

### 3. Financial Condition

#### Assets, Liabilities and Net Assets

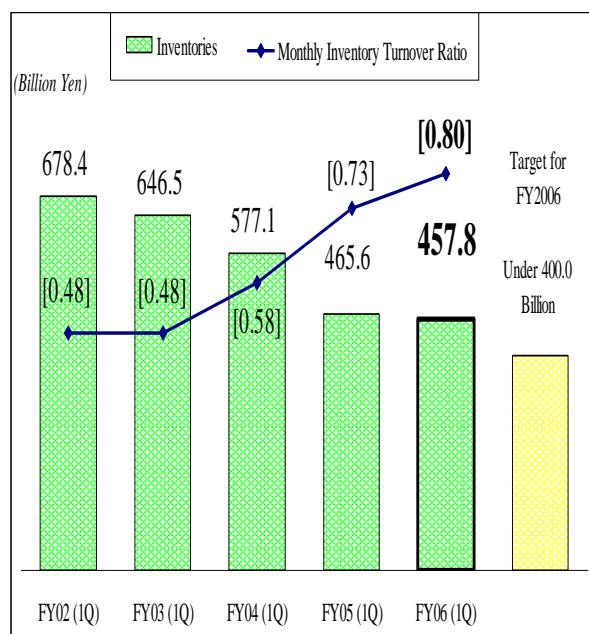
	First Quarter FY 2006	Change vs. FY 2005 Year-End	(Billion Yen) Change vs. 1Q FY 2005
Total Assets	3,670.4	-136.6	134.2
[Inventories]	[457.8]	[49.0]	[-7.8]
Interest-Bearing Loans	975.7	47.1	-143.8
[Net Interest-Bearing Loans]	[648.4]	[141.1]	[-82.3]
Net Assets	1,063.8	-26.2	125.9
D/E Ratio	1.09	0.08	-0.35
[Net D/E Ratio]	[0.73]	[0.18]	[-0.21]

Total assets at the end of the first quarter were 3,670.4 billion yen, down 136.6 billion yen from the end of fiscal 2005. Total current assets were 1,795.3 billion yen, down 137.3 billion yen from the end of fiscal 2005. This was due mainly to the collection of trade receivables. Inventories stood at 457.8 billion yen, an increase of 49.0 billion yen compared to the end of fiscal 2005. This was due to preparations for future sales. However, compared to the end of the first quarter of fiscal 2005, this represented a decrease of 7.8 billion yen. The monthly inventory turnover ratio also improved by 0.07, to 0.80 times, clearly demonstrating the positive effect of the initiatives that we have taken to improve asset efficiency.

#### Monthly Inventory Turnover Ratio

Total fixed assets at the end of the first quarter were 1,875.1 billion yen, about the same level as at the end of fiscal 2005. Although there was an increase in property, plant and equipment less accumulated depreciation relating to investment in raising 300mm-wafer production capacity at the Mie Plant (Fab No. 1), the market value of available-for-sale securities fell due to the decline in stock market prices.

Total liabilities were 2,606.6 billion yen, a decrease of 110.4 billion yen compared to the end of fiscal 2005, as a result of factors including payment of trade payables relating to sales at the end of the preceding fiscal year. Interest-bearing loans totaled 975.7 billion yen, an increase of 47.1 billion yen compared to the end of fiscal 2005. This was primarily the result of an increase in short-term borrowings to cover a portion of an increase in working capital needs. The D/E ratio was 1.09.



Net assets totaled 1,063.8 billion yen, a decrease of 26.2 billion yen compared to the end of fiscal 2005 due to the decrease in the market value of available-for-sale securities. The shareholders' equity ratio was 21.1%, and the ratio of owners' equity, including valuation and translation adjustments, to total assets was 24.3%, marking improvements over the end of fiscal 2005 in both areas.

## Summary of Cash Flows

*(Billion Yen)*

	First Quarter FY 2006	Change vs. 1Q FY 2005
Cash Flows from Operating Activities	-76.8	-33.1
Cash Flows from Investing Activities	-48.2	-1.9
Free Cash Flow	-125.1	-35.1

Net cash used in operating activities in the first quarter was 76.8 billion yen. This represents an increase of 33.1 billion yen over the same period in the preceding fiscal year. This was due to the fact that there was a one-time receipt of settlement payment during the same quarter last year, as well as an increase in outflows to cover operating expenses.

Net cash used in investment activities totaled 48.2 billion yen, about the same as in the first quarter of the preceding fiscal year. This was primarily attributable to capital expenditure for capacity expansion of the 300mm-wafer line (Fab No. 1) at the Mie Plant.

Free cash flow, the sum of the operating and investment cash flows, was negative 125.1 billion yen, an increase in outflow of 35.1 billion yen over the same period in the preceding fiscal year. Net cash provided by financing activities was 31.4 billion yen, and the balance of cash and cash equivalents at the end of the quarter was 328.9 billion yen, a decrease of 91.9 billion yen from the end of the prior fiscal year.