Additional Comment of Japan Credit Rating Agency, Ltd.
on Proposed Regulations Implementing
The Credit Rating Agency Reform Act of 2006

File Number: S7-04-07

Dear Madam Secretary,

On March 12, 2007 Japan Credit Rating Agency, Ltd. ("JCR") submitted an initial comment on the Proposed Rule. With the Commission's permission, JCR submits below an additional comment.

Exhibit 1

JCR believes that the performance measurement statistics should use standardized inputs, time horizon and metrics to allow for greater comparability. For the Commission's information JCR is providing the method it utilizes for calculating a three-year cumulative default rate in the attachment to this Comment. For similar reasons JCR suggests that the Commission define the "short-term, mid-term and long-term periods" for which default rates are calculated.

Exhibit 5

JCR suggests that an NRSRO should be required to post its code of conduct on the Internet, indicating its consistency with, and deviations from, the IOSCO Code of Conduct. This would allow greater transparency of the basic rules which govern the NRSRO's activities.

Rule 17g-5(b)(2)

This subparagraph makes it unlawful for a NRSRO or a person associated with it to own securities or money market instruments of an issuer/obligor that is subject to an issued or pending credit rating by the NRSRO. Articles 2.13 and 2.14 of the IOSCO Code of

Conduct, however, state that ownership in securities or other instruments through diversified collective investment schemes or other arrangements that are not likely to cause a conflict of interest, such as bank debentures guaranteed under national insurance law (because they have no marketability), should be excluded from the definition of a conflict. Consistent with the IOSCO Code, JCR submits that this subparagraph, as well as subparagraph (4), should expressly exclude ownership in securities and other assets in above-mentioned manners.

If the Commission's staff has any questions regarding the foregoing, please do not hesitate to let us know.

Respectfully submitted,

Makoto Utsumi /s/
President & CEO

cc: Yoshi Saito, Esq. (Perkins Coie LLP)

Method of Calculating Three-Year Cumulative Default Rate (CDR)

	Marginal Default Rate of the 1st Year	Marginal Default Rate of the 2nd Year	Marginal Default Rate of the 3rd Year
1st - 3rd Year Data	$d_{1,1}/a_1$	$d_{1,2}/(a_1-d_{1,1})$	$d_{1,3}/(a_1-d_{1,1}-d_{1,2})$
2nd - 4th Year Data	$d_{2,1}/a_2$	$d_{2,2}/(a_2-d_{2,1})$	$d_{2,3}/(a_2-d_{2,1}-d_{2,2})$
.	.	.	.
.	.	.	.
.	.	.	.
(Y-2)th - Yth Year Data	$d_{Y-2,1}/a_{Y-2}$	$d_{Y-2,2}/(a_{Y-2}-d_{Y-2,1})$	$d_{Y-2,3}/(a_{Y-2}-d_{Y-2,1}-d_{Y-2,2})$
(Y-1)th - Yth Year Data	$d_{Y-1,1}/a_{Y-1}$	$d_{Y-1,2}/(a_{Y-1}-d_{Y-1,1})$	-
Yth Year Data	$d_{Y,1}/a_Y$	-	-

⇩ ⇩ ⇩

Entity-Weighted Average α_1 | Entity-Weighted Average α_2 | Entity-Weighted Average α_3

<Definition>

a_Y: Number of Rated Entities at the Beginning of Year Y

$d_{Y,X}$: Number of Entities Defaulted after X Years from the Beginning of Year Y among the Rated Entities at the Beginning of Year Y

* Three Year Cumulative Default Ratio = 1- $(1-\alpha_1)*(1-\alpha_2)*(1-\alpha_3)$