

## 4. Financial Condition

### Assets, Liabilities and Shareholders' Equity

(Billion Yen)

	First Quarter FY 2005	Change from FY 2004 Year-End
Total assets	3,536.2	-103.9
Interest-bearing loans	1,119.6	36.8
[Net interest-bearing loans]	[730.7]	[102.6]
Shareholders' equity	775.1	-81.8
[Retained earnings]	[-95.6]	[-87.7]
D/E ratio	1.44	0.18
[Net D/E ratio]	[0.94]	[0.21]

Total assets at the end of the first quarter were 3,536.2 billion yen, down 103.9 billion yen from the end of fiscal 2004.

Total current assets were 1,796.6 billion yen, down 184.9 billion yen from the end of fiscal 2004. This was due in large part to the collection of trade receivables from the concentration of sales at the end of the fiscal year. Inventories decreased by 12.8 billion yen compared to the end of fiscal 2004. However, if the impact of accounting policy changes and restructuring is excluded, inventories rose by 57.1 billion yen.

Total fixed assets were 1,739.6 billion yen, an increase of 80.9 billion yen from the end of fiscal 2004. This was primarily due to an increase in property, plant and equipment less accumulated depreciation relating to investment in the new 300mm line at the Mie Plant, an increase in marketable securities, and an increase in deferred tax assets resulting from recording on our balance sheet the unfunded retirement benefits obligations of our UK subsidiaries.

Total liabilities were 2,598.3 billion yen, a decrease of 20.6 billion yen compared to the end of the fiscal 2004. While trade payables relating to the sales volume at the end of the fiscal year decreased as a result of payments made, reserves for pension fund obligations at our UK subsidiaries increased as a result of the recording of unfunded retirement obligations on our balance sheet. Interest-bearing loans totaled 1,119.6 billion yen, up 36.8 billion yen from the end of fiscal 2004. This was primarily a result of an increase in short-term borrowings to cover a portion of working capital needs.

Total shareholders' equity was 775.1 billion yen, a decrease of 81.8 billion yen compared to the end of fiscal 2004. Although we posted a net profit in the first quarter, the recognition on our balance sheet of unfunded retirement benefit obligations at our UK subsidiaries resulted in this decline. As a result of the foregoing, the shareholders' equity ratio at the end of the first quarter was 21.9% and the D/E ratio was 1.44.

## Summary of Cash Flows

(Billion Yen)

	First Quarter FY 2004	Change from 1Q FY 2005
Cash flows from operating activities	-43.6	10.0
Cash flows from investing activities	-46.3	-11.2
Free cash flow	-89.9	-1.2

Net cash used in operating activities in the first quarter was 43.6 billion yen. This was primarily related to an increase in inventories for sales expected from the second quarter. This represents an improvement of 10.0 billion yen over the same period in the preceding fiscal year, resulting from improved income before income taxes and minority interests.

Net cash used in investment activities was 46.3 billion yen, an increase in outflows of 11.2 billion yen over the same period in the preceding fiscal year. This was primarily attributable to increased capital expenditure at facilities such as our Mie Plant and acquisition of marketable securities.

Free cash flow, the sum of operating and investment cash flows, was negative 89.9 billion yen, approximately the same level as in the first quarter of last fiscal year.

As a result of applying a portion of cash on hand and short-term borrowings to cover the free cash flow deficit, net cash provided by financing activities was 22.8 billion yen, and the balance of cash and cash equivalents at the end of the quarter was 387.3 billion yen, a decrease of 67.1 billion yen from the end of the prior fiscal year.