

JCR's Financial Indicators by Rating Range 2021

JCR calculated average financial indicators for each rating range by using financial data of the corporations to which JCR assigns ratings (including 'p' ratings and ratings under Credit Monitor), where the fiscal year ended March 2021 is defined as the most recent. While the ratings are determined based on both quantitative and qualitative assessments, JCR confirmed that the relationship between the ranks in the ratings and the performance of financial indicators are basically consistent with the calculated results. However, as regards the average values in cases where the number of corporations subject to data collection is small, some values show substantial year-on-year changes. Because JCR also assesses other financial indicators, including their qualitative aspects, and takes into account prospects for future developments when deciding actual ratings, such ratings are not necessarily assigned to the corporations that meet the average values of the calculated results. Even so, JCR hereby releases the calculated results as part of the efforts to improve rating transparency.

Time Periods for Data Collection

Following two time periods were adopted for data collection: "Most Recent Period" refers to the fiscal year ended between April 2020 and March 2021 and "Most Recent 5 Periods" to the fiscal years ended between April and March of 2016 through 2021. The two time periods for the previous year's aggregation were as follows: "(Previous Period)" refers to the fiscal year ended between April 2019 and March 2020 and "(Previous Periods)" to the fiscal years ended between April and March of 2015 through 2020.

Data Used

Data used cover Japanese industrial corporations in JCR's rating ranges of BB and above (excluding those in the financial, electric power, gas, air transportation, agriculture, forestry, fishery and mining sectors). For the purpose of calculation, JCR referred to the rating as of the date after five months from the end of the fiscal year when the above indicators were observed (e.g. the rating as of August 31, 2021 when the closing date was March 31, 2021). As a result, the number of corporations subject to data collection for "Most Recent 5 Periods" was 946 for manufacturing industries (187 for "Most Recent Period") and 842 for non-manufacturing industries (169 for "Most Recent Period").

(Information Services Department)

Table 1: Average Values of Financial Indicators by Rating Range

| | Rating Range | Manufacturing | | | | Non-Manufacturing | | | | |
|------------------------|--|-----------------------|---------|--------------------|---------|-----------------------|--------|--------------------|--------|--------|
| | | Most Recent 5 Periods | | Most Recent Period | | Most Recent 5 Periods | | Most Recent Period | | |
| | | (Previous Periods) | | (Previous Period) | | (Previous Periods) | | (Previous Period) | | |
| Number of Corporations | AAA | 1 | 0 | 1 | 0 | 24 | 25 | 4 | 5 | |
| | AA | 150 | 144 | 31 | 32 | 107 | 98 | 26 | 22 | |
| | A | 515 | 518 | 102 | 99 | 461 | 455 | 92 | 93 | |
| | BBB | 266 | 272 | 50 | 51 | 239 | 249 | 44 | 45 | |
| | BB | 14 | 16 | 3 | 3 | 11 | 12 | 3 | 2 | |
| Profitability | Operating Income Margin (%) | AAA | 8.08 | - | 8.08 | - | 15.81 | 21.40 | -12.89 | 19.87 |
| | | AA | 11.24 | 11.35 | 9.94 | 10.64 | 9.31 | 10.16 | 6.44 | 10.12 |
| | | A | 6.70 | 6.99 | 5.40 | 6.11 | 7.37 | 7.94 | 4.88 | 7.60 |
| | | BBB | 4.75 | 4.84 | 4.24 | 3.66 | 5.76 | 6.60 | 2.60 | 5.82 |
| | | BB | 3.13 | 3.42 | 1.67 | -0.45 | 17.39 | 14.02 | 21.76 | 15.31 |
| | Net Income Margin (%) | AAA | 8.25 | - | 8.25 | - | 8.25 | 13.04 | -16.86 | 12.01 |
| | | AA | 7.27 | 7.13 | 6.66 | 6.00 | 5.43 | 6.34 | 2.16 | 6.27 |
| | | A | 4.29 | 4.39 | 3.25 | 3.35 | 5.19 | 5.31 | 3.96 | 4.53 |
| | | BBB | 2.75 | 2.68 | 2.69 | 1.27 | 3.56 | 4.19 | 0.89 | 5.07 |
| | | BB | -0.12 | -0.83 | -0.39 | -4.48 | 8.81 | 5.97 | 13.68 | 6.60 |
| | ROA (Business Income) (%) | AAA | 3.84 | - | 3.84 | - | 6.62 | 8.16 | -0.68 | 7.01 |
| | | AA | 8.66 | 8.99 | 6.90 | 7.99 | 5.99 | 6.64 | 3.94 | 6.44 |
| | | A | 5.96 | 6.29 | 4.57 | 5.44 | 5.14 | 5.34 | 4.28 | 5.10 |
| | | BBB | 4.47 | 4.56 | 3.92 | 3.31 | 4.68 | 5.09 | 2.81 | 4.77 |
| | | BB | 3.30 | 3.39 | 2.02 | 0.15 | 4.58 | 3.66 | 8.89 | 2.84 |
| Debt Service Capacity | Interest-bearing Debt / EBITDA (years) | AAA | 6.30 | - | 6.30 | - | 14.59 | 2.77 | 92.50 | 3.21 |
| | | AA | 1.78 | 1.70 | 2.19 | 2.00 | 7.80 | 3.64 | 21.30 | 3.73 |
| | | A | 2.66 | 2.46 | 3.69 | 2.75 | 5.58 | 4.66 | 9.18 | 4.66 |
| | | BBB | 3.63 | 3.52 | 3.84 | 3.91 | 5.65 | 5.42 | 6.51 | 5.09 |
| | | BB | 6.98 | 4.46 | 13.55 | 6.51 | 13.82 | 12.24 | 12.33 | 14.98 |
| | Net Interest-bearing Debt / EBITDA (years) | AAA | 5.03 | - | 5.03 | - | 13.56 | 2.52 | 86.29 | 2.94 |
| | | AA | 1.21 | 1.18 | 1.37 | 1.37 | 3.36 | 2.75 | 5.40 | 2.67 |
| | | A | 1.59 | 1.54 | 1.98 | 1.70 | 4.16 | 3.61 | 6.41 | 3.51 |
| | | BBB | 1.85 | 1.85 | 1.80 | 2.23 | 4.03 | 3.95 | 4.46 | 3.52 |
| | | BB | 3.89 | 3.07 | 5.28 | 5.30 | 9.93 | 8.90 | 9.07 | 11.11 |
| | Interest-bearing Debt / Operating Cash Flow (years) | AAA | 9.32 | - | 9.32 | - | 7.19 | 3.68 | 40.32 | 4.29 |
| | | AA | 2.34 | 2.29 | 2.55 | 2.30 | 6.89 | 6.59 | 9.65 | 5.99 |
| | | A | 3.78 | 3.69 | 4.19 | 4.58 | 7.83 | 7.76 | 8.16 | 7.12 |
| | | BBB | 4.75 | 4.85 | 4.85 | 4.78 | 7.83 | 8.16 | 7.05 | 9.01 |
| | | BB | 10.67 | 9.21 | 16.37 | 12.78 | 22.38 | 19.64 | 17.22 | 19.06 |
| Financial Structure | Equity Ratio (%) | AAA | 37.59 | - | 37.59 | - | 43.68 | 45.70 | 33.97 | 45.35 |
| | | AA | 55.58 | 55.73 | 53.92 | 55.38 | 40.61 | 41.31 | 39.65 | 39.42 |
| | | A | 49.34 | 49.17 | 48.95 | 48.76 | 40.62 | 40.12 | 41.16 | 40.96 |
| | | BBB | 45.72 | 45.29 | 46.48 | 45.66 | 38.99 | 38.80 | 38.92 | 38.56 |
| | | BB | 16.17 | 20.05 | 11.54 | 10.77 | 30.75 | 34.67 | 32.20 | 30.62 |
| | Debt-to-Equity Ratio (Interest-bearing Debt) (times) | AAA | 1.09 | - | 1.09 | - | 0.91 | 0.80 | 1.41 | 0.78 |
| | | AA | 0.40 | 0.41 | 0.43 | 0.40 | 0.90 | 0.85 | 1.04 | 1.01 |
| | | A | 0.57 | 0.57 | 0.64 | 0.61 | 0.98 | 1.00 | 0.99 | 0.99 |
| | | BBB | 0.70 | 0.75 | 0.63 | 0.75 | 1.13 | 1.15 | 1.17 | 1.15 |
| | | BB | 3.10 | 2.46 | 4.03 | 3.85 | 1.95 | 1.76 | 1.89 | 1.96 |
| | Debt-to-Equity Ratio (Net Interest-bearing Debt) (times) | AAA | 0.87 | - | 0.87 | - | 0.83 | 0.73 | 1.31 | 0.71 |
| | | AA | 0.26 | 0.28 | 0.26 | 0.26 | 0.67 | 0.64 | 0.74 | 0.72 |
| | | A | 0.37 | 0.37 | 0.40 | 0.40 | 0.75 | 0.78 | 0.70 | 0.76 |
| | | BBB | 0.43 | 0.48 | 0.36 | 0.47 | 0.83 | 0.88 | 0.78 | 0.82 |
| | | BB | 2.15 | 1.74 | 2.72 | 2.76 | 1.44 | 1.31 | 1.45 | 1.49 |
| Size | Equity Capital (JPY 100 mn) | AAA | 234,045 | - | 234,045 | - | 41,862 | 42,208 | 35,962 | 43,998 |
| | | AA | 12,354 | 12,144 | 13,248 | 10,679 | 10,926 | 10,452 | 11,706 | 11,149 |
| | | A | 3,599 | 3,379 | 3,879 | 4,120 | 3,230 | 3,049 | 3,603 | 3,185 |
| | | BBB | 741 | 683 | 923 | 669 | 767 | 775 | 742 | 764 |
| | | BB | 1,670 | 1,329 | 1,603 | 1,378 | 338 | 188 | 699 | 215 |
| | EBITDA (JPY 100 mn) | AAA | 40,365 | - | 40,365 | - | 11,924 | 12,745 | 7,877 | 12,600 |
| | | AA | 2,967 | 3,038 | 2,939 | 2,496 | 2,732 | 2,638 | 2,686 | 3,285 |
| | | A | 844 | 838 | 757 | 970 | 760 | 808 | 563 | 825 |
| | | BBB | 161 | 154 | 178 | 125 | 168 | 179 | 117 | 185 |
| | | BB | 770 | 583 | 733 | 512 | 131 | 29 | 402 | 30 |

Note: Because three out of four AAA-rated corporations under “Most Recent Period” in the Non-Manufacturing category are railway companies, indicators may reflect the significant impact of the COVID-19 pandemic.

Table 2: Calculating Formulas for Financial Indicators

| Financial Indicator | Formula |
|--|--|
| Operating Income Margin | Operating Income / Net Sales x 100 |
| Net Income Margin | Net Income After tax / Net Sales x 100 |
| ROA (Business Income) | Y (Operating Income + Total of Interest and Dividend Income) / A (Total Capital Employed) x 100 |
| Interest-bearing Debt / EBITDA | Interest-bearing Debt / EBITDA |
| Net Interest-bearing Debt / EBITDA | Net Interest-bearing Debt / EBITDA |
| Interest-bearing Debt / Operating Cash Flow | Interest-bearing Debt / Operating Cash Flow |
| Equity Ratio | Equity Capital / (Total Assets - Paid-in Advances on New Stocks) x 100 |
| Debt-to-Equity Ratio (Interest-bearing Debt) | Interest-bearing Debt / Equity Capital |
| Debt-to-Equity Ratio (Net Interest-bearing Debt) | Net Interest-bearing Debt / Equity Capital |
| Equity Capital | Capital - Paid-in Advances on New Stocks |
| EBITDA | Operating Income + Total of Interest and Dividend Income + Depreciation Expenses + Goodwill Amortization |
| Total Capital Employed | Total Assets - Paid-in Advances on New Stocks + Notes Receivable Discount + Notes Receivable Transfer |
| Interest-bearing Debt | Short-term Loans Payable + CP + Current Portion of Long-term Loans + Current Portion of Bonds + Bonds Payable + Long-term Loans Payable + Current Portion of Lease Obligations, etc. + Lease Obligations, etc. |
| Net Interest-bearing Debt | Interest-bearing Debt - Cash and Deposits |

Notes:

1. Y: In cases where the number of months in a fiscal period is less than 12, indicators are annualized.
2. A: Average of the values at the beginning and end of the fiscal period
3. In the calculation of Net Interest-bearing Debt, the amount is zero when the interest-bearing debt is less than cash and deposits.
4. In the calculation of average values, outliers for Interest-bearing Debt / Operating Cash Flow, Interest-bearing Debt / EBITDA and Net Interest-bearing Debt / EBITDA are excluded.
5. The formula for calculating Operating Income is Gross Operating Income – SGA Expenses for some of the companies adopting IFRS.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)