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## FY2008 Financial Indicators by Rating

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(This report is an English translation of the original report in Japanese.)

- Following the global recession, corporate performance has deteriorated across the board. Due principally to lower profits, Return on Assets (ROA) has declined sharply. Among those companies, firms rated in the A zone saw a significant fall. The balance between debt and cash flow has also worsened.
- There are many firms rated by R&I in the A zone (A+ to A-) and the BBB zone (BBB+ to BBB-). As in the previous year, comparisons of the two groups showed distinct differences in key financial indicators, such as a net debt to operating cash flow ratio and ROA. R&I also recognized the correlation between ratings and financial indicators, as shown by the general trend in which a group of firms in a higher rating category had a more favorable mean value even though some mean values for adjacent rating categories were not in the order of ratings.
- R&I calculates financial indicators by rating each year based on financial data for listed companies to determine, from a quantitative perspective, whether the calculated financial indicators are in line with the order of ratings amid the changing business environment. R&I cautions readers when referring to the data that the explanatory power of past financial data is limited because R&I's actual ratings reflect qualitative factors as well as quantitative factors shown by financial indicators, with prospects for the future also taken into consideration.

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■ Table 1 Financial indicators by rating (April 1, 2008 – March 31, 2009; mean value) (Times, %, 100 million yen)

Issuer Rating	Number of firms	Net debt to operating CF (*, **)	Net debt to EBITDA (*)	Interest coverage (*)	ROA	ROBA (*, ***)	Net D/E ratio (***)	Equity ratio
AAA	3	2.03	2.69	63.46	3.39	13.84	0.30	55.59
AA+	5	0.53	0.11	157.24	7.84	18.30	-0.02	57.30
AA	18	3.53	1.09	27.11	5.96	12.99	0.28	52.28
AA-	34	2.57	1.31	41.49	6.50	14.69	0.41	50.26
A+	30	1.94	1.44	17.43	4.69	9.02	0.43	51.27
A	78	1.77	1.34	23.88	4.22	7.41	0.32	50.08
A-	69	4.89	3.27	11.24	4.09	6.85	0.61	43.90
BBB+	52	1.87	3.50	5.73	4.29	7.45	0.63	44.25
BBB	50	6.42	4.24	6.14	2.67	3.80	0.96	35.69
BBB-	23	12.20	3.72	3.08	1.81	4.14	1.04	31.99
BB+	4	14.67	7.23	-0.06	0.79	0.48	3.11	15.51
BB	2	-	5.67	0.69	0.72	0.85	0.77	22.63
BB-	1	-	-	-17.90	-11.85	-25.10	1.05	25.75
All firms	369	3.90	2.63	18.22	4.12	7.69	0.60	44.80
(Ref.) Listed firms	2308	2.33	1.85	14.08	3.64	9.96	0.69	47.65

Issuer Rating	Operating income after interest payments	EBITDA	Operating CF	Debt	Net debt	Ref. Net debt (excl. lease)	Equity capital	Net business assets
AAA	-220	6,259	6,710	43,329	32,978	32,915	46,208	38,259
AA+	1,835	3,785	2,131	3,302	-1,536	-1,772	16,093	12,366
AA	1,094	2,655	1,429	6,464	4,417	4,383	10,703	10,662
AA-	807	1,867	965	4,056	2,880	2,851	6,821	8,707
A+	300	1,105	759	4,377	3,293	3,239	4,275	7,332
A	151	460	238	1,552	1,025	1,006	2,072	2,773
A-	39	371	242	2,026	1,609	1,564	1,731	3,280
BBB+	61	218	82	1,351	1,093	1,065	944	2,077
BBB	20	189	35	1,226	943	923	744	1,778
BBB-	2	64	63	625	449	443	376	867
BB+	-144	317	-11	3,118	2,490	2,474	718	3,891
BB	-21	479	-469	1,940	1,067	963	1,130	2,934
BB-	-537	-76	-616	1,801	1,163	1,160	1,105	2,172
All firms	223	726	415	2,594	1,859	1,827	3,128	4,248
(Ref.) Listed firms	62	169	104	563	365	357	788	998

- 1) Subject firms are listed firms rated by R&I (excluding finance, electricity and gas, telecoms (infrastructure), major private railways, general trading firms and emerging markets) that announced financial results for FY2008.
- 2) Data for an irregular fiscal year were converted to a fiscal year basis. Ratings are as of August 31, 2009. Figures are based on data from NEEDS-COMPANY (corporate data bank system by Nikkei Inc.).
- 3) \*Excludes firms for which operating cash flow, EBITDA, interest and discounts paid or net business assets used for the denominator is less than 100 million yen.
- 4) \*\*Excludes firms for which the indicator is 100 times or more.
- 5) \*\*\*Excludes firms for which equity capital used as the denominator is negative and firms for which the indicator is minus 0.5 or lower.
- 6) \*\*\*\*Excludes firms for which the indicator is 1000% or more.

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■Table 2 Financial indicators by rating: Manufacturers (April 1, 2008 – March 31, 2009; mean value) (Times, %, 100 million yen)

Issuer Rating	Number of firms	Net debt to operating CF (*, **)	Net debt to EBITDA (*)	Interest coverage (*)	ROA	ROBA (*, ***)	Net D/E ratio (***)	Equity ratio
AAA	3	2.03	2.69	63.46	3.39	13.84	0.30	55.59
AA+	5	0.53	0.11	157.24	7.84	18.30	-0.02	57.30
AA	13	1.72	0.66	29.56	6.20	13.54	0.23	56.75
AA-	22	3.02	1.09	39.75	4.75	8.31	0.32	49.48
A+	24	2.07	1.21	19.54	4.43	8.51	0.42	51.83
A	62	1.74	1.28	23.52	4.36	7.22	0.32	52.17
A-	47	4.01	2.67	11.37	3.64	5.67	0.58	44.55
BBB+	31	1.31	3.69	0.01	3.63	5.78	0.53	46.12
BBB	35	7.02	4.49	3.95	1.81	2.41	0.98	33.41
BBB-	13	18.38	5.61	2.63	1.82	2.82	1.26	30.47
BB+	2	11.91	5.95	-0.26	-0.15	-0.59	2.43	17.48
BB	1	-	2.17	0.72	0.91	0.70	0.97	18.76
BB-	1	-	-	-17.90	-1.85	-25.10	1.05	25.75
All firms	259	3.81	2.46	18.60	3.75	6.50	0.55	46.05
(Ref.) Listed firms (Manufacturers)	1237	2.32	1.89	13.35	3.17	6.83	0.52	49.92

Issuer Rating	Operating income after interest payments	EBITDA	Operating CF	Debt	Net debt	Ref. Net debt (excl. lease)	Equity capital	Net business assets
AAA	-220	6,259	6,710	43,329	32,978	32,915	46,208	38,259
AA+	1,835	3,785	2,131	3,302	-1,536	-1,772	16,093	12,366
AA	1,086	2,958	1,542	6,495	4,562	4,534	11,452	9,670
AA-	618	2,016	1,045	4,691	3,277	3,251	7,868	10,132
A+	247	1,164	876	4,309	3,148	3,093	4,379	7,330
A	124	456	239	1,428	950	929	1,933	2,608
A-	7	451	331	2,383	1,916	1,856	1,950	3,823
BBB+	16	187	126	977	727	707	851	1,635
BBB	6	228	39	1,472	1,119	1,093	872	2,134
BBB-	16	98	53	690	530	518	414	1,010
BB+	-27	160	104	1,197	863	849	329	1,264
BB	-41	950	-933	3,740	2,062	1,856	2,135	5,631
BB-	-537	-76	-616	1,801	1,163	1,160	1,105	2,172
All firms	195	827	501	2,845	2,010	1,973	3,567	4,600
(Ref.) Listed firms (Manufacturers)	62	228	147	753	497	486	1,062	1,320

Note) See the notes below Table 1 for the meanings of \*, \*\*, \*\*\* and \*\*\*\*.

■Definitions of financial indicators

Net debt	Short-term borrowings + commercial paper + current portion of long-term debt + current portion of straight bonds and convertible bonds + straight bonds and convertible bonds + long-term borrowings + notes and bills receivable and discounts + lease obligations (floating and fixed) - cash and deposits
EBITDA	Operating income + interest earned, discount fees and negotiable security interest + dividends earned + depreciation and amortization expenses + amortization of consolidation account adjustment
Net business assets	Notes and bills receivable and accounts receivable + total inventory assets + advances and prepaid expenses + total tangible fixed assets + deposits and guarantee money deposited - notes and bills payable and accounts payable - advances
Net debt to operating CF	Net debt ÷ operating CF
Net debt to EBITDA	Net debt ÷ EBITDA
Interest coverage	(Operating income + interest earned, discount fees and negotiable security interest + dividends earned) ÷ interest payments and discount fees
Return on Assets (ROA)	(Operating income + interest earned, discount fees and negotiable security interest + dividends earned) ÷ total assets × 100
Return on Business Assets (ROBA)	Operating income ÷ net business assets × 100
Net debt ratio	Net debt ÷ (Net debt + equity capital (see Note)) × 100
Net D/E ratio	Net debt ÷ equity capital (see Note)
Equity ratio (see Note)	Equity capital (see Note) ÷ total assets × 100
Adjusted operating CF	Operating CF - (decrease in trade receivables + decrease in inventory assets + increase in liabilities for purchases + decrease in other current assets + increase in other current liabilities)
Operating income after interest payments	Operating income + interest earned, discount fees and negotiable security interest + dividends earned - interest paid and discount fees
Return on Sales (ROS)	(Operating income + interest earned, discount fees and negotiable security interest + dividends earned) ÷ sales × 100
Asset turnover	Sales ÷ total assets

Note) Beginning from May 2006, equity capital is defined as net assets - stock acquisition rights - minority interests.

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■ Table 3 Financial indicators by industry (April 1, 2008–March 31, 2009; mean value; Nikkei categories) (Times, %, 100 million yen)

Industry	Number of firms	Net debt to operating CF (*, **)	Net debt to EBITDA (*)	Interest coverage (*)	ROA	ROBA (*, ***)	Net D/E ratio (***)	Equity ratio
Food	107	2.92	2.12	10.43	4.46	8.66	0.52	51.30
Textiles	55	3.55	3.71	5.16	1.70	2.47	0.92	45.08
Paper & pulp	17	8.13	4.21	3.37	2.93	5.04	1.22	34.97
Chemicals	167	3.65	2.09	11.49	3.44	6.45	0.46	51.95
Pharmaceuticals	38	1.90	0.03	64.55	8.29	18.70	0.05	69.15
Oil	13	2.82	2.40	17.67	0.93	2.00	0.75	31.59
Rubber	20	3.10	2.97	4.03	2.47	3.63	0.77	44.37
Ceramics	52	5.10	2.31	6.07	2.96	4.15	0.59	46.73
Steel	49	3.07	2.89	14.04	5.23	8.81	0.63	48.55
Nonferrous metals	109	1.94	3.76	5.52	1.34	2.13	0.71	46.62
Machinery	190	1.80	0.75	14.04	3.94	12.48	0.25	51.02
Electrical machinery	210	0.36	0.87	18.06	1.89	4.58	0.35	52.85
Shipbuilding	6	-0.96	-0.55	15.23	4.30	29.50	0.46	17.57
Automobiles	69	2.68	2.23	12.80	2.41	3.70	0.67	41.51
Transport equipment	10	3.51	1.96	15.10	5.46	10.27	0.30	46.01
Precision machinery	39	1.32	2.93	14.67	3.28	5.30	0.42	52.79
Misc. manufacturing	86	1.25	1.40	12.05	3.12	6.00	0.87	51.42
Marine products	6	7.72	5.01	15.64	5.09	6.47	2.29	37.63
Mining	7	0.43	-0.07	56.84	12.63	37.70	0.24	65.27
Construction	147	-0.40	1.77	14.12	2.17	6.04	0.68	37.10
Trading firms	243	1.16	0.80	12.02	4.20	12.77	0.34	45.95
Retail	168	4.93	2.38	17.56	5.06	12.03	0.68	43.14
Real estate	71	8.18	7.07	2.46	-0.35	0.53	3.47	31.18
Railroads & buses	5	7.63	10.36	1.45	2.37	3.04	3.01	35.73
Trucking	28	3.73	2.88	13.23	4.12	6.00	0.96	43.65
Shipping	15	5.14	6.35	6.12	7.17	12.02	8.61	29.44
Airlines	5	10.50	5.19	1.71	0.73	1.00	1.91	28.47
Warehousing	38	3.65	2.97	7.26	4.81	11.56	0.69	47.43
Telecoms	14	0.00	0.84	20.36	5.08	28.03	0.79	50.40
Services	324	1.21	0.74	27.17	5.26	22.01	0.48	52.34
All firms	2308	2.33	1.85	14.08	3.64	9.96	0.69	47.65

Industry	Operating income after interest payments	EBITDA	Operating CF	Debt	Net debt	Ref. Net debt (excl. lease)	Equity capital	Net business assets
Food	95	194	110	376	261	254	800	908
Textiles	20	82	40	378	306	303	425	697
Paper & pulp	53	254	163	1,711	1,550	1,542	889	2,320
Chemicals	57	177	121	480	335	331	854	1,052
Pharmaceuticals	337	559	285	284	-28	-36	2,316	1,172
Oil	-283	125	948	3,287	2,584	2,568	2,320	5,386
Rubber	77	263	105	754	622	620	893	1,595
Ceramics	63	173	92	499	370	367	610	948
Steel	267	496	221	1,367	1,149	1,130	1,444	2,402
Nonferrous metals	16	99	109	402	278	274	560	784
Machinery	62	127	42	398	225	214	646	731
Electrical machinery	33	297	188	751	258	243	1,427	1,613
Shipbuilding	120	255	48	991	591	566	837	1,302
Automobiles	-5	649	473	3,961	3,170	3,120	3,356	4,472
Transport equipment	65	110	72	195	71	66	530	614
Precision machinery	99	251	126	695	372	365	977	952
Misc. manufacturing	33	88	64	162	35	31	518	531
Marine products	42	128	42	1,047	931	925	444	1,216
Mining	1,034	1,165	429	363	106	104	2,554	980
Construction	52	77	19	319	132	130	544	581
Trading firms	32	52	40	165	63	60	324	310
Retail	82	137	102	373	215	211	605	804
Real estate	71	134	14	1,496	1,357	1,355	714	2,271
Railroads & buses	12	46	32	273	237	228	172	478
Trucking	65	140	101	377	207	192	765	1,027
Shipping	289	499	259	1,747	1,502	1,481	1,140	2,357
Airlines	-130	404	-2	3,519	3,030	2,906	1,081	4,494
Warehousing	27	50	38	154	95	93	308	368
Telecoms	79	144	154	209	35	25	1,243	859
Services	54	77	46	117	16	13	307	262
All firms	62	169	104	563	365	357	788	998

Note) See the notes below Table 1 for the meanings of \*, \*\*, \*\*\* and \*\*\*\*.

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■ Table 4 A zone and BBB zone Year-on-year changes in key financial indicators (Mean value/Median value) (Times, %)

Mean value	Issuer Rating	Number of firms	Net debt to operating CF	Net debt to EBITDA	ROA	ROBA	Net debt ratio	Net D/E ratio	Equity ratio
			Times	Times	%	%	%		%
① From April 1, 2008 to March 31, 2009	A	177	2.97	2.11	4.25	7.46	18.92	0.45	47.87
	BBB	125	5.76	3.84	3.18	5.38	30.68	0.84	38.57
	(Ref.) Listed firms	2308	2.33	1.85	3.64	9.96	12.35	0.69	47.65
② From April 1, 2007 to March 31, 2008	A	182	2.47	1.10	7.53	14.68	13.98	0.31	48.47
	BBB	138	4.50	2.29	5.62	10.48	24.26	0.64	40.06
	(Ref.) Listed firms	2374	1.81	1.45	5.78	13.23	11.01	0.44	47.72
①-②	A	-5	0.50	1.01	-3.28	-7.21	4.94	0.15	-0.60
	BBB	-13	1.25	1.55	-2.44	-5.10	6.42	0.20	-1.49
	(Ref.) Listed firms	-66	0.52	0.40	-2.14	-3.27	1.34	0.24	-0.07
Median value	Issuer Rating	Number of firms	Net debt to operating CF	Net debt to EBITDA	ROA	ROBA	Net debt ratio	Net D/E ratio	Equity ratio
① From April 1, 2008 to March 31, 2009	A	177	1.72	1.38	3.92	6.73	18.68	0.23	46.59
	BBB	125	3.42	2.97	2.98	4.64	36.43	0.57	35.77
	(Ref.) Listed firms	2308	0.55	0.73	3.55	6.25	13.40	0.15	46.83
② From April 1, 2007 to March 31, 2008	A	182	1.04	0.70	6.87	12.46	14.79	0.17	47.98
	BBB	138	2.87	1.63	5.10	8.72	28.12	0.39	39.11
	(Ref.) Listed firms	2374	0.39	0.52	5.35	10.16	11.10	0.23	46.49
①-②	A	-5	0.68	0.68	-2.95	-5.73	3.89	0.06	-1.39
	BBB	-13	0.55	1.34	-2.11	-4.08	8.31	0.18	-3.34
	(Ref.) Listed firms	-66	0.16	0.21	-1.81	-3.91	2.30	-0.08	0.34

Note) Ratings are as of August 31, 2009.

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