

5. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

	3Q FY 2011 (at Dec. 31, 2011)	Full Year FY 2010 (at March 31, 2011)	Change	3Q FY 2010 (at Dec. 31, 2010)
Current assets	1,701.9	1,760.6	-58.7	1,725.6
(Cash and time deposits and marketable securities)	327.0	364.6	-37.6	337.6
(Notes and accounts receivable, trade)	780.3	877.0	-96.7	796.3
(Inventories)	394.7	341.4	53.2	406.7
Non-current assets	1,215.5	1,263.4	-47.9	1,268.5
(Property, plant and equipment)	630.1	638.6	-8.4	637.6
(Intangible assets)	231.6	251.9	-20.2	254.1
(Investment securities and other non-current assets)	353.6	372.8	-19.2	376.7
Total Assets	2,917.4	3,024.0	-106.6	2,994.2
Current liabilities	1,477.7	1,507.8	-30.0	1,459.4
(Notes and accounts payable, trade)	558.7	604.2	-45.4	556.2
(Short-term borrowings and current portion of long-term debt)	332.1	225.5	106.6	293.9
(Accrued expenses)	284.1	323.1	-39.0	279.5
Long-term liabilities	533.9	562.5	-28.5	606.7
(Long-term debt)	252.5	245.2	7.2	281.2
(Accrued retirement benefits)	173.0	181.5	-8.4	191.9
(Deferred tax liabilities)	12.0	33.7	-21.7	28.2
Total Liabilities	2,011.6	2,070.3	-58.6	2,066.2
Shareholders' equity	884.7	903.9	-19.1	884.5
Accumulated other comprehensive income	-105.0	-82.6	-22.3	-91.8
Minority interests	125.9	132.4	-6.5	135.1
Total Net Assets	905.7	953.7	-48.0	927.9
Total Liabilities and Net Assets	2,917.4	3,024.0	-106.6	2,994.2

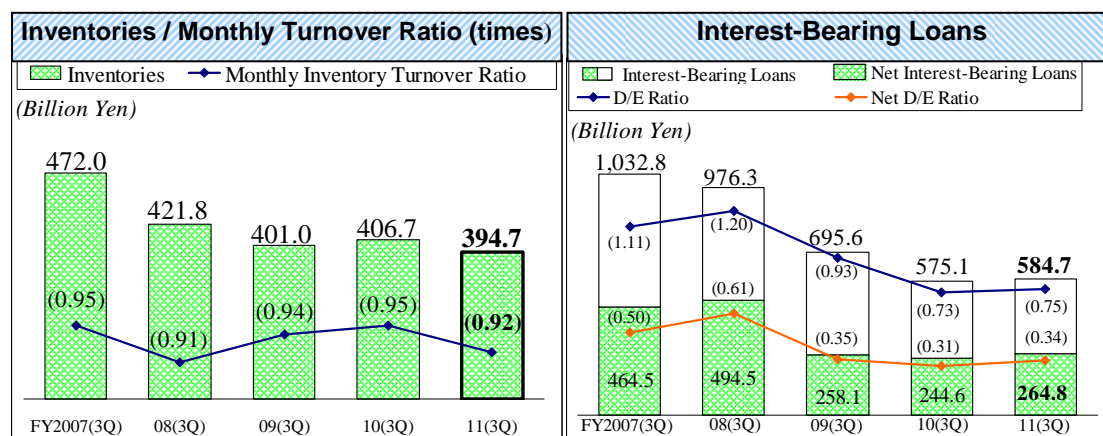
[Cash Flows]

(Billion Yen)

	First Nine Months FY 2011 (4/1/11~12/31/11)	First Nine Months FY 2010 (4/1/10~12/31/10)	Change
I. Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	-8.6	57.7	-66.3
Depreciation and amortization, including goodwill amortization	152.9	164.6	-11.6
(Increase) decrease in receivables, trade	66.0	89.6	-23.6
(Increase) decrease in inventories	-62.8	-92.7	29.9
Increase (decrease) in payables, trade	-24.1	-38.9	14.8
Net Cash Provided by Operating Activities	25.2	71.0	-45.7
II. Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-96.7	-90.2	-6.4
Proceeds from sales of investment securities	4.7	33.9	-29.2
Net Cash Used in Investing Activities	-132.8	-93.3	-39.4
I + II Free Cash Flow [excluding one-time items]	-107.5 [-112.3]	-22.3 [-61.1]	-85.2 [-51.2]
III. Cash Flows from Financing Activities			
Net increase in borrowings (decrease)	161.9	103.4	58.4
Bond issue and redemption	-42.7	-99.8	57.1
Dividends paid	-22.6	-23.1	0.5
Net Cash Provided by (Used in) Financing Activities	75.8	-53.0	128.9
IV. Cash and Cash Equivalents at End of Period	319.9	330.5	-10.6

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

Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking sales for the first nine months, dividing by the average balance of inventories in the first nine months, and then dividing by 9. The average balance of inventories in the first nine months is calculated using the average of the balances at the end of first, second, and third quarters.

Consolidated total assets at the end of the third quarter amounted to 2,917.4 billion yen (US\$37,403 million), a decrease of 106.6 billion yen from the end of fiscal 2010. Approximately 90 billion yen of this decrease was attributable to yen appreciation. Current assets totaled 1,701.9 billion yen, a decrease of 58.7 billion yen compared to the end of the previous fiscal year due to 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 sales in the services business and of mobile phones, inventories at the end of the quarter increased to 394.7 billion yen, up 53.2 billion yen from the end of the previous fiscal year, but down 11.9 billion yen compared to the end of the third quarter in fiscal 2010. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.92 times, a deterioration of 0.03 times compared to the same period of the previous fiscal year. This deterioration was the result of the lower sales in the first nine months of fiscal 2011 compared to the same period of the previous fiscal year, due to the earthquake and other factors, and because the level of inventories was increased in preparation for sales in the remainder of fiscal 2011.

Non-current assets declined by 47.9 billion yen from the end of fiscal 2010, to 1,215.5 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 nine months of the current fiscal year.

Total liabilities amounted to 2,011.6 billion yen (US\$25,790 million), a decrease of 58.6 billion yen compared to the end of fiscal 2010, reflecting the impact of yen appreciation and 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 584.7 billion yen, an increase of 113.9 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. As a result, the D/E ratio was 0.75 times, a deterioration of 0.18 of a percentage point compared to the end of fiscal 2010, and the net D/E ratio was 0.34 times, a deterioration of 0.2 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 nine months of the previous fiscal year.

Net assets were 905.7 billion yen (US\$11,612 million), a decrease of 48.0 billion yen from the end of fiscal 2010, in part attributable to a 22.3 billion yen decline in accumulated other comprehensive income as a result of yen appreciation. The owners' equity ratio declined to 26.7%, a deterioration of 0.5 of a percentage point from the end of fiscal 2010 due to the decrease in owners' equity.

Reference: Major Financial Indices

	3Q FY 2011 (December 31, 2011)	FY 2010 (March 31, 2011)	Change	(Billion Yen) 3Q FY 2010 (December 31, 2010)
Cash and cash equivalents	319.9	358.5	-38.6	330.5
Interest-bearing loans	584.7	470.8	113.9	575.1
Net interest-bearing loans	264.8	112.2	152.5	244.6
Owners' equity	779.7	821.2	-41.5	792.7
D/E Ratio (times)	0.75	0.57	0.18	0.73
Net D/E Ratio (times)	0.34	0.14	0.20	0.31
Shareholders' Equity Ratio	30.3%	29.9%	0.4%	29.5%
Owners' Equity Ratio	26.7%	27.2%	-0.5%	26.5%

D/E ratio is ending balance of interest-bearing loans/owners' equity.

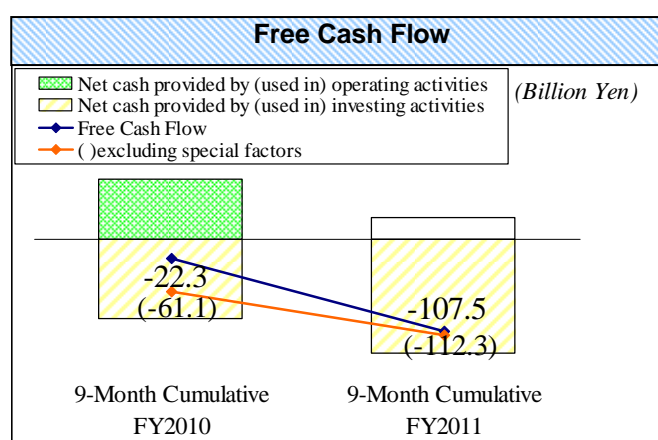
Net D/E ratio equals (ending balance of interest-bearing loans - cash and cash equivalents at end of period)/owners' equity.

Summary of Cash Flows

Net cash flows provided by operating activities in the first nine months amounted to 25.2 billion yen (US\$323 million). This represents a decrease of 45.7 billion yen compared to the first nine months 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 and the floods in Thailand, resulting in a loss.

Net cash used in investing activities was 132.8 billion yen (US\$1,703 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 39.4 billion yen, primarily reflecting a decrease in proceeds from the sale of investment securities, which amounted to 33.9 billion yen in the first nine months of fiscal 2010.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 107.5 billion yen (US\$1,378 million), a decline of 85.2 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 112.3 billion yen, representing a deterioration of 51.2 billion yen from the same period in fiscal 2010.



Note: Free cash flow excluding special factors is free cash flow minus proceeds from the sale of investment securities and proceeds from the acquisition of subsidiaries' shares

Net cash provided by financing activities was 75.8 billion yen (US\$972 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 of working capital. Compared to the same period in the prior fiscal year, inflows increased 128.9 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the third quarter of fiscal 2011 were 319.9 billion yen (US\$4,101 million), a decrease of 38.6 billion yen compared to the end of fiscal 2010.