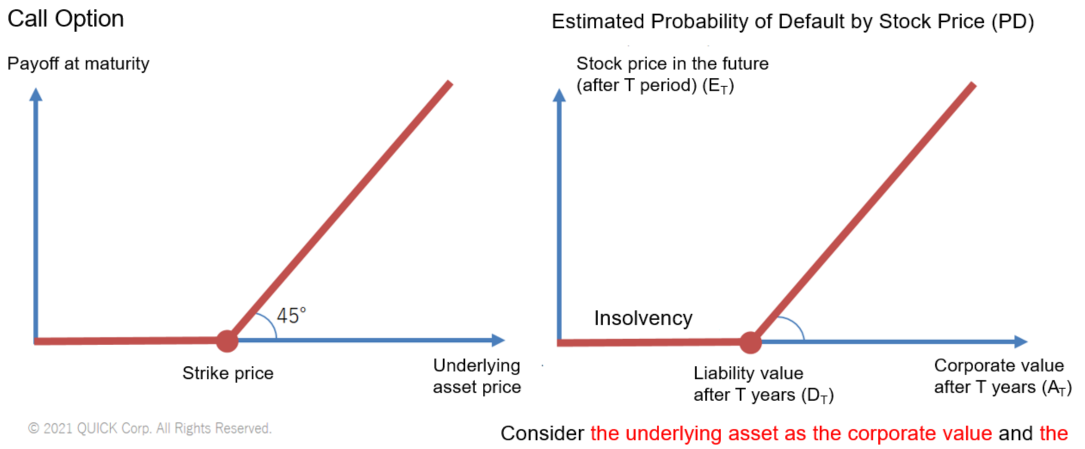
# QUICK Probability of Default

## Overview

QUICK Probability of Default (PD) is an estimate of the probability of default of each individual company.
This service uses stock price and option pricing theory although there are several methods for the calculation. Financial statements showing the debt repayment capacity of individual companies are difficult to obtain at any time. On the other hand, "stock prices" are considered to incorporate information such as corporate value and debt repayment capacity in a timely manner. Therefore, by processing the "stock price," we calculate the estimated PD quickly. Specifically, we consider "stock value = call option value with corporate assets as underlying assets" and estimate the probability that the stock value becomes negative (i.e., the "probability of default," which is the probability of becoming insolvent).
In general, it is critical if the estimated PD exceeds 0.2.




Consider the underlying asset as the corporate value and the strike price as the liability value


(References)
Soichiro Moridaira (2009) *Credit Risk Modeling: Measurement and Management*, Asakura Publishing Co., Ltd.
Soichiro Moridaira (2011) *Measurement and Management of Credit Risk: Modeling Learned with Excel*, Chuokeizai-sha, Inc.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