

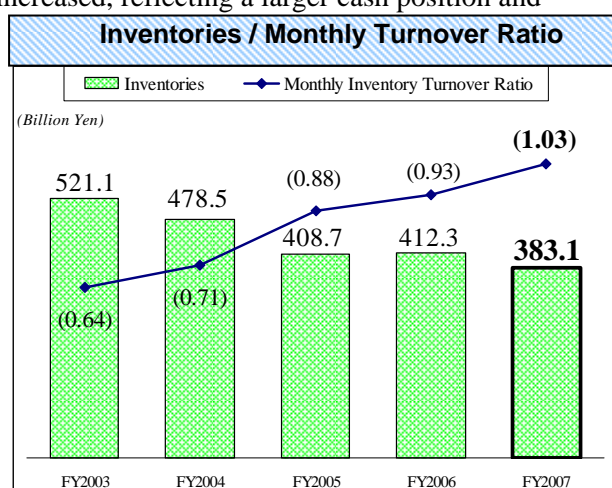
## 6. Financial Condition

### Assets, Liabilities and Net Assets

(Billion Yen, except for D/E Ratio)

	FY 2007	FY 2006	Change from FY 2006
Total Assets	3,821.9	3,943.7	-121.7
[Inventories]	[383.1]	[412.3]	[-29.2]
Interest-Bearing Debt	887.3	745.8	141.5
[Net Interest-Bearing Debt]	[339.4]	[297.1]	[42.3]
Net Assets	1,130.1	1,160.7	-30.5
[Capital Surplus]	[249.0]	[498.0]	[-248.9]
[Retained Earnings]	[338.9]	[54.3]	[284.5]
D/E Ratio	0.94	0.77	0.17
[Net D/E Ratio]	[0.36]	[0.31]	[0.05]

Total assets at the end of fiscal 2007 were 3,821.9 billion yen (US\$38,219 million), a decrease of 121.7 billion yen from the end of the previous fiscal year. This was due in large part to a decrease in non-current assets. Current assets increased, reflecting a larger cash position and holdings of investment securities resulting from the issuance of convertible bonds in August to redeem convertible bonds maturing in 2009. Inventories totaled 383.1 billion yen, a decrease of 29.2 billion yen from the end of the previous fiscal year. The monthly inventory turnover ratio, which is an indication of asset efficiency, rose to 1.03 times, an improvement of 0.10 point. In non-current assets, investments and other assets declined as a result of price declines for listed equities.



Total liabilities were 2,691.7 billion yen (US\$26,917 million), a decrease of 91.2 billion yen compared to the end of the previous fiscal year. However, excluding the impact of the last day of the previous fiscal year falling on a holiday, which resulted in the payment of trade payables being carried over into fiscal 2007, liabilities increased by 36.7 billion yen. The balance of interest-bearing debt totaled 887.3 billion yen, an increase of 141.5 billion yen as a result of the convertible bond issuance. The D/E ratio was 0.94 times and, subtracting cash and cash equivalents, the net D/E ratio was 0.36 times

Net assets were 1,130.1 billion yen (US\$11,301 million), a decrease of 30.5 billion yen compared to the end of the previous fiscal year. Shareholders' equity increased by 36.6 billion yen and the shareholders' equity ratio rose to 23.9%, an increase of 1.7 percentage points compared to the end of the previous fiscal year, but valuation and translation adjustments decreased due to the impact of lower share prices of listed securities and the steep appreciation of the yen. In the first quarter of the year, in accordance with a resolution by the Board of Directors, a capital surplus of 240.4 billion yen was transferred from "other capital surplus" to "other retained earnings."

## Summary of Cash Flows

	FY 2007	FY 2006	Change from FY 2006	(Billion Yen) <i>Change from FY 2006 excluding effect of settlement date falling on holiday in FY 2006</i>
Cash flows from operating activities	322.0	408.7	-86.6	63.7
Cash flows from investing activities	-283.9	-151.0	-132.8	-64.0
Free cash flow	38.1	257.6	-219.5	
[Excluding the impact of the last day falling on a holiday]	[147.7]	[148.0]	[-0.3]	
Cash flows from financing activities	62.3	- 234.9	297.2	

Net cash flow provided by operating activities was 322.0 billion yen (US\$3,220 million), a decline of 86.6 billion yen from the previous fiscal year. Excluding, however, the impact of the last day of the previous fiscal year falling on a holiday, which resulted in the payment of trade payables being carried over into fiscal 2007, net cash flow from operating activities increased to 63.7 billion yen as a result of higher net income from business operations and progress in the collection of trade receivables.

Net cash used in investing activities was 283.9 billion yen (US\$2,839 million). Because there was an inflow of 69.8 billion yen in fiscal 2006 from the sale of shares in Fanuc Ltd., there was an overall increase in cash outflows of 132.8 billion yen compared with the previous fiscal year.

Free cash flow, the sum of operating and investment cash flows, was 38.1 billion yen (US\$381 million). Excluding the impact of the last day of the previous fiscal year falling on a holiday, substantial free cash flow was 147.7 billion yen.

Net cash provided by financing activities was 62.3 billion yen (US\$623 million). Although the company purchased its treasury shares in the market for use in conjunction with the conversion of subsidiaries into wholly owned subsidiaries through an exchange of shares, the company issued 200.0 billion yen in new convertible bonds with the aim of distributing and evening-out the financing burden associated with the potential redemption of convertible bonds maturing in 2009.

As a result of the above factors, cash and cash equivalents at the end of the fiscal year totaled 547.8 billion yen (US\$5,478 million), an increase of 99.1 billion yen compared to end of the previous fiscal year.