

## 5. Financial Condition

### [Assets, Liabilities and Net Assets]

(Billion Yen)

	Second Quarter FY 2011 (at Sept. 30, 2011)	Full Year FY 2010 (at March 31, 2011)	Change	Second Quarter FY 2010 (at Sept. 30, 2010)
Current assets	1,634.6	1,760.6	-125.9	1,645.3
(Cash and time deposits)	243.4	353.8	-110.4	228.8
(Notes and accounts receivable, trade)	722.6	877.0	-154.4	768.8
(Marketable securities)	106.2	10.8	95.4	91.4
(Inventories)	366.8	341.4	25.4	373.0
Non-current assets	1,221.3	1,263.4	-42.1	1,269.0
(Property, plant and equipment)	630.2	638.6	-8.4	644.5
(Intangible assets)	234.2	251.9	-17.7	255.3
(Investment securities and other non-current assets)	356.9	372.8	-15.9	369.1
<b>Total Assets</b>	<b>2,855.9</b>	<b>3,024.0</b>	<b>-168.1</b>	<b>2,914.3</b>
Current liabilities	1,401.9	1,507.8	-105.8	1,398.8
(Notes and accounts payable, trade)	534.9	604.2	-69.3	542.6
(Short-term borrowings and current portion of long-term debt)	271.8	225.5	46.2	228.2
(Accrued expenses)	302.5	323.1	-20.6	300.2
Long-term liabilities	534.1	562.5	-28.3	590.2
(Long-term debt)	246.4	245.2	1.1	257.7
(Accrued retirement benefits)	173.5	181.5	-8.0	193.6
<b>Total Liabilities</b>	<b>1,936.1</b>	<b>2,070.3</b>	<b>-134.1</b>	<b>1,989.1</b>
Shareholders' equity	899.4	903.9	-4.4	878.3
Accumulated other comprehensive income	-106.1	-82.6	-23.4	-89.5
Minority interests	126.4	132.4	-6.0	136.3
<b>Total Net Assets</b>	<b>919.8</b>	<b>953.7</b>	<b>-33.9</b>	<b>925.2</b>
<b>Total Liabilities and Net Assets</b>	<b>2,855.9</b>	<b>3,024.0</b>	<b>-168.1</b>	<b>2,914.3</b>

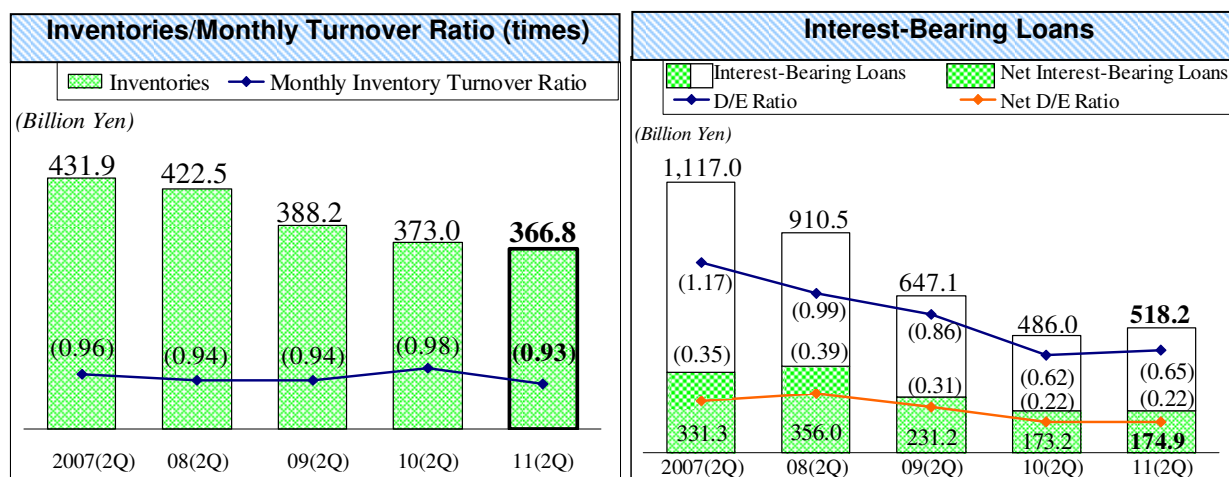
### [Cash Flows]

(Billion Yen)

	First Half FY 2011 (4/1/11~9/30/11)	First Half FY 2010 (4/1/10~9/30/10)	Change
<b>I. Cash Flows from Operating Activities:</b>			
Income (loss) before income taxes and minority interests	-10.2	35.3	-45.6
Depreciation and amortization, including goodwill amortization	102.1	109.5	-7.4
(Increase) decrease in receivables, trade	124.4	131.0	-6.5
(Increase) decrease in inventories	-34.3	-57.8	23.5
Increase (decrease) in payables, trade	-49.1	-60.3	11.2
<b>Net Cash Provided by Operating Activities</b>	<b>55.2</b>	<b>84.1</b>	<b>-28.9</b>
<b>II. Cash Flows from Investing Activities</b>			
Purchases of property, plant and equipment	-68.7	-64.9	-3.8
Proceeds from sales of investment securities	0.7	32.3	-31.5
<b>Net Cash Used in Investing Activities</b>	<b>-92.6</b>	<b>-56.3</b>	<b>-36.3</b>
<b>I + II Free Cash Flow</b>	<b>-37.4</b>	<b>27.8</b>	<b>-65.3</b>
[excluding one-time items]	[-38.3]	[-4.5]	[-33.7]
<b>III. Cash Flows from Financing Activities</b>			
Net increase in borrowings (decrease)	92.0	12.3	79.7
Bond issue and redemption	-39.4	-99.9	60.4
Dividends paid	-11.3	-11.7	0.3
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>27.5</b>	<b>-124.9</b>	<b>152.4</b>
<b>IV. Cash and Cash Equivalents at End of Period</b>	<b>343.2</b>	<b>312.7</b>	<b>30.4</b>

Note: Free cash flow excluding one-time items excludes proceeds from sale of investment securities and proceeds from acquisition of subsidiaries' stock.

## Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking first-half sales, dividing by the average balance of inventories in the first half, and then dividing by 6. The average balance of inventories in the second quarter is calculated using the average of the balances at the end of first quarter and second quarter.

Consolidated total assets at the end of the second quarter amounted to 2,855.9 billion yen (US\$37,090 million), a decrease of 168.1 billion yen from the end of fiscal 2010. Current assets totaled 1,634.6 billion yen, a decrease of 125.9 billion yen compared to the end of the prior fiscal year as a result of the collection of notes and accounts receivable associated with the high concentration of sales at the end of the previous fiscal year. In preparation for expected future sales, particularly in the services business and networking products, inventories at the end of the quarter increased to 366.8 billion yen, up 25.4 billion yen from the end of the previous fiscal year. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.93 times, a deterioration of 0.05 times compared to the same period in the previous fiscal year. This deterioration was the result of the lower level of sales in the first half of fiscal 2011 compared to the previous fiscal year's first half, due to the earthquake, and the inventories having been increased in preparation for an expected recovery of sales in the second half of fiscal 2011.

Non-current assets declined by 42.1 billion yen from the end of fiscal 2010, to 1,221.3 billion yen. Property, plant and equipment, and intangible assets decreased due to the impact of the appreciation of the yen on the value of the assets of European subsidiaries and because depreciation and amortization exceeded the level of capital expenditures in the first half.

Total liabilities amounted to 1,936.1 billion yen (US\$25,144 million), a decrease of 134.1 billion yen compared to the end of fiscal 2010, reflecting the payment of trade notes and accounts payable relating to the concentration of sales at the end of the previous fiscal year, as well as the payment of accrued expenses. The balance of interest-bearing loans was 518.2 billion yen, an increase of 47.4 billion yen from the end of fiscal 2010. Although 100.0 billion yen in convertible bonds was redeemed at maturity during the period, 50.0 billion yen in straight bonds was issued and short-term borrowings increased to finance a portion of working capital, which increased due to the impact of the earthquake. As a result, the D/E ratio was 0.65 times, a deterioration of 0.08 of a percentage point compared to the end of fiscal 2010, and the net D/E ratio was 0.22 times, a deterioration of 0.08 of a percentage point compared to the end of fiscal 2010. Both ratios were essentially unchanged from the levels at the end of the first half of the previous fiscal year.

Net assets were 919.8 billion yen (US\$11,945 million), a decrease of 33.9 billion yen from the end of fiscal 2010, in part attributable to a 23.4 billion yen decline in accumulated other comprehensive income as a result of yen appreciation. The owners' equity ratio increased to 27.8%, an improvement of 0.6 of a percentage point from the end of fiscal 2010 due to the decrease in consolidated total assets.

(Billion Yen)

	<b>2Q FY 2011</b> (September 30, 2011)	<b>FY 2010</b> (March 31, 2011)	Change	<b>2Q FY 2010</b> (September 30, 2010)
Cash and cash equivalents	343.2	358.5	-15.3	312.7
Interest-bearing loans	518.2	470.8	47.4	486.0
Net interest-bearing loans	174.9	112.2	62.7	173.2
Owners' equity	793.3	821.2	-27.8	788.8

D/E ratio (times)	0.65	0.57	0.08	0.62
Net D/E ratio (times)	0.22	0.14	0.08	0.22
Shareholders' equity ratio	31.5 %	29.9 %	1.6 %	30.1 %
Owners' equity ratio	27.8 %	27.2 %	0.6 %	27.1 %

1. D/E ratio: Interest-bearing loans/Owners' equity.

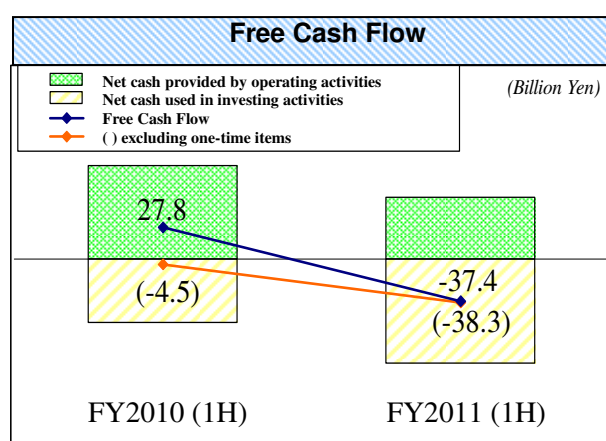
2. Net D/E ratio: (Interest-bearing loans – Cash and cash equivalents)/Owners' equity.

## Summary of Cash Flows

Net cash flows provided by operating activities in the first half amounted to 55.2 billion yen (US\$717 million). This represents a decrease of 28.9 billion yen compared to the first half of fiscal 2010. The decrease was due to the deterioration in income before income taxes and minority interests as a result of the impact of the earthquake, resulting in a loss.

Net cash used in investing activities was 92.6 billion yen (US\$1,203 million). Outflows mainly consisted of the acquisition of property, plant and equipment, primarily related to datacenters.

Compared to the same period in fiscal 2010, net outflows increased by 36.3 billion yen, primarily reflecting a decrease in proceeds from the sale of investment securities, which amounted to 32.3 billion yen in the first half of fiscal 2010.



Note: Free cash flow excluding one-time items is free cash flow minus proceeds from the sale of investment securities and proceeds from the acquisition of subsidiaries' stock

Free cash flow, the sum of cash flows from operating and investing activities, was negative 37.4 billion yen (US\$486 million), a decline of 65.3 billion yen compared with the same period in the prior fiscal year. Excluding the impact of such one-time items as proceeds from the sale of investment securities, free cash flow was negative 38.3 billion yen, representing a deterioration of 33.7 billion yen from the same period in fiscal 2010. While there was a very large decrease in cash inflows in the first quarter due to the impact of the earthquake, cash inflows increased in the second quarter.

Net cash provided by financing activities was 27.5 billion yen (US\$357 million). Although 100.0 billion yen in convertible bonds were redeemed at maturity during the period, 50.0 billion yen in straight bonds were issued and short-term borrowings increased to finance a portion working capital, which increased due to the impact of the earthquake. Compared to the same period in the prior fiscal year, inflows increased by 152.4 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the second quarter of fiscal 2011 were 343.2 billion yen (US\$4,457 million), a decrease of 15.3 billion yen compared to the end of fiscal 2010.

(Billion Yen)						
	FY 2011			Change vs. FY 2010		
	First Quarter	Second Quarter	First Half	First Quarter	Second Quarter	First Half
Operating cash flow	-10.7	65.9	55.2	-53.9	25.0	-28.9
Investing cash flow	-36.5	-56.0	-92.6	-19.7	-16.6	-36.3
Free Cash Flow	-47.3	9.8	-37.4	-73.6	8.3	-65.3
Excluding one-time items	-48.1	9.8	-38.3	-53.1	19.3	-33.7