

4. Financial Condition

Assets, Liabilities and Net Assets

	First Quarter FY 2007	Change vs. 1Q FY 2006	(Billion Yen) Change vs. FY 2006 Year-End
Total Assets	3,909.3	238.8	-34.3
[Inventories]	[438.2]	[-19.6]	[25.8]
Interest-Bearing Loans	850.9	-124.8	105.0
[Net Interest-Bearing Loans]	[464.6]	[-183.7]	[163.8]
Net Assets	1,145.0	81.2	-15.6

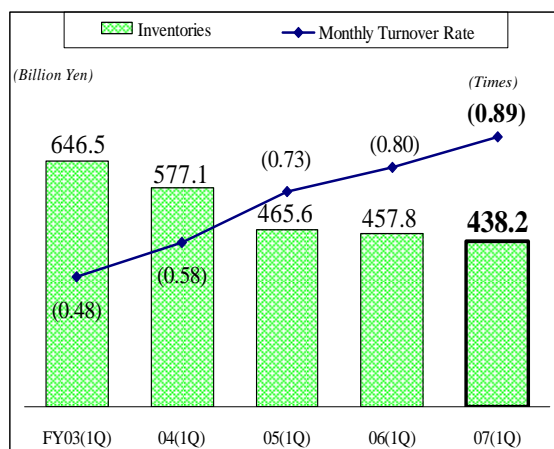
D/E Ratio	0.89	-0.20	0.12
[Net D/E Ratio]	[0.49]	[-0.24]	[0.18]

Total assets at the end of the first quarter were 3,909.3 billion yen, an increase of 238.8 billion yen from the end of the same quarter in the prior fiscal year. This reflected an increase in current assets, primarily the increase in trade receivables associated with the higher level of sales. Inventories at the end of the quarter stood at 438.2 billion yen, a decrease of 19.6 billion yen. The monthly inventory turnover rate, which is an indication of asset utilization efficiency, was 0.89 times, an increase of 0.09. In noncurrent assets, property, plant and equipment less accumulated depreciation increased as a result of investments in higher production capacity at our Mie Plant and other factors, but investments in marketable securities decreased as a result of the sale of shares in Fanuc Ltd. and other companies during the preceding fiscal year.

Total liabilities were 2,764.2 billion yen, an increase of 157.6 billion yen compared to the end of the same quarter in the prior fiscal year. After adjustment for the impact of the payment of trade payables being carried over into the following quarter due to the last day of this quarter being a business holiday, this represented an increase of 55.1 billion yen. As a result primarily of the redemption of bonds, interest-bearing loans decreased by 124.8 billion yen compared to the end of the same quarter of the prior fiscal year and stood at 850.9 billion yen. The D/E ratio was 0.89, remaining below the target level of 1.0.

Total net assets were 1,145.0 billion yen, an increase of 81.2 billion yen over the end of the same period in the fiscal 2006. In accordance with a resolution passed by the board of directors, capital reserves of 240.4 billion yen have been transferred from other capital surplus to retained earnings in the company's unconsolidated accounts. In addition, in anticipation of the exchange of shares scheduled for August, treasury stock in the amount of 26.5 billion yen has been purchased.

Inventories / Monthly Turnover Rate



Summary of Cash Flows

	(Billion Yen)		(Billion Yen)
	First Quarter FY 2007	Change vs. 1Q FY 2006	Change vs. 1Q FY 2006 excluding impact of non-trading days*
Cash Flows from Operating Activities	-53.7	23.0	25.0
Cash Flows from Investing Activities	-67.0	-18.7	10.3
Free Cash Flow	-120.7	4.3	35.4
Cash Flows from Financing Activities	57.3	25.9	

* Non-trading days fell on both the last day of fiscal 2006 and the last day of 1Q fiscal 2007.

Net cash flow used in operating activities during the first quarter was 53.7 billion yen. This was due primarily to an increase in inventories in anticipation of sales at the end of the first half. Compared to the same quarter of the prior fiscal year, net outflows decreased by 23.0 billion yen as a result of an improvement in working capital.

Net cash used in investing activities was 67.0 billion yen, representing an increase in outflows of 18.7 billion yen compared to the same period in the prior fiscal year, as revenue from the sale of shares in affiliated companies was offset by capital expenditures for advanced and standard technology logic devices.

Free cash flow, the sum of operating and investment cash flows, was negative 120.7 billion yen, relatively unchanged compared to the same period in the prior fiscal year. After adjusting for the impact of non-trading days on the last day of the prior fiscal year and the last day of this quarter, this represents an increase of 35.4 billion yen.

Although cash on hand was used to repurchase shares as treasury stock, as a result of increasing short term borrowings, net cash provided by financing activities was 57.3 billion yen.

Combining the effect of all of the above factors, total cash and cash equivalents at the end of the first quarter were 388.6 billion yen, a decrease of 60.0 billion yen from the end of the prior fiscal year.