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Millennium Asset Funding ABCP: R&I Affirms a-1 (I/L Raised)

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

ISSUER:	Millennium Asset Funding Corp. (Tokyo Branch)
ISSUE:	Asset Backed Commercial Paper Program
ISSUE LIMIT:	300 billion yen (raised from 100 billion yen)
UNDERLYING ASSETS:	Trust certificates backed by lease claims and auto loan claims, etc.
CREDIT ENHANCEMENT:	The 100% backup line is equivalent to credit enhancement
BACKUP LINE FOR THE	
ROLL-OVER:	100% of the issue amount
BACKUP LINE:	100% of the issue amount
BACKUP LINE PROVIDER:	The UFJ Bank, Ltd.

R&I ABCP RATING: a-1 (Rating Affirmed)

CHANGES TO THE PROGRAM

The changes have added participation interest and money claims other than bill claims to the underlying assets for Millennium Asset Funding Corp.,(MAFC) Tokyo Branch. At the same time, the issue limit for the company's CP program is being increased to 300 billion yen. The rating for the company's asset-backed CP is still dependent on the creditworthiness of The UFJ Bank, Ltd., which provides liquidity enhancement, including credit enhancement.

OUTLINE OF THE ISSUE AND THE ISSUER:

- 1) MAFC is a special purpose company (SPC) set up in the Cayman Islands and has opened a Tokyo Branch.
- 2) Clients (the originators) of The UFJ Bank transfer trust certificates, etc., to MAFC Tokyo Branch.
- 3) Through its Tokyo Branch, MAFC purchases Senior Trust Certificates from several originators, and then issues CP backed by these Senior Trust Certificates.
- 4) In the event of nonpayment by the debtors in the backing assets resulting in a shortage of funds for redeeming the CP, MACF Tokyo Branch may borrow the funds required to cover redemption of the CP under a backup line agreement with The UFJ Bank. The UFJ Bank has an R&I short-term debt rating of (a-1).
- 5) The UFJ Bank also provides a special backup line covering the roll-over, allowing MAFC Tokyo Branch to borrow from The UFJ Bank for the roll-over in the event that it is unable to issue the CP as a result of market confusion or other factors.

RATIONALE

1) The Backup Line

a. There is an adequate backup line

When issuing CP, MAFC Tokyo Branch has a backup line agreement with The UFJ Bank, Ltd. which also serves as credit enhancement. The maximum backup line is 300 billion yen, so the backup line is sufficient to cover all unredeemed CP at all times. In the event of a shortfall in funds to redeem the CP due, for example, to a deterioration in the creditworthiness of the original debtors of the lease claims and auto loan claims, MAFC Tokyo Branch may borrow sufficient funds from The UFJ Bank, Ltd. to redeem the CP under this backup line agreement.

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After borrowing funds under the backup line agreement, MAFC Tokyo Branch makes payment in substitution using the trust certificates.

The UFJ Bank also provides a special backup line covering the roll-over, allowing MAFC Tokyo Branch to borrow from The UFJ Bank for the roll-over in the event that it is unable to issue the CP as a result of market confusion or other factors. This factor, however, does not influence the rating evaluation as the risk of this happening is already covered by the backup line which serves as both credit and liquidity enhancement.

b. Limitations on refusal events

The UFJ Bank, Ltd. cannot refuse to provide a loan under this backup line agreement apart from under the circumstances listed below. For MAFC Tokyo Branch, given its high bankruptcy remoteness, it is hard to imagine any reason for the backup line provider to refuse to supply the loan other than the backup line provider's own bankruptcy.

i) In the event that MAFC Tokyo Branch ceases payments, commences bankruptcy or composition proceedings or applies for any equivalent bankruptcy proceedings under either Japanese law or Cayman Islands law.

ii) In the event that the promissory note exchange orders a halt in business.

iii) In the event that there is an order or directive for the provisional seizure, reservation or seizure of the SPC's deposits or other credits with The UFJ Bank, Ltd.

c. The creditworthiness of the Backup Line Provider

The UFJ Bank, Ltd. has a short-term debt rating of (a-1).

2) The Senior/Subordinated Structure

The credit enhancement for some of Millennium's backing assets is performed through the creation of a senior/subordinated structure at the backing asset level. When the lease claims and auto loan claims are entrusted, if the backup line provider deems it appropriate a senior/subordinated structure will be created. In this event, only the Senior Trust Certificates will be transferred to MAFC, and the Subordinated Trust Certificates play the part of credit enhancement. Backing assets without a partial senior/subordinated structure are also included in the MAFC program.

3) Outline of the Backing Assets

The backing assets are trust certificates entrusting lease claims and auto loan claims, participation rights and money claims held by the originator.

In the event that the dividend payments on the trust assets are fixed rate payments, there is a possibility that they will not be at the same rate as the interest payments on the CP. To avoid this mismatch, MAFC Tokyo Branch has a swap agreement with The UFJ Bank, Ltd., thus hedging this interest rate risk. The UFJ Bank Ltd., which is the swap counter party, is also the provider of the backup line, and the creditworthiness of the bank has already been factored into the rating.

4) Perfection of the Transfer

When the lease claims and auto loan claims are transferred to Trust Bank, perfection of the transfer as against third parties can be achieved through registration in newspapers as detailed in civil law and the Law Prescribing Exceptions etc. to the Civil Code Requirements for Setting Up Against a Third Party to an Assignment of Claims or under the provisions of the Perfection Law. However, perfection may be reserved where the backup line provider deems it appropriate.

5) The Bankruptcy Remoteness of the Issuer

R&I has established that there is a low probability that MAFC will file for bankruptcy for any reason other than default of the CP, for the following reasons:

a. MAFC is an SPC established in the Cayman Islands. Its entire common voting stock (1,000 shares) is held by QSPV Ltd. as the trust assets of a charitable trust. As a result, the capital relationship with the originator, the backup line provider, the CP dealers, and other related entities is severed.

MAFC is also issuing preferred stock (a total of five with a face value of 100 million yen), but these do not have voting rights so effectively there is no capital relationship with related parties.

b. MAFC's directors are all dispatched by QSPV Ltd. As a result, the personnel relationship with



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the originator and The UFJ Bank, Ltd., the backup line provider, is severed.

c. Neither MAFC itself, the originator, The UFJ Bank, Ltd. as the backup line provider, UFJ Trust Bank Ltd., as the trustee, nor the CP dealers or other related entities may file for the bankruptcy of MAFC until one year and one day have passed since the redemption of the CP.

d. MAFC's operations are limited to CP issuance and operations related to the trust contract.