

JCR's Rating Results for 2019

1 Resident Long-term Rating

For JCR's number of rating changes for 2019, while the number of rating upgrades was 56 issuers (58 issuers for 2018), the number of rating downgrades was 16 issuers (7 issuers for 2018). The year 2019 saw the number of rating upgrades exceeding the number of downgrades for the 7th consecutive year (Chart 1: one count for multiple rating changes in the same direction for an issuer a year). Despite a large number of rating upgrades, the number itself for 2019 decreased from the number for 2018. The number of rating outlook revisions from Stable to Positive also decreased to 36 issuers for 2019 from 46 issuers for 2018. Although the situation where the number of rating upgrades exceeds the number of rating downgrades has not changed, the increasing trend of rating upgrades might have peaked out in 2018. The number of rating downgrades for 2019, on the other hand, more than doubled from the number for 2018, but the number of rating outlook revisions from Stable to Negative significantly decreased to 7 issuers (excluding issuers with their rating changed within 2019) for 2019 from 15 issuers for 2018. It is less likely at the moment at least that the rating downgrades will significantly

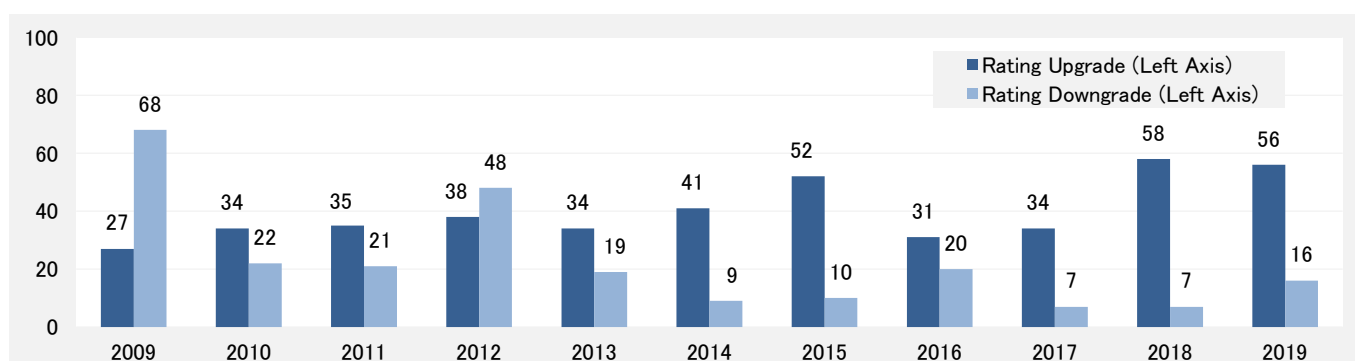
increase for a short period of time going forward.

It is true that uncertainty about business environment increased in 2019 in general due to developments such as U.S.-China trade frictions, worsened relations between Japan and South Korea, consumption tax hike, etc. It should be pointed out that in their ratings upgraded there are many issuers, which perform strongly, increasing their profits or posting a record income over the past few years, or many issuers, which increased their strength against negative business environment.

Industries in which there were many rating upgrades are Other Financing Business with 9 issuers, out of which 8 issuers were leasing companies, Real Estate (including investment corporation) with 8 issuers, Chemicals with 5 issuers, and Electric Appliances and Banks with 4 issuers, respectively.

In the Other Financing Business which recorded the largest number of rating upgrades, 4 issuers were upgraded in conjunction with rating upgrades of the parent companies. For the 5 issuers excluding these 4 issuers in this industry, there are 4 issuers, which are continuing to perform strongly and advanced stability of

Chart 1 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	2015		2016		2017		2018		2019	
	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade
Foods					1		3		2	
Textiles & Apparels	1				2					
Pulp & Paper			1							
Chemicals	2		2	1	3		2		5	
Pharmaceutical										
Oil & Coal Products			1				2		2	
Rubber Products		1	2	1						
Glass & Ceramics Products	1	1	1	1			2		1	
Iron & Steel							1		1	1
Nonferrous Metals	2			1	1		1			
Metal Products	1			1	1					1
Machinery	1		1		2		1		3	1
Electric Appliances	5	1	4		1		2	1	4	
Transportation Equipment	2	2	1	2		2	2	1		3
Precision Instruments									1	
Other Products		1		1			4			
Total for Manufacturing Industry	15	6	13	8	11	2	20	2	19	6
Construction	1				1		5		3	
Electric Power & Gas				1					1	
Land Transportation	3		3		3				2	
Marine Transportation	1			3						2
Air Transportation					2					
Warehousing & Harbor Transportation Services	1			1	1					
Information & Communication			1		3				2	
Wholesale Trade	1				1		3		3	
Retail Trade	2	1	1	3	2	1	3		3	
Banks	9	1	2		9	1	13	5	4	4
Securities & Commodity Futures	2				2		1			
Insurance	3		3		3		6		1	
Other Financing Business	3	1	1	2	3	1	5		10	2
Real Estate	7	1	6	1	7	1	2		8	1
Services	4		1	1	4					1
Total for Non-manufacturing Industry	37	4	19	12	37	4	38	5	37	10
FILP Agency										
Total	52	10	31	20	52	10	58	7	56	16

Notes1: One count for multiple rating changes in the same direction for an issuer a year.
2: Investment corporations are included in Real Estate.

their earnings through realization of effects from investments in focused areas and other measures, diversification of earnings sources, business expansion, reduction of credit costs by enhancement of risk management, etc. However, there are also 2 issuers JCR upgraded, reflecting their strengthened relations with issuers with higher credit ratings.

For the Real Estate, JCR upgraded 6 investment

corporations, valuing their strengthened portfolios through asset replacement, that is, increased profitability and diversification. For the other 2 issuers, JCR valued their strengthened earnings bases centering on the main leasing business and also financial bases.

JCR upgraded the issuers in the Chemicals for reasons including their increased earnings capacities through successes in their growth strategies such as M&A and

structural reforms and enhanced equity capital through profit accumulation.

The industry of Electric Appliances is similar to the Chemicals in terms of the conditions where the increased earnings capacity through measures including shift to growth markets, high value-added product strategy, improved profits of unprofitable businesses, and structural reforms, is a background factor behind the rating upgrade.

There are 2 issuers upgraded in the industry of Oil thanks to the increased earnings through stabilized business environment by industry reorganization and realization of synergistic effects from business integration for both issuers.

All of the upgraded in the Banks were regional banks, to which JCR applied its "Rating Methodology for Financial Groups' Holding Companies and Group Companies," of which JCR started the application in March 2019, and JCR upgraded them to make their ratings equivalent to their groups' creditworthiness. These upgrades were not due to reasons related to these individual companies.

Meanwhile, the characteristic industries for the rating downgrades include Marine Transportation (2 issuers) and Banks (4 issuers). Other issuers were downgraded due to their individual factors. As compared with 2017 and 2018, however, the industries JCR downgraded widened in 2019.

For the Marine Transportation, JCR has been watching the structural reforms and their achievements in the continuing tough business environment, and downgraded in 2019 the 2 issuers for the first time in 3 years since 2016 due to their weakened business performances such as consolidated ordinary losses and concern about delays of their financial improvement. JCR did not change the rating on 1 issuer out of the 3 issuers JCR downgraded in 2016 because of its ensuring net income.

For Banks, JCR downgraded 4 regional banks in 2019, following the downgrade of the 5 regional banks in 2018. Their lowered earnings capacities remain as a primary factor for their downgrades under the low interest rate environment. In addition, JCR downgraded

the 2 issuers for the reason of their lowered adjusted Tier 1 ratio which is considered as a core capital by JCR.

JCR downgraded 1 issuer in the investment corporations, out of which JCR upgraded the 5 issuers as described above, due to its increased LTV as a result of the funds raised for the large-scale property acquisition mainly in the form of loans.

Reasons for downgrades of other issuers include impairment of equity capital due to recording of provision for loss on order received or impairment loss, lowered earnings level due to decreased sales against the backdrop of weakened demand, and changes in their parent companies (Chart 2).

For revisions of rating outlook without rating changes in 2019, revisions from Stable to Positive totaled 36 issuers, while revisions from Stable to Negative totaled 7 issuers. The trend from Stable to Positive exceeding that from Stable to Negative did not change in 2019 (excluding issuers whose ratings were changed subsequently in 2019). However, while revisions from Stable to Positive in 2019 significantly decreased from 46 issuers in 2017 and 59 issuers in 2018, those from Stable to Negative also decreased from 8 issuers in 2017 and 15 issuers in 2018. As long as JCR infers from these rating outlooks, it is highly likely that the number of rating upgrades and that of downgrades both will be lower in 2020 as compared with these figures in 2019.

Retail Trade was industry, for which JCR revised the rating outlook from Stable to Positive (4 issuers) against the backdrop of their continued solid earnings recording thanks to their successful management strategies. (For Retail Trade, 3 issuers saw their rating upgraded.) As this industry is susceptible to consumption tax hike implemented in October 2019, however, it is necessary to carefully monitor the effects. These 4 issuers include 2 issuers in the category of volume-sales consumer electronics retailers, out of 1 issuer was upgraded. In Wholesale Trade, there were 5 issuers whose rating outlooks revised from Stable to Positive, but effects from individual factors were large for these issuers due partly to the merchandises they deal in.

In the Real Estate in which many issuers were upgraded, there were also 3 issuers whose rating

outlooks revised from Stable to Positive. 2 issuers out of the 3 issuers were investment corporations, and JCR is paying attention to their establishment of the well-diversified portfolios through the external growth and the resulting improvements of profitability and its stability.

JCR revised rating outlooks for 2 issuers in the Oil industry which are being positively affected by the industry reorganization from Stable to Positive. JCR will confirm the conditions of their challenges such as improvement of financials and other developments.

Among (regional) Banks which have been downgraded, 1 issuer's rating outlook was revised from Stable to Positive, reflecting its well stabilized earnings by diversified earnings sources and significantly improved capital level, which are different from cases of other regional banks in general.

Other characteristic point includes revisions of rating outlooks for 3 issuers in public sector (2 issuers in effect, excluding the one linked with other entity in terms of rating) from Stable to Positive. JCR revised their ratings outlooks to Positive on the ground that their political importance has increased in terms of their relations with bodies which established these issuers and improvement of their individual financial structures.

Industry in which there were 2 or more issuers whose rating outlooks revised from Stable to Negative is only (regional) Banks (2 issuers). The reason of the rating outlook revision to Negative for 1 issuer out of these 2 issuers is that JCR was concerned about the decreased core capital ratio due to the large amount of credit costs as a result of the preventive loan loss provision, which was slightly different from cases of many issuers in the past. For issuers other than Banks, factors for the rating outlook revisions from Stable to Negative were delays in earnings improvement, reflecting tough supply-demand conditions, and also delays in financial improvement due to prior investments and return of profits to shareholders.

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

(1) Sovereign

JCR upgraded ratings on Republic of Slovenia and Russian Federation and downgraded Republic of Italy. JCR valued significantly improved fiscal positions, etc. for both Republic of Slovenia and Russian Federation thanks to reasons such as economic growth for the former and rise of oil prices for the latter, respectively. JCR reflected in the rating on Republic of Italy, on the other hand, its situation where turnaround from slow economic growth became difficult due to change in economic and fiscal policies and reduction of general government debt/GDP ratio became less likely.

JCR revised rating outlooks for Republic of the Philippines, Republic of Indonesia and Hungary from Stable to Positive. JCR focused on control of fiscal deficit, while infrastructure development is progressing, for both Republic of the Philippines and Republic of Indonesia. For Hungary, JCR looked at the development where good effects from the economic policy introduced were being generated. There was no rating revision from Stable to Negative.

(2) Other

JCR upgraded ratings on Central American Bank for Economic Integration where enhancement of capital base has progressed and PT Adaro Energy Tbk where it is likely that the entire Group will expand in a more stable manner through healthy coal mining business and strengthened non-coal mining businesses.

JCR revised rating outlook from Stable to Positive for National Bank of Hungary, which is linked with Hungary in terms of rating, and also Avation PLC, which is performing firm and concerns over its concentration on top customers will be reduced.

Charts 3 Details of Rating Changes in 2019

► Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Jan. 17	Sintokogio, Ltd.	BBB	BBB+
Jan. 22	TONAMI HOLDINGS CO., LTD.	BBB+	A-
Jan. 22	Mitsui Chemicals, Inc.	A	A+
Jan. 22	FUJI ELECTRIC CO., LTD.	A-	A
Jan. 25	Tokyo Century Corporation	A+	AA-
Jan. 25	NIPPON CAR SOLUTIONS CO., LTD.	A+	AA-
Jan. 25	FUJITSU LEASING CO., LTD.	A+	AA-
Jan. 29	Tokyu Fudosan Holdings Corporation	A-	A
Jan. 30	Nagoya Railroad Co., Ltd.	A	A+
Feb. 8	Daiwa Office Investment Corporation	AA-	AA
Feb. 15	Sekisui House Reit, Inc.	AA-	AA
Mar. 5	MCUBS MidCity Investment Corporation	A+	AA-
Mar. 15	Ube Industries, Ltd.	A-	A
Mar. 22	Showa Denko K.K.	A-	A
Mar. 25	AIN HOLDINGS INC.	A-	A
Mar. 28	JK Holdings Co., Ltd.	BBB-	BBB
Apr. 3	NICHIAS CORPORATION	A-	A
Apr. 17	HEIWA REAL ESTATE REIT, Inc.	A	A+
Apr. 19	IBJ Leasing Company, Limited	#A- / Positive	A
Apr. 19	IBJL-TOSHIBA Leasing Company, Limited	#A- / Positive	A
Apr. 23	SUMITOMO HEAVY INDUSTRIES, LTD.	A	A+
May 28	The Higashi-Nippon Bank, Limited	AA-	AA
June 21	SONY CORPORATION	A	A+
June 27	Yahoo Japan Corporation (current Z Holdings Corporation)	#A / Positive	AA-
July 2	Tohoku Electric Power Company, Incorporated	AA-	AA
July 11	MORI BUILDING Co., Ltd.	A	A+
July 16	MAEDA CORPORATION	A-	A
July 18	HOSOKAWA MICRON CORPORATION	BBB	BBB+
July 22	PENTA-OCEAN CONSTRUCTION CO., LTD.	A-	A
Aug. 6	Tokuyama Corporation	BBB+	A-
Aug. 9	KISOJI CO., LTD.	BBB-	BBB
Aug. 22	Idemitsu Kosan Co., Ltd.	A	A+
Aug. 22	JXTG Holdings, Inc.	A+	AA-
Aug. 23	The Nisshin Oillio Group, Ltd.	A-	A
Aug. 29	POCKET CARD CO., LTD.	A-	A
Sept. 2	Sojitz Corporation	BBB+	A-
Sept. 11	Sharp Corporation	BB	BB+
Oct. 3	HORIBA, Ltd.	A	A+
Oct. 4	NIPPON STEEL NISSHIN CO., LTD.	A+	AA-
Oct. 4	FUJI SOFT INCORPORATED	BBB+	A-
Oct. 15	Shimadzu Corporation	A+	AA-
Oct. 16	Nishimatsu Construction Co., Ltd.	A-	A
Oct. 17	NICHIREI CORPORATION	A	A+
Oct. 29	Mitsubishi UFJ Lease & Finance Company Limited	AA-	AA
Nov. 1	THE SHINWA BANK, LTD.	A	A+
Nov. 1	The Eighteenth Bank, Limited	A	A+
Nov. 1	The Kumamoto Bank, Ltd.	A	A+
Nov. 13	Denka Company Limited	A	A+
Nov. 18	Fuyo General Lease Co., Ltd.	A	A+
Nov. 18	Sharp Finance Corporation	A	A+

Nov. 25	NIPPON STEEL TRADING CORPORATION	A	A+
Dec. 4	Nojima Corporation	BBB	BBB+
Dec. 17	Hoshino Resorts REIT, Inc.	A-	A
Dec. 20	Nippon Life Insurance	AA	AA+
Dec. 25	Sumitomo Mitsui Finance and Leasing	AA-	AA
Dec. 26	Invesco Office J-REIT, Inc.	A+	AA-

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Jan. 30	AKEBONO BRAKE INDUSTRY CO., LTD.	BB+	#CC / Negative
Feb. 12	AKEBONO BRAKE INDUSTRY CO., LTD. (2nd time)	#CC / Negative	LD
Feb. 13	Nippon Yusen Kabushiki Kaisha	A	A-
Feb. 13	Kawasaki Kisen Kaisha, Ltd.	BBB	BBB-
Feb. 18	The Bank of Nagoya, Ltd.	A+	A
Apr. 19	MG Leasing Corporation	#A+ / Negative	A
Apr. 24	Sankyo Tateyama, Inc.	BBB	BBB-
May 9	Mitsui E&S Holdings Co., Ltd.	BBB	BBB-
May 20	Japan Logistics Fund, Inc.	AA+	AA
Aug. 29	TSUKADA GLOBAL HOLDINGS Inc.	BBB+	BBB
Sept. 20	The Fukui Bank, Ltd.	A-	BBB+
Oct. 4	The SHIMIZU BANK. LTD.	A	A-
Oct.9	THE TAIKO BANK, LTD.	A	A-
Nov. 12	Mitsubishi Steel Mfg. Co., Ltd.	BBB+	BBB
Nov. 19	Mitsui E&S Holdings Co., Ltd.	# BBB- / Negative	BB+
Dec. 4	NISSAN MOTOR CO., LTD.	AA-	A+
Dec. 4	NISSAN FINANCIAL SERVICES CO., LTD.	AA-	A+
Dec.27	Namura Shipbuilding	BBB+	BBB

► Non-Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Jan. 18	Republic of Slovenia	A+	AA-
Mar. 25	Central American Bank for Economic Integration	AA-	AA
Sept. 30	PT Adaro Energy Tbk	BBB-	BBB
Nov. 7	Russian Federation	BBB-	BBB

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Apr. 12	Republic of Italy	A+	A

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