



NEWS RELEASE

No.2002-CP-098
Nov 19, 2002

Laputa II Funding (Tokyo) CLO ABCP: R&I Assigns a-1 Prelim

Rating and Investment Information, Inc. (R&I), has assigned the following preliminary rating:

ISSUER:	Laputa II Funding Corp. (Tokyo Branch)
ISSUE:	Asset-Backed Commercial Paper (ABCP) program
ISSUE AMOUNT:	68.85 billion yen (Nov 22, 2002-May 20, 2003) and 48.50 billion yen (May 20, 2003-Nov 20, 2003)
ISSUE TERM:	Rolled over every three months
PROGRAM TERM:	Nov 22, 2002-Nov 20, 2003
BACKING ASSETS:	A pool of loan receivables originated by UFJ Bank (backing assets)
CREDIT ENHANCEMENT:	Subordinated loans of 2.5 billion yen (Nov 22, 2002-May 20, 2003) and 2.0 billion yen (May 20, 2003-Nov 20, 2003)
SUBORDINATED LOAN PROVIDER:	UFJ Bank, Ltd.
BACKUP LINE:	100%
BACKUP LINE PROVIDER:	UFJ Bank, Ltd.
R&I RATING:	a-1 (preliminary)
RELATED PARTY RATING:	UFJ Bank (Short-Term Credit Rating: a-1)
ADMINISTRATOR:	UFJ Bank, Ltd.

OVERVIEW OF THE ISSUER AND THE ISSUE:

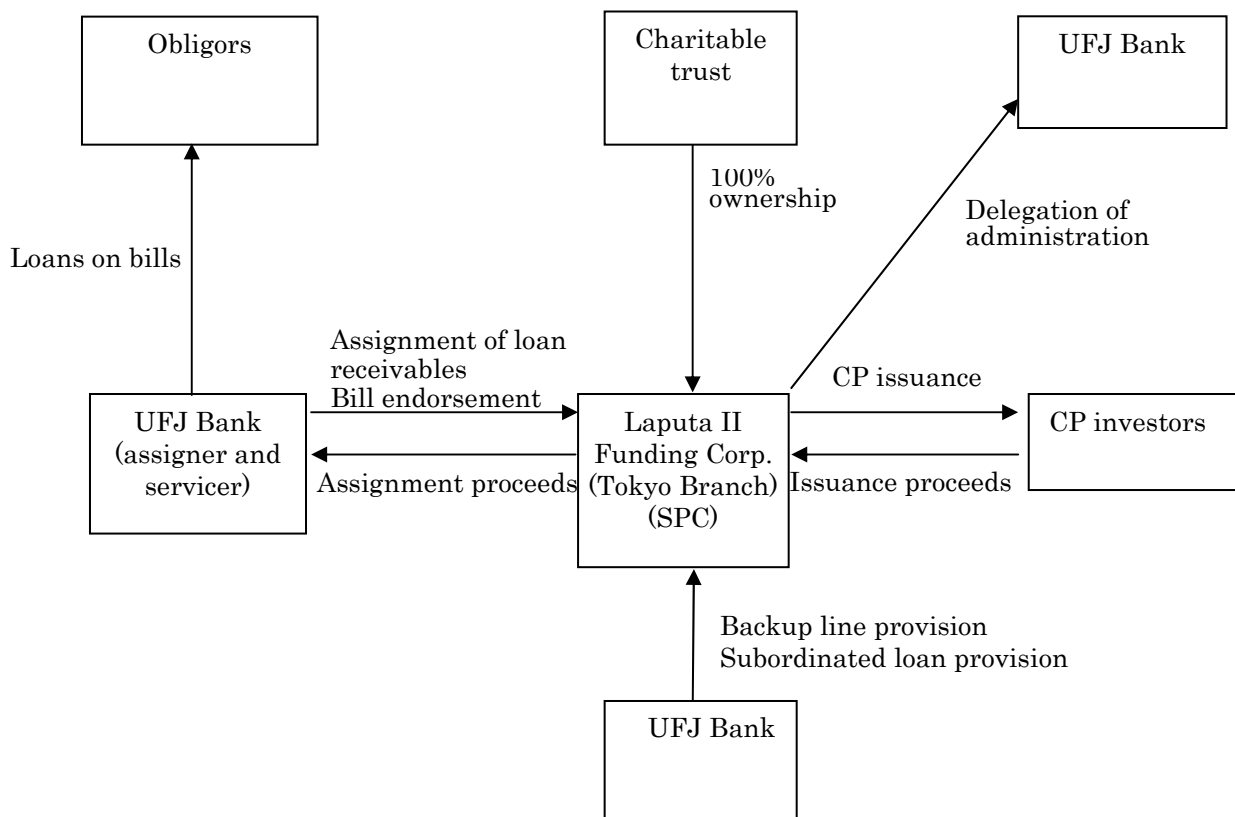
1. Laputa II Funding Corp. (Laputa II) is a special purpose company (SPC) established in the Cayman Islands.
2. Laputa II issues asset-backed CP (CP) through its Tokyo Branch and obtains a subordinated loan from UFJ Bank at the same time. Using the funds thus procured, Laputa II purchases a pool of loan receivables worth 71.15 billion yen (number of obligors: 681 companies) from UFJ Bank.
3. The CP is scheduled to be rolled over every three months, while all of the loan receivables included in the backing assets are newly executed short term loans on bills by UFJ Bank for periods of six months or one year. A backup line from UFJ Bank covers CP rollover risk. Because this backup line is positioned purely as liquidity enhancement, it will not be exercised in the event that the amount of cumulative default on the backing assets exceeds the subordinated loan amount.
4. The base rates for this issue's loan interest rate and CP issue rate are to be determined on the same day, and there is not any basis risk.
5. Laputa II redeems the CP, using money paid back by obligors associated with the loan receivables and funds raised through new CP issuance for this purpose. In the event that there is a shortfall of funds for CD redemption because some of the loan receivables included in the backing assets fall into default, funds will be applied in the following sequence: 1. the CP and 2. the subordinated lending.

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<Structure Diagram>



RATIONALE:

The rating for the CP is the lower of the creditworthiness of the loan receivables pool with credit enhancement taken into consideration and the short-term credit rating of UFJ Bank, which is the provider of liquidity enhancement.

1. Credit Enhancement

The CP's creditworthiness depends on the incidence of default in the pool of loan receivables. Although funds for CP and subordinated loan repayment will decrease if pool obligors default on their loans, there will not be any effect on the CP, which can be redeemed in full, as long as the cumulative amount of default on these loans does not exceed the subordinated loan amount. Of the subordinated lending provided in connection with this issue, the amount set aside as credit enhancement consists of 2.5 billion yen for the period from the commencement of the program to May 20, 2003 (Period A), and 2.0 billion yen for the period from May 21 to Nov 20, 2003 (Period B). R&I has concluded that this amount of credit enhancement is sufficient for assigning the creditworthiness of the CP's backing assets a rating of a-1+ equivalent.

The aforementioned amount of credit enhancement covers five maximum obligors (companies) for Period A and four for Period B. An obligor which incurs 0.5 billion yen is defined as "maximum obligor". The level of credit enhancement was determined by applying stress matching the target rating, based on estimates of overdue and default rates for UFJ Bank's internal ratings that were derived from historical data. However, for determining the level, standards sufficient for passing a stringent stress test were set. These considered main bank risk, the risk of deterioration in UFJ Bank's ability to supply funds, and other factors, in addition to stress standards ordinarily required for the targeted rating.



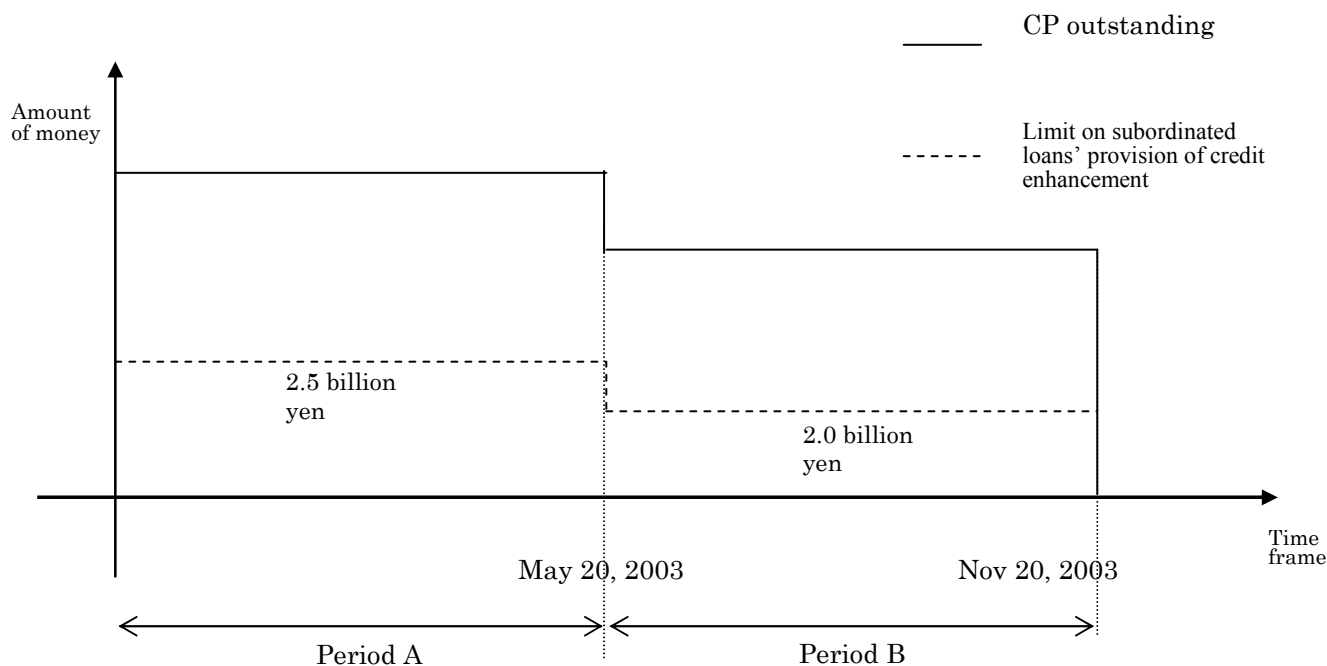
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Performing a stress test on the subordination level of a securitization pool on the basis of historical data pertaining to the population of loan receivables is the method of analysis that is used when a pool has a large number of obligors and good diversification, as in the case of lease receivables and installment credits (see Note 1). In the case of this issue, however, there is no credit enhancement addressing commingling risk, as there normally is in the case of securitizations involving ordinary lease receivables and installment credits, so the level of subordination is relatively low.

Moreover, because the backing assets are short-term loans on bills, recovery through enforcing promissory notes is possible, and obligors' motivation to repay their loans is higher than in other cases, such as loans on deeds.

UFJ Bank is providing subordinated loans for this issue. In principle, these loans cannot be redeemed prior to maturity, and their function is to furnish credit enhancement for the CP. Consequently, default on the backing loans that is within the scope of the subordinated loan amount becomes a loss for UFJ Bank itself. This therefore serves as an incentive for UFJ Bank to conduct proper examinations and monitoring in connection with the loans in the pool.

<Relationship Between the Loan Receivables Pool and the Subordinated Loans>



2. Characteristics of the Loan Receivables Pool and Associated Risk

The obligors in the loan receivables pool serving as the CP's backing assets are medical corporations and companies that have answered an invitation of UFJ Bank for this issue. All of the loans in the issue were executed on Nov 22, 2002, and are scheduled to be repaid either on May 20, 2003, or Nov 20, 2003. R&I has not assigned ratings to the individual loans. The lending units per company are 50 million yen, 100 million yen, 200 million yen, 300 million yen, 400 million yen, and 500 million yen, and the obligation per company does not exceed 1.00% of the value of the pool.



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<Overview of the Loan Receivables Pool>

Pool Distribution by Obligation Amount (loan receivables in both periods)

Obligation amount (yen million)	Period A		Period B	
	No. of obligors	Amount (yen million)	No. of obligors	Amount (yen million)
50	335	16,750	214	10,700
100	237	23,700	170	17,000
200	62	12,400	46	9,200
300	25	7,500	17	5,100
400	2	800	1	400
500	20	10,000	16	8,000
Total	681	71,150	464	50,400

Period A Pool Distribution by Industry

Industry	No. of obligors	Percent of pool	Amount of loan claims (yen million)	Percent of pool
Manufacturing	250	36.7%	24,650	34.6%
Agriculture, forestry, fisheries, and mining	2	0.3%	500	0.7%
Construction	54	7.9%	7,200	10.1%
Wholesale	187	27.5%	17,750	24.9%
Retail	1	0.1%	50	0.1%
Finance and insurance	57	8.4%	7,600	10.7%
Real estate	3	0.4%	300	0.4%
Transportation and telecommunications	29	4.3%	3,500	4.9%
Electricity, natural gas, and water	2	0.3%	150	0.2%
Services	95	14.0%	9,400	13.2%
Others	1	0.1%	50	0.1%
Total	681	100.0%	71,150	100.0%

Period B Pool Distribution by Industry

Industry	No. of obligors	Percent of pool	Amount of loan claims (yen million)	Percent of pool
Manufacturing	179	38.6%	18,200	36.1%
Agriculture, forestry, fisheries, and mining	1	0.2%	200	0.4%
Construction	27	5.8%	3,900	7.7%
Wholesale	134	28.9%	13,350	26.5%
Retail	1	0.2%	50	0.1%
Finance and insurance	42	9.1%	5,600	11.1%
Real estate	3	0.6%	300	0.6%
Transportation and telecommunications	20	4.3%	2,750	5.5%
Electricity, natural gas, and water	2	0.4%	150	0.3%
Services	54	11.6%	5,850	11.6%
Others	1	0.2%	50	0.1%
Total	464	100.0%	50,400	100.0%

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3. UFJ Bank's Internal Rating Standards and the Population for This Issue

a) Internal rating standards

UFJ Bank's basic rating standards consist of 10 levels. Of these, 1 through 7 are for normal obligors. Since 1, 8, and 10 are broken down into 2 to 4 additional levels, the total number of rating designations is actually 16. UFJ Bank was established out of the merger of two institutions – The Sanwa Bank, Ltd., and The Tokai Bank - on January 15, 2002, but the rating system has been integrated since April 1, 2001.

UFJ Bank's internal ratings are not for specific obligations but are based on the bank's assessment of the overall creditworthiness of individual corporations in both quantitative and qualitative terms. The financial strength, profitability, and cash flow of corporations are among the indicators shaping the bank's quantitative analyses. Ratings are in principle assigned on the basis of corporations' consolidated financial statements. If a company does not produce a consolidated financial statement, the evaluation is conducted on a non-consolidated basis. UFJ Bank not only carries out regular annual rating reviews but also performs reviews depending on obligors' circumstances.

In principle, applications for ratings originate with UFJ Bank's branches, and its Credit Dept. makes final decisions. The bank's Internal Audit Dept. monitors the status of these rating activities.

<UFJ Bank's Credit Rating System>

Ratings		Self-assessment		Classification under the Financial Revitalization Law	Classification under the Risk Monitored Loans						
		Borrower category	Classification								
1A	Excellent	Normal	Category I	Normal	*						
1B											
1C											
2	Prime					Special mention	II	Sub-standard	Restructured		
3										Good	
4											Above Standard
5											
6		Below Standard									
7	Acceptable										
8A	Special mention	Possible non-performing	III	Doubtful	Past due for 3 months or more						
8B	Past due for 1 month or more										
8C	Past due for 3 months or more										
8D	Restructured										
9	Possible non-performing	Quasi non-performing	IV	Bankrupt and quasi-bankrupt	Delinquent						
10A	Quasi non-performing										
10B	Non-performing										

* Credits other than loans and bills discounted (for acceptances and guarantees, etc.)

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b) The population pool for this issue

The population pool for this issue is limited to obligors whose UFJ Bank internal credit ratings between 1 and 4 level.

For its rating of this issue, R&I conducted due diligence with regard to UFJ Bank and confirmed that, from the time that R&I used UFJ Bank's internal ratings to assign a rating on its securitization deal in March 2002 up to the present, the circumstances of the bank's internal ratings and its lending practices did not change in a way that would have an adverse impact on the CP's creditworthiness. In order to confirm the consistency of UFJ Bank's credit rating system, R&I will continue to monitor the bank's internal ratings each year from now on.

4. Creditworthiness of the Backup Line Provider

UFJ Bank is providing a backup line to Laputa II as liquidity enhancement to cover CP rollover risk. When the CP issue rate reaches a certain level or higher, the UFJ Bank backup line will be exercised, and Laputa II will be able to borrow from UFJ Bank the entire amount needed to roll over the CP. Because this backup line is positioned as liquidity enhancement, however, it cannot be exercised in the event that the amount of cumulative default on the backing assets exceeds the subordinated loan amount.

5. Other Risks

a) Dilution risk

Interest on the loan receivables that consist the backing assets is the source of funds to cover the discount amount of the CP. Because the interest is to be paid every three months prior to CP issuance, though, negative carry will not occur even in the event of repayment prior to maturity (see Note 2) during the terms of the loan receivables that are the backing assets. Furthermore, there is not any commingling risk in connection with making the loans for this issue, because the individual provisions of banking transaction agreements between obligors and UFJ Bank are not applicable, nor are the obligors permitted to provide their debt that consist the CP's backing assets for offsetting.

b) Risk of the retention of funds

The recovery method for the loan receivables that are the backing assets is automatic transfers to UFJ Bank by the obligors. Risk of the retention of funds is limited, since the recovered funds, after being entered on UFJ Bank's books on the night of the business day prior to the payment due date and remaining in the bank overnight, are then to be transferred to the SPC's account, which is in the same bank, on the due date. Because the CP's rating depends on UFJ Bank's rating, risk of the retention of funds by UFJ Bank has been factored into the rating assigned.

c) The relationship between the structure and the Regulation of Money Lending Business Law and the Acceptance of Contributions, Money Deposits and Interest Law

Laputa II purchases promissory notes as backing assets for the CP at the same time as acquiring the loan receivables. There has not yet been any explicit ruling or any official position by the authorities with regard to whether this purchase of promissory notes constitutes "cash lending" or "bill discounting" and is subject to regulation under the Regulation of Money Lending Business Law and the Acceptance of Contributions, Money Deposits and Interest Law. Although Laputa II has not been registered as a money-lending business, R&I has obtained a legal opinion to the effect that there is not any particular problem in this regard.

R&I will continue to carefully monitor the authorities' stance, rulings, and other developments related to the purchase of promissory notes being subject to regulation under the law.



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6. Issuer's Bankruptcy Remoteness

In R&I's judgment, the probability of a petition for Laputa II's bankruptcy for a reason other than default on the CP is low (bankruptcy remoteness is high) because of the following reasons.

- a) Laputa II is an SPC established in the Cayman Islands, and all of its issued voting ordinary shares are held by QSPV Limited as the trust assets of a charitable trust whose beneficiary is a charitable organization. Laputa II therefore has no capital relationship with UFJ Bank.
- b) All of the directors of Laputa II have been dispatched by QSPV Limited. Laputa II therefore has no personnel ties with UFJ Bank.
- c) UFJ Bank (the administrator) and other creditors will not petition for the bankruptcy of Laputa II until the passage of one year and one day after the full redemption of the CP.

Note 1: In addition, R&I may conduct a subordination level stress test based on the ratings of the individual obligors in a securitization pool. Such a method is generally used when a pool has a small number of obligors and poor diversification. For details, please refer to the Nov 1, 1999, news release "CDO Rating Approach" (available through R&I's web site: <http://www.r-i.co.jp>).

Note 2: Early repayment of loans by obligors is in principle prohibited, but lump-sum or partial advanced repayment is possible with the payment of a penalty prescribed by UFJ Bank.