Features

This report is essential reading for any serious investor, providing comprehensive financial information on a company's performance, position and cash flows over the past 5 years, including interim data. This information, extracted from reported financial statements, forms the building blocks for any analysis undertaken by investment professionals.

- Key Stats and Ratios including;
    - Valuation Ratios (e.g. Price/Earnings),
    - Per Share Data (e.g. EPS)
    - Profitability Ratios (e.g. Gross Margin),
    - Management Effectiveness (e.g. Return on Equity)
    - Financial Strength (e.g. Quick Ratio)
    - Dividend Information (e.g. Dividend Yield).
- 5 years of history are available for most ratios (see above).
- Share performance data and 12 month chart
- Profit & Loss Account (5 years)
- Balance sheet (5 years)
- Cash Flow Statement (5 years)
- Educational content: Definitions of ratios and guidance on using the data
- Graphical analysis: All the key data in the report is charted

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I – Introduction

Business: A commercial activity engaged in as a means of livelihood or profit, or an entity which engages in such activities.

Synonyms: business, industry, commerce and trade.
These nouns apply to forms of activity that have the objective of supplying commodities.

Business pertains broadly to commercial, financial, and industrial activity: decided to go into the oil business.
Industry entails the production and manufacture of goods or commodities, especially on a large scale: the computer industry.
Commerce and trade refer to the exchange and distribution of goods or commodities: laws regulating interstate commerce; involved in the domestic fur trade

Business enterprise: the activity of providing goods and services involving financial and commercial and industrial aspects; "computers are now widely used in business"

II – News

Overview

Nissan Motor Co., Ltd. is engaged in the automotive industry worldwide. The Company, including its associated brands, designs, produces and sells more than 2.5 million passenger cars and commercial vehicles in more than 190 countries. The Company was established in 1933 to manufacture and sell small Datsun passenger cars and auto parts.

First announced in October of 1999, and implemented in April of 2000, the Company underwent the "Nissan Revival Plan," which was designed to generate a return to profitability, an increased operating income to sales margin and the reduction of consolidated net automotive debt. Upon the attainment of the goals, the Company embarked upon NISSAN 180, which is focused on selling additional vehicles, increasing operating margin and eliminating automotive debt.

The Company's major production sites are located in Japan, with additional facilities located in the United States, Mexico, the United Kingdom and Spain. In 1999, the Company established an alliance with Renault SA, a French automobile manufacturer. The alliance is designed to achieve profitable and balanced growth for the two partners through the creation of a bi-national group.

As part of NISSAN 180, the Company plans to introduce at least 28 new vehicles in various markets worldwide through 2005. The Company is aiming for the expanded adoption of ultra-low emission vehicle (U-LEV), which will account for 80% of all Nissan passenger vehicles sold in Japan by the end of March 2003. The Company is also advancing the recycling in new models to attain a recyclable ratio of 95% or higher.

Quick Financial Synopsis

Nissan Motor Co., Ltd. is engaged in the manufacture of automobiles. The Company also produces aerospace, industrial and textile equipment. For the six months ended 9/30/04, revenues increased 13%. Net income also increased 1%. Revenues reflect higher sales volumes from automobiles segment due to excellent sales in United States, Europe, China and other markets. Net income was partially offset by higher special expenses.

Key Ratios & Statistics

Price & Volume		**Valuation Ratios**	
Recent Price $	21.00	Price/Earnings (TTM)	8.99
52 Week High $	24.00	Price/Sales (TTM)	0.58
52 Week Low $	19.25	Price/Book (MRQ)	NM
Avg Daily Vol (Mil)	0.11	Price/Cash Flow (TTM)	4.50
Beta	0.50	**Per Share Data**	
Share Related Items		Earnings (TTM) $	2.34
Mkt. Cap. (Mil) $	43,009.58	Sales (TTM) $	36.49
Shares Out (Mil)	2,048.08	Book Value (MRQ) $	NM
Float (Mil)	983.10	Cash Flow (TTM) $	4.67
Dividend Information		Cash (MRQ) $	NM
Yield %	1.87	**Mgmt Effectiveness**	
Annual Dividend	0.39	Return on Equity (TTM)	25.71
Payout Ratio (TTM) %	17.89	Return on Assets (TTM)	6.72
Financial Strength		Return on Investment (TTM)	11.46
Quick Ratio (MRQ)	NM	**Profitability**	
Current Ratio (MRQ)	NM	Gross Margin (TTM) %	27.02
LT Debt/Equity (MRQ)	NM	Operating Margin (TTM) %	9.36
Total Debt/Equity (MRQ)	NM	Profit Margin (TTM) %	6.65

Mil = Millions MRQ = Most Recent Quarter TTM = Trailing Twelve Months
Asterisks (*) Indicates numbers are derived from Earnings Announcements
Pricing and volume data as of 11/19/2004

III – Financial Statement

Income Statement

The below Income Statement Items shows key data from the company's income statement for the last five fiscal years. Selected items from the annual report are shown here.

Among the important things you should consider is whether **Revenue** is increasing. It's also desirable to see **Income** increasing faster than **Revenue**.

The Income Statement below provides an opportunity to focus on operating versus non-operating factors contributing to earnings. Revenue should be growing faster than **Operating Expenses**, and **Operating Income** should be much larger than income from **Non-Operating** sources, such as interest, investments, and sale of assets.

ANNUAL INCOME STATEMENT					
In Millions of U.S. Dollars (except for per share items)	**12 Months Ending 03/31/04**	**12 Months Ending 03/31/03**	**12 Months Ending 03/31/02**	**12 Months Ending 03/31/01**	**12 Months Ending 03/31/00**
Revenue	71,294.3	65,530.3	59,462.0	58,438.8	57,358.8
Other Revenue, Total	–	–	–	–	–
Total Revenue	**71,294.3**	**65,530.3**	**59,462.0**	**58,438.8**	**57,358.8**
Cost of Revenue	50,958.9	46,757.1	43,638.2	44,470.4	43,858.2
Gross Profit	**20,335.4**	**18,773.2**	**15,823.9**	**13,968.4**	**13,500.6**
Selling/General/Admin. Expenses, Total	12,419.1	11,694.5	11,118.6	11,174.2	12,688.1
Research & Development	–	–	–	–	–
Depreciation/Amortization	0.6	3.9	18.1	10.7	39.5
Interest Expense(Income) - Net Operating	–	–	–	–	–
Unusual Expense (Income)	674.1	753.9	498.4	554.9	6,840.3
Other Operating Expenses, Total	–	0.0	(7.6)	(2.5)	(19.3)
Total Operating Expense	**64,052.7**	**59,209.5**	**55,265.7**	**56,207.7**	**63,406.8**
Operating Income	**7,241.6**	**6,320.9**	**4,196.4**	**2,231.1**	**(6,048.0)**
Interest Expense, Net Non-Operating	(261.9)	(240.5)	(328.8)	(405.4)	(709.9)
Interest/Invest Income - Non-Operating	312.3	408.4	(134.0)	792.9	267.0
Interest Income(Exp), Net Non-Operating	50.4	167.9	(462.8)	387.5	(442.9)
Gain (Loss) on Sale of	40.0	564.2	270.9	372.0	(248.9)

Assets					
Other, Net	(264.2)	(387.1)	(509.3)	(210.6)	(99.2)
Net Income Before Taxes	**7,067.8**	**6,665.9**	**3,495.2**	**2,780.1**	**(6,839.0)**
Provision for Income Taxes	2,102.0	1,906.8	(141.1)	(600.1)	95.1
Net Income After Taxes	**4,965.8**	**4,759.1**	**3,636.3**	**3,380.2**	**(6,934.1)**
Minority Interest	(132.3)	(7.3)	(63.9)	(203.0)	366.6
Equity In Affiliates	–	–	–	–	–
Net Income Before Extra. Items	**4,833.4**	**4,751.8**	**3,572.4**	**3,177.2**	**(6,567.5)**
Accounting Change	–	–	–	–	–
Discontinued Operations	–	–	–	–	–
Extraordinary Item	–	–	–	–	–
Net Income	**4,833.4**	**4,751.8**	**3,572.4**	**3,177.2**	**(6,567.5)**
Preferred Dividends	–	–	–	–	–
Miscellaneous Earnings Adjustment	(3.9)	(3.9)	–	–	–
Income Available to Com Excl ExtraOrd	**4,829.5**	**4,747.9**	**3,572.4**	**3,177.2**	**(6,567.5)**
Income Available to Com Incl ExtraOrd	**4,829.5**	**4,747.9**	**3,572.4**	**3,177.2**	**(6,567.5)**
Basic Weighted Average Shares	4,124.31	4,201.80	4,019.67	3,963.55	3,802.44
Basic EPS Excluding Extraordinary Items	**1.171**	**1.130**	**0.889**	**0.802**	**(1.727)**
Basic EPS Including Extraordinary Items	**1.171**	**1.130**	**0.889**	**0.802**	**(1.727)**
Dilution Adjustment	0.0	0.0	0.0	0.0	0.0
Diluted Weighted Average Shares	4,168.25	4,233.15	4,040.62	4,167.09	3,802.44
Diluted EPS Excluding ExtraOrd Items	**1.159**	**1.122**	**0.884**	**0.762**	**(1.727)**
Diluted EPS Including ExtraOrd Items	**1.159**	**1.122**	**0.884**	**0.762**	**(1.727)**
DPS - Common Stock Primary Issue	0.182	0.134	0.077	0.000	0.000
Gross Dividends - Common Stock	715.8	487.5	267.2	0.0	0.0

Interest Expense, Supplemental	261.9	240.5	328.8	405.4	709.9
Depreciation, Supplemental	4,424.3	3,561.5	3,597.0	3,456.6	4,170.2
Total Special Items	634.7	193.6	245.6	193.6	7,128.6
Normalized Income Before Taxes	**7,702.5**	**6,859.6**	**3,740.8**	**2,973.6**	**289.7**
Effect of Special Items on Income Taxes	188.8	55.4	0.0	0.0	2,495.0
Inc Tax Ex Impact of Sp Items	2,290.8	1,962.2	(141.1)	(600.1)	2,590.2
Normalized Income After Taxes	**5,411.7**	**4,897.4**	**3,881.9**	**3,573.7**	**(2,300.5)**
Normalized Inc. Avail to Com.	**5,275.5**	**4,886.2**	**3,818.0**	**3,370.7**	**(1,933.9)**
Basic Normalized EPS	1.279	1.163	0.950	0.850	(0.509)
Diluted Normalized EPS	1.266	1.154	0.945	0.809	(0.509)
Currency Exchange Rate (most recent)	104.205 Yen / U.S. Dollar				
ADR Information	2 Share(s) Per ADR				

At the bottom is **Basic Primary Earnings per Share Excluding Extraordinary Items**, which is the earnings per share that you see referenced elsewhere in this report. The extraordinary items could be a discontinued operation, a restatement due to a change in an accounting policy or some other factor that doesn't appropriately reflect the ongoing operations of the company. If there are any discontinued operations or extraordinary items, you will see them listed and the resulting earnings per share that includes these items under **Basic Primary Earnings per Share Including Extraordinary Items**.

Also focus on **Diluted Earnings per Share**. If the company has stock options, warrants, rights, and/or convertible securities outstanding, the dilution caused by these additional common shares is reflected in diluted earnings per share. Diluted earnings per share comparisons over time eliminate the variability caused by option and warrant exercises and convertible security conversions. As options, warrants, rights, and convertible securities are converted into common stock, the difference between primary and fully diluted EPS diminishes.

Cash Flow

This statement provides insight into key cash flow items for the company for the last five fiscal years. The annual report is presented here.

The Cash Flow Statement is considered by some investors to be the most important report, due to the insight it provides into the financial activities of the company. It tells you exactly where the company generated its cash and how it was used. It always pays to notice the largest numbers, which will give you a good sense of where you need to focus your attention.

ANNUAL CASH FLOW STATEMENT (Indirect Method)					
In Millions of U.S. Dollars (except for per share items)	**12 Months Ending 03/31/04**	**12 Months Ending 03/31/03**	**12 Months Ending 03/31/02**	**12 Months Ending 03/31/01**	**12 Months Ending 03/31/00**
Net Income/Starting Line	7,067.8	6,665.9	3,495.2	2,780.1	(6,839.0)
Depreciation/Depletion	4,424.3	3,561.5	3,597.0	3,456.6	4,170.2
Deferred Taxes	–	–	–	–	–
Non-Cash Items	930.8	441.6	1,549.3	241.1	5,732.0
Changes in Working Capital	(4,776.3)	(5,125.6)	(6,489.8)	(5,812.2)	50.9
Cash from Operating Activities	**7,646.6**	**5,543.4**	**2,151.7**	**665.5**	**3,114.1**
Capital Expenditures	(8,684.8)	(8,268.6)	(6,621.7)	(3,525.4)	(3,763.2)
Other Investing Cash Flow Items, Total	1,428.7	3,322.9	1,589.4	3,375.8	2,031.8
Cash from Investing Activities	**(7,256.1)**	**(4,945.8)**	**(5,032.3)**	**(149.6)**	**(1,731.3)**
Financing Cash Flow Items	(12.6)	0.0	–	–	–
Total Cash Dividends Paid	(715.8)	(487.5)	(267.2)	0.0	(3.3)
Issuance (Retirement) of Stock, Net	(884.9)	(505.9)	2,142.2	249.3	5,620.7
Issuance (Retirement) of Debt, Net	521.9	295.1	820.8	(2,774.0)	(8,669.9)
Cash from Financing Activities	**(1,091.5)**	**(698.3)**	**2,695.8**	**(2,524.8)**	**(3,052.5)**
Foreign Exchange Effects	(25.0)	6.3	99.5	68.7	(293.3)
Net Change in Cash	**(726.0)**	**(94.4)**	**(85.2)**	**(1,940.1)**	**(1,963.0)**
Cash Interest Paid	626.0	776.4	1,007.2	1,048.0	1,167.0
Cash Taxes Paid	746.7	1,184.0	901.8	416.4	280.9
Currency Exchange Rate (most recent)	104.205 Yen / U.S. Dollar				

The Statement of Cash Flow is divided into three sections:

The **Operating** section tells you how the company's basic business performed.

The **Investing** Section highlights capital expenditures, purchase of investment securities, and acquisitions. This is how the company has invested its money for the future.

The **Financing** Section shows if the company borrowed money, or if the company issued or repurchased shares.

The **Net Change in Cash** is equal to the net effects of the company's Operating, Investing, and Financing activities, as well as the impact of foreign currency adjustments.

Some of the key points to look for in the Statement of Cash Flow Items include: Positive and growing **Cash from Operating Activities**.

Large and growing **Capital Expenditures** means that the company is investing in its future.

A negative number for **Issuance/Retirement of Stock**, representing repurchase of stock, is generally a good sign. A positive value, representing sale of stock, is generally a bad sign unless it is explained by rapid growth, which often requires additional equity capital.

A negative number for **Issuance/Retirement of Debt**, indicating a repayment of debt, is generally positive. A profitable company with low financial leverage taking on some new debt may also be positive. A highly leveraged company taking on more debt can be dangerous.

It's a good sign if the sum of **Net Income** and **Depreciation** is greater than the sum of **Capital Expenditures** and **Dividends Paid**. This is the definition of Free Cash Flow, which is described in detail in the Valuation report. If a company has positive Free Cash Flow, then it can finance its growth and finance its dividend payments from internal sources. If a company doesn't have a positive Free Cash Flow, it may have to sell equity, borrow money, sell assets, or use its working capital more efficiently. The cash flow statement provides insight into which of these sources funded the company's activities in the periods in question.

Finally, **Foreign Exchange Effects** shows the impact of fluctuations in foreign currency exchange rates on **Net Change in Cash**. Currency translation will impact companies with significant foreign operations or companies with significant import and export activities, and represents an additional business risk of the company. A company engaged in significant foreign business may see its growth in local currency enhanced or offset by rising or deteriorating exchange rates. Be wary of large, volatile changes in this adjustment factor relative to Net Income or Net Change in Cash.

Balance Sheet

This statement provides insight into key balance sheet items for the company for the last five fiscal years. Selected items from the annual report are shown here.

It is always important to see how much **Cash** and **Short-Term (ST) Investments** a company has. If a company is losing money, it is important to know if it has sufficient cash to sustain itself until reaching profitability. Large cash and marketable investment positions may indicate upcoming financial difficulty if accompanied by ballooning **Payables** and shrinking **Receivables**, or they may indicate a cash flow rich business or a conservatively run company. If a company possesses a large amount of cash and marketable securities, it may also be targeted for takeover by another company wishing to acquire the target company with the target's own cash and borrowing power.

ANNUAL BALANCE SHEET					
In Millions of U.S. Dollars (except for per share items)	**As of 03/31/04**	**As of 03/31/03**	**As of 03/31/02**	**As of 03/31/01**	**As of 03/31/00**
Cash & Equivalents	1,840.0	2,576.0	2,689.8	2,773.1	4,639.6
Short Term Investments	30.0	13.6	0.3	38.0	2,497.5
Cash and Short Term Investments	1,870.0	2,589.6	2,690.1	2,811.1	7,137.1
Accounts Receivable - Trade, Net	24,978.4	22,344.3	20,918.9	16,549.8	11,167.6
Total Receivables, Net	24,978.4	22,344.3	20,918.9	16,549.8	11,167.6
Total Inventory	5,208.9	5,216.7	5,125.0	5,365.3	5,252.6
Prepaid Expenses	–	–	–	–	–
Other Current Assets, Total	4,092.2	5,356.9	5,019.3	4,446.6	3,548.4
Total Current Assets	**36,149.5**	**35,507.5**	**33,753.2**	**29,172.7**	**27,105.8**
Property/Plant/Equipment, Total - Gross	9,727.4	9,941.6	8,881.1	8,336.9	9,043.1
Property/Plant/Equipment, Total - Net	30,739.9	28,687.0	27,629.7	26,694.7	27,330.8
Goodwill, Net	–	–	–	–	–
Intangibles, Net	688.9	403.1	373.6	348.9	432.8
Long Term Investments	3,458.0	2,562.7	3,830.1	3,002.7	2,099.8
Other Long Term Assets, Total	4,223.3	3,230.6	3,502.3	2,275.7	5,396.7
Total Assets	**75,426.9**	**70,526.2**	**69,238.6**	**61,909.2**	**62,772.3**
Accounts Payable	7,372.0	6,299.2	5,866.4	5,766.9	5,858.1
Accrued Expenses	3,436.3	3,751.8	3,636.7	3,336.9	3,250.6
Notes Payable/Short Term Debt	3,358.1	5,459.7	6,480.5	6,752.1	8,097.8
Current Port. of LT Debt/Capital Leases	10,185.1	7,161.8	7,192.6	6,966.2	4,536.6
Other Current liabilities, Total	5,421.4	5,366.7	5,690.1	7,030.7	6,863.5

Total Current Liabilities	**29,772.9**	**28,039.1**	**28,866.3**	**29,852.8**	**28,606.6**
Long Term Debt	15,456.2	15,385.5	15,401.9	13,459.5	15,888.0
Capital Lease Obligations	807.8	0.0	–	–	–
Total Long Term Debt	**16,264.0**	**15,385.5**	**15,401.9**	**13,459.5**	**15,888.0**
Total Debt	**29,807.2**	**28,007.0**	**29,075.0**	**27,177.8**	**28,522.3**
Deferred Income Tax	2,802.1	2,518.7	2,009.6	1,629.2	1,596.3
Minority Interest	996.0	848.8	741.7	759.8	575.7
Other Liabilities, Total	6,168.7	6,380.7	6,664.8	7,015.1	7,187.2
Total Liabilities	**56,003.7**	**53,172.9**	**53,684.4**	**52,716.3**	**53,853.7**
Redeemable Preferred Stock, Total	–	–	–	–	–
Preferred Stock - Non Redeemable, Net	–	–	–	–	–
Common Stock, Total	5,813.7	5,813.7	5,801.6	4,765.7	4,765.7
Additional Paid-In Capital	7,720.1	7,720.1	7,708.0	6,624.1	6,624.1
Retained Earnings (Accumulated Deficit)	12,343.9	8,432.0	4,133.7	840.9	(2,277.3)
Treasury Stock - Common	(2,353.4)	(1,556.5)	(1.2)	(14.5)	(193.9)
Unrealized Gain (Loss)	42.1	17.6	42.3	13.8	0.0
Other Equity, Total	(4,143.2)	(3,073.5)	(2,130.2)	(3,037.1)	0.0
Total Equity	**19,423.2**	**17,353.3**	**15,554.2**	**9,192.8**	**8,918.5**
Total Liabilities & Shareholders' Equity	**75,426.9**	**70,526.2**	**69,238.6**	**61,909.2**	**62,772.3**
Shares Outs - Common Stock Primary Issue	4,097.59	4,164.62	4,517.05	3,977.30	3,977.29
Total Common Shares Outstanding	**4,097.59**	**4,164.62**	**4,517.05**	**3,977.30**	**3,977.29**
Employees	119,350	119,988	118,161	124,467	136,397
Number of Common Shareholders	142,108	110,282	93,697	95,750	102,755
Currency Exchange Rate (most recent)	104.205 Yen / U.S. Dollar				
ADR Information	2 Share(s) Per ADR				

It is generally not desirable to have Receivables increasing faster than the Revenues. Similarly, it is always useful to see that **Accounts Payable** are kept under control. A sign that a company may be in financial stress is a dramatic increase in Accounts Payable.

The next thing to review is asset composition. **Long-Term Investments** may indicate assets unrelated to the company's basic business. **Fixed Assets** could be either understated or overstated but usually relate to operations. They might include land and buildings, machinery and equipment, and other stable assets.

You want to look for a company whose **Current Assets** and **Long-Term Assets** compare favourably to its **Liabilities**. If Current Assets are less than Current Liabilities, the company could have an increased risk of insolvency.

Long-Term Debt and **Capital Lease Obligations** are straightforward. They are the money the company has borrowed to buy plant and equipment for use in its business. **Other Long-Term Liabilities** generally include items such as deferred taxes. Companies with significant Other Long-Term Liabilities should be looked into more closely

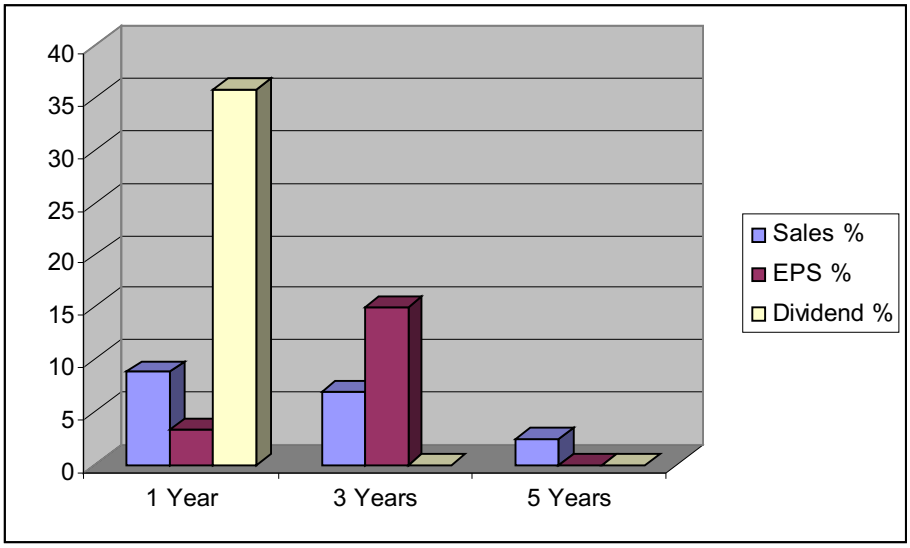
IV - Financial Highlights

Growth Rates

This table presents one, three, and five year growth rates for **Sales**, **Earnings Per Share (EPS)**, and **Dividends**. The information is presented in such a way as to spotlight certain important considerations.

GROWTH RATES

	1 Year	3 Years	5 Years
Sales %	8.80	6.85	2.46
EPS %	3.29	14.97	NM
Dividend %	35.71	NM	NM



Do the numbers on the chart measure up to your expectations for growth?

To some degree, this will depend on your personal goals. If you are an aggressive long-term investor, you will want to see higher growth rates than if your primary goals were income/safety/capital preservation. All equity investors, however, should look for growth rates that are at least as strong as growth of Real GDP and Inflation.

When scanning each column in the chart vertically, we notice that the ideal scenario is for EPS growth to be strongest. If EPS is growing more rapidly than Dividends, then there's a good chance that the Dividend will also grow. And if EPS is growing more quickly than Sales, that suggests that costs are being effectively controlled. But watch out for too much of a good thing. Cost control will carry a company just so far. Sooner or later, even the most cost-efficient companies will

need to achieve healthy rates of sales growth if they are to prosper on a long-term basis.

Finally, When scanning each row in the chart horizontally. Ideally, you'd like to see a pattern of accelerating growth. So the three-year rate should be higher than the five-year rate, and the one-year rate should be stronger than the three-year rate. But there are two important subtleties you need to consider when you examine growth rates this way:

One-year growth rates can be very susceptible to unusual developments, for better or worse. For example, a company recovering from an especially poor year will show an unusually strong set of one-year growth rates. Don't expect such rates to persist in the future. Conversely, a company that is experiencing a temporary setback can have a set of one-year rates that does not truly reflect its underlying prospects. Make sure you assess the one-year rates in conjunction with the commentaries contained in the Earnings Announcements that can be found in Recent News for the company.

Revenue History

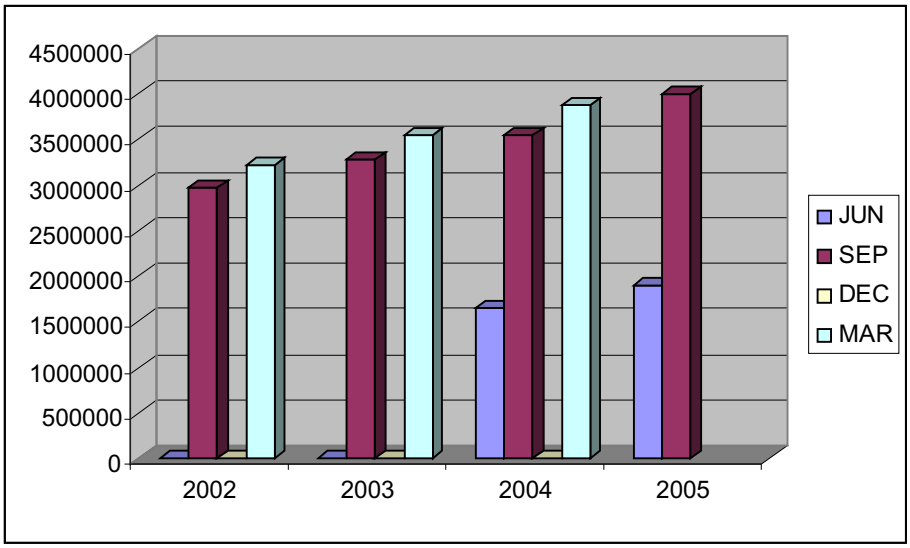
The Revenue History Report shows you quarterly revenue for a company for the last four years.

These numbers are reported in local currency for foreign companies so that the values are not distorted by fluctuating exchange rates. By looking down the columns, you can track any seasonality in the business. By looking across the rows, you get a sense of how the company has grown from year to year. The key here is to find a company that has achieved steady growth in revenues over the period covered. A steady grower may have a lot less risk than a company with an erratic sales or earnings record. The stability of earnings and the ability to produce positive earnings year after year, quarter after quarter, are important factors to look for in a company.

REVENUE

Quarters	2002	2003	2004	2005
JUN	0	0	1,649,804	1,904,669
SEP	2,977,543	3,285,463	3,556,249	4,007,942
DEC	0	0	0	
MAR	3,218,698	3,543,125	3,872,970	
Totals	**6,196,241**	**6,828,588**	**9,079,023**	**5,912,611**

Note: Units in Millions of Yen



When you consider investing in a company, should you focus on what its results will be in the next quarter, or should you look at the company's plans for the long

haul, even if it means weaker near-term results? This makes for a great debate topic. But whatever is best over the long-term, it's clear that in today's market short-term quarterly performance exerts a powerful influence on day-to-day stock price movements. We've seen countless times how share prices can tumble when companies announce that the next quarterly earnings tally will be sluggish, and we've seen how strongly stocks can perform following favourable announcements.

EPS History

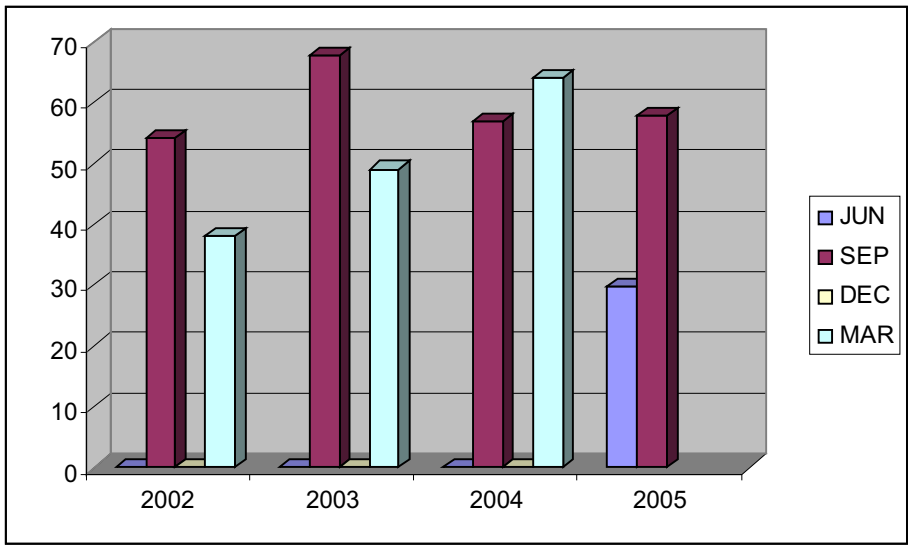
The EPS History Report shows you quarterly Earnings per Share for a company for the last four years. Earnings per Share is calculated by dividing the amount of a company's profit available to common stock holders by the number of outstanding shares of common stock.

These numbers are reported in local currency for foreign companies so that these values are not distorted by fluctuating exchange rates. By looking down the columns, you can track any seasonality in the business. By looking across the rows, you get a sense of how the company has grown from year to year. The key here is to find a company that has achieved steady growth in revenues and earnings per share over the period covered. A steady grower may have a lot less risk than a company with an erratic sales or earnings record. The stability of earnings and the ability to produce positive earnings year after year, quarter after quarter are important factors to look for in a company.

EARNINGS PER SHARE

Quarters	2002	2003	2004	2005
JUN	0.000	0.000	0.000	29.770
SEP	54.020	67.780	56.830	57.730
DEC	0.000	0.000	0.000	
MAR	38.110	49.050	63.940	
Totals	**92.130**	**116.830**	**120.770**	**87.500**

Note: Units in Yen



EPS Estimates

Investors pore through vast amounts of information -raw data and ratios showing how data items relate to one another-to arrive at investment decisions. Virtually all of this information relates to events that have happened in the past in connection with the company and its stock. Yet you buy stock based on expectations you have regarding what will occur in the future; specifically, how much profit the company will earn in the future. The investor's dilemma is that the one thing they truly need to know, future earnings, cannot be known at the time an investment decision is made. So investors study historical data to understand the dynamics that have affected the stock to date and to develop reasonable assumptions about the future.

Consensus Estimates Analysis

In U.S. Dollars	# of Ests.	Mean Est.	High Est.	Low Est.	Std. Dev.	Proj. Pr/Est.
REVENUE (in Millions)						**Pr/Sales**
Quarter Ending Jun-05		-	-	-	-	-
Quarter Ending Sep-05		-	-	-	-	-
Year Ending Mar-05	1	78,162.00	78,162.00	78,162.00	0.00	1.10
Year Ending Mar-06		-	-	-	-	-
Earnings (per Share)						**P/E**
Quarter Ending Jun-05		-	-	-	-	-
Quarter Ending Sep-05		-	-	-	-	-
Year Ending Mar-05	1	2.41	2.41	2.41	0.00	8.71
Year Ending Mar-06	1	2.48	2.48	2.48	0.00	8.47
LT Growth Rate (%)	1	6.00	6.00	6.00	0.00	-

This table provides EPS estimates for the current and forthcoming quarters and for this year and the next. For context, the high, low, and mean estimates are shown, as well as the standard deviation and the projected P/E ratio.

V – Ratios

Each company's Financial Strength information is presented in comparison to its Industry, Sector, and the S&P 500.

Industry: The company universe is grouped into more than 100 distinctive industries. These industries have been developed to contain those companies that operate along similar lines of business.

Sector: Industries are grouped into 12 distinct sectors. These sectors represent different segments of the US economy.

S&P 500: The S&P 500 is used to represent the market as a whole.

Dividend Ratios

The Dividends table shows you key information about the company's cash payments to shareholders. The **Dividend Yield** is calculated by dividing the annual dividend per share by the price of the stock. Obviously, this information is of considerable importance to those who are looking for income. But even if income is not a significant goal for you, it is still possible to gain some interesting insights from the Dividend table.

Dividends				
Dividends	**Company**	**Industry**	**Sector**	**S&P 500**
Dividend Yield	1.87	3.55	2.24	2.05
Dividend Yield - 5 Year Avg.	0.90	4.49	2.43	1.53
Dividend 5 Year Growth Rate	NM	-9.01	-1.65	7.29
Payout Ratio (TTM)	17.89	14.25	17.67	27.83

Dividend Yield vs. **Dividend 5 Year Growth Rate**: If income is an important part of your investment goal, you will need to focus on the tradeoff between high current yield and high rates of dividend growth. Ideally, you would like to maximize both, but realistically, you will find that the stocks with the highest yield tend to have less attractive prospects for dividend growth. Even so, you will still want to come as close as you can to the best-case ideal.

If you want to maximize yield, you are probably focusing on Utility (Electric, Natural Gas, or Water) or Real Estate stocks. Recognize that dividend growth in these sectors is typically less buoyant than is the case elsewhere. But in choosing among Utility/Real Estate stocks of comparable yield and risk, you would still want to select those that offer the best growth prospects relative to these

categories. Analyze this issue by comparing Company yield to the Average Yield for the Industry and Sector. Do likewise for 5-year Average Yield and 5-Year Growth Rate.

Income investors outside the Utility and Real Estate areas are typically willing to sacrifice some current yield in exchange for the greater potential dividend growth. Assuming yields on these stocks will typically be lower than what you would expect within the utility sector, it would still be reasonable for you to seek stocks whose yields are higher than their respective Industry and Sector averages. An income seeker should not accept a yield lower than that of the S&P 500 unless the stock's dividend growth rate is dramatically higher.

Whether you stress dividend yield or dividend growth, you should be sensitive to the level of the company's **Payout Ratio**, the percent of Net Income that is paid to shareholders as Dividends. *All else being equal, lower Payout Ratios are better.* That's because such companies have greater income cushions that would allow them to avoid cutting dividends in bad times. Different businesses have different cash needs and different levels of normal earnings volatility. Hence it's best to evaluate Payout Ratios by comparing a company to the average for its Industry.

Net Income is prone to temporary developments such as gains or losses from the sale of assets or write-offs of various kinds that could cause the Payout Ratio to fluctuate widely from one year to the next. If a company Payout Ratio differs from the industry average in a dramatic way, that might be serve as a hint that the current level of earnings is unusually high or low. Confirm this by comparing the stock's Yield to the industry average. A noteworthy difference in Payout Ratio, accompanied by a modest difference in Yield, suggests that the Payout Ratio is being computed based on an atypical level of net income. There are two reasons why you can use this assumption.

Growth Rate Ratios

Growth is, perhaps, the single most important consideration for the typical equity investor. Indeed, it's the reason why shares of healthy firms usually sell at prices that are far above their here-and-now liquidation values. Investors don't generally buy companies with the idea of realizing cash from liquidation; they buy companies based on their appeal as businesses capable of growing in the years ahead. Accordingly, the Growth Rates Comparison table is a very important one for you to consider.

Growth Rates

Growth Rates(%)	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	12.70	9.39	12.95	16.21
Sales (TTM) vs TTM 1 Yr. Ago	11.01	6.95	12.14	15.10
Sales - 5 Yr. Growth Rate	2.46	2.02	7.26	9.54
EPS (MRQ) vs Qtr. 1 Yr. Ago	1.59	59.57	30.47	17.02
EPS (TTM) vs TTM 1 Yr. Ago	14.91	57.16	32.50	25.85
EPS - 5 Yr. Growth Rate	NM	-17.56	8.38	12.79
Capital Spending - 5 Yr. Growth Rate	29.78	2.13	0.20	4.23

Also consider **Sales** growth. Over short periods of time, it is possible for stocks to perform very well despite sales that are growing slowly, or even falling. Typically, this occurs when earnings growth comes from cost-cutting programs, or when a company divests a poorly performing subsidiary. But such scenarios can last only so long. Sooner or later, costs become as lean as they can be, or a company will have sold or shuttered all of its weak operations. At that point, a sustained increase in sales will be needed if one is to expect a sustained increase in earnings and cash flow.

For **Sales** and **EPS**, we present year-to-year growth rates for three different periods. By year-to-year, we mean that we are comparing a particular period of time to a comparable period a year earlier. In other words, if we were examining the second quarter of 1999, we would be comparing it to the second quarter of 1998. Alternatively, a comparison between the second quarter of 1999 and the first quarter of 1999 would be referred to as a "consecutive-quarter" comparison. Whenever you encounter any information about a company's growth, assume you are seeing a year-to-year comparison unless you are specifically told otherwise.

The year-to-year convention is followed in the financial community in order to prevent the distortion of growth data by seasonal issues. For example, retailers

typically show very dynamic growth from the third quarter to the fourth quarter, but that's usually because business is ramping up from the slow summer-autumn season to the holiday period, when many retailers usually generate most of the year's sales. The only way to measure whether or not a retailer is really growing at that key period is to compare the most recent holiday period to the year-ago holiday season.

The year-to-year comparison for the most recent quarter **(MRQ)** represents the most up-to-date growth information available to the financial community and is always an important determinant of near-term stock price performance. Start your inquiry with an assumption that strong MRQ growth rates will be accompanied by strong stock price performance and vice versa. That won't always happen. But when you spot an exception, make sure you examine the News reports to find out why this is happening. Often, you'll find important information in the latest Earnings Flash announcement.

The Trailing-Twelve-Month **(TTM)** period adds context to the MRQ data because it helps you determine the extent to which the MRQ data represents a sustainable trend.

The **5 Year Growth Rates** cover a period of time that is long enough to further mitigate periodic quarterly aberrations in growth.

The last line of this table shows **Capital Spending 5 Year Growth Rate**. There's a great deal of variation from one business to another in terms of capital intensity and the rate at which physical assets need to be modernized. Comparisons against the sector and the S&P 500 should be used mainly to provide a sense of the sort of spending needs that are faced by the industry you are examining.

When examining company-to-industry Capital Spending comparisons, remember that it is normal for a business to spend at least some money for capital projects year in and year out. But at times, capital spending can mushroom to especially high levels as a major project ramps up, and then slide to a lesser pace as the newly-completed project allows the company to trim down to basic maintenance levels.

If you see that a company's capital spending growth was significantly higher than that of its industry, that could suggest that the company's needs should moderate, relative to its peers, in the next few years. That would give the company more flexibility regarding use of its cash flow (dividends, share buybacks, acquisitions, etc.). If you see that growth in spending trailed the industry average, that might suggest pent-up capital needs (and increased spending) in the years ahead.

Finally, you should compare the **Capital Spending 5 Year Growth Rate** with the **Sales 5 Year Growth Rate**. This can be important since there's usually a

relationship between the value of a company's assets and the amount of sales that those assets can generate. A rate of Sales growth that exceeds the rate of Capital Spending growth might indicate that a company is finding new ways to generate more Revenues from existing plant. But it could also mean that capacity is getting tight and that capital spending increases are around the corner.

Financial Condition Ratios

Financial strength is an important indicator of the amount of business risk the company is taking. When business conditions turn bad, financially stronger companies have more staying power. Not only are they less likely to face insolvency, they are also less likely to find a need to make the sort of drastic cutbacks that might restrain their ability to grow even after better times resume. Use the Financial Strength Ratio Comparison to help you assess the financial condition of any company in which you are interested.

Financial Strength

Financial Strength	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	NM	1.28	1.47	1.30
Current Ratio (MRQ)	NM	1.59	2.23	1.80
LT Debt to Equity (MRQ)	NM	5.81	2.06	0.63
Total Debt to Equity (MRQ)	NM	5.95	2.30	0.80
Interest Coverage (TTM)	28.44	5.20	8.44	12.82

The **Quick Ratio** and **Current Ratio** at the top of the table are the most stringent tests of financial strength. They measure the level of liquidity that is or could become available to the company in short period of time. These ratios are base on the **Most Recent Quarter (MRQ)**.

The **Quick Ratio** compares a company's cash and short-term investments (that is, investments that could be converted to cash very quickly) to the financial liabilities the company is expected to incur within a year's time. A ratio of .80 would mean that cash and cash equivalents now available would cover eighty percent of expected year-ahead liabilities. The shortfall below 100% might seem alarming at first glance. But remember, the Quick Ratio is a very stringent test that compares a year's worth of obligations with cash that, for all practical purposes, is already in the bank.

The **Current Ratio** compares year-ahead liabilities to cash on hand now plus other inflows the company is likely to realize over that same twelve-month period. These additional expected inflows include such items as Accounts Receivable (payments the company expects to receive within a year from customers who already purchased goods or services) and Inventories (goods the company expects to sell within a year). The Current Ratio is often above 1.00 (100%).

The **LT Debt to Equity Ratio** looks at the company's capital base. If the ratio is at 1.00, that means the company's long-term (LT) debt and equity are equal. Put another way, fifty percent of the company's capital consists of equity (contributed by shareholder-owners) and the other fifty percent was contributed by long-term creditors.

The **Total Debt to Equity** ratio takes into account both long-term and short-term debt. Traditionally, one would analyze a company's leverage on the basis of its long-term debt, which includes debt that is due more than one year hence. Long-Term Debt is assumed to be a permanent part of the company's capital structure. Short-term debt is traditionally regarded as not being part of the capital structure. With trade debt, for example, a manufacturer might borrow money to finance the purchase of raw material, which is converted into finished products and sold to customers. Once the company receives the proceeds of these sales, it immediately repays the money it borrowed in order to finance its raw material purchases. Such debt is not usually regarded as part of the company's capital base.

But nowadays, borrowing arrangements have become much more flexible. Many companies use short-term debt as if it was part of the capital structure. This occurs when companies continually refinance the debt as soon as it comes due. This might be done if a company expects interest rates to fall. Continually refinancing short-term debts at lower and lower interest rates is preferable to locking the company into a long-term obligation at an interest rate that will be well above rates that are likely to prevail in the marketplace next year.

This strategy can be risky. If the company's interest rate forecast proves wrong, its cost structure will suffer. It may wind up refinancing its short-term debt at a rate that is well above the rate it might have paid had it borrowed long-term in the first place. Either way, we suggest looking at total debt/equity as an additional measure of financial leverage as well. When doing so, consider two issues:

The more debt in a company's capital structure, the greater the financial leverage risk. If business turns weak, there are some costs a company can easily reduce to protect its profits and preserve liquidity. But interest on debt is generally not among these variable costs. Interest must be paid even when revenues are falling. Hefty levels of debt and heavy interest expense burdens could led to insolvency if revenues or operating profits remain weak for a prolonged period.

The larger the **Total Debt to Equity** Ratio is relative to the **LT Debt to Equity** Ratio, the more risk the company faces from the prospect of rising interest rates. But remember, some short-term debt is based on a corporate forecast of lower interest rates, while other types of short-term debt represents trade borrowing, such as the above raw materials financing example. You can't always tell for certain what sort of short-term debt your company has. But you can make some reasonable assumptions by using the Multex Report to compare your company's

debt ratios with those of its industry peers. A company that uses short-term debt much more aggressively than others in its industry is probably doing so because it expects lower interest rates.

It is generally assumed that higher debt ratios signify greater levels of risk. But don't jump too quickly to conclusions. *Companies in industries characterized by stable cash flows can safely carry more debt than can companies whose cash flows follow volatile trends*. Before you reach your final conclusion, you will need to compare the company's ratios with those of its industry peers. Look, too, at the final part of the Financial Strength Ratio Comparisons Report, which shows **Interest Coverage**. *Companies with high levels of interest coverage are better able to carry more debt.*

Since debt increases risk, why should any company ever carry any debt? Wouldn't it be reasonable to simply restrict consideration to debt-free companies?

There are two reasons why you should not narrow your horizons this way. First, as discussed above, some forms of debt, such as trade debt, are necessary to the day-to-day operation of a business. This is especially so in the financial sector, where much depends on the process of borrowing money and re-lending it at higher rates. Second, permanent debt, prudently used, can enhance corporate returns. You can measure this effect by examining the Management Effectiveness table.

Profit Margin Ratios

Profitability Ratios tell you how much of each Revenue dollar is left over, after subtracting costs, as profit to the company. We present several different ways of looking at profit, each of which shows you something important about the company's performance. All of the Profitability Ratios are calculated for the **Trailing Twelve Month (TTM)** time period and over a **5 Year Average**.

Profitability Ratios

Profitability Ratios (%)	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	27.02	18.42	29.37	46.62
Gross Margin - 5 Yr. Avg.	26.25	18.10	28.65	46.01
EBITD Margin (TTM)	15.51	9.58	12.14	21.47
EBITD - 5 Yr. Avg.	4.05	6.30	10.32	20.29
Operating Margin (TTM)	9.36	4.49	8.59	21.59
Operating Margin - 5 Yr. Avg.	4.03	2.86	7.15	17.94

Pre-Tax Margin (TTM)	9.38	4.15	8.60	17.98
Pre-Tax Margin - 5 Yr. Avg.	3.76	2.92	6.61	16.96
Net Profit Margin (TTM)	6.65	2.74	5.20	13.94
Net Profit Margin - 5 Yr. Avg.	2.81	1.85	4.13	11.21
Effective Tax Rate (TTM)	29.03	32.40	32.99	29.93
Effective Tax Rate - 5 Yr. Avg.	29.17	45.67	38.17	34.20

The **Gross Margin** tells you how much of each Revenue dollar is left over after subtracting costs directly incurred to generate those sales. In company financial statements, such costs are referred to as "Cost of Goods Sold," or "Cost of Revenues." For a manufacturer, the cost of raw materials and the wages/benefits of employees who make the products would be examples of direct costs.

The **Operating Margin** shows us how much of each sales dollar is left over after subtracting direct costs of generating the sales and indirect costs, such as corporate overhead. Neither the Gross Margin nor the Operating Margin is more important than the other. They are equally vital, and each tells us something different about the company.

EBITD (Earnings Before Interest, Taxes and Depreciation) Margin is similar to Operating Margin except that it adds back non-cash depreciation costs that are subtracted from revenues to compute net income. To understand the nature of these depreciation charges, assume a manufacturing firm spends $100 million to build a factory that it can use to produce products for ten years. If, in computing profit, we deduct all expenditures in a strict dollar-for-dollar manner, we would subtract factory construction expenses of $100 million in Year 1, and zero for each of years 2-10. This would suggest one very bad year for profits, followed by nine exceptionally good ones. Recognizing that this is not a realistic picture of business performance, we choose instead to match revenues as closely as possible to expenses incurred to generate the sales. If a $100 million factory generates 10 years worth of sales, we would subtract one-tenth of the $100 million outlay in each of those ten years. This one-tenth charge is known as depreciation.

As you can see, depreciation is not something to be dismissed lightly simply because it is a non-cash outlay. It's a legitimate factor in measuring a company's economic performance. Hence you should give serious attention to Gross and Operating Margins, which do reflect the depreciation charges. But if you want to measure a company's financial flexibility, as opposed to economic success, it

would be reasonable for you to ignore depreciation and examine the EBITD margin.

The Operating Margin showed us the impact of such normal corporate expenditures as overhead. All companies have overhead and differences in Operating Margin reflect the extent to which overhead acts as a drain on sales dollars. **Pretax Margin** goes beyond overhead and reflects non-operating costs that are not regularly related to the running of the business or the maintenance of the corporate entity. Examples would be interest on debt, gains and losses from asset sales, and income from corporate investments that are unrelated to its business.

Net Profit Margin tells us what percent of each sales dollar has been brought to the bottom line after subtracting all costs of any kind.

All else being equal, high margins are better than low margins. For the most part, this principle will apply when you compare company margins to Industry margins. But be careful about comparing company margins to S&P 500 margins, and to a lesser extent, Sector margins). When you do that, all else is often not equal.

Turnover must also be considered. For example, the average net margin for furniture manufacturers is approximately 8%, while retail grocery chains command average net margins that are a bit shy of 2.5%. If investors were to look only at margins, nobody would want to own shares of a grocery chain. But grocers typically buy large quantities of inventory, sell the products very quickly, and repeat the process by frequently reordering goods. Newly manufactured furniture sells much more slowly. In other words, a new sofa will fetch a bigger margin than will a can of soup. But the sofa will tie up far more of the seller's capital during the manufacturing period and for the time when it is held by the seller as finished goods inventory than will the can of soup. So which business is more profitable?

Fortunately for investors, there is another set of ratios that can reduce both considerations to a single number. We refer here to Returns on Capital, which can be studied in the Management Effectiveness Report.

Before leaving the Profitability Ratios, we must consider one more data item. The **Effective Tax Rate**, shown at the bottom of this table, can provide important signals about earnings quality. Watch out for unusually low tax rates. They may be caused by issues that aren't likely to persist over time, such as carryforwards from prior year's losses that will eventually be exhausted. In such a case, when

the tax rate moves toward a more normal level, EPS may decline even if business fundamentals are improving.

Management Effectiveness

The ratios shown in Management Effectiveness Comparison Report are widely regarded as the ultimate measure of corporate performance. By combining the concepts of margin and turnover, they let you make direct comparisons between vastly different businesses. For example, you cannot properly compare a grocery chain to a furniture manufacturer in terms of margin or turnover. But you can make such a comparison based on the ratios presented here. All of the Management Effectiveness Ratios are calculated for the **Trailing Twelve Month (TTM)** time period and over a **5 Year Average**.

Management Effectiveness

Management Effectiveness (%)	Company	Industry	Sector	S&P 500
Return On Assets (TTM)	6.72	2.21	6.88	7.38
Return On Assets - 5 Yr. Avg.	2.77	1.61	6.05	6.60
Return On Investment (TTM)	11.46	3.64	9.43	11.20
Return On Investment - 5 Yr. Avg.	4.26	2.76	8.72	10.66
Return On Equity (TTM)	25.71	18.98	18.93	20.09
Return On Equity - 5 Yr. Avg.	11.28	9.12	14.36	18.97

There are three different ratios in this section. All three ratios use Net Profit as the measure of return. The differences are in how we measure the amount of capital employed in the business.

Return on Equity is calculated by dividing Net Profits by Equity. It shows how much return management has earned on the capital that is actually owned by the shareholders; the owners of the business.

Our starting point is the total of all assets employed in the business. From that, we subtract those assets that are devoted to current working capital (money that is owed to vendors, or money owed to short-term trade creditors to help the company bridge the period between purchase of inventory and receipt of proceeds from sale of finished goods). We also subtract long-term liabilities. What's left over is referred to as Shareholder's Equity.

Let's say a group pools together $100 million to form a business. They hire a management team to run it. The business generates a Net Profit of $10 million. **Return on Equity** is 10% ($10 million of Profit divided by $100 million of Equity).

Return on Investment is calculated by dividing Net Profits by Investment. Investment is defined as long-term debt and other long-term liabilities, plus equity. This shows how much return management has earned on all long-term capital; that which is owned by the shareholders and that which is contributed by long-term creditors.

The capital markets exist for the purpose of matching investors who wish to supply capital with those who have the skills and vision to run businesses but are in need of more capital than they can invest on their own. There are two approaches a businessperson can follow when raising capital. One is to seek others who wish to be co-owners (shareholders). These co-owners share fully when the company prospers, and see their investment deteriorate when the company falters. There is another type of capital supplier who is willing to miss out on the full benefits of the company's prosperity in exchange for the privilege of realizing a more stable return, in good years and lean years. Such individuals make long-term loans to the company.

This time the group pools together $100 million to form the same sort of business as in the example above, but they decide to supplement their own funds by borrowing an additional $50 million on a long-term basis. The company earns a Net Profit of $15 million. **Return on Investment** is 10% ($15 million of Profit divided by $150 million of capital, consisting of $100 million supplied by owners and $50 million supplied by long-term lenders). **Return on Equity**, however, is now 15% ($15 million of Profit divided by $100 million of Equity). This is an example of the way in which a business owner can increase the return on his/her capital through the skillful use of borrowed money.

Return on Assets is calculated by dividing Net Profits by Assets. This shows how much return management has earned on all assets available to it, from all sources. In examining all capital resources available to a business manager, we can, as a practical matter, go beyond owner's capital and long-term liabilities. A talented manager is also able to make use of assets, known as current liabilities, that are available only for a year or less. Examples include short-term debt or trade accounts payable. In other words, if a bill is due in sixty days, and the company already has the money in its possession, it may use those funds in the business until the last possible moment.

Now the group pools together $100 million to form the same sort of business as in the example above, and supplements their own funds by borrowing an additional $50 million on a long-term basis. Also, the company, in the course of its day-to-day operations, usually has about $20 million of funds that it needs to pay to vendors within sixty days. By the time that money is paid, the company will have accumulated another $20 million, more or less in accounts payable that will be paid sixty days further into the future. On a full-year basis, the company has, on average, $20 million of this short-term money available to it. The business generates a Net Profit of $17 million. **Return on Assets** is 10% ($17

million of Profit divided by $170 million of equity, long term, and short term capital). **Return on Investment** is now 11.3% ($17 million of Profit divided by $150 million of equity and long-term capital). **Return on Equity** has jumped to 17% ($17 million of profit divided by $100 million of equity).

These examples demonstrate that **Return on Equity** (owner's capital) reflects a combination of business performance and skillful financial management. In all three examples, business performance alone gave us returns on capital equal to 10%. But we saw that the Return on Equity was increased to 15% through effective use of long-term liabilities. Skillful use of short-term capital generated a still-higher 17% return. *All of these ratios, in one way or another, seek to measure how much profit management has been able to earn from the capital it is using.* The most basic benchmark against which you can evaluate a return on capital is the U.S. Treasury bond rate, which tells us how much can be earned if all capital were to be invested in these securities. It's regarded as a risk-free investment since there's no uncertainty at all as to the dollar amount of income that will be received as well as the timing of all receipts (interest income and repayment of principal). If a business is consistently unable to earn as much from its capital as could be obtained from a risk free U.S. government bonds, shareholders would be well within their rights to believe they'd do better if they liquidated the firm, divided up the proceeds, and invested in treasuries. Any excess return earned by running a business, instead of owning Treasuries, is known as a "risk premium."

When evaluating risk premiums, it's best to avoid doing so in a rigid manner. Unlike a treasury portfolio, the world of business is subject to ups and downs. Anyone who invests in stocks must understand and be prepared to accept this. Hence at times, corporate returns will trail risk-free rates. Shareholders are compensated for accepting periodic bad years by the fact that they can earn much higher returns if they stay in stocks for the long term. Because returns fluctuate, use the **Trailing Twelve Month (TTM)** data you see here to give you a sense of whether the present is a strong or sluggish period for the company, its industry, its sector and the S&P 500. But to assess how effectively management utilizes the capital available to it, use the **5-Year Average** Returns.

Efficiency Ratios

The Efficiency Comparisons Table can put some of the data you see in other Comparisons tables into proper perspective. Also, certain ratios can serve as important signals of deteriorating or improving business fundamentals that may not yet be reflected in reported earnings. All of the Efficiency ratios are calculated

for the **Trailing Twelve Month (TTM)** time period. Each company's Efficiency information is presented in comparison to its Industry, Sector, and the S&P 500.

Efficiency				
Efficiency	**Company**	**Industry**	**Sector**	**S&P 500**
Revenue/Employee (TTM)	633,673	519,364	383,968	700,770
Net Income/Employee (TTM)	42,164	14,892	25,586	96,576
Receivable Turnover (TTM)	3.07	2.09	6.32	10.28
Inventory Turnover (TTM)	10.32	11.97	9.19	12.27
Asset Turnover (TTM)	1.01	0.72	1.19	0.95

The **Revenue/Employee** and **Income/Employee** ratios provide a sense of how labor intensive the company's operations are. A lower level of Revenue and Net Income per Employee suggests a greater degree of labor intensity.

Asset Turnover is defined as revenues for the Trailing Twelve Month (TTM) period divided by average Assets for that interval. Average assets is calculated by adding the assets for the 5 most recent quarters and dividing by 5. Asset Turnover tells you how quickly the company is converting its physical asset base into sales. A lower ratio suggests a high degree of capital intensity.

Normally, there's nothing inherently good or bad about labor intensity versus capital intensity. The situation can vary based on developments in the overall economic environment. For example, if you expect labor costs to escalate rapidly, you may decide to focus on sectors and industries that are less labor intensive than the S&P 500. Conversely, expectations regarding interest rates can, for better or worse, affect your willingness to invest in firms that are more capital intensive than the S&P 500.

The **Asset Turnover** ratio is also important because it provides a backdrop for the interpretation of margins. The higher a company's Asset Turnover ratio, the better able it is to thrive while maintaining low profit margins. Alternatively, high margins can be combined with a low Asset Turnover ratio. Net Profit Margin and Asset Turnover can be combined into a single concept, Return on Assets, which can be found on the Management Effectiveness Table. You can use Return on Assets to compare companies with different margin/turnover characteristics.

The **Receivable Turnover** and **Inventory Turnover** ratios can be very important indicators of the underlying health or deterioration of a business.

Receivable Turnover is calculated as Trailing Twelve Month Revenues divided by average accounts receivable. Average receivables is calculated by adding the receivables for the 5 most recent quarters and dividing by 5.

Inventory Turnover is defined as Trailing Twelve Month cost of revenues divided by average inventory. To calculate average inventory, total inventory for the 5 most recent quarters is added and divided by 5.

The most important comparisons here are between company and industry. Below par **Receivables Turnover** ratios suggest that the company may be finding it difficult to collect money owed by customers who took delivery of products. Low **Inventory Turnover** ratios suggest that the sales may be slowing, causing a growing stockpile of unsold goods. If that's taking place, the company will eventually have to cut production to allow stockpiles to diminish and/or slash prices to move slow-selling products.

Although low Receivable and Inventory Ratios always require investigation, they don't always signal danger. For example, a company may deliberately build inventories to support the launch of a new product or in anticipation of a peak selling period.

Valuation Ratios

The Valuation Ratios Report helps you decide whether a stock is inexpensive or costly relative to alternative investment opportunities. Each company's ratios are presented in comparison to its Industry, Sector, and the S&P 500.

Valuation Ratios

RATIO COMPARISON

Valuation Ratios	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	8.99	12.30	18.76	22.15
P/E High - Last 5 Yrs.	NA	31.68	36.12	43.82
P/E Low - Last 5 Yrs.	NA	5.47	10.33	15.42
Beta	0.50	1.27	1.05	1.00
Price to Sales (TTM)	0.58	0.36	1.26	3.16
Price to Book (MRQ)	NM	1.72	3.33	4.07
Price to Tangible Book (MRQ)	NA	2.70	6.48	7.44
Price to Cash Flow (TTM)	4.50	4.93	11.45	15.68
Price to Free Cash Flow (TTM)	NM	13.87	20.95	26.05
% Owned Institutions	0.90	45.02	52.04	65.97

The **Price-to-Earnings (P/E)** ratio is the single most widely used measure of a stock's value. That's because the key to stock ownership is the shareholder's stake in a portion of the company's profit stream. The P/E ratio is calculated by dividing the current Price by the sum of the Diluted Earnings Per Share from continuing operations before Extraordinary Items and Accounting Changes over the last four quarters. The P/E ratio is given for the **Trailing Twelve Months (TTM)**. The **P/E High and Low** for the last 5 years is included for context.

Beta measures stock price volatility relative to the overall stock market. We use the S&P 500 as a proxy for the market and we automatically define its Beta as being 1.00. A higher beta indicates that a stock is relatively volatile while a lower beta indicates more stability. A stock with a Beta of 0.90 would, on average, be expected to rise or fall only 90% as much as the market. So if the market dropped 1.0%, such a stock might rise or fall 0.9% On the other hand, a stock with a Beta of 1.10 would, on average, rise or fall 10% more than the market. So a 1.0% market move, up or down, should spur a 1.1% move for the stock.

Price to Sales is generally used to evaluate companies that don't have earnings and don't pay dividends. For these companies, you may consider that high multiples of sales and high growth rates suggest optimi stic future earnings expectations on the part of investors. Also, Sales trends tend to be less volatile than Earnings trends, because earnings can vary widely from one year to the next due to temporary issues such as reserves or gains and losses on asset divestitures. So the Price-to-Sales ratio can be useful in situations where the P/E ratio is distorted by unusual swings in earnings over the Trailing Twelve Months (TTM).

Price to Book is a theoretical comparison of the value of the company's stock to the value of the assets it owns free and clear of debt. Classical financial theory suggests that book value is a proxy for the proceeds that would be realized if the company was to be liquidated by selling all of its assets and paying all of its debt. For some companies, that may, indeed, be valid. But nowadays, you need to take it with a grain of salt. Assets are valued on the books at the actual prices the company paid to acquire them, minus cumulative depreciation/amortization charges. The idea behind these costs is to gradually reduce the value of the assets to zero over a period of use in which they presumably approach obsolescence. But note: the write-offs are based on specific accounting formulas that may or may not resemble real world progress toward obsolescence. Also, it's not clear that book value is effective in measuring the value of service-oriented companies that are less dependent on traditional brick-and-mortar factories and machinery. The Price to Book ratio is given for the **Most Recent Quarter**

(MRQ).

Price to Tangible Book is similar to Price to Book, except that we have subtracted the value of intangibles such as goodwill from book value. It is tempting to assume that intangible assets are less valuable than tangible assets. We suggest that you avoid jumping to such a conclusion. Consider a fast food chain such as McDonald's (MCD). Its tangible book value would include the collective amounts it spent to construct and equip company-owned properties. But what about the value of the agreements it holds with its huge and powerful network of franchisees, the true engine of MCD's growth? What about the value of the brand name? These are not the sorts of assets that are included in a calculation of tangible book value. But if you were going to attempt to purchase the entire company, you would understand that you would have to pay a price that truly reflects the considerable value of these intangibles. Indeed, some of the most valuable intangibles a company owns may not show up, in any sense, on its books. The sort of intangible assets we described for MCD may never be associated with any number, absent some accounting event, such as the acquisition of the company. The difference between the price paid for MCD and the book value of MCD's assets would appear on the buyer's books as their intangible asset. Given these issues, we suggest that Price to Book and Price to Tangible Book are best used in comparison to the Industry.

The **Price to Cash Flow** ratio is the current Price divided by Cash Flow Per Share for the Trailing Twelve Months (TTM). When measuring a company's operating performance, Cash Flow is an alternative to Net Income, which is calculated by subtracting all expenses from revenues.

Net Income sounds simple, but in truth, measuring expenses can raise interesting questions. Suppose a manufacturing firm spends $100 million to build a factory that will help it create salable products for a period of ten years. Looking strictly at cash outlays, we would recognize factory construction expenses of $100 million in Year 1, and zero in each of years 2-10. This would suggest one unusually poor year for profits, followed by nine very good ones. Accountants recognize that this isn't realistic. The preferred practice is to match revenues as closely as possible to the expenses incurred to generate the Revenues. In our example, we assume that the $100 million factory generates 10 years worth of Revenues. So we recognize one-tenth of the $100 million outlay in each of those 10 years. This one-tenth charge is known as depreciation. (Amortization is a similar annual charge for a different sort of one-time expenditure that is matched against more than one year's worth of sales.)

How should an investor assess all of this? The revenue/expense matching practice of the accountants is a reasonable way to measure a company's economic success or failure. So you should pay heed to the traditional Net Income (or Earnings) and Earnings Per share figures as reported by the companies. But this number does not tell you how much cash the company generates year in and year out. If you want to know how much the company can afford to pay in dividends or use for other investments, you would look to a figure known as **Cash Flow**, which is calculated by adding non-cash depreciation and amortization charges back to Net Income.

But Cash Flow alone doesn't necessarily give you the full story. Even if you'd rather study cash flows than economic performance, you still need to account for the $100 million our hypothetical company spent to build the factory. **Free Cash Flow** looks at the cash the company's operations actually generated in a given year, and subtracts important non-operating cash outlays; capital spending and dividend payments. Accordingly, Free Cash Flow is the purest measure of a company's capacity to generate cash.

When analyzing stocks, you need to examine Cash Flow and Free Cash Flow. Cash Flow is a less pure number, but it is less susceptible to wide year-to-year swings as capital programs periodically build up and wind down. Examining the Price to Cash Flow and Price to Free Cash Flow ratios presented here, we confirm our impression that MCD is more richly valued than the Restaurant group, but that the industry as a whole may be undervalued.

% Owned Institutions, the final line on the table, is an especially important one to check. This item, which shows the percent of shares owned by institutions, helps you gauge the level of demand for the stock on the part of this influential investor group. Institutions are an important segment of the investment community because of their expertise and size. You can also go to the Institutional Ownership table on the Multex Performance Report to see whether these investors have been buying or selling the stock.

VI - Analysis

Estimate Trends

Investors have often seen how Earnings Surprises can send stocks soaring or tumbling minutes after they come to light. Imagine how much more often events like this would occur if estimates were issued only once and never changed. For instance, an analyst may make an estimate of a company's EPS for next year in March of this year. That would be a span of almost two years. We aren't saying it's impossible for an earnings estimate to hold firm for that length of time. But realistically, don't count on that happening. Instead, assume that estimates are continually revised.

Consensus Estimates Trend

	Current	1 Week Ago	1 Month Ago	2 Months Ago	1 Year Ago
REVENUE (in Millions)					
Quarter Ending Jun-05	-	-	-	-	-
Quarter Ending Sep-05	-	-	-	-	-
Year Ending Mar-05	78,162.00	78,162.00	75,336.00	-	-
Year Ending Mar-06	-	-	-	-	-
Earnings (per Share)					
Quarter Ending Jun-05	-	-	-	-	-
Quarter Ending Sep-05	-	-	-	-	-
Year Ending Mar-05	2.41	2.41	2.16	2.16	2.06
Year Ending Mar-06	2.48	2.48	2.20	2.20	-

The Historical Mean EPS Estimates Trend table helps you follow those changes. It provides the mean quarterly and annual EPS estimates as of **this week**, **4 Weeks Ago**, and **3 Months Ago**.

The Estimates Trend table shows that if estimates have been increasing over time, that means that analysts have been surprised for the better. Sometimes the surprise surfaces through an official corporate earnings release or pre-announcement in which analysts are guided to revise their estimates. At other times the surprise surfaces in an informal way when an analyst gets information - whether from management or another source - showing him/her that estimates need to be changed. Either way, upward trending estimates show a recent history of favorable surprises, while downward trending estimates show a recent history of negative surprises.

Bear in mind that the information presented here took place in the past. One can never be certain that the future will always continue along the same lines. The

longer a particular trend is in place, the more aggressive the stock is likely to react should that trend ever reverse. For example, a negative earnings surprise is likely to have a more dramatic affect on a company with a long history of favorable surprises, especially if the surprises are big, than would be the case if analysts had previously become accustomed to receiving occasional bad news.

VII - References

- Market Guide Inc.
- www.Yahoo.com/Finance
- NSANY
- Multex for financial Analysis