

6. Financial Condition

Assets, Liabilities, and Net Assets

(Billion Yen)

	First-Half FY07 End Balance	Change vs. 1H FY06	FY06 End Balance	Change vs. Previous Year
Total assets	4,200.1	431.8	3,943.7	256.3
(Inventories)	(431.9)	(-34.5)	(412.3)	(19.5)
Interest-bearing loans	1,117.0	234.7	745.8	371.2
(Net interest-bearing loans)	(331.3)	(-135.4)	(297.1)	(34.2)
Net assets	1,125.8	48.7	1,160.7	-34.8
(Capital surplus)	(249.0)	(-248.9)	(498.0)	(-248.9)
(Retained earnings)	(285.5)	(317.3)	(54.3)	(231.1)
D/E ratio	1.17	0.19	0.77	0.40
(Net D/E ratio)	(0.35)	(-0.17)	(0.31)	(0.04)

Total assets at the end of the first half were 4,200.1 billion yen, an increase of 431.8 billion yen over the end of the same period in fiscal 2006, primarily resulting from an increase in current assets. The increase in current assets reflected a larger cash position that resulted from the issuance of new corporate bonds, with the funds raised to finance future redemptions of existing corporate bonds. In addition, there was an increase in trade receivables associated with the higher level of sales. Inventories stood at 431.9 billion yen, a reduction of 34.5 billion yen compared to the end of the same period in the preceding fiscal year. The monthly inventory turnover ratio, which is an indication of the efficiency of asset utilization, improved by 0.11, to 0.96 times. In non-current assets, the book value of property, plant and equipment increased as a result of investments in capacity expansion at our Mie Plant, but investments in marketable securities decreased as a result of sales of shares in Fanuc Ltd. and other companies in the second half of the preceding fiscal year.

Total liabilities were 3,074.2 billion yen, an increase of 383.1 billion yen over the end of the same period of the prior fiscal year, mainly as a result of an increase in interest-bearing debt. The balance of interest-bearing debt totaled 1,117.0 billion yen at the end of the first half, and the D/E ratio was 1.17. After deducting the balance of cash and cash equivalents at the end of the period, however, the net balance of interest-bearing debt was 331.3 billion yen and the net D/E ratio was 0.35.

Net assets were 1,125.8 billion yen, an increase of 48.7 billion yen compared to the end of the same period in fiscal 2006. In accordance with a resolution by the Board of Directors, capital surplus of 240.4 billion yen were transferred from “other capital surplus” to “other retained earnings.”

Summary of Cash Flows

(Billion Yen)

	First Half FY2007	Change vs. First Half FY2006	Excluding effect of settlement date falling on holiday 36.6 (Billion Yen)
Cash flows from operating activities	152.0	-32.0	21.1
Cash flows from investing activities	-131.9	-12.9	57.8
Free cash flow	20.0	-44.9	
Cash flows from financing activities	315.2	388.7	

Net cash flows from operating activities during the first half were 152.0 billion yen. This represents a decrease of 32.0 billion yen from the same period in fiscal 2006. Cash flows from operating activities increased by 36.6 billion yen, however, when excluding the following impacts: extending month-end payments of trade payables into the next reporting period due to the last day of the first half falling on a holiday; improvements in inventory asset efficiency; and progress in collection of trade receivables, among other factors.

Net cash used in investing activities was 131.9 billion yen. Although there were cash inflows from the sale of shares in affiliated companies, this was offset by capital expenditures relating to the increase in production capacity at our Mie Plant.

Free cash flow, the sum of operating and investment cash flows, was 20.0 billion yen, a decrease of 44.9 billion yen compared the same period in fiscal 2006. Excluding, however, the impact of the last day of the period falling on a holiday, the level of free cash flow increased by 57.8 billion yen.

Net cash provided by financing activities was 315.2 billion yen. Although the company purchased its own 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 100.0 billion yen in corporate straight bonds to raise funds for corporate straight bond redemptions in the second half of the fiscal year. In addition, the company issued 200.0 billion yen of new convertible bonds with the aim of distributing and evening-out the potential financing burden associated with the potential redemption of convertible bonds maturing in 2009.

As a result of the above factors, total cash and cash equivalents at the end of the first half were 785.7 billion yen, an increase of 337.0 billion yen from the end of the prior fiscal year.

Notes to Consolidated Financial Statements

1) Leases

1. Finance Leases (lessee)

Type of lease asset:

Primarily related to logic LSI production equipment and outsourcing-related equipment.

Method of depreciation:

Straight-line method in which the useful life is assumed to be the lease period and there is no residual value.

2. Operating Leases (lessee)

Future minimum lease payments required under non-cancellable operating leases.

(Billion Yen)

	End of First Half FY 2006	End of First Half FY 2007	End of FY 2006
Within one year	9.5	20.4	10.4
Over one year	35.7	96.8	33.6
Total	45.3	117.2	44.0

Additional information:

With regard to property leases in the UK, we had been disclosing the future lease payments for certain periods under the consideration of UK business practices. In line with the recent changes in disclosure practices, we disclosed the future lease payments for all future periods from the first half of fiscal year 2007.

2) Investment Securities

Other investment securities and their market value

(Billion Yen)

TYPE	First Half FY 2006 (End of September 2006)			First Half FY 2007 (End of September 2006)		
	Acquisition Cost	Market Value (recorded on balance sheet)	Difference	Acquisition Cost	Market Value (recorded on balance sheet)	Difference
Shareholdings	53.5	305.0	251.5	80.9	276.6	195.6
Bonds and Other	12.2	12.1	(0)	7.3	7.6	0.3
Total	65.7	317.2	251.5	88.2	284.3	196.0

3) Consolidated Per Share Data

		Yen		
		1H FY 2007 (4/1/07-9/30/07)	1H FY 2006 (4/1/06-9/30/06)	FY 2006 (4/1/06-3/31/07)
A. Earnings per share	(A=a/b)	Y		
		(4.55)	7.18	49.54
B. Diluted earnings per share	(B=(a+c)/(b+d))			
		-	6.46	44.95
C. Net assets per share	(C=e/f)	Y		
		459.84	435.04	469.02

[Basis for calculation]

(1) Earnings Per Share and Diluted Earnings Per Share

		Yen (millions)		
		1H FY 2007 (4/1/07-9/30/07)	1H FY 2006 (4/1/06-9/30/06)	FY 2006 (4/1/06-3/31/07)
Earnings per share				
Net income (loss)	Y	(9,338)	14,847	102,415
Deduction from net income		-	-	-
a. Net income (loss) for common shares		(9,388)	14,847	102,415
b. Average number of shares outstanding (thousand shares)		2,052,430	2,067,527	2,067,369
Diluted earnings per share				
c. Adjustment for net income		-	(149)	(131)
[Adjustment related to dilutive securities issued by subsidiaries and affiliate]		[-]	[(150)]	[(133)]
[Adjustment related to costs for issuing corporate bonds, etc. (After deduction of tax credit)]	Y	[-]	[(1)]	[(1)]
d. Increase in number of common shares (thousand shares)		-	208,159	208,159
[Share warrants (thousand shares)]		[-]	[208,159]	[208,159]

(2) Net Assets Per Share

		Yen (millions)		
		September 30 2007	September 30 2006	March 31 2007
Net assets	Y	1,125,897	1,077,186	1,160,719
Deduction from net assets		174,428	177,775	191,197
[Minority interests]		[174,428]	[177,775]	[191,197]
e. Net assets for common shares	Y	951,469	899,411	969,522
f. Number of shares used to calculate net assets per share (thousand shares)		2,069,115	2,067,410	2,067,104