



NEWS RELEASE

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R&I's Annual Updates on Default Rates and Rating Transition Matrices

Rating & Investment Information, Inc. (R&I) has updated its default rates and rating transition matrices (default-related data) for Japanese corporates by adding rating and default data for FY2014 (April 1, 2014 to March 31, 2015).

The default rate study covers a total of 1,490 companies to which a credit rating had been assigned at the beginning of at least one fiscal year from FY1978 to FY2014. This year's report is the 19th review in the series, which R&I has prepared annually since 1997. The main study results in FY2014 are as follows:

- One company defaulted in FY2014. Unitika Ltd. defaulted through a petition for or implementation of financial assistance (debt restructuring). The company had been rated more than 30 years ago, and the single year default rate for the companies that had R&I's ratings as of April 1, 2014 was 0%. This marks the fifth consecutive year of 0% single year default rates since FY2010, equaling the previous record of five years from FY1987 to FY1991.
- As regards the relationship between credit ratings and defaults, the study results continued to show that a high credit rating corresponds to a low default rate, and that the lower the level of the credit rating, the higher the default rate.
- On the whole, credit ratings moved higher in FY2014 due primarily to a decrease in the number of downgrades. While the number of upgrades in FY2014 was slightly larger than in FY2013 (FY2013: 11 upgrades, FY2014: 13 upgrades), the number of downgrades declined sharply (FY2013: 11 downgrades, FY2014: 2 downgrades), suggesting lower rating volatility for two consecutive years.
- Although single year default rates for rated entities continued to be 0% both in the FY2010-FY2014 period and the FY1987-FY1991 period, rating transitions indicate substantial differences in the credit environment. In the FY2010-FY2014 period, credit ratings moved lower in FY2011, a year when the historical appreciation of the yen and confused political circumstances were added to the stress of natural disasters from the Great East Japan Earthquake and floods in Thailand. In FY2012 and FY2013, the number of upgrades and the number of downgrades were equal, followed by overall upward transitions in FY2014. In the FY1987-FY1991 period, on the other hand, credit ratings leaped during the bubble economy, and the direction of rating transitions turned downward following the burst of the bubble economy.

Details of the study results are available at R&I's website (<http://www.r-i.co.jp/eng/cfp/data/index.html#news-02>).

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