

JCR's Financial Indicators by Rating Range 2018

JCR calculated the average financial indicators for each rating category, using financial data of the corporations to which JCR assigns ratings (including 'p' ratings and ratings under Credit Monitor), as a part of objective validation of the adequacy of JCR's ratings. This report is the updated 2018 version of the last "JCR's Financial Indicators by Rating Range 2017" released on December 19, 2017. The ratings are determined not only by quantitative but also qualitative assessment, and the consistency in the relationship between the grades of JCR's ratings and the financial indicators has been reaffirmed by these statistical tests, as should be for the base of credit rating. JCR calculates the level of financials as herewith presented for the use to check individual ratings. Since JCR sees other financial indicators, qualitative assessment and prospects for future developments as well in the actual ratings, they do not necessarily match the ratings that are herewith arithmetically assigned, even though the rated corporations may satisfy the level of financial averages given in this report. Nonetheless, JCR releases this report as a part of its efforts to improve its rating transparency.

Time Period for Data Collection

Two time periods are adopted for data collection: "the most recent FY" (from April 2017 to March 2018) and "the most recent 5 FYs" (from April 2013 to March 2018). (The previous two time periods were from April 2016 to March 2017 for the most recent FY and from April 2012 to March 2017 for the most recent 5 FYs.)

Data Used

Data for Japanese industrial corporations (excluding financial institutions, electric power and gas companies, air transport, agriculture and forestry, fishery, and mining industries with ratings of BB range and above) subject to JCR's ratings were used. JCR related the financial indicators to the JCR's ratings that were assigned when 5 months have passed since the end of the fiscal year (for example, FY ended March 2018 referenced to JCR's rating as of August 31, 2018). As a result, the number of corporations subject to data collection from April 2013 to March 2018 totaled 958 for manufacturing industry (192 for the most recent FY) and totaled 820 for non-manufacturing industry (157 for the most recent FY).

(Financial Technology Division)

Table 1: Average Values of Financial Indicators by Rating Range

		Manufacturing				Non-Manufacturing				
		Most Recent 5 Fiscal Years		Most Recent FY		Most Recent 5 Fiscal Years		Most Recent FY		
		till FY2017	till FY2016	FY2017	FY2016	till FY2017	till FY2016	FY2017	FY2016	
Number of Corporations	AAA	0	0	0	0	23	22	5	5	
	AA Range	131	128	28	27	83	83	19	16	
	A Range	522	517	106	105	420	401	84	86	
	BBB Range	290	301	55	57	276	302	47	52	
	BB Range	15	14	3	3	18	23	2	2	
Profitability	Operating Income Margin (%)	AAA	-	-	-	-	21.62	21.41	21.96	21.98
		AA Range	10.65	9.68	12.46	11.50	10.12	9.64	10.53	10.76
		A Range	6.88	6.38	7.65	7.18	7.64	7.38	8.30	7.49
		BBB Range	4.94	4.54	5.36	5.55	6.53	6.38	6.48	6.24
		BB Range	4.23	3.21	4.52	5.58	13.60	12.88	16.70	14.98
	Net Income/Total Capital Employed Ratio (%)	AAA	-	-	-	-	4.95	4.73	5.32	5.40
		AA Range	5.08	4.29	6.76	5.34	3.72	3.48	4.31	3.70
		A Range	3.84	3.38	4.61	3.99	3.16	2.93	3.75	3.26
		BBB Range	2.63	2.33	2.73	3.33	2.68	2.43	3.16	2.63
		BB Range	-0.25	-1.29	1.66	1.01	2.16	1.85	1.44	1.31
	Business Income/Total Capital Employed Ratio (%)	AAA	-	-	-	-	8.40	8.38	8.30	8.71
		AA Range	8.57	7.71	10.31	8.91	6.54	6.30	6.82	6.56
		A Range	6.28	5.84	6.95	6.39	5.29	5.21	5.52	5.56
		BBB Range	4.79	4.45	5.23	5.28	4.83	4.62	5.26	4.74
		BB Range	3.90	3.02	4.90	5.03	4.58	4.92	3.08	2.99
Debt Service Capacity	Interest-bearing Debt/EBITDA Ratio (year)	AAA	-	-	-	-	2.27	2.27	2.51	2.19
		AA Range	1.72	1.84	1.46	1.78	3.37	3.50	3.28	3.50
		A Range	2.64	2.87	2.07	2.28	4.37	4.55	4.16	4.05
		BBB Range	3.25	3.66	2.92	3.06	5.31	5.63	4.20	6.85
		BB Range	3.93	3.97	4.68	4.38	9.05	8.82	13.64	13.75
	Net Interest-bearing Debt/EBITDA Ratio (year)	AAA	-	-	-	-	2.09	2.11	2.27	1.97
		AA Range	1.18	1.25	1.01	1.26	2.63	2.76	2.44	2.78
		A Range	1.79	1.99	1.25	1.41	3.35	3.45	3.19	3.05
		BBB Range	1.81	2.17	1.49	1.64	3.93	4.19	3.07	4.71
		BB Range	2.47	2.44	3.23	2.65	6.59	6.83	9.58	10.00
	Interest-bearing Debt/Operating Cash Flow Ratio (year)	AAA	-	-	-	-	2.98	3.00	3.24	2.86
		AA Range	2.39	2.55	2.02	2.71	6.52	6.05	7.68	4.83
		A Range	3.66	4.16	3.19	3.28	7.12	6.98	7.37	6.96
		BBB Range	5.21	6.03	4.29	3.93	7.70	8.06	6.50	8.75
		BB Range	7.20	9.26	7.28	7.03	14.60	12.56	22.29	24.56
Net Interest-bearing Debt/Operating Cash Flow Ratio (year)	AAA	-	-	-	-	2.75	2.79	2.94	2.60	
	AA Range	1.64	1.72	1.39	1.94	5.39	4.94	6.44	3.83	
	A Range	2.44	2.86	1.99	2.13	5.42	5.57	5.71	5.11	
	BBB Range	2.96	3.72	1.88	2.23	5.81	6.33	4.63	7.00	
	BB Range	4.59	5.84	4.93	4.77	11.14	9.96	14.94	18.01	
Financial Structure	Equity Ratio (%)	AAA	-	-	-	-	45.33	44.57	45.49	45.79
		AA Range	55.22	54.85	56.25	55.49	42.27	41.73	42.34	43.02
		A Range	48.54	47.62	50.21	49.35	39.35	39.05	40.62	40.18
		BBB Range	44.37	43.48	45.70	44.98	37.67	36.50	39.83	38.98
		BB Range	28.35	32.21	16.90	24.96	39.92	39.55	29.64	29.92
	Debt/Equity Ratio (Interest-bearing Debt) (Times)	AAA	-	-	-	-	0.76	0.80	0.78	0.74
		AA Range	0.42	0.44	0.36	0.42	0.75	0.80	0.70	0.79
		A Range	0.57	0.62	0.48	0.55	0.94	0.96	0.92	0.89
		BBB Range	0.78	0.87	0.59	0.76	1.17	1.28	0.99	1.07
		BB Range	1.62	1.24	2.74	1.97	1.46	1.56	2.02	2.00
	Debt/Equity Ratio (Net Interest-bearing Debt) (Times)	AAA	-	-	-	-	0.70	0.75	0.70	0.67
		AA Range	0.29	0.30	0.25	0.28	0.59	0.64	0.51	0.62
		A Range	0.39	0.44	0.30	0.36	0.72	0.75	0.70	0.68
		BBB Range	0.51	0.59	0.34	0.48	0.92	1.01	0.76	0.82
		BB Range	1.08	0.78	2.05	1.07	1.08	1.21	1.42	1.45
Earned Surplus/Equity Capital Ratio (%)	AAA	-	-	-	-	81.93	81.67	82.81	81.53	
	AA Range	74.08	74.04	77.93	77.09	64.45	64.62	65.72	66.49	
	A Range	62.35	61.47	65.99	64.87	60.83	59.65	65.69	63.85	
	BBB Range	48.88	46.76	52.91	49.68	56.90	55.44	60.00	58.89	
	BB Range	-16.18	-13.46	-18.32	-45.99	61.49	59.05	69.08	70.71	
Size	Equity Capital (Y100 mn)	AAA	-	-	-	-	35,607	31,624	43,432	41,032
		AA Range	11,589	10,609	13,095	12,094	8,999	8,435	9,467	9,204
		A Range	3,081	2,961	3,328	2,959	2,717	2,583	3,020	2,963
		BBB Range	693	695	697	713	799	756	826	771
		BB Range	902	614	1,799	1,525	227	218	200	186
	EBITDA (Y100 mn)	AAA	-	-	-	-	11,020	10,038	12,764	12,565
		AA Range	2,868	2,564	3,245	2,976	2,042	1,906	2,171	2,149
		A Range	764	724	884	733	753	717	801	817
		BBB Range	172	175	167	182	179	171	189	160
		BB Range	373	212	883	702	34	39	30	28

Table 2: Calculating Formulas for Financial Indicators

Financial Indicator	Formula
Operating Income Margin	Operating Income/Net Sales x 100
Net Income/Total Capital Employed Ratio	Y (Net Income)/A (Total Capital Employed) x 100
Business Income/Total Capital Employed Ratio	Y (Operating Income + Total Amount of Interest and Dividend Income)/A (Total Capital Employed) x 100
Interest-bearing Debt/EBITDA Ratio	A (Interest-bearing Debt)/EBITDA
Net Interest-bearing Debt/EBITDA Ratio	A (Net Interest-bearing Debt)/EBITDA
Interest-bearing Debt/Operating Cash Flow Ratio	A (Interest-bearing Debt)/Operating Cash Flow
Net Interest-bearing Debt/Operating Cash Flow Ratio	A (Net Interest-bearing Debt)/Operating Cash Flow
Equity Ratio	Equity Capital/(Total Assets - New Stock Subscription) x 100
Debt/Equity Ratio (Interest-bearing Debt)	Interest-bearing debt/Equity Capital
Debt/Equity Ratio (Net Interest-bearing Debt)	Net Interest-bearing debt/Equity Capital
Eamed Surplus/Equity Capital Ratio	Earned Surplus/Equity Capital x 100
Equity Capital	Net Assets - Share Warrants - Minority Interests
EBITDA	Operating Income + Total Amount of Interest and Dividend Income + Depreciation Expense
Total Capital Employed	Total Assets - New Stock Subscription - Treasury Stock + Notes Receivable Discounted + Notes Receivable Endorsed
Net Interest-bearing Debt	Larger of (Interest-bearing Debt - Cash and Deposits) or Zero

Notes:

- *1: Y...: In cases where the number of months of a fiscal year is less than 1 year, indicators are annualized.
- *2: A...: Average of the beginning value and ending value.
- *3: In the calculation of the averages, excluded are outliers in the ratios for Interest-bearing Debt/Operating Cash Flow, Net Interest-bearing Debt/Operating Cash Flow, Interest-bearing Debt/EBITDA, and Net Interest-bearing Debt/EBITDA.
- *4: Excluded also are less than -3000% figures for Earned Surplus/Equity Capital Ratio in the average calculation.

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