

3. Financial Condition

Assets, Liabilities and Shareholders' Equity

(Billion Yen)

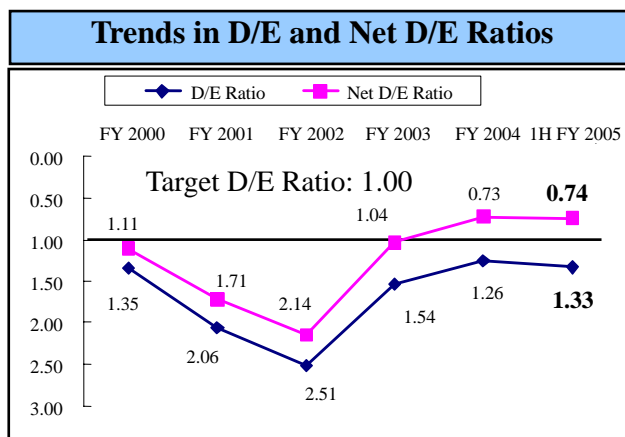
	End of First Half FY 2005	Change from End of FY 2004	<i>For reference)</i> <i>End of 1H FY04</i>
Total assets	3,611.9	-28.2	3,561.4
Interest-bearing loans	1,088.5	5.7	1,124.9
Net interest-bearing loans	608.3	-19.7	909.8
Shareholders' equity	819.0	-37.9	803.0
Retained earnings (Deficit)	(92.2)	-84.4	-50.8
D/E ratio	1.33	0.07	1.40
Net D/E ratio	0.74	0.01	1.13

Total assets at the end of the first half were 3,611.9 billion yen, a decrease of 28.2 billion yen compared to the end of fiscal 2004.

Total current assets were 1,823.1 billion yen, down 158.3 billion yen from the end of the previous fiscal year, primarily as a result of collections on trade receivables. Total fixed assets increased to 1,788.7 billion yen, an increase of 130.0 billion yen compared to the end of the last fiscal year. This was primarily due to an increase in property, plant and equipment less accumulated depreciation from new capital expenditures and an increase in the market value of marketable securities. Excluding the impact of a 62.1 billion yen reduction relating to accounting policy changes and a 9.3 billion yen reduction due to restructuring during the period, inventories increased 41.3 billion yen from the end of the previous fiscal year.

Total liabilities were 2,627.1 billion yen, an increase of 8.1 billion yen compared to the end of the previous fiscal year. Although there was a reduction in trade payables relating to fiscal year-end sales, there was an increase in reserves for retirement benefits associated with the change in pension accounting for the company's UK subsidiaries. Interest-bearing loans totaled 1,088.5 billion yen, roughly the same as at the end of the previous fiscal year.

Total shareholders' equity was 819.0 billion yen, a decrease of 37.9 billion yen compared to the end of fiscal 2004. Although we posted a net profit for the period and there was an increase in unrealized gains on marketable securities as a result of higher stock market prices, retained earnings declined due to changes in pension accounting at our UK subsidiaries. As a result of the foregoing, the shareholders' equity ratio at the end of the first half was 22.7% and the D/E ratio was 1.33.



Summary of Cash Flows

(Billion Yen)

	First Half FY 2005	Change from First Half FY 2004
Cash flows from operating activities	143.0	92.8
Cash flows from investing activities	-104.1	-48.5
Free cash flow	38.8	44.3

Net cash provided by operating activities in the first half was 143.0 billion yen, with internal reserve flowing directly into operating cash flow. This represents an increase of 92.8 billion yen compared with the same period in the preceding fiscal year, resulting from higher earnings and improvements in working capital.

Net cash used in investing activities was 104.1 billion yen, an increase in outflows of 48.5 billion yen compared to the same period in the prior fiscal year. This was primarily attributable to increased capital expenditure at facilities such as our Mie Plant and acquisition of investment securities.

Free cash flow, the sum of operating and investment cash flows, was positive 38.8 billion yen, an improvement of 44.3 billion yen over the same period in fiscal 2004.

Net cash used in financing activities was 15.1 billion yen, due to dividend payments and other factors, and the balance of cash and cash equivalents at the end of the first half was 478.7 billion yen, an increase of 24.2 billion yen from the end of the prior fiscal year.