

## 2. Explanation of Financial Condition

### (1) Assets, Liabilities and Equity

(Billions of yen)

	Year-end FY2013	Year-end FY2014	Change vs. Year-end FY2013
Total Assets	3,105.9	3,271.1	165.1
Total Liabilities	2,407.9	2,336.7	-71.2
Total Equity	697.9	934.3	236.4
Total Equity Attributable to Owners of the Parent	566.5	790.0	223.5
[Retained earnings]	[-54.3]	[130.7]	[185.0]
[Other Components of Equity]	[63.1]	[101.8]	[38.6]

#### Reference;

Cash and Cash Equivalents	301.1	362.0	60.8
Interest-bearing Loans	560.2	578.4	18.2
Net Interest-bearing Loans	259.0	216.4	-42.6
D/E Ratio (Times)	0.99	0.73	-0.26
Net D/E Ratio (Times)	0.46	0.27	-0.19
Equity Attributable to Owners of the Parent Ratio (%)	18.2%	24.2%	6.0%

Consolidated total assets at the end of fiscal 2014 were 3,271.1 billion yen (US\$27,259 million), an increase of 165.1 billion yen from the end of fiscal 2013. There was an increase in cash and cash equivalents as well as in trade receivables.

Consolidated total liabilities amounted to 2,336.7 billion yen (US\$19,473 billion), a decline of 71.2 billion yen compared to the end of fiscal 2013. Although the balance of interest-bearing loans increased because a portion of trade payables and working capital was financed with borrowings, there was a decline in the net defined benefit liability due to an improvement in the funded status of defined benefit plans because of better investment returns on plan assets.

The balance of equity was 934.3 billion yen (US\$7,786 million), an increase of 236.4 billion yen from the end of fiscal 2013. Equity increased because of the profit recorded for the year and because of an improvement in the funded status of defined benefit plans. Equity attributable to owners of the parent ratio (shareholders' equity ratio) was 24.2%, representing an increase of 6 percentage points compared to the end of fiscal 2013.

## (2) Cash Flows

(Billions of yen)

		FY2013	FY2014	Change
I	Net Cash Provided by Operating Activities	176.5	280.1	103.6
II	Net Cash Used in Investing Activities	-128.9	-200.5	-71.5
I+II	Free Cash Flow	47.5	79.6	32.0
III	Net Cash Used in Financing Activities	-46.2	-17.3	28.8
IV	Cash and Cash Equivalents at End of Year	301.1	362.0	60.8

### Reference;

Interest-Bearing Loans to Cash Flows Ratio (Year)	3.2	2.1	-1.1
Interest Coverage Ratio (Times)	26.9	46.9	20.0

Interest-bearing loans to cash flows ratio: Interest-bearing loans / Cash flows from operating activities

Interest-coverage ratio: Cash flows from operating activities / Interest charges

Net cash provided by operating activities in fiscal 2014 amounted to 280.1 billion yen (US\$2,334 million). This represents an increase in cash inflows of 103.6 billion yen compared to fiscal 2013. In addition to an improvement in profit before income taxes, there was a reduction in payment outflows for structural reform expenses in such areas as the LSI device business and businesses outside Japan. In addition, the amount of income taxes paid declined, mainly because of a refund in income withheld in the prior fiscal year relating to dividends received from subsidiaries in Japan.

Net cash used in investing activities was 200.5 billion yen (US\$1,671 million), representing an increase in outflows of 71.5 billion yen compared to fiscal 2013. In addition to higher capital expenditures, primarily for the LSI device and electronic components businesses, outflows increased because, in fiscal 2013, there was an inflow of cash from the proceeds from sales of available-for-sale financial assets and the proceeds of transferring businesses, primarily the microcontroller and analogue device business.

Free cash flow was 79.6 billion yen (US\$663 million), representing an increase in cash inflows of 32.0 billion yen compared with the previous fiscal year.

Net cash used in financing activities was 17.3 billion yen (US\$144 million). Compared to fiscal 2013, cash outflows declined by 28.8 billion yen.

As a result of the above factors, cash and cash equivalents at the end of fiscal 2014 were 362.0 billion yen (US\$3,017 million), an increase of 60.8 billion yen compared to the end of fiscal 2013.

## (3) Status of Retirement Benefit Plans

(Billions of Yen)

	Year-end FY2013	Year-end FY2014	Change
a. Defined Benefit Obligation	-2,275.5	-2,484.3	-208.8
b. Plan Assets	1,864.8	2,180.8	316.0
c. Defined Benefit Obligation in Excess of Plan Assets (a) + (b)	-410.7	-303.5	107.1

[Fundamental components used in making actuarial calculations]

Discount Rate	Japan	1.1%	0.7%	-0.4%
	Outside Japan (Mainly in UK)	Mainly 4.4%	Mainly 3.4%	-1.0%