

JCR's Rating Results for 2016

1 Resident Long-term Rating

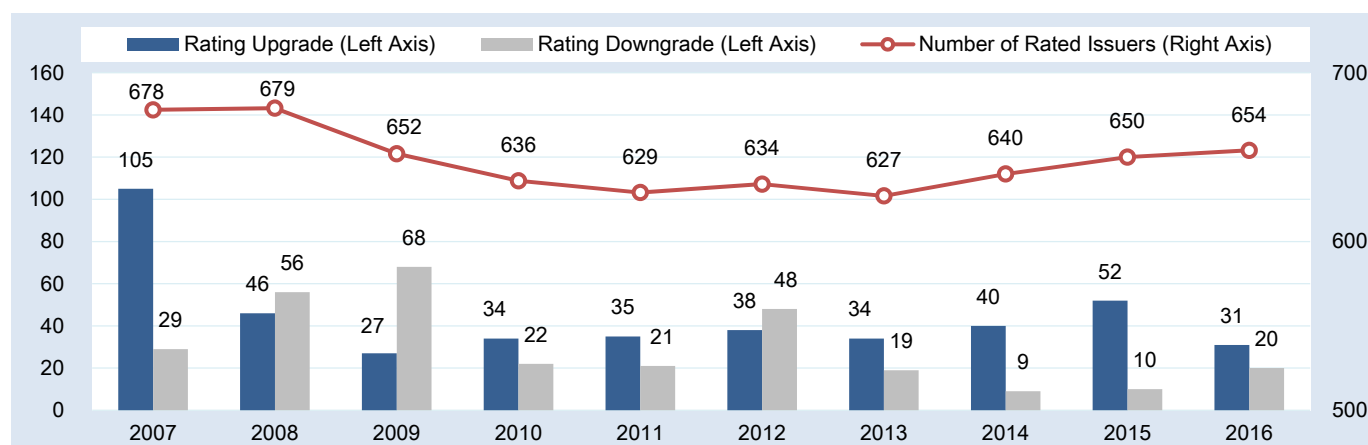
Japan Credit Rating Agency, Ltd. ("JCR") has put together all the rating results for 2016. The number of resident issuers for long-term ratings as of December 31, 2016 was 654, up by 4 issuers from the number for 2015. The number turned around after it bottomed out in 2013 with 627 and resulted in the 3rd consecutive increase in 2016, following 2014 and 2015. The gross number of increase was 24 issuers and that of decrease was 20 issuers. While 6 investment corporations and 2 holding companies of regional banks as a result of reorganization of regional banks were added to the number, 10 issuers were deducted from the number in 2016, from JCR's viewpoint, due to reorganization inside groups or group policy.

For the rating changes, while the number of rating upgrades was 31 issuers for 2016 (52 issuers for 2015), the number of rating downgrades was 20 issuers for 2016 (10 issuers for 2015). Although the year 2016 saw the number of rating upgrades exceed the number of downgrades for the 4th consecutive year (Chart 1), the number of rating upgrades, failing to keep the past

uptrend, significantly dropped and the number of rating downgrades doubled from the number in 2015, causing the difference between the two to be 11 issuers (42 issuers for 2015). There is a possibility that the trend in the past 2 years of the increasing number of rating upgrades and the decreasing number of rating downgrades hit a turning point.

For the rating upgrades in 2016, real estate related industry (including investment corporations), which has been performing well against the background of favorable environment, railway enjoying improvement of employment situation and large number of tourist visiting Japan, and semiconductor production equipment manufacturers enjoying aggressive investments by customers are notable. Rating upgrades excluding for these industries were mainly due to individual factors and the overall rising trend was weakened. In particular, the number of upgrades for the banks is only 2 issuers, and 1 of the 2 was in relation to business integration (converged to the higher rating) in 2016 against the number of 6 issuers in 2015. An increasing number of banks are considered to have difficulty absorbing effects

Charts 1 The Number of Rated Issuers and Rating



Notes1: One count for multiple rating changes for an issuer a year.

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

Charts 2 Rating Change by Industry

Industry	2012		2013		2014		2015		2016	
	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade
Foods	1					2				
Textiles & Apparels				1			1			
Pulp & Paper		2			1				1	
Chemicals	1	1		1	1		2		2	1
Pharmaceutical										
Oil & Coal Products		3							1	
Rubber Products	1		1					1	2	1
Glass & Ceramics Products	1	4	1	3	1	1	1	1	1	1
Iron & Steel	1	4		1						
Nonferrous Metals			1		1		2			1
Metal Products	1	1			1	1	1			1
Machinery		1	1	1			1		1	
Electric Appliances		6	1		1		5	1	4	
Transportation Equipment			3		1	1	2	2	1	2
Precision Instruments										
Other Products			1					1		1
Total for Manufacturing Industry	6	22	9	7	7	5	15	6	13	8
Construction	1	2			5		1			
Electric Power & Gas		8		4						1
Land Transportation	1	1	4		1		3		3	
Marine Transportation		1		1			1			3
Air Transportation										
Warehousing & Harbor Transportation Services							1			1
Information & Communication	2			2	1				1	
Wholesale Trade	4	1			3		1			
Retail Trade	4	1	2	3	3	2	2	1	1	3
Banks	6	2	5	1	6	1	9	1	2	
Securities & Commodity Futures	1	3			6		2			
Insurance		4	3	1			3		3	
Other Financing Business	6		6		2		3	1	1	2
Real Estate	4	3	3		6		7	1	6	1
Services	3		2			1	4		1	1
Total for Non-manufacturing Industry	32	26	25	12	33	4	37	4	18	12
Total	38	48	34	19	40	9	52	10	31	20
FILP Agency					1					

Notes1: One count for multiple rating changes for an issuer a year.

2: Investment corporations are included in Real Estate.

from continued extremely low interest rate environment through their self-help efforts. JCR thus considers it is necessary to watch closely future trend. The year 2016 also saw a significant change in consumption environment in Japan from that in 2015 as shown by the end of booming purchase by foreigners visiting Japan. It is notable that the environmental positive factors with respect to the related industries such as department stores seem to have been reduced.

The increased number of rating downgrades, on the other hand, indicates that the overall business

environment has shifted to a negative direction. There were cases in which compliance issues caused a worsening/ delay of business performance that led to the rating downgrades, but cases of rating downgrades due to business environment are remarkable as shown by major shipping companies facing continued tough environment. There were also cases of rating downgrades due to delay of investment recovery, that is, financial improvement, but these causes are considered to have been affected by changes in business environment to a certain extent, although

Charts 3 Revisions of Rating Outlook from “Stable”

	2015		2016	
	1. From Stable To Positive	2. From Stable To Negative	From Stable To Positive	From Stable To Negative
Manufacturing Industry	15	2	10	4
Non-Manufacturing Industry	20	7	22	8
Of which, Financing Business	5	2	3	4
Total	35	9	32	12

Notes1: One count for multiple rating changes for an issuer a year.

Notes2: Investment corporations are included in Real Estate.

there are individual factors.

For revisions of rating outlook without rating changes in 2016, revision of rating outlook for Japan from Stable to Negative (outside the count) deserves special mention. JCR revised the rating outlook, given that uncertainty is mounting in securing fiscal sustainability in the medium and long run under the situation that the perspective to push up the growth potential remains unclear. The 28 issuers’ rating outlooks were revised in conjunction with this revision of Japan. Excluding these revisions, revisions of rating outlooks from Stable to Positive were 32 issuers and those from Stable to Negative were 8 issuers. The number of the former revisions exceeded the number of the latter revisions. Although the former number decreased only slightly in 2016 from the same number a year earlier, the latter number increased from a year earlier (Chart 3). By industry, rating outlooks of 5 investment corporations revised from Stable to Positive, and those of 4 banks revised from Stable to Negative (revision to Positive was 1 issuer in essence). As shown by these numbers, revisions of rating outlooks in 2016 were the same as those of rating changes in 2016 in terms of content of the trend.

There are signs of slump in economic recovery and are also changes to the overall improving trend that has been seen to date. Overall rating trend of positive sentiment and negative sentiment will attract attention continually in 2017.

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

The number of non-resident issuers for long-term ratings as of December 31, 2016 was 65 issuers, 3 less the number a year earlier. For the rating changes, while the number of rating upgrades was 2 issuers for 2016, the number of rating downgrades was 3 issuers for 2016. For revisions of rating outlook in 2016, the numbers of upward and downward revisions of rating outlooks were 3 and 4 respectively (Chart 4).

(1) Sovereign

The fundamentals decided the outcome. JCR upgraded rating for Romania (rating outlook before upgrading had been Positive), which keeps its trend from last year that is the banking sector’s progress in disposal of non-performing loans, and revised rating outlooks from Stable to Positive for Hungary, which shows achievements on the structural reforms, and The Czech Republic, which improved current-account and fiscal balances on the back of the economic growth.

Meanwhile, JCR downgraded rating for Federative Republic of Brazil (rating outlook before downgrading had been Negative) due to weakening of natural resource prices and prolonged political turmoil. JCR revised rating outlook from Stable to Negative for Republic of Italy where uncertainty about the structural reforms such as tackling of the non-performing loans problem has increased.

Considering uncertainty about future, JCR downgraded rating for UK, which decided to leave EU, although the situation facing UK is different from those

described for the above countries.

(2) Other

Rating changes were made due to individual factors. Assuming improvement of earnings and financial structure for the future thanks to strengthened business portfolio, JCR upgraded Hanwha Chemical Corporation. JCR revised rating outlook for National Bank of Hungary from Stable to Positive in conjunction with revision of rating outlook for Hungary.

Meanwhile, JCR downgraded rating and also revised rating outlook from Stable to Negative for Deutsche Bank AG, which has many problems including litigation one. JCR also downgraded rating for Electricite de France S.A., given increasing risk of overseas operations in relation to construction of light water reactors with a Chinese corporation and worsening financial structure.

Charts 4 Trend of Non-resident Long-term Rating

	2015	2016
The Number of Issuers	68	65
The Number of Rating Upgrades	1	2
The Number of Rating Downgrades	4	3
The Number of New Issuers	3	1
The Number of Withdrawn Ratings	4	4
The Number of Revisions of Rating Outlook	11	4
From Stable to Positive	1	3
From Stable to Negative	1	4
From Negative to Stable	8	0
From Stable to Positive	0	0

Notes1: Multiple counts for rating upgrades downgrades and revisions of rating outlook

Charts 5 Details of Rating Changes in 2016

► Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Jan. 27	The Higashi-Nippon Bank, Limited	#A-	
Jan. 29	MITSUI LIFE INSURANCE COMPANY LIMITED	#BBB	AA-
Feb. 12	Yokogawa Electric Corporation	A	A+
Mar. 31	Comforia Residential REIT, Inc.	A+	AA-
Apr. 14	Hulic Co., Ltd.	A+	AA-
Apr. 20	NICHIAS CORPORATION	BBB+	A-
Apr. 26	DIC Corporation	A-	A
Jun. 2	Saison Automobile and Fire Insurance Company, Limited	A	AA-
Jun. 2	Sompo Japan Nipponkoa Insurance Inc.		AA
Jun. 22	BRIDGESTONE CORPORATION		AA
Jun. 22	HIKARI TSUSHIN, INC.	BBB+	A-
Jul. 21	TOKYO DOME CORPORATION	BBB-	BBB
Jul. 25	Nippon Fine Chemical Co., Ltd.	BBB	BBB+
Aug. 4	DAIKYO INCORPORATED	A-	A
Aug. 12	Sharp Corporation	#B+	BB
Aug. 26	Daio Paper Corporation	BBB	BBB+
Sep. 2	SEIBU HOLDINGS INC.	BBB+	A-
Sep. 2	MEIDENSHA CORPORATION	BBB	BBB+
Oct. 5	ORIX CORPORATION	A+	AA-
Oct. 7	Activia Properties Inc.	AA-	AA
Oct. 17	Japan Hotel REIT Investment Corporation	A	A+
Oct. 24	Nankai Electric Railway Co., Ltd.	BBB+	A-
Nov.15	Kenedix Residential Investment Corporation	A	A+
Nov. 30	EDION Corporation	BBB+	A-
Dec. 19	Keihan Holdings	A-	A
Dec. 21	TonenGeneral Sekiyu K.K.	# A	A+
Dec. 22	PACIFIC INDUSTRIAL CO., LTD.	BBB+	A-
Dec. 27	Sumitomo Rubber Industries, Ltd.	A+	AA-
Dec. 27	The Hiroshima Bank, Ltd.	A+	AA-
Dec. 28	DISCO CORPORATION	A+	AA-
Dec. 28	SCREEN Holdings Co., Ltd.	BBB	BBB+

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Jan. 29	Mitsui O.S.K. Lines, Ltd.	A	#A-
Feb. 1	DAIBIRU CORPORATION	A+	#A
Feb. 8	Toho Zinc Co., Ltd.	BBB+	BBB
Mar. 31	Maruzen Petrochemical Co., Ltd.	#BBB+	BBB
Mar. 31	Nippon Sheet Glass Company, Limited	BBB-	#BB+
Apr. 27	OHSO FOOD SERVICE CORP.	A-	BBB+
May 6	Takata Corporation	BB+	BB-
May 6	AKEBONO BRAKE INDUSTRY CO., LTD.	BBB	BBB-
Jun. 17	Benesse Holdings, Inc.	AA-	A+
Jun. 20	IBJL-TOSHIBA Leasing Company, Limited	A	A-
Jun. 20	IBJ Leasing Company, Limited	A	A-
Jun. 22	Toyo Tire & Rubber Co., Ltd.	A-	BBB+
Jul. 1	CHUBU GAS CO., LTD.	#A-	BBB+
Jul. 4	MITSUI-SOKO HOLDINGS Co., Ltd.	A	A-
Aug. 9	LIXIL Group Corporation	AA-	A+
Aug. 9	KISOJI CO., LTD.	BBB	BBB-
Sep. 1	FamilyMart UNY Holdings Co., Ltd.	#AA-	A+
Oct. 17	Aderans Company Limited	BBB	#BBB-
Nov. 11	Nippon Yusen Kabushiki Kaisha	#A+	A
Dec. 14	Kawasaki Kisen Kaisha, Ltd.	#BBB+	BBB
Dec. 16	Takata Corporation*	BB-	B-

* : One count

► Non-Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Mar. 18	Romania	BBB-	BBB
Jun. 16	Hanwha Chemical Corporation	BBB+	A-

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Jun. 9	Federative Republic of Brazil	BBB	BBB-
Jul. 21	Deutsche Bank AG	AAp	A+p
Oct. 13	Electricite de France S.A.	AA+	AA

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