

3. Financial Condition

Summary of Cash Flows

			(Billion Yen)
	First Half FY 2006	Change from 1H FY 2005	
Cash Flows from Operating Activities	184.0	41.0	<i>One-time benefit due to non-trading days</i>
Cash Flows from Investing Activities	-119.0	-14.8	About 60.0 bil. yen
Free Cash Flow	65.0	26.2	About 20.0 bil. yen
			About 80.0 bil. yen
Cash Flows from Financing Activities	-73.5	-58.3	

Net cash provided by operating activities in the first half of fiscal 2006 was 184.0 billion yen, reflecting depreciation expenses from logic LSI device investments, higher profits and other factors. This represents an increase of 41.0 billion yen compared to the same period in fiscal 2005. However, taking into account last year's 15.9 billion yen gain on settlement of litigation, and excluding the 60.0 billion yen one-time cash benefit, due to the effect of non-trading days at end of period on trade payables, the results were roughly even with the first half of fiscal 2005.

Net cash used in investing activities was 119.0 billion yen, an increase of 14.8 billion yen in outflow compared to the same period in the prior fiscal year. This was primarily attributable to capital expenditure for capacity expansion at the Mie Plant's Fab No. 1 300mm-wafer fabrication facility.

Free cash flow, the sum of operating and investment cash flows, was 65.0 billion yen, which reflects, in part, the impact stemming from the last day of the period falling on a Saturday.

As a result of applying free cash flow to cover a portion of the 100.0 billion yen in bond redemptions, among other factors, net cash used in financing activities was 73.5 billion yen. The balance of cash and cash equivalents at the end of the first half was 415.5 billion yen, a decrease of 5.3 billion yen compared to the end of fiscal 2005.

Assets, Liabilities, and Net Assets

			(Billion Yen)
	End of First Half FY 2006	Change from First Half FY 2005	Change From End of FY 2005
Total Assets	3,768.2	156.3	-38.9
Inventories	466.5	18.2	57.8
Interest-Bearing Loans	882.3	-206.1	-46.2
Net Interest-Bearing Loans	468.5	-139.7	-38.7
Net Assets	1,077.1	92.3	-12.8
Shareholders' Equity	789.0	59.9	8.4
D/E Ratio	0.98	-0.35	-0.03
Net D/E Ratio	0.52	-0.22	-0.03

Total assets at the end of the first half were 3,768.2 billion yen, up 156.3 billion yen from the end of the same period in the prior fiscal year. This was due in large part to an increase in trade receivables resulting from higher revenue and an increase in property, plant and equipment less accumulated depreciation relating to the investment in capacity expansion at the Mie Plant. Inventories stood at 466.5 billion yen, an increase of 18.2 billion yen over the end of the same period in the preceding fiscal year. The increase in inventories was in preparation for sales anticipated in the third quarter. The monthly inventory turnover rate, which is an indication of the efficiency of asset utilization, improved by 0.05, to 0.85 times.

Total liabilities were 2,691.0 billion yen, an increase of 63.9 billion yen over the end of the same period of the prior fiscal year. Trade payables increased in preparation for the higher sales anticipated in the third quarter and due to the effect of non-trading days at end of period. As a result of the redemption of bonds and the repayment of loans, the balance of interest-bearing loans totaled 882.3 billion yen at the end of the first half, a decrease of 206.1 billion yen from the end of the same period in the prior fiscal year.

Net assets were 1,077.1 billion yen, an increase of 92.3 billion yen compared to the end of the same period in the prior fiscal year. This was due primarily to the increase in shareholders' equity of 59.9 billion yen, resulting from higher profits and other factors. The D/E ratio of 0.98 was within the target of 1.0 set at the end of fiscal 2004.

