

3. Financial Condition

Assets, Liabilities and Shareholders' Equity

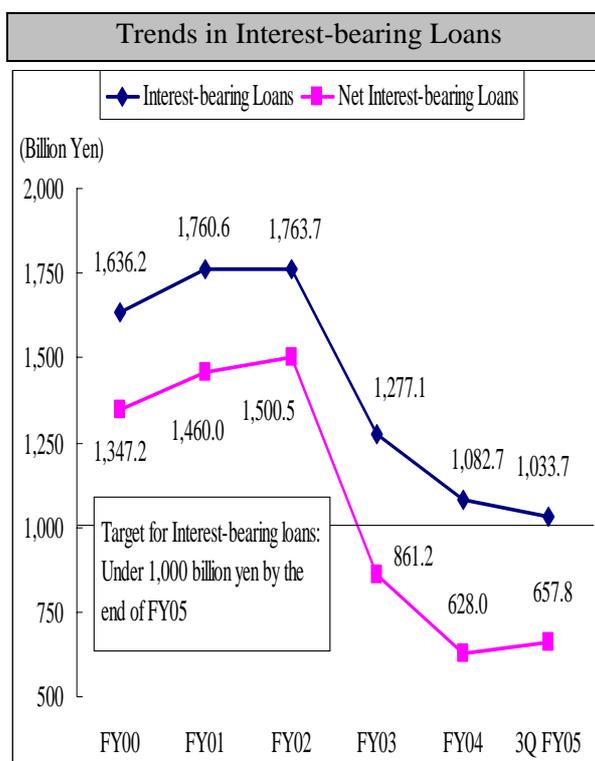
	Third Quarter FY 2005	Change from End of First Half FY 2005	Change from Third Quarter FY 2004	(Billion Yen) Third Quarter FY 2004
Total assets	3,631.9	20.0	57.3	3,574.6
Interest-bearing loans (Net interest-bearing loans)	1,033.7 (657.8)	-54.8 (49.5)	-113.4 (-272.0)	1,147.1 (929.8)
Shareholders' equity	845.9	26.9	-7.0	853.0
D/E ratio (Net D/E ratio)	1.22 (0.78)	-0.11 (0.04)	-0.12 (-0.31)	1.34 (1.09)

Total assets at the end of the third quarter were 3,631.9 billion yen, an increase of 20.0 billion yen from the close of the fiscal first-half period at the end of September.

Total current assets were 1,824.2 billion yen, relatively unchanged compared to the close of the first half. Although cash and cash equivalents decreased, primarily as a result of debt repayments, trade receivables increased as a result of growth in third-quarter sales, and inventories increased in preparation for the concentration of sales that typifies the fourth quarter. Total fixed assets increased to 1,807.7 billion yen, an increase of 19.0 billion yen compared to the end of the first half, resulting from an increase in market value of marketable securities.

Total liabilities were 2,618.2 billion yen, a decrease of 8.8 billion yen compared to the close of the first half. While trade payables increased in preparation for concentrated sales in the fourth quarter, liabilities decreased because of debt repayments. As a result of these repayments, interest-bearing loans totaled 1,033.7 billion yen, a decrease of 54.8 billion yen.

Total shareholders' equity was 845.9 billion yen, an increase of 26.9 billion yen compared to the end of September. The increase was the result of the net profit posted for the period as well as to an increase in unrealized gains on securities resulting from an increase in market value of marketable securities. As a result, the shareholders' equity ratio was 23.3% and the D/E ratio was 1.22, an improvement of 0.11 compared to the close of the first half.



Summary of Cash Flows

(Billion Yen)

	Third Quarter FY 2005	Change from Third Quarter FY 2004	First 9 months FY 2005	Change from First 9 months FY 2004
Cash flows from operating activities	6.5	-26.5	149.6	66.3
Cash flows from investing activities	-38.6	3.4	-142.8	-45.0
Free cash flow	-32.0	-23.0	6.7	21.2

Net cash provided by operating activities in the third quarter was 6.5 billion yen, a decrease of 26.5 billion yen compared with the same period in the preceding fiscal year. Because, compared to the previous fiscal year, sales have been more evenly distributed throughout the year, and because there has been an increase in overseas sales, which tend to have faster payment terms, the balance of trade receivables during the first half of the fiscal year declined as payments were collected, and the amount of payments received during the third quarter decreased. For the first nine months of the year, improved profitability and more efficient inventory management have led to an increase in operating cash flows of 66.3 billion yen compared to the same period in fiscal 2004.

Net cash used in investing activities was 38.6 billion yen, roughly even with the same period in the prior fiscal year. This was primarily for capital expenditures.

Free cash flow, the sum of operating and investment cash flows, was negative 32.0 billion yen, a deterioration of 23.0 billion yen compared to the same period in fiscal 2004.

Net cash used in financing activities was 72.9 billion yen, primarily attributable to debt repayments.

The balance of total cash and cash equivalents at the end of the third quarter was 375.4 billion yen, a decrease of 103.2 billion yen from the end of the first half.