



NEWS RELEASE

Jun 30, 2016

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 FY2015 (April 1, 2015 to March 31, 2016).

The default rate study covers a total of 1,499 companies to which a credit rating had been assigned at the beginning of at least one fiscal year from FY1978 to FY2015. This year's report is the 20th review in the series, which R&I has prepared annually since 1997. The main study results in FY2015 are as follows:

- Two companies defaulted in FY2015. Daiichi Chuo Kisen Kaisha defaulted through legal bankruptcy and Sharp Corp. through a petition for or implementation of financial assistance (debt restructuring). Because Daiichi Chuo Kisen Kaisha had been rated 28 years ago, only one default by Sharp is counted in default rates by rating for recent years. As a result, the single year default rate for 607 companies that had R&I's ratings as of April 1, 2015 was 0.16%. The single year default rate exceeded 0% for the first time in six years after being kept at 0% for five consecutive years since FY2010.
- 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.
- When credit rating transitions across rating categories are looked at, the total number of upgrades and downgrades was 13 in FY2015. Only 2.2% of the companies covered experienced rating transitions, which is one of the lowest. While overall rating volatility was low, the number of downgrades increased in FY2015 after showing a downward trend for four consecutive years since FY2011.

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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