

JCR's Rating Results for 2018

1 Resident Long-term Rating

Japan Credit Rating Agency, Ltd. ("JCR") has put together all the rating results for 2018. The number of resident issuers for long-term ratings as of December 31, 2018 was 662, up by 2 issuers from a year earlier. The number increased for 5 years in a row from 2013. The number of increase was 21 issuers and that of decrease was 19 issuers. The facts that the number of investment corporations increased by 3 issuers and that there were 4 issues which ceased to exist due to merger and business integration are notable.

For the rating changes, while the number of rating upgrades was 58 issuers for 2018 (34 issuers for 2017), the number of rating downgrades was 7 issuers for 2018 (7 issuers for 2017). The year 2018 saw the number of rating upgrades exceeding the number of downgrades for the 6th consecutive year (Chart 1: one count for multiple rating changes in the same direction for an issuer a year). While the number of rating upgrades increased by 24 issuers in 2018 from a year earlier, resulting in the highest number since 2007 (105 issuers), the number of rating downgrades was the smallest in 2018 over the past 20

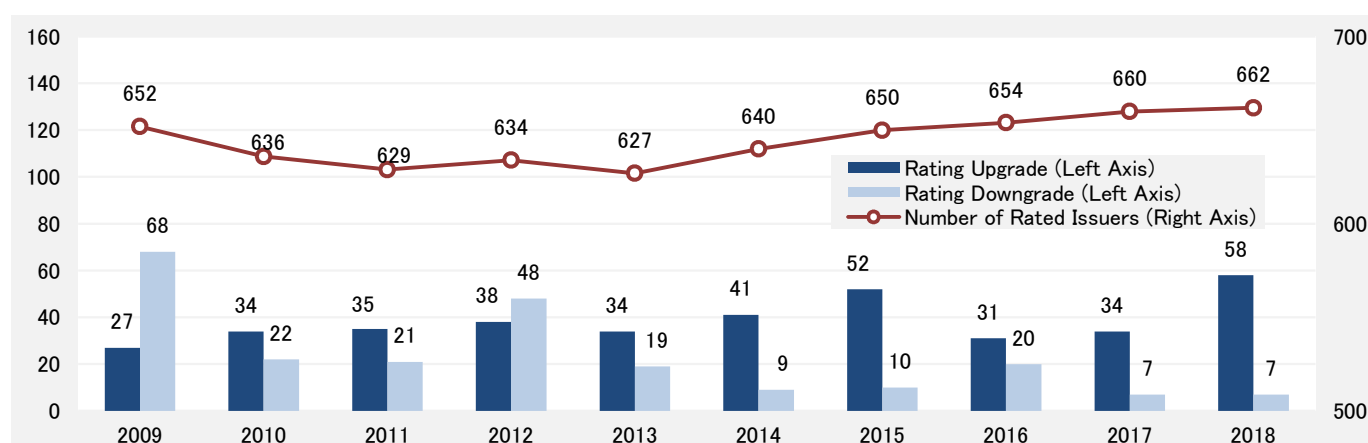
years, following 2017. As a result, difference between the number of upgrades and that of downgrades resulted in 51 issuers, the second highest number since 2007 which recorded 76 issuers.

Comparison of both rating upgrades and downgrades between the first half and the second half of 2018 does not show any specific changes in the trend, and revisions of rating outlook from Stable to Positive occurred one after another (Described below). Given these situations, it can be said that rating upgrades being greater in number than that of rating downgrades is continuing.

Backgrounds of rating upgrades in 2018, excluding special factors due to merger and business integration, are summed up as strong corporate business performance and the resulting improvement and reinforcement of financial bases as seen in 2017. Top industries for the number of rating upgrades are Banks (13 issuers), Insurance (6 issuers), Other Financing Business (5 issuers), Construction (5 issuers), and Other Products (4 issuers).

The remarkably large number of rating upgrades for

Chart 1 The Number of Rated Issuers and Rating Changes (Resident Long-term Rating)



Notes1: One count for multiple rating changes in the same direction for an issuer a year

2: The counted issuers are resident issuers including investment corporations, to which JCR assigned the long-term ratings. Japan, guaranteed bonds of issuers except holding companies and structured finance are all excluded from the counts.

Chart 2 Rating Change by Industry

Industry	2014		2015		2016		2017		2018	
	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade
Foods		2					1		3	
Textiles & Apparels			1				2			
Pulp & Paper	1				1					
Chemicals	1		2		2	1	3		2	
Pharmaceutical										
Oil & Coal Products					1				2	
Rubber Products				1	2	1				
Glass & Ceramics Products	1	1	1	1	1	1			2	
Iron & Steel									1	
Nonferrous Metals	1		2			1	1		1	
Metal Products	1	1	1			1	1			
Machinery			1		1		2		1	
Electric Appliances	1		5	1	4		1		2	1
Transportation Equipment	1	1	2	2	1	2		2	2	1
Precision Instruments										
Other Products				1		1			4	
Total for Manufacturing Industry	7	5	15	6	13	8	11	2	20	2
Construction	5		1				1		5	
Electric Power & Gas						1				
Land Transportation	1		3		3		3			
Marine Transportation			1			3				
Air Transportation							2			
Warehousing & Harbor Transportation Services			1			1	1			
Information & Communication	1				1		3			
Wholesale Trade	3		1				1	1	3	
Retail Trade	3	2	2	1	1	3			3	
Banks	6	1	9	1	2			2	13	5
Securities & Commodity Futures	6		2						1	
Insurance			3		3		1		6	
Other Financing Business	2		3	1	1	2		2	5	
Real Estate	6		7	1	6	1	8		2	
Services		1	4		1	1	2			
Total for Non-manufacturing Industry	33	4	37	4	18	12	22	5	38	5
FILP Agency	1						1			
Total	41	9	52	10	31	20	34	7	58	7

Notes1: One count for multiple rating changes in the same direction for an issuer a year.

2: Investment corporations are included in Real Estate.

the Banks includes 8 issuers, for which their ratings were upgraded in conjunction with improved creditworthiness of the overall groups against the background of merger and business integration. Besides, Banks ranked top also in terms of the number of rating downgrades standing at 5 issuers (Described below). For Insurance, despite the continued tough business environments such as difficulty in asset investment in the face of low interest rates, 6 issuers were upgraded, for which JCR valued originality such as aggressive product development, or creditworthiness has

increased thanks to changes to the shareholder composition or business structure in the group. For Other Financing Business, they were upgraded with increased creditworthiness of their parent companies or JCR valued their improved earnings structure thanks to subsided claims for interest repayment issue that has been prolonged.

For Construction, JCR upgraded 5 issuers including 3 major general contractors. JCR valued that they increased their profit level backed by the increased demand for construction on the strength of solid

Chart 3 Revisions of Rating Outlook from “Stable”

	2017		2018	
	From Stable to Positive	From Stable to Negative	From Stable to Positive	From Stable to Negative
Manufacturing Industry	21	42	27	4
Non-Manufacturing Industry	25	6	32	11
Of which, Financing Business	9	4	11	8
Total	46	8	59	15

domestic economy and the Olympic and Paralympic Games Tokyo 2020 and selective order-winning activities and improved their financial structure.

For Other Products (Manufacturing Industry), issuers, for which ratings were upgraded, have in common established their high competitive strength and market shares, owning their unique differentiated products, while their demand structures differ.

Meanwhile, there were 7 downgraded issuers, and 5 issuers out of these 7 issuers concentrate in Banks and all these 5 banks are regional banks. In 2017, JCR pointed out that downward pressure on rating have come to the surface for regional banks. In 2018, there are also many cases in which core earnings capacity has declined due to prolonged extremely low interest rate environment in the industry. In particular, effects from the environment became significant in regions where economic conditions are tough or competition is fierce, which led to the rating downgrades. Concerning 2 downgraded regional banks, reason for the downgrade is business integration with entities with lower rating.

The 2 downgraded companies other than Banks, have in common poor business results due to delaying their structural reforms.

For revisions of rating outlook without rating changes in 2018, revisions from Stable to Positive totaled 59 issuers, while those from Stable to Negative totaled 15 issuers. The former significantly exceeded the latter in 2018, following 2017. The year 2018 is characterized by the fact that the number of these rating outlook revisions exceeded the number last year for not only revisions to Positive outlook but also revisions to Negative outlook (Chart 3). This may indicate that while trend of rating outlook revisions toward Positive over

the last few years is continuing, there is a possibility that an opposite direction has occurred in part.

Revisions to Positive outlook extended into wide-ranging industries, but in terms of the number of such revisions, Chemicals, Real Estate (including REITs), and Other Financing Business hit the highest number at 8, followed by 5 by both Machinery and Electric Appliances.

For Chemicals, there are many cases in which profit level has increased over the last few years thanks to realized effects of structural reforms made in the past with good supply-demand conditions and product prices also serving as a favorable tailwind. For Other Financing Business, there are cases where overall group’s creditworthiness increased by business strategies that have been taken to date or cases where JCR revised rating outlook based on heightened capital adequacy. JCR reflected in rating outlook that Machinery and Electric Appliances overcame their significantly worsened external environments during a period in the past and are recovering a stable and high earnings structure.

Banks (5 issuers, of which 4 issuers are regional banks) was industry, for which JCR revised rating outlook to Negative the most for the same reason as in the case of rating downgrade. Meanwhile, JCR is concerned about that delays in structural reforms and worsening of business performance began to become apparent for some industrial companies. Given that there are some emerging concerns such as impact of protectionism typified by US-China trade friction on Japanese corporations, JCR considers it is necessary to closely watch future trend.

Although this is not included in the counts, JCR

revised sovereign rating outlook for Japan from Negative to Stable in August, based on JCR's assessment that feasibility of fiscal consolidation has increased under the new fiscal consolidation plan. In conjunction with this revision, JCR revised rating outlook for FILP agencies and Japanese corporations totaling 24 issuers which are subject to sovereign ceiling.

2 Non-resident Long-term Rating (excluding Japanese corporations)

The number of non-resident issuers for long-term ratings as of December 31, 2018 was 74 issuers, 6 more issuers a year earlier (plus 7 issuers and minus 1 issuer). For the rating changes, the number of rating upgrades was 8 issuers, which far exceeded that of rating downgrades standing at 3 issuers. For revisions of rating outlook in 2018, the number was 1 issuer (from Stable to Positive) (Chart 4).

Chart 4 Trend of Non-resident Long-term Rating

	2017	2018
The Number of Issuers (year-end)	68	74
The Number of Rating Upgrades	2	8
The Number of Rating Downgrades	2	3
The Number of New Issuers	4	7
The Number of Withdrawn Ratings	1	1
The Number of Revisions of Rating Outlook	5	1
From Stable to Positive	4	1
From Stable to Negative	0	0
From Negative to Stable	1	0
From Positive to Stable	0	0

(1) Sovereign

JCR upgraded 4 emerging countries: Republic of Indonesia, Republic of Korea, The Czech Republic, and Russian Federation. Concerning Republic of Indonesia and Russian Federation, stream of revisions to upward outlook in 2017 based on improvement and recovery of their economic and fiscal conditions led to their rating upgrades in 2018. For Republic of Korea, JCR factored an expectation that North-South Korean reconciliation can lead to improvement of the country's economic and business environments into the rating assessment. JCR upgraded The Czech Republic based on prospect that the economic growth and fiscal reconstruction will continue in a stable manner.

(2) Other

JCR upgraded along with the rating upgrade for Korea 2 Korean government affiliated corporations: Korea Electric Power Corporation and The Korea Development Bank. Rating downgrades, on the other hand, were 2 Finnish electricity companies (Teollisuuden Voima Oyj and Pohjolan Voima Oyj) and Deutsche Bank AG. JCR downgraded the former 2 issuers because of the prolonged construction period for the nuclear power plant and did the latter because the earnings capacity of the core division came under downward pressure.

Charts 5 Details of Rating Changes in 2018

► Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Jan. 26	ZENSHO HOLDINGS CO., LTD.	BBB-	BBB
Mar. 5	Aozora Bank, Ltd.	A-	A
Mar. 6	AIFUL CORPORATION	B-	B+
Mar. 14	HAMAMATSU PHOTONICS K.K.	A+	AA-
Mar. 14	The Asahi Fire And Marine Insurance (current Rakuten General Insurance)	#BBB+	A
Mar. 30	Kansai Urban Banking Corporation	#A-	A
Apr. 2	The Daisan Bank, Ltd.	#BBB+	A-
Apr. 25	Tokyo TY Financial Group, Inc.	BBB+	A-
Apr. 25	The Tokyo Tomin Bank, Limited	BBB+	A-
Apr. 25	The Yachiyo Bank, Limited	BBB+	A-
Apr. 25	ShinGinko Tokyo, Limited	BBB+	A-
May 17	LINTEC Corporation	A	A+
May 22	OKAMURA CORPORATION	A-	A
May 24	TOMY COMPANY, LTD.	BBB-	BBB
May 29	Shinsei Bank, Limited	BBB+	A-
May 29	Showa Leasing Co., Ltd.	BBB+	A-
May 29	Shinsei Securities Co., Ltd.	BBB+	A-
May 29	TAISEI CORPORATION	A+	AA-
May 29	OBAYASHI CORPORATION	A+	AA-
May 29	SHIMIZU CORPORATION	A+p	AA-p
June 6	IBJ Leasing Company, Limited	BBB+	A-
June 6	IBJL-TOSHIBA Leasing Company, Limited	BBB+	A-
June 15	Saison Automobile and Fire Insurance Company, Limited	AA-	AA
July 9	HASEKO Corporation	A-	A
July 10	ROYAL HOLDINGS Co., Ltd.	BBB	BBB+
July 17	Ferrotec Holdings Corporation	BB+	BBB-
July 18	Morinaga & Co., Ltd.	A-	A
July 26	DAIKIN INDUSTRIES, LTD.	AA-	AA
Aug. 10	CHUBUSHIRYO CO., LTD.	BBB+	A-
Aug. 21	ISHIHARA SANGYO KAISHA, LTD.	BBB-	BBB
Aug. 24	TAIHEIYO CEMENT CORPORATION	BBB+	A-
Aug. 27	Meiji Holdings Co., Ltd.	A+	AA-
Aug. 27	TOSOH CORPORATION	A	A+
Aug. 27	Idemitsu Kosan Co., Ltd.	A-	A
Aug. 27	ITOCHU Corporation	AA-	AA
Aug. 29	ITOCHU ENEX CO., LTD.	A	A+
Aug. 30	Ichigo Office REIT Investment Corporation	A-	A
Aug. 31	FUTABA INDUSTRIAL CO., LTD.	BBB	BBB+
Sept. 12	Shinhan Bank Japan	BBB+	A
Sept. 28	Resona Bank, Limited	A+	AA-
Sept. 28	Saitama Resona Bank, Limited	A+	AA-
Sept. 28	THE MINATO BANK, LTD.	A	A+
Sept. 28	Kansai Urban Banking Corporation (2nd time)	A	A+
Oct. 2	SMBC Consumer Finance Co., Ltd.	A-	A
Oct. 16	Nisshin Steel Co., Ltd.	#A-	#A
Oct. 26	The Hokuetsu Bank, Ltd.	#A	A+
Oct. 26	Taiyo Oil Company, Limited	BBB-	BBB
Oct. 29	ISUZU MOTORS LIMITED	A	A+
Oct. 30	IZUMI CO., LTD.	A	A+
Nov. 13	YAHAGI CONSTRUCTION CO., LTD.	BBB	BBB+

Nov. 14	YAMAHA CORPORATION	A+	AA-
Nov. 19	Nippon Light Metal Holdings Company, Ltd.	BBB+	A-
Nov. 19	Starzen Company Limited	BBB	BBB+
Nov. 30	AIFUL CORPORATION (2nd time)	B+	BB
Dec. 6	Fukoku Mutual Life Insurance Company	A+p	AA-p
Dec. 6	Fukokushinrai Life Insurance Company, Limited	A+	AA-
Dec. 10	Nisshin Steel Co., Ltd. (2nd time)	#A	A+
Dec. 11	DAIKYO INCORPORATED	#A	A+
Dec. 14	The Dai-ichi Life Insurance Company, Limited	A+	AA-
Dec. 14	SUMITOMO LIFE INSURANCE COMPANY	A+	AA-
Dec. 26	NGK SPARK PLUG CO., LTD.	A+	AA-

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Feb. 1	THE MICHINOKU BANK, LTD.	A-	BBB+
Feb. 16	The Chukyo Bank, Limited	A	A-
Mar. 9	Mitsui Engineering & Shipbuilding (current Mitsui E&S Holdings Co., Ltd.)	#BBB+	BBB
Apr. 2	The Mie Bank, Ltd.	#A	A-
Aug. 22	THE NAGANO BANK, LTD.	BBB+	BBB
Sept. 7	PIONEER CORPORATION	#BBB-	#BB+
Oct. 26	The Daishi Bank, Ltd.	#AA-	A+

► Non-Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Feb. 8	Republic of Indonesia	BBB-	BBB
Apr. 12	Republic of Korea	A+	AA-
Apr. 12	Korea Electric Power Corporation	A+	AA-
Apr. 12	The Korea Development Bank	A+p	AA-p
June 27	Orange	A-	A
July 25	Shinhan Bank	A+	AA-
July 25	The Czech Republic	A+	AA-
Oct. 15	Russian Federation	BB+	BBB-

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Feb. 6	Teollisuuden Voima Oyj	AA-	A+
Feb. 6	Pohjolan Voima Oyj	AA-	A+
Dec. 25	Deutsche Bank AG	A+p	Ap

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