14-D-0638
November 7, 2014

JCR Revised its Rating Methodologies Relating to Country Ceiling

Japan Credit Rating Agency, Ltd. (JCR) has made a partial revision of its rating methodologies. The followings are the outline of the revision and a rating that may be reviewed as a result of the revision.

1. Outline of revision

JCR today made a partial revision of its current rating methodologies for Sovereign titled Sovereign and Public-Sector Entities and for Corporate Entities titled JCR's Rating Methodology. This is based on the conclusion drawn from a review of the "JCR is Considering Revising its Rating Methodologies Relating to Country Ceiling" it made public in the press release dated September 26, 2014. After careful consideration, JCR decided to revise the methodologies as proposed in the press release. Previously, JCR unexceptionally used a sovereign's foreign currency rating as a country ceiling. However, the new methodology sets a country ceiling based on the assessment of authorities' likelihood to impose restrictions on foreign currency transactions of an entity. The change has been made in light of our observation that the measures taken by authorities in the recent financial crises indicate few of them now impose restrictions on foreign currency transactions of an entity though some still retain such practice.

New rating methodologies relating to a country ceiling
(1) Methodology for Sovereign titled Sovereign and Public-Sector Entities A country ceiling reflects JCR's assessment of authorities' likelihood to impose restrictions on foreign currency transactions made by a corporate entity in the country to fulfill its debt obligations, such as conversion of local currency into foreign currency and remittance of foreign currency outside the country. It serves as a maximum limit for the entity's foreign currency rating and in most cases is higher than the sovereign foreign currency rating. A country ceiling only applies to a foreign currency rating. This is mainly because authorities generally have limited capability to procure or issue foreign currency as compared to local currency. Therefore, authorities sometimes impose restrictions on foreign currency transactions of an entity in the country when they run into difficulties financing repayment of its debt in foreign currency. A country ceiling will be determined, based on the overall assessment of the currency in circulation, foreign exchange regime, trade settlement and capital control, economic policies and foreign debts as well as responses to crises. In most cases, a country ceiling will be increased by zero-three notches from the sovereign foreign currency rating. However, countries like the US, the Euro area and Japan may not come under the above criteria mainly because they adopt hard currencies and therefore have only limited likelihood to restrict foreign currency transactions. In most cases, a country ceiling is a maximum limit for the foreign currency rating of an entity in the country. However, there may be some exceptions when agreements are in place among countries or multilateral development banks and when strong support is provided to the entity by its parent company outside the country. (2) Methodology for Corporate Entities titled JCR's Rating Methodology A rating for a corporate entity remains susceptible to a sovereign rating in a given country. However, there are some exceptions when (i) the entity has strong support from its parent company outside the country and (ii) it has a stable and solid earnings base in foreign countries, strong ability to raise funds in the international capital markets and a relatively sound financial structure. However, in the case of (ii), a country ceiling based on the assessment of authorities' likelihood to impose restrictions on foreign currency transactions will be the maximum limit for its rating.

2. Review of rating pursuant to the revision

The revision of the rating methodologies has prompted JCR to review its rating on the following company. The result of the review will be made public within a day or two. JCR holds that the revision will affect the rating in a positive way. It has no plans to review any other ratings in accordance with the revision.

Issuer: AEON Thana Sinsap (Thailand) Public Company Limited
Foreign Currency Long-Term Issuer Rating: A- Outlook: Negative

Toshihiko Naito, Chief Analyst
Yoshihiko Tamura, Chief Analyst

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026