Policy, etc.)

(1) A Rating Policy, etc. as referred to in Article 66-36, paragraph (1) of the Act shall provide for the following matters:

- (i) the policy and method concerning the determination of Credit Ratings (hereinafter referred to as the "Rating Determination Policy, etc." in this Chapter); and
- (ii) the policy and method concerning acts to provide or make available to the public the Credit Ratings (hereinafter referred to as the "Rating Provision Policy, etc." in this Article).

(2) The Rating Determination Policy, etc. shall satisfy the following requirements:

- (i) that it is rigorous and systematic;
- (ii) that it provides that, for the purpose of making a judgment, any and all collected information pertaining to the credit status of financial instruments and juridical persons (limited to the cases where the object of the Credit Rating is the assessment of such credit status) shall be comprehensively taken into account;
- (iii) that it provides for the following matters, in accordance with the categories of objects of Credit Rating and detailed items thereof:
 - (a) the criteria used for identifying the matters which serve as the assumptions for the assessment of the credit status, and the criteria used for the setting of grades indicating the results of the assessments of the credit status; and
 - (b) an outline of the method for the determination of Credit Ratings.
- (iv) that it provides for the policies and methods which enable a Rating Stakeholder, in advance of providing or making available to the public the determined Credit Rating, to verify whether there was any factual misperception as to the principal information used by the Credit Rating Agency in determining the Credit Rating (including policies and methods for securing a reasonable length of time which allows the Rating Stakeholder to express its opinions); and
- (v) that it provides for the policies and methods for determining a Credit Rating, in cases of determining a Credit Rating without a solicitation from any Rating Stakeholder;

(3) The Rating Provision Policy, etc. shall satisfy the following requirements:

- (i) that it provides that acts to provide or to make available to the public the determined Credit Ratings are to be implemented without delay after the determination of such Credit

Rating;

- (ii) that it provides that the acts to provide or to make available to the public the determined Credit Ratings should be implemented for the general public;
- (iii) that it provides that, in cases where the determined Credit Ratings are to be provided or made available to the public, the following matters shall be announced by use of the internet or by any other means; provided, however, that in cases where the object of the Credit Rating is the assessment of the credit status of Asset Securitization Products, the Credit Rating Agency may, in lieu of the matters specified in sub-item (e) (limited to the names of the persons set forth in Article 307, paragraph (2), item (i) or (ii)), announce the business type, business size and location of the parties listed in item (i) or (ii) of that paragraph as well as any reasons for not announcing said information:
 - (a) the trade name or name and the registration number of the Credit Rating Agency, and the details of the supervisory measures taken against the Credit Rating Agency in the most recent one year;
 - (b) the year, month and date of determining the Credit Rating;
 - (c) the name of the Lead Rating Analyst participated in the process of determining the Credit Rating, and the name of the person who, as a representative of the Credit Rating Agency, is responsible for determining Credit Ratings;
 - (d) an outline of the matters set forth in item (iii) of the preceding paragraph and the objects of the Credit Rating, as adopted for the purpose of determining the Credit Rating (in cases where two or more methods for determining a Credit Rating have been adopted, including such fact and the grounds therefor);
 - (e) the name of the Rating Stakeholder;
 - (f) in cases where the object of the Credit Rating is the assessment of the credit status of the Asset Securitization Products, and where the design of such products substantially deviates from the design of Asset Securitization Products that the Credit Rating Agency determined the Credit Rating in the past;
 - (g) in cases where the Credit Rating was determined without any solicitation from the Rating Stakeholder, such fact, and information as to whether any undisclosed information (limited to the information which is found to have material influence on the Credit Rating) had been obtained from the Rating Stakeholder in the process of determining the Credit Rating;
 - (h) in cases where the Credit Rating Agency does not intend to update the determined Credit Rating, such fact and the grounds therefor;
 - (i) an explanation on the assumptions, significance and limitations of the determined Credit Rating, in accordance with the category of the object of such Credit Rating (including an explanation on the characteristics of the fluctuation of Credit Ratings; and also including an explanation on the limitations of the Credit Rating, in cases where the object of the Credit Rating is the assessment of the credit status of the financial instruments with limited information on the transition of the credit status);
 - (j) the following matters concerning the principal information used in the course of

- determining the Credit Rating:
1. an outline of said information;
 2. an outline of the measures implemented for the purpose of the quality assurance of said information; and
 3. the provider of said information;
- (k) the following matters, in cases where the object of the determined Credit Rating was in relation to the assessment of the credit status of the Asset Securitization Products:
1. information on the analysis of loss, cash flow and sensitivity; and
 2. the symbols, figures or any other indication for clearly indicating that the object of the determined Credit Rating was the assessment of the credit status of Asset Securitization Products (including an explanation which allows investors to understand the significance and limitations of said Credit Rating based on such symbol);
- (iv) that it provides that information on the withdrawal of the determined Credit Rating shall be provided without delay; and
- (v) that it directs not to make any representation as to the appropriateness of the results of the Credit Assessment, which may lead to a misperception that such appropriateness has been guaranteed by the Commissioner of the Financial Services Agency or any other administrative organ.

Article 314 (Method of Announcement of Rating Policy, etc.)

- (1) A Credit Rating Agency shall announce its Rating Policy, etc. in a manner which allows easy inspection by investors and Credit Rating users at any time, by means of the use of the internet or any other means.
- (2) In cases where two or more Credit Rating Agencies (limited to the cases where said two or more Credit Rating Agencies fall under the category of Associated Juridical Persons, and where they share the same Officers and Representative Person in Japan or a person as set forth in Article 297) jointly perform Credit Rating Activities in the course of trade, said two or more Credit Rating Agencies may jointly formulate and announce the Rating Policy, etc.)
- (3) In cases where a Credit Rating Agency intends to effect any material change to its Rating Policy, etc., it shall, in advance, announce the fact that the change will be effected and an outline of such change; provided, however, that if any unavoidable ground exists, such unavoidable ground, the fact of the change and an outline thereof may be announced without delay after the change.

Section 3 Accounting

Article 315 (Books and Documents on Business Operation)

- (1) The books and documents to be prepared by a Credit Rating Agency pursuant to the provision of Article 66-37 of the Act shall be as follows:
 - (i) the records pertaining to the following information on the Credit Ratings determined:

- (a) the determined Credit Rating, the year, month and date of determining said Credit Rating, and the object of said Credit Rating;
- (b) the matters set forth in Article 313, paragraph (3), item (iii);
- (c) the name of the Rating Analyst participated in the process of determining the Credit Rating; the name of the person, as a representative of the Credit Rating Agency, was responsible for determining the Credit Rating;
- (d) in cases where the final decision as a Credit Rating Agency in determining the Credit Rating is to be adopted by a resolution of the council, the names of the council members, the materials submitted to the council, the basis of the decision-making and any other records (in cases where the final decision is adopted by means other than a resolution of the council, to that effect and the grounds therefor);
- (e) in cases where any Associated Juridical Person participated in the process of determining the Credit Rating, the name and address of the Associated Juridical Person;
- (f) in cases where the Credit Assessment was implemented based primarily on quantitative analysis, and where there exists a significant difference between the results of the Credit Assessment based on the quantitative analysis and the Credit Rating actually determined, the major grounds which provided the basis for such difference;
- (g) the materials which served as the basis for the determination of the Credit Rating (including records on the progress of negotiations with the Rating Stakeholder);
- (h) information as to whether the Credit Rating was determined in response to solicitation from any Rating Stakeholder;
- (i) an outline of the measures implemented to verify the existence of any Conflict of Interests between the Credit Rating Agency including its Person in Charge of Ratings and any Rating Stakeholders, and any other measures implemented for preventing any Conflict of Interests;
- (ii) the records on the following matters concerning the Rating Stakeholder which had paid any Rating Fee to the Credit Rating Agency;
 - (a) the name and address;
 - (b) the amount of the Rating Fee; and
 - (c) the details of the services for which the Rating Fee was paid.
- (iii) the documents describing the outline of the services or products provided by the Credit Rating Agency;
- (iv) the documents concerning the Credit Assessment which served as the basis for the determination of the Rating Determination Policy, etc. ;
- (v) the documents describing the results of an investigation on the status of Compliance With Laws and Regulations, etc.;
- (vi) the documents describing Specified Acts and Measures for Avoiding Conflicts of Interest;
- (vii) the minutes of meetings of the Supervisory Committee;

- (viii) the records on the progress of important negotiations between Officers or employees of the Credit Rating Agency and the Rating Stakeholder (limited to records concerning Credit Rating Activities);
 - (ix) the documents or electromagnetic records received from investors and any other users of Credit Ratings (limited to documents or electromagnetic records which contain any description of complaints regarding Credit Rating Activities); and
 - (x) the ledgers.
- (2) The books and documents as set forth in the preceding paragraph shall be preserved for five years after the preparation thereof.
- (3) In cases where two or more Credit Rating Agencies (limited to cases where said two or more Credit Rating Agencies fall under the category of Associated Juridical Persons, and where their Representative Persons in Japan or persons as set forth in Article 297 are the same) jointly perform Credit Rating Activities in the course of trade, said two or more Credit Rating Agencies may be jointly prepared for the books and documents.

Article 316 (Business Report)

- (1) A business report to be submitted by a Credit Rating Agency pursuant to the provision of Article 66-38 of the Act shall be prepared in accordance with Appended Form No. 28.
- (2) When a Credit Rating Agency prepares a business report as set forth in the preceding paragraph, it shall be subject to corporate accounting standards generally accepted as fair and appropriate.

Article 317 (Procedures for Obtaining Approval on Time Limit for Submission of Business Report)

- (1) In cases where any Credit Rating Agency which is a foreign juridical person intends to obtain approval under the proviso to Article 18-4-2 of the Cabinet Order, it shall submit to the Commissioner of the Financial Services Agency a written application for approval stating the following matters:
- (i) the trade name or name;
 - (ii) the registration date and the registration number;
 - (iii) the period for which the approval is sought in relation to the submission of the business report;
 - (iv) the last day of the business year pertaining to the business report; and
 - (v) the grounds for seeking the approval with regard to the submission of the Business Report.
- (2) The following documents shall be attached to the written application set forth in the preceding paragraph:
- (i) the articles of incorporation, or any other document in lieu thereof;
 - (ii) a document proving that the representative (including the Representative Person in Japan as set forth in Article 66-28, paragraph (1) of the Act and also including a person as set forth in Article 297) of the Credit Rating Agency which is a foreign juridical person,

- as stated in the written application for approval, is a person who has been duly authorized to submit such written application for approval; and
- (iii) a legal opinion stating that the matters related to laws and regulations or practices as set forth in the written application for approval are true and accurate, which shall be prepared by legal profession, as well as a copy of the relevant provisions of the applicable laws and regulations referred to in such legal opinion.
- (3) In cases where the application for approval set forth in paragraph (1) was filed, and where it is found impossible for a Credit Rating Agency which is a foreign juridical person to submit the business report within three months after the end of the business year due to the laws and regulations or practices of its own state, the Commissioner of the Financial Services Agency shall grant approval with regard to the business report covering the business year containing the day of the filing of such application (in cases where such day falls within three months from the commencement of the business year (in cases where the approval has been granted with regard to the submission of a business report covering the immediately preceding business year, within the period approved), the business year immediately preceding such business year) through the business year immediately preceding the business year containing the day when the ground specified in item (v) of paragraph (1) for which the application was filed would be eliminated or changed.
- (4) The approval set forth in the preceding paragraph shall be granted on the condition that the Credit Rating Agency which is a foreign juridical person, etc. as set forth in that paragraph shall submit to the Commissioner of the Financial Services Agency documents stating the following matters within three months from the end of each business year; provided, however, that with regard to the matters specified in item (ii), if the substance of such matters is identical to that stated in the documents already submitted within five years prior to the submission of such document, the statement of such matters may be omitted:
- (i) that the grounds for the application for which approval was sought have not been eliminated or changed in the relevant business year; and
 - (ii) a legal opinion stating the matters specified in the preceding item, which shall be prepared by legal profession, as well as a copy of the relevant provisions of the applicable laws and regulations referred to in such legal opinion.

Article 318 (Matters to be Contained in Explanatory Document)

- (1) The matters specified by Cabinet Office Ordinance, as referred to in Article 66-39 of the Act, shall be as follows:
- (i) the following matters concerning the profile and organizational structure of the Credit Rating Agency:
 - (a) the trade name or name;
 - (b) the registration date and registration number;
 - (c) an outline of the organizational structure;

- (d) the name of the first to tenth-ranked shareholders based on the descending order of the number of shares held, the number of shares held by such shareholders, and the ratio of the number of the voting rights pertaining to such shares to the Voting Rights Held by All the Shareholders, etc.; and
- (e) the matters set forth in Article 66-28, paragraph (1), items (ii) to (v) inclusive of the Act;
- (ii) the following matters concerning the status of the business of the Credit Rating Agency;
 - (a) an outline of the business conducted in the most recent business year;
 - (b) the following matters, as the indicators of the status of the business of the Credit Rating Agency for the most recent business year:
 1. the sales volume (including the proportion of the consideration for services of Credit Rating Activities and the consideration for services other than Credit Rating Activities);
 2. in cases where the Credit Rating Agency receives a Rating Fee exceeding ten percent of the sales volume of the Credit Rating Business from a single Rating Stakeholder (including the parties set forth in the items of paragraph (1), Article 15-16 and items of paragraph (2), Article 15-16 of the Cabinet Order), the name of said Rating Stakeholder;
 3. statistical information or any other information on the transition of the credit status of the financial instruments or juridical persons (limited to cases where the object of the Credit Rating is the assessment of such credit status);
 4. information on the historical data of the determined Credit Rating (limited to information at the time when one year or more has passed from the day when the Credit Rating was determined);
 5. the status of Ancillary Businesses and Other Lines of Business; and
 6. the total number of Rating Analysts.
 - (c) the schedule of fees generally applicable between the Credit Rating Agency and the Rating Stakeholder;
- (iii) the status of organizing the operations control system of the Credit Rating Agency (including an outline of the following matters):
 - (a) the measures to be implemented so that a Person in Charge of Rating, as a party independent of a Rating Stakeholder, fairly and faithfully carries out the business, even in cases where such Person in Charge of Rating participates consecutively in the processes of determining Credit Ratings of the matter in which the same Rating Stakeholder has an interest;
 - (b) the measures to be implemented for establishing systems for securing the proper operation of the Rating Agency Services (meaning the measures as set forth in Article 306, paragraph (1), item (iv));
 - (c) the measures for securing Compliance With Laws and Regulations, etc.;
 - (d) the following measures concerning policies on the quality management of the Credit

Rating determining process and the implementation thereof:

1. the policy for the recruitment and training of Rating Analysts;
 2. the allocation of the Rating Analysts;
 3. the measures to be implemented so that the information used for determining a Credit Rating is of sufficient quality;
 4. the measures to put in place the functions to properly verify the appropriateness and effectiveness of the Rating Determination Policy, etc.;
 5. the measures to be implemented in cases of any material amendment to the Rating Determination Policy, etc., if any, so as to announce, without delay, the scope of the Credit Ratings already determined in accordance with the former Rating Determination Policy, etc. but which require further consideration as to the necessity for being updated in accordance with the amended Rating Determination Policy, etc. and the period of time required for such updating, as well as to update the Credit Ratings within such period of time;
 6. the measures to verify the ability of the Credit Rating Agency in Determining a Credit Rating in an appropriate manner, whose object is the assessment of the credit status of Asset Securitization Products (limited to the cases where the design of said Asset Securitization Products substantially deviates from the design of the Asset Securitization Products to which it determined Credit Ratings in the past);
 7. the measures so that the Credit Rating Agency will be able to implement the verification and updating of a Credit Rating already determined, in an appropriate manner and on an ongoing basis;
 7. the measures so that the Credit Rating Agency will be able to implement the verification and updating of a Credit Rating already determined, in an appropriate manner and on an ongoing basis;
- (e) the types of Specified Acts and an outline of Measures for Avoiding Conflict of Interest;
- (f) the measures to be implemented so as to verify the appropriateness of a Credit Rating of any Matter in Which Rating Stakeholder Has an Interest, in cases where any Rating Analyst who no longer assumes the position of Officer or employee of the Credit Rating Agency assumes the position of an Officer or any other position equivalent thereto of the Rating Stakeholder;
- (g) the measures to be implemented so that activities pertaining to Ancillary Businesses and Other Lines of Business would not unreasonably affect the Credit Rating Activities;
- (h) the measures to enable a third party, as an independent party, to verify the appropriateness of the Credit Rating, in cases where the object of the Credit Rating is the assessment of the credit status of any Asset Securitization Products;
- (i) the measures to be implemented to ensure that the policy for the determination of the Remuneration, etc. of the Officers or employees of the Credit Rating Agency would not adversely affect the performance of Credit Rating Business in a fair and adequate manner;

- (j) the measures to be implemented so as to prevent the Person in Charge of Rating from participating in the negotiation process for the determination of the Rating Fee for the Credit Rating;
- (k) the measures to be implemented so as to properly manage information which may come to the attention of the Credit Rating Agency in the course of its Credit Rating Business, as well as to properly maintain the confidentiality thereof;
- (l) the measures to be implemented so as to appropriately and swiftly address complaints raised against the Credit Rating Agency;
- (m) the operational policies of the Supervisory Committee, and names of the members and the method of the appointment of the members (including a basic stance on the independence of the Independent Members); and
- (n) a document describing the code of conduct to be complied with by the Credit Rating Agency as well as its Officers and employees;
- (iv) an outline of the Rating Policy, etc.;
- (v) the following matters concerning the status of the Associated Juridical Persons and Subsidiary Juridical Persons of the Credit Rating Agency:
 - (a) the composition of the group of the Credit Rating Agency and its Associated Juridical Persons and Subsidiary Juridical Persons; and
 - (b) the trade name or name, and locations of the principal business office or principal office of Associated Juridical Persons and Subsidiary Juridical Persons, as well as the details of their respective principal businesses.

Article 319 (Method of Public Inspection of Explanatory Documents)

- (1) A Credit Rating Agency shall keep copies of explanatory documents at all of its business offices or offices and make them available for public inspection, and, in addition to this, shall announce them by such means as use of the internet so as to allow easy inspection by investors and Credit Ratings users at any time.
- (2) In cases where two or more Credit Rating Agencies (limited to cases where said two or more Credit Rating Agencies fall under the category of Associated Juridical Persons, and where their Representative Persons in Japan or persons as set forth in Article 297 are the same) jointly perform Credit Rating Activities in the course of trade, said two or more Credit Rating Agencies may jointly prepare and announce the explanatory documents.

Article 320 (Procedures for Obtaining Approval on Period of Public Inspection of Explanatory Documents)

- (1) In cases where any Credit Rating Agency which is a foreign juridical person intends to obtain approval under the proviso to Article 18-4-3 of the Cabinet Order, it shall submit to the Commissioner of the Financial Services Agency a written application for approval stating the following matters:
 - (i) the trade name or name;
 - (ii) the registration date and the registration number;

- (iii) the period for which the approval is sought in relation to the public inspection of the explanatory documents;
 - (iv) the last day of the business year pertaining to the explanatory documents; and
 - (v) the grounds for seeking the approval with regard to the public inspection of the explanatory documents.
- (2) The following documents shall be attached to the written application set forth in the preceding paragraph:
- (i) the articles of incorporation, or any other document in lieu thereof;
 - (ii) a document proving that the representative (including the Representative Person in Japan as set forth in Article 66-28, paragraph (1) of the Act and also including a person as set forth in Article 297) of the Credit Rating Agency which is a foreign juridical person, as stated in the written application for approval, is a person who has been duly authorized to submit such written application for approval; and
 - (iii) a legal opinion stating that the matters related to laws and regulations or practices as set forth in the written application for approval are true and accurate, which shall be prepared by legal profession, as well as a copy of the relevant provisions of the applicable laws and regulations referred to in such legal opinion.
- (3) In cases where the application for approval set forth in paragraph (1) has been filed, and where, due to the laws and regulations or practices of its own state, it is found to be impossible for a Credit Rating Agency which is a foreign juridical person to keep and make available for public inspection the explanatory documents and to announce them by such means as use of the internet from the day when four months have elapsed after the end of each business year, the Commissioner of the Financial Services Agency shall grant approval with regard to the explanatory documents covering the business year containing the day of the filing of such application (in cases where such day falls within four months from the commencement of the business year (in cases where the approval has been granted with regard to the submission of a business report covering the immediately preceding business year, within the period approved), the business year immediately preceding such business year) through the business year immediately preceding the business year containing the day when the reason specified in item (v) of paragraph (1) for which the application was filed would be eliminated or changed.
- (4) The approval set forth in the preceding paragraph shall be granted on the condition that the Credit Rating Agency which is a foreign juridical person, etc. as set forth in that paragraph shall submit to the Commissioner of the Financial Services Agency the documents stating the following matters within four months from the end of each business year; provided, however, that with regard to the matters specified in item (ii), if the substance of such matters is identical to that stated in the documents already submitted within five years prior to the submission of such document, the statement of such matters may be omitted:
- (i) that the grounds for application for which approval was sought have not been eliminated or changed in the relevant business year; and

- (ii) a legal opinion stating the matters specified in the preceding item, which shall be prepared by legal profession, as well as a copy of the relevant provisions of the applicable laws and regulations referred to in such legal opinion.

Section 4 Supervision

Article 321 (Notification of Discontinuance of Business, etc.)

- (1) A person who intends to file a notification pursuant to the provision of Article 66-40, paragraph (1) of the Act shall submit to the Commissioner of the Financial Services Agency a written notification stating the matters listed in the following items, in accordance with the categories of the cases set forth respectively therein:
 - (i) the case falling under Article 66-40, paragraph (1), item (i) of the Act (excluding the cases where the following item and item (iii) applies): the date of and reason for the discontinuance;
 - (ii) the case falling under Article 66-40, paragraph (1), item (i) of the Act (limited to cases where the Credit Rating Agency has had all of its business pertaining to Credit Rating Business succeeded to through a split): the following matters:
 - (a) the trade name or name of the successor; and
 - (b) the date of and grounds for the split;
 - (iii) the case falling under Article 66-40, paragraph (1), item (i) of the Act (limited to cases where the entire Credit Rating Business was transferred): the following matters:
 - (a) the trade name or name of the transferee; and
 - (b) the date of the transfer and the grounds therefor;
 - (vi) the case falling under Article 66-40, paragraph (1), item (ii) of the Act: the following matters:
 - (a) the trade name or name of the counterparty to the merger;
 - (b) the date of and grounds for the merger; and
 - (c) the method of implementing the merger;
 - (v) the case falling under Article 66, paragraph (1), item (iii) of the Act: the following matters:
 - (a) the day when the petition for the commencement of bankruptcy proceedings was filed; and
 - (b) the day when the order for the commencement of bankruptcy proceedings was issued.
 - (vi) the case falling under Article 66-40, paragraph (1), item (iv) of the Act: the date of and grounds for the dissolution.
- (2) The documents listed in the following items shall be attached to the written notification set forth in the preceding paragraph, in accordance with the categories of the cases set forth respectively therein:
 - (i) the case falling under Article 66-40, paragraph (1), item (ii) of Act: the document stating the contents of the merger agreement and the procedures for the merger; and
 - (ii) the cases falling under item Article 66-40, paragraph (1), item (iii) of Act: a copy of

the written judgment on the order for the commencement of bankruptcy proceedings, or a document stating the details of the order for the commencement of bankruptcy proceedings.

Article 322 (Public Notice, etc. on Discontinuance, etc. of Business)

(1) The public notice under Article 66-40, paragraph (3) of the Act shall be given by means of publication in the official gazette or in a daily newspaper that publishes matters on current affairs.

(2) The following matters shall be stated in a written notification as set forth in Article 66-40, paragraph (4) of the Act:

- (i) the trade name or name;
- (ii) the registration date and the registration number;
- (iii) the grounds on which the notification was filed; and
- (iv) the day when the grounds for filing the notification are scheduled to occur.

Article 323 (Public Notice for Persons Whose Whereabouts are Unidentifiable)

The public notice prescribed in Articles 66-42, paragraph (3) of the Act shall be given by means of publication in the official gazette.

Article 324 (Public Notice of Supervisory Disposition)

The public notice prescribed in Articles 66-43 of the Act shall be given by means of publication in the official gazette.

Article 325 (Matters to be Taken into Account for Purpose of Application)

In cases where the Commissioner of the Financial Services Agency exercises the authority under Article 66-41, Article 66-42, paragraphs (1) or (2) or Article 66-45, paragraph (1) of the Act, he/she shall pay attention not to be involved in the individual Credit Ratings or the specific details of the method of Credit Assessment.

Article 328 (Standard Processing Period)

(1) In cases where any application for registration, authorization, approval, permission or confirmation listed in any of the following items has been filed, the Commissioner of the Financial Services Agency or other official shall endeavor to render the disposition related to such application within the period set forth respectively in the relevant items, counting from the date of the arrival of such application at the relevant office:

- (i) a registration under Article 29, Article 33-2, Article 66 and Article 66-27 of the Act, an authorization under Article 30, paragraph (1) of the Act and a permission under Article 60, paragraph (1) of this Act: two months;
 - (ii) (omitted)
- (2) (omitted)

Year: _____ Month: _____ Date: _____

To: Commissioner of the Financial Services Agency

Applicant (Postal Code)

Address or Location

Telephone Number () -

Trade Name or Name

Name and Title of Representative (Seal)

Application for Registration

Pursuant to the provision of Article 66-28 of the Financial Instruments and Exchange Act, the applicant hereby submits an application for registration under Article 66-27 of the same Act.

The applicant hereby certifies that the matters contained in this written application and the documents attached hereto are true.

(Note)

1. The applicant shall affix the same seal as indicated in the notification of seal impression already submitted by such applicant; provided, however, that the signature may be affixed for any inevitable reason.
2. The applicant shall attach a certificate of seal impression pertaining to the seal impression affixed (excluding the case where the signature is affixed).

* Registration Number	Commissioner of the Financial Services Agency (Credit Rating Agency) No. _____ (YY/MM/DD)
1 Whether the applicant has a juridical personality	
2 (in Japanese syllabary) Trade Name or Name	
3 Name of officers (in case of a foreign juridical person, officers shall include its representative in Japan; and in case of an organization without a juridical personality for which a representative person or administrator has been designated, officers shall include such representative person or administrator)	As per specified in Appendix No. 1
4 Name and location of the business office or office to carry out Credit Rating Business (in case of a foreign juridical person: its head office, principal business office or other principal office in Japan, or any other business office or office in Japan)	As per specified in Appendix No. 2
5 Type of other lines of business	As per specified in Appendix No. 3
6 Name of the registration applicant's representative person in Japan as set forth in Article 66-28, paragraph (1) of the Act or the person set forth in Article 297 (limited to the case where the registration applicant is a foreign juridical person)	
7 Trade name or name, and location of the head office, principal business office or other principal office of another registration applicant or another Credit Rating Agency that falls under the category of an Associated Juridical Person of the registration applicant and performs the Credit Rating Activities jointly with the registration applicant	As per specified in Appendix No. 4
8 Trade name or name, and location of head office, principal business office or other principal office of the registration applicant's Associated Juridical Persons	As per specified in Appendix No. 5

	(excluding another registration applicant or another Credit Rating Agency that falls under the category of an Associated Juridical Person of the registration applicant and performs Credit Rating Activities jointly with the registration applicant)	
9	The name of the state where the head office, principal business office or other principal office of the registration applicant (limited to a foreign juridical person) is located; and, in cases where the registration applicant is subject to supervision by any Administrative Organ, etc. in that state, said fact, and the name and location of said Administrative Organ, etc.	As per specified in Appendix No. 6
10	Name of Chief Compliance Officer	
11	Name of person in charge of supervising Rating Analysts in the process of determining a Credit Rating	
12	Names of members of Supervisory Committee	

(Note)

1. Please do not enter any information in the column "* registration number."
2. With regard to the column, "Whether the applicant has a juridical personality," in cases where the registration applicant has a juridical personality, please also indicate the provisions pursuant to which such juridical personality has been granted.
3. With regard to the column, "Names of members of Supervisory Committee," in cases where a member is an Independent Member, please note such fact in parentheses.

(Appendix 1: Names of Officers (in case of a foreign juridical person, officers shall include its representative in Japan; and in case of an organization without a juridical personality for which a representative person or administrator has been designated, officers shall include such representative person or administrator))

Trade Name or Name

(As of YY/MM/DD)

(in Japanese syllabary) Name	Title

(Appendix 2: Name and location of the business office or office to carry out Credit Rating Business (in case of a foreign juridical person: its head office, principal business office or other principal office in Japan, or any other business office or office in Japan))

Trade Name or Name

(As of YY/MM/DD)

Name	Location

(Appendix 3: Type of other lines of business)

Trade Name or Name

(As of YY/MM/DD)

Type of other lines of business

(Appendix 4: Trade name or name, and location of the head office, principal business office or other principal office of another registration applicant or another Credit Rating Agency that falls under the category of an Associated Juridical Person of the registration applicant and performs Credit Rating Activities jointly with the registration applicant)

Trade Name or Name

(As of YY/MM/DD)

Trade Name or Name	Location of head office, principal business office or other principal office	
	Name	Location

(Appendix 5: Trade name or name, and location of the head office, principal business office or other principal office of the registration applicant's Associated Juridical Persons (excluding another registration applicant or another Credit Rating Agency that falls under the category of an Associated Juridical Person of the registration applicant and performs Credit Rating Activities jointly with the registration applicant)

Trade Name or Name

(As of YY/MM/DD)

Trade Name or Name	Location of head office, principal business office or other principal office	
	Name	Location

(Appendix 6: Name of the state where the head office, principal business office or other principal office of the registration applicant (limited to a foreign juridical person) is located; and, in cases where the registration applicant is subject to supervision by any Administrative Organ, etc. in that state, said fact, and the name and location of said Administrative Organ, etc.)

Trade Name of Name

(As of YY/MM/DD)

State Name	Supervision	Administrative Organ, etc.	
		Name	Location

(Note)

1. In the column, "State Name," please indicate the name of the state where the head office, principal business office or other principal office of the registration applicant is located.
2. In cases where the registration applicant is subject to supervision by any Administrative Organ, etc. in the relevant state, please state "yes" in the column, "Supervision," as well as the name and location of such Administrative Organ, etc. in the column, "Administrative Organ, etc."

Business Report (From: YY/MM/DD)
 for ___th business year (To: YY/MM/DD)

Date of Submission: YY/MM/DD

Trade Name or Name
 Location
 Title and Name of Representative (Seal)

1 Status of Business

- (1) Date of registration and registration number
 YY/MM/DD (Commissioner of the Financial Services Agency (Credit Rating Agency) No. _____)
- (2) Type of Business
- (3) Outline of business conducted in the business year
- (4) Status of officers and employees

(i) Total number of officers and employees

	Officers		Employees	Total
		Part-time officers		
Total Number	(_____)	(_____)	(_____)	(_____)
Number of Rating Analysts				

(ii) Status of officers

Title	Name	Positions at other companies concurrently held		
		Trade Name	Title	Whether the officer has been granted authority of representation

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(iii) Status of Chief Compliance Officer

Name

(iv) Status of a person in charge of supervising Rating Analysts in the process of determining a Credit Rating

Name

(v) Status of members of Supervisory Committee

Name

(vi) Status of Rating Analysts

Name of Section	Number of Rating Analysts Belonging to the Section

(5) Status of business offices

Name	Location	Number of Officers and Employees

Total number of business offices: _____		_____ in total
--	--	----------------

(6) Status of shareholders

Name	Address or Location	Ratio
Others (Number of shareholders _____)		%
Total number of shareholders:		100.00%

(Note)

1. Status of business

(1) Type of business

Please describe the details of the Credit Rating Activities performed in the course of trade and the categories of the objects of the Credit Ratings pertaining to said activities, and other lines of business conducted by the registration applicant, as of the end of the business year. If any change has occurred in the business year, please note such change.

(2) Outline of business conducted in the business year

Please provide a brief outline of business activities and business performance for the business year, and a summary of any other important matters that had an impact on the business performance in the business year. (In case of a foreign juridical person, please also provide a brief outline of business activities and business performance in Japan, and a summary of any other important matters that had an impact on business performance in Japan.)

(3) Status of officers and employees

(i) Total number of officers and employees

Please state the number of officers and employees incumbent as of the end of the business year. In case of a foreign juridical person, please state, in parentheses immediately below such information, the number of officers and employees assigned to its business office or office in Japan.

(ii) Status of officers

Please describe information on officers incumbent as of the end of the business year. In the column, "Positions at other companies concurrently held," please state the trade name or name of the other company at which the person concurrently assumes the position of officer, the title of the position assumed at such other company, and whether such person has been

granted the authority of representation; provided, however, that for an accounting advisor, company auditor, or an officer of a foreign juridical person who is not an officer assigned to its business office or office in Japan, no entry in the column, "Positions concurrently held by officers," is required.

(iii) Status of members of Supervisory Committee

In cases where a member of the Supervisory Committee is an Independent Member, please note such fact in parentheses.

(iv) Status of Rating Analysts

Please describe information on Rating Analysts incumbent as of the end of the business year. In the column, "Section Name," please note, in parentheses, the categories of the objects of Credit Rating that such section will handle. In case of a foreign juridical person, in the column, "Number of Rating Analysts Belonging to the Section," please state, in parentheses, the number of Rating Analysts assigned to its business office or office in Japan.

(4) Status of business offices

Please describe information on all business offices or offices including the Head Office, etc. as of the end of the business year. In cases where, during the business year, any business office or other office has been established or abolished, or where there has been any change to the name or address of the business office or other office, please note such fact.

(5) Status of shareholders

Please describe information on the first to tenth-ranked shareholders (meaning the first to tenth-ranked shareholders as set forth in Article 318, item (i), sub-item (d)) and any other shareholder as of the end of the business year. In the column "Ratio," please indicate the ratio as set forth in sub-item (d) of such item to the second decimal place, truncating all digits after the third decimal place.

(7) Status of business

Please describe information on the status of the Credit Rating Business, Ancillary Business and Other Line of Business conducted in the business year. If there is any fraction less than one unit, such fraction shall be truncated.

(i) Total number of Credit Ratings determined as of the end of the business year, and the breakdown per category of the objects of Credit Ratings:

Category	Number of Credit Ratings determined as of the end of the business year
----------	--

Total	

(Note)

1. The categories of the objects of the Credit Ratings shall be in conformity with the categories as set forth in the Rating Policy, etc.
2. In case of a foreign juridical person, please state, in parentheses, the number of Credit Ratings determined in Japan.

(ii) The names of the first to twentieth-ranked customers of the Credit Rating Agency, based on descending order of the amount of Rating Fee (meaning the Rating Fee as defined in Article 306, paragraph (1), item (x), sub-item (b)) paid to the Credit Rating Agency in the business year, and the amount of the Rating Fee:

Name	Amount

(Note)

In case of a foreign juridical person, please also describe the names and amounts of Rating Fee pertaining to the first to twentieth-ranked customers in Japan.

(iii) Aggregate amount of the Remuneration, etc. of Rating Analysts

(iv) Statistical or any other information on the transition of a credit status of financial instruments or juridical persons (limited to the case where the assessment of such credit status is the object of the Credit Rating)

(Note)

In cases where two or more Credit Rating Agencies jointly carry out the Credit Rating Activities in the course of trade (limited to the case where the two or more Credit Rating Agencies fall under the category of Associated Juridical Persons and where they share the same Representative Person in Japan or a person set forth in Article 297), and where it is difficult to separately identify information pertaining to each Credit Rating Agency, statistical or any other information prepared jointly by said two or more Credit Rating Agencies may be stated, provided that a reasonable explanation is added.

(v) Status of Ancillary Business and Other Line of Business

Details of Business

(Note)

In case of a foreign juridical person, please also describe the status of its Ancillary Business in Japan and Other Line of Business in Japan.

2. Accounting Status

A Credit Rating Agency may prepare and submit a balance sheet, and a profit and loss statement.

3. Status of Associated Juridical Persons

Name	Location of principal business office or other principal office	Contents of principal business	Account of relationship

(Note)

1. Please describe information on the Associated Juridical Persons as of the end of the business year. In cases where any change has occurred during the business year, please note such change.
2. In the column, "Account of relationship," please state whether the Associated Juridical Person is a Subsidiary Juridical Person of the Credit Rating Agency, another juridical person that holds the Credit Rating Agency as its Subsidiary Juridical Person, or a Subsidiary Juridical Person of another juridical person that holds such Credit Rating Agency as its Subsidiary Juridical Person (excluding such Credit Rating Agency), as well as whether the relationship is a share-capital relationship or a personnel relationship.