

3. Financial Condition

Assets, Liabilities and Net Assets

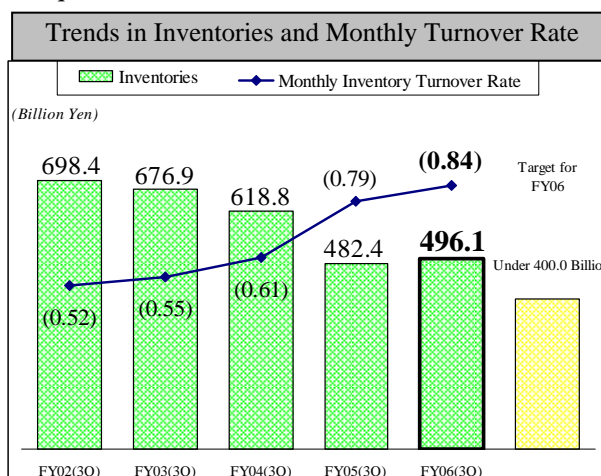
(Billion Yen)

	Third Quarter FY 2006	Change from Third Quarter FY 2005
Total assets	3,787.8	155.8
[Inventories]	[496.1]	[13.7]
Interest-bearing loans	854.1	-179.6
[Net interest-bearing loans]	[612.4]	[-45.4]
Net assets	1,119.8	106.1
[Shareholders' equity]	[779.3]	[52.7]

D/E ratio	0.92	-0.30
[Net D/E ratio]	[0.66]	[-0.12]

Total assets at the end of the third quarter were 3,787.8 billion yen, an increase of 155.8 billion yen over the balance at the end of last year's third quarter.

Although cash and cash equivalents decreased, primarily as a result of bond retirement, trade receivables increased as a result of growth in third-quarter sales, and property, plant and equipment less accumulated depreciation increased due to capital investment. Inventories stood at 496.1 billion yen at the end of the third quarter, an increase of 13.7 billion yen over the end of the same period in the preceding fiscal year, but the monthly inventory turnover rate, which is a measure of asset utilization efficiency, improved by 0.05, to 0.84 times.



Total liabilities were 2,667.9 billion yen, an increase of 49.7 billion yen over the same period a year ago. However, interest-bearing loans totaled 854.1 billion yen, a reduction of 179.6 billion yen compared to the end of the third quarter of the preceding fiscal year, primarily as a result of bond retirement.

Net assets totaled 1,119.8 billion yen, an increase of 106.1 billion yen over the balance at the end of the prior year's third quarter. The shareholders' equity ratio stood at 20.6%, and the D/E ratio was 0.92.

Summary of Cash Flows

(Billion Yen)

	Third Quarter FY 2006	Change from Third Quarter FY 2005
Cash flows from operating activities	-79.7	-86.3
Cash flows from investing activities	-52.9	-14.2
Free cash flow	-132.7	-100.6
Cash flows from financing activities	-41.2	31.7

Change excluding impact of one-time benefit due to non-trading days at end of 1H FY06

-11.1
7.2
-3.9

Net cash used in operating activities in the third quarter was 79.7 billion yen, an increase in cash outflows of 86.3 billion yen over the same period in fiscal 2005. Excluding the impact of a one-time benefit from non-trading days at the end of the first half, which resulted in payments on trade and other payables being pushed into the third quarter, cash outflows increased by 11.1 billion yen. The increase in cash outflows was primarily attributable to a build-up of inventories in preparation for sales in the fourth quarter and an increase in payment of sales expenses.

Net cash used in investing activities was 52.9 billion yen, an increase in cash outflows of 14.2 billion yen over the third quarter of the previous year. However, excluding the impact of the one-time benefit due to non-trading days at the end of the first half, as well as 33.6 billion yen in gains on sales of stock in NIFTY Corporation, Spansion Inc. and others, cash outflows increased by 26.4 billion yen, primarily for capital investment.

Free cash flow, the sum of operating and investing cash flows, was negative 132.7 billion yen. This represents an increase in cash outflows of 100.6 billion yen compared to the third quarter of the previous fiscal year. Excluding the impact of the one-time benefit from non-trading days at the end of the first half and proceeds from stock sales, cash outflows in effect increased by 37.5 billion yen (11.1 billion yen in cash flow from operating activities, 26.4 billion yen in cash flow from investing activities) compared to the previous year.

Net cash used in financing activities was 41.2 billion yen, primarily resulting from 50.0 billion yen in corporate bond debt repayments.

The balance of cash and cash equivalents at the end of the quarter was 243.4 billion yen, a decrease of 172.1 billion yen compared to the end of the first half of the fiscal year.