

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Japan Student Services Organization (security code: -)

<Rating Change>

Long-term Issuer Rating: from AA+ to AAA
Outlook: Negative
Bonds: from AA+ to AAA

Rationale

- (1) Japan Student Services Organization (“JASSO”) is an independent administrative agency that offers scholarship programs as well as support programs for international students and student support programs. Its scholarship programs, which are implemented as one of the national government’s essential educational measures to provide financial assistance from the viewpoint of ensuring equal educational opportunities and developing human resources, are socially and politically significant. As a long-term trend in Japan the scholarship recipient rate is rising, and JASSO’s scholarship loans account for 90% in terms of monetary amounts. Given that the scholarship programs are becoming increasingly important and the rate of collecting repayments remains at a level higher than before, JCR views that the government will continue providing financial resources needed for JASSO’s operations and there is an extremely high degree of probability that it will extend timely and appropriate financial assistance in emergency situations. Based on such judgment, JCR upgraded the ratings on JASSO by one notch. The rating outlook reflects the “Negative” outlook of Japan’s long-term issuer rating.
- (2) In order to support those who would otherwise have to give up education due to financial reasons, the government, under the economic and fiscal policy, is strengthening its measures to ensure equal educational opportunities, and the scholarship programs have been reviewed and expanded over the last couple of years. Efforts are being made to expand the scope of interest-free scholarship loans so as to reduce the burden of household educational costs, and the government aims to provide these loans to all those who apply for. Meanwhile, JASSO has introduced the repay-as-you-earn scholarship system under which the repayment amount changes according to the income earned after graduation and the grant-in-aid scholarship system under which repayment obligations are waived, thereby playing a greater role as educational safety net. Under these circumstances, the government is providing more financial resources to JASSO, including subsidies, making their relations even stronger in terms of financing.
- (3) While the low rate of collecting long-term receivables delinquent needs to be improved, the total collection rate, i.e. the percentage of the amount actually collected in the total amount that should be collected in a given fiscal year, is growing consistently thanks to such successful efforts as enhancing collection from the individuals in arrears for a short period of time and actually surpasses the level set at 87% for the fiscal year ended March 2017 (FY2016) in the medium-term plan (FY2014 to FY2018). JCR predicts JASSO will be able to maintain this rate at around the current level by taking systematic and adequate measures to promote collection, including reducing delinquencies by publicizing its relief systems to reduce monthly installments and postpone payment deadlines and taking legal actions concerning long-term receivables delinquent.
- (4) Equity capital ratio being very low at below 1.0% only reflects JASSO’s profit/loss structure in which revenue and expenses are basically balanced with the financial resources provided by the government and thus does not significantly affect JASSO’s creditworthiness. For the specific costs pertaining to the scholarship programs, the government will provide financial resources in later years, and JASSO books the estimated amount as revenue. Of this, the amount required for allowance for doubtful accounts is supposed to be compensated by the government based on the achievement of the efforts to improve the collection rate as described in the medium-term plan, and all of the required amounts have been compensated to date. At present, the government highly regards the state of collection, and, given also that a huge drop in the collection rate remains unlikely into the future, JCR views the risk of said financial resources not being provided is limited.

Akira Minamisawa, Yuki Kato

Rating

Issuer: Japan Student Services Organization

<Rating Change>

Long-term Issuer Rating: AAA

Outlook: Negative

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
bonds no.42	Y30	Feb. 8, 2016	Feb. 20, 2018	0.099%	AAA
bonds no.43	Y30	June 8, 2016	June 20, 2018	0.001%	AAA
bonds no.44	Y30	Sept. 7, 2016	Sept. 20, 2018	0.001%	AAA
bonds no.45	Y30	Nov. 9, 2016	Nov. 20, 2018	0.001%	AAA
bonds no.46	Y30	Feb. 8, 2017	Feb. 20, 2019	0.001%	AAA
bonds no.47	Y30	June 7, 2017	June 20, 2019	0.001%	AAA
bonds no.48	Y30	Sept. 7, 2017	Sept. 20, 2019	0.001%	AAA
bonds no.49	Y30	Nov. 8, 2017	Nov. 20, 2019	0.001%	AAA

Rating Assignment Date: December 25, 2017

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "FILP Agencies, etc." (March 13, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Japan Student Services Organization
Rating Publication Date:	December 27, 2017

1 The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2 The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3 The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

B) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

C) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

D) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Legal Protection and Support Provided by the Government

The credit rating is subject to alteration if there is a change in the issuer's legal support by the government, personnel or capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

C) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

D) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement
The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

F) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Legal Protection and Government Support

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

C) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

D) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity

positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

- E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement
The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. change so greatly.

14 Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Japan Student Services	Issuer(Long-term)	April 1, 2004	AA+	
Japan Student Services	Issuer(Long-term)	October 20, 2005	AA+	
Japan Student Services	Issuer(Long-term)	June 15, 2007	AA+	Stable
Japan Student Services	Issuer(Long-term)	January 26, 2009	AA+	Stable
Japan Student Services	Issuer(Long-term)	January 20, 2010	AA+	Stable
Japan Student Services	Issuer(Long-term)	December 22, 2010	AA+	Stable
Japan Student Services	Issuer(Long-term)	January 24, 2012	AA+	Stable
Japan Student Services	Issuer(Long-term)	January 29, 2013	AA+	Stable
Japan Student Services	Issuer(Long-term)	January 22, 2014	AA+	Stable
Japan Student Services	Issuer(Long-term)	January 22, 2015	AA+	Stable
Japan Student Services	Issuer(Long-term)	December 25, 2015	AA+	Stable
Japan Student Services	Issuer(Long-term)	July 15, 2016	AA+	Negative
Japan Student Services	Issuer(Long-term)	January 16, 2017	AA+	Negative
Japan Student Services	Bonds no.42	January 27, 2016	AA+	
Japan Student Services	Bonds no.42	January 16, 2017	AA+	
Japan Student Services	Bonds no.43	May 27, 2016	AA+	
Japan Student Services	Bonds no.43	January 16, 2017	AA+	
Japan Student Services	Bonds no.44	August 26, 2016	AA+	
Japan Student Services	Bonds no.44	January 16, 2017	AA+	
Japan Student Services	Bonds no.45	October 21, 2016	AA+	
Japan Student Services	Bonds no.45	January 16, 2017	AA+	
Japan Student Services	Bonds no.46	January 27, 2017	AA+	
Japan Student Services	Bonds no.47	May 26, 2017	AA+	
Japan Student Services	Bonds no.48	August 25, 2017	AA+	
Japan Student Services	Bonds no.49	October 20, 2017	AA+	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Kato, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

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