

JCR's Rating Results for 2017

1 Resident Long-term Rating

Japan Credit Rating Agency, Ltd. ("JCR") has put together all the rating results for 2017. The number of resident issuers for long-term ratings as of December 31, 2017 was 660, up by 6 issuers from a year earlier. The number turned around after it bottomed out in 2013 with 627 and resulted in the 4th consecutive increase in 2017. The gross number of increase was 18 issuers and that of decrease was 12 issuers. While the investment corporations retained the increasing trend and increased the number by 5, 5 issuers that were once issuers rated by JCR came back as new issuers. Meanwhile, 2 issuers ceased to exist as a result of merger.

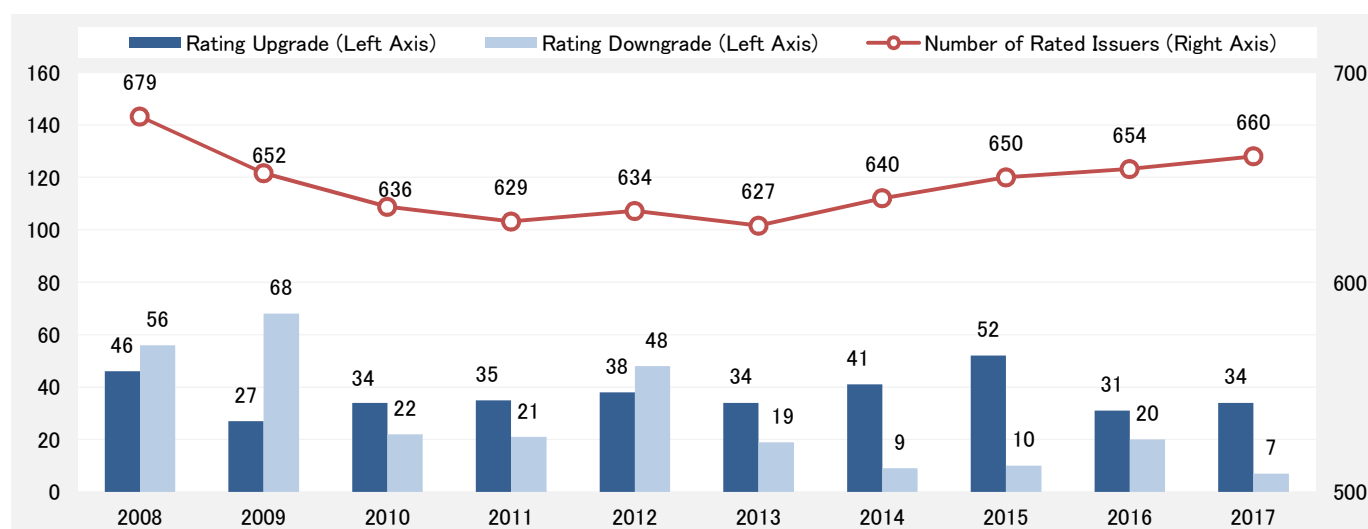
For the rating changes, while the number of rating upgrades was 34 issuers for 2017 (31 issuers for 2016), the number of rating downgrades was 7 issuers for 2017 (20 issuers for 2016). The year 2017 saw the number of rating upgrades exceed the number of downgrades for the 5th consecutive year (Chart 1). The

year 2016 saw the number of rating upgrades significantly drop as compared with 2015, but the number of rating downgrades doubled in 2016. As a result, difference between the number of upgrades and that of downgrades significantly decreased to 11 issuers in 2016 from 42 issuers in 2015. The number of upgrades in 2017 remained almost unchanged from the number in 2016, but the number of downgrades significantly decreased and rating outlook for 46 issuers revised to Positive as described below. This indicates the increasing upward trend of ratings.

The rating upgrades in 2017 generally reflect strong corporate performance. It is remarkable that ratings of 8 issuers (including 6 investment corporations) in Real Estate were upgraded and that 3 Land Transportation issuers and 2 Air Transportation issuers were also upgraded. There are overlapping backgrounds for the upgrades among these industries.

The number of upgrades for investment corporations in Real Estate in 2017 exceeded the number totaled 5 in

Chart 1 The Number of Rated Issuers and Rating Changes (Resident Long-term 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. Japan, guaranteed bonds of issuers except holding companies and structured finance are all excluded from the counts.

Chart 2 Rating Change by Industry

Industry	2013		2014		2015		2016		2017	
	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade	Upgrade	Downgrade
Foods				2					1	
Textiles & Apparels		1			1				2	
Pulp & Paper			1				1			
Chemicals		1	1		2		2	1	3	
Pharmaceutical										
Oil & Coal Products							1			
Rubber Products	1					1	2	1		
Glass & Ceramics Products	1	3	1	1	1	1	1	1		
Iron & Steel		1								
Nonferrous Metals	1		1		2			1	1	
Metal Products			1	1	1			1	1	
Machinery	1	1			1		1		2	
Electric Appliances	1		1		5	1	4		1	
Transportation Equipment	3		1	1	2	2	1	2		2
Precision Instruments										
Other Products	1					1		1		
Total for Manufacturing Industry	9	7	7	5	15	6	13	8	11	2
Construction			5		1				1	
Electric Power & Gas		4						1		
Land Transportation	4		1		3		3		3	
Marine Transportation		1			1			3		
Air Transportation										2
Warehousing & Harbor Transportation Services					1			1	1	
Information & Communication		2	1				1		3	
Wholesale Trade			3		1				1	1
Retail Trade	2	3	3	2	2	1	1	3		
Banks	5	1	6	1	9	1	2			2
Securities & Commodity Futures			6		2					
Insurance	3	1			3		3		1	
Other Financing Business	6		2		3	1	1	2		2
Real Estate	3		6		7	1	6	1	8	
Services	2			1	4		1	1	2	
Total for Non-manufacturing Industry	25	12	33	4	37	4	18	12	22	5
FILP Agency			1						1	
Total	34	19	41	9	52	10	31	20	34	7

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

2: Investment corporations are included in Real Estate.

2016. JCR valued that those investment corporations' stable cash flows that are generated from diversified portfolio under the favorable market environment, retention of financial discipline amid external growth and increased tolerance against refinance risk through maintenance of financial soundness. JCR upgraded the same number of Land Transportation issuers in 2017 as in 2016, which is 3, highly valuing the following: (i) The number of railroad passengers carried is firm against the background of good employment conditions and strong demand for tourism thanks to increased inbound

tourist; (ii) The real estate business is stably contributing to boosting the overall earnings thanks partly to progress of development of areas along the railway lines; and (iii) The improvement of financial structure will progress thanks to expansion of cash flows, despite the continuing aggressive plans for strategic investment.

JCR upgraded the leading 2 Air Transportation issuers, given their strong trend of international passenger business including inbound tourism demand, which is raising their earnings level, and an expectation that this strong trend will lead to their retention and further

Chart 3 Revisions of Rating Outlook from “Stable”

	2016		2017	
	1. From Stable To Positive	2. From Stable To Negative	From Stable To Positive	From Stable To Negative
Manufacturing Industry	10	4	21	2
Non-Manufacturing Industry	22	8	25	6
Of which, Financing Business	3	4	9	4
Total	32	12	46	8

improvement of financial soundness. Only 1 issuer (life insurance) was upgraded for financial institutions.

For the rating downgrades, on the other hand, 4 issuers out of 7 downgraded issuers were downgraded, following last year. Apart from these issuers downgraded mainly due to factors caused by individual companies, there was an industrial factor for downgrades concerning regional banks. Regional banks are in general exposed to downward pressure on earnings capacity by the continued extremely low interest rate environment, and the impact on their ratings has gradually begun to come to the surface.

For revisions of rating outlook without rating changes in 2017, revision from Stable to Positive totaled 46 issuers, while that from Stable to Negative totaled 8 issuers. The former significantly exceeded the latter. This indicates more than the case of rating changes that the rating upward trend is growing in 2017 as compared with 2016 (Chart 3).

Revisions to Positive extend into a wide range of industries, and in particular, Construction (5 issuers) and life insurance (4 issuer, 3 issuers excluding the case where rating is linked) are remarkable. JCR looks at the improving financial structure through high income for Construction and the maintenance of financial soundness through earnings diversification in the face of severe business environment for life insurance. 4 regional banks’ rating outlooks were also changed to Positive, which is slightly exceptional in terms of the fact that these issuers belong to the same group and are strongly linked with one another in terms of rating and that JCR valued realization of integration effects for them. Besides regional banks, 3 issuers belong to the same group in the Financing Business. In addition,

Electric Power should be noted. JCR revised rating outlook for 1 issuer to Positive, but there were 3 issuers, for which JCR revised their rating outlooks from Negative to Stable, reflecting the increased likelihood of improvement of financial structure with more capacity for profit and cash flow thanks to restart of nuclear power plants, etc..

Revisions to Negative include 3 regional banks due to concern about their earnings. All of the remaining 5 issuers other than these 3 regional banks belong to a different industry. Delays in financial improvement or concern about earnings capacity are reasons for rating outlook revisions.

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

The number of non-resident issuers for long-term ratings as of December 31, 2017 was 68 issuers, 3 more issuers a year earlier. For the rating changes, both the number of rating upgrades and the number of rating downgrades were 2 issuers for 2017. For revisions of rating outlook in 2017, the number of upward revision was 5 and there was no issuer for downward revision (Chart 4).

(1) Sovereign

There was only 1 rating change for sovereign ratings; JCR upgraded rating for Hungary. JCR revised rating outlook for Hungary in 2016 from Stable to Positive, because the country showed achievements on the structural reforms. Since this trend remained unchanged, JCR upgraded rating for the country.

JCR revised rating outlook from Stable to Positive for Indonesia (Republic of) where improvement of

investment environment and containment of private external debt have progressed thanks partly to its policy and Slovenia (Republic of) where disposal of banks' non-performing loans and reduction of fiscal deficit have progressed. In addition, JCR revised rating outlook from Negative to Stable for Russian Federation where rise of natural resources prices as well as economic recovery can be seen.

(2) Other

JCR upgraded National Bank of Hungary with Hungary, while JCR downgraded Lotte Shopping and Hotel Lotte, both of which are affected by a significant drop in the number of Chinese tourists arising from THAAD issue.

For rating outlook, JCR revised outlook from Stable to Positive for Orange where recovery of revenue/ EBITDA and improvement of financial structure can be seen and Adaro Energy that significantly increased profits and strengthened financial base through its self-help efforts and is becoming ready for business diversification, which was an issue facing it.

Chart 4 Trend of Non-resident Long-term Rating

	2015	2016
The Number of Issuers (year-end)	65	68
The Number of Rating Upgrades	2	2
The Number of Rating Downgrades	3	2
The Number of New Issuers	1	4
The Number of Withdrawn Ratings	4	1
The Number of Revisions of Rating Outlook	7	5
From Stable to Positive	3	4
From Stable to Negative	4	0
From Negative to Stable	0	1
From Positive to Stable	0	0

Charts 5 Details of Rating Changes in 2017

► Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Jan. 17	SQUARE ENIX HOLDINGS CO., LTD.	A-	A
Jan. 27	MITSUMI ELECTRIC CO., LTD.	#A-	A
Jan. 30	Kenedix Office Investment Corporation	A+	AA-
Feb. 24	DOWA HOLDINGS CO., LTD.	A	A+
Feb. 24	Temp Holdings Co., Ltd. (currently PERSOL HOLDINGS CO., LTD.)	A-	A
Feb. 28	Japan Rental Housing Investments Inc.	A	A+
Mar. 13	The Shibusawa Warehouse Co., Ltd.	BBB+	A-
Mar. 27	SEIREN CO., LTD.	A-	A
Mar. 31	ANA HOLDINGS INC.	A-	A
Apr. 19	NIPPON REIT Investment Corporation	A-	A
Apr. 24	TOBU RAILWAY CO., LTD.	A-	A
May 2	KURARAY CO., LTD.	AA-	AA
May 12	NIPPON TOCHI-TATEMONO Co., Ltd.	BBB+	A-
May 22	MORI HILLS REIT INVESTMENT CORPORATION	AA-	AA
May 25	SHINNIHON CORPORATION	BBB	BBB+
May 29	TAIYO NIPPON SANSO CORPORATION	A	A+
Jun. 1	KITZ CORPORATION	A-	A
Jun. 5	ARIAKE JAPAN Co., Ltd.	A-	A
Jul. 7	Japan Airlines Co., Ltd.	A-	A
Jul. 24	SIIX CORPORATION	BBB+	A-
Jul. 25	Hitachi Zosen Corporation	BBB	BBB+
Aug. 1	Hankyu Hanshin Holdings, Inc.	A+	AA-
Sep. 1	KANAMOTO CO., LTD.	BBB	BBB+
Oct. 4	Daiwa House REIT Investment Corporation	AA-	AA
Oct. 23	SUMCO CORPORATON	BBB+	A-
Nov. 10	TIS Inc.	A-	A
Nov. 10	INTEC Inc.	A-	A
Dec. 5	Keisei Electric Railway Co., Ltd.	A	A+
Dec. 13	Kenedix Retail REIT Corporation	A	A+
Dec. 19	EIKEN CHEMICAL CO., LTD.	BBB	BBB+
Dec. 20	Meiji Yasuda Life Insurance Company	A+	AA-
Dec. 21	Yasuda Real Estate Co., Ltd.	A-	A
Dec. 27	Japan Student Services Organization	AA+	AAA
Dec. 28	TOYOBO CO., LTD.	A-	A

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Apr. 12	IBJ Leasing Company, Limited	#A-	#BBB+
Apr. 12	IBJL-TOSHIBA Leasing Company, Limited	#A-	#BBB+
Jun. 19	Takata Corporation	B	#C
Jun. 26	Takata Corporation (2nd time)	#C	D
Jul. 6	The Chikuho Bank, Ltd.	A-	BBB+
Aug. 9	UKC Holdings Corporation	#A-	#BBB+
Sep. 1	THE FUKUHO BANK, LTD.	BBB	BBB-
Dec. 13	AKEBONO BRAKE INDUSTRY CO., LTD.	BBB-	BB+

► Non-Resident Rating

<Rating Upgrades>

Release Date	Issuer	Before Change	After Change
Feb. 21	Hungary	BBB	BBB+
Feb. 21	National Bank of Hungary	BBB	BBB+

<Rating Downgrades>

Release Date	Issuer	Before Change	After Change
Sep. 29	Lotte Shopping Co., Ltd.	A+	A
Dec. 6	Hotel Lotte Co., Ltd.	A+	A

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