

## 6. Financial Condition

### [Assets, Liabilities and Net Assets]

(Billion yen)

	3Q FY 2008 (at December 31, 2008)	FY 2007 (at March 31, 2008)	Change	3Q FY 2007 (at December 31, 2007)
Assets				
Current assets	1,886.8	2,169.9	-283.1	2,283.4
(Notes and accounts receivable, trade)	763.8	1,017.9	-254.0	997.7
(Inventories)	421.8	383.1	38.7	472.0
Non-current assets	1,456.1	1,652.0	-195.8	1,757.9
(Property, plant and equipment)	773.0	839.7	-66.7	873.8
(Investment securities and other non-current assets)	473.2	592.7	-119.5	652.5
Total Assets	3,342.9	3,821.9	-479.0	4,041.4
Liabilities				
Current liabilities	1,632.4	1,611.3	21.1	1,772.6
(Notes and accounts payable, trade)	540.1	772.1	-232.0	786.4
(Short-term borrowings and current portion of long-term debt)	537.0	160.2	376.8	305.3
Long-term liabilities	720.4	1,080.4	-360.0	1,154.7
(Long-term debt)	439.3	727.1	-287.7	727.5
Total Liabilities	2,352.9	2,691.7	-338.8	2,927.3
Net Assets				
Shareholders' equity	859.1	911.6	-52.5	857.3
Valuation and translation adjustments	-48.4	36.5	-84.9	76.3
Minority interests	179.2	181.9	-2.7	180.4
Total Net Assets	990.0	1,130.1	-140.1	1,114.1
Total Liabilities and Net Assets	3,342.9	3,821.9	-479.0	4,041.4
Cash and cash equivalents at end of period	481.8	547.8	-66.0	568.2
Ending balance of interest-bearing loans	976.3	887.3	89.0	1,032.8
Ending balance of net interest-bearing loans	494.5	339.4	155.0	464.5
Owners' equity	810.7	948.2	-137.4	933.6

### [Cash Flows]

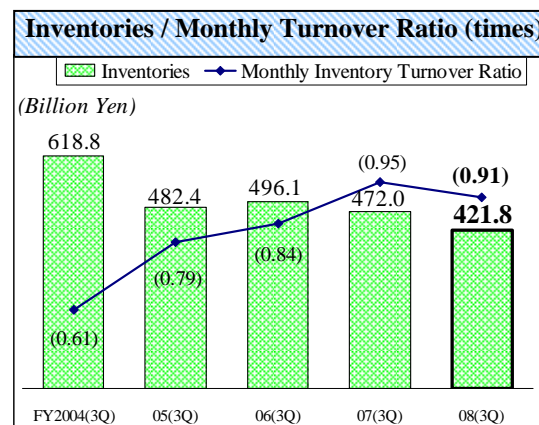
(Billion yen)

	First 9 Months FY 2008 (4/1/08~12/31/08)	First 9 Months FY 2007 (4/1/07~12/31/07)	Change
I. Cash Flows from Operating Activities:			
Income (Loss) before income taxes and minority interests	-25.3	44.6	-70.0
Depreciation and amortization, including goodwill amortization	215.6	201.6	13.9
Loss (gain) on sales of investment securities, net	-2.9	-14.1	11.1
Revaluation loss on inventories	-	25.0	-25.0
(Increase) decrease in receivables, trade	195.6	43.4	152.1
(Increase) decrease in inventories	-53.9	-88.0	34.1
Increase (decrease) in payables, trade	-206.3	-34.8	-171.5
Other, net	-60.3	-57.7	-2.5
Net Cash from Operating Activities	62.1	120.1	-57.9
II. Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-144.2	-210.7	66.4
Proceeds from sales of investment securities	12.8	44.7	-31.9
Other, net	-55.7	-50.6	-5.1
Net Cash Used in Investing Activities	-187.2	-216.6	29.4
I + II. Free Cash Flow	-125.0	-96.5	-28.5
III. Cash Flows from Financing Activities			
Net Cash Provided by Financing Activities	55.6	215.5	-159.8
IV. Cash and Cash Equivalents at End of Period	481.8	568.2	-86.4

## Explanation of Assets, Liabilities, and Net Assets

Total consolidated assets at the end of the third quarter were 3,342.9 billion yen (US\$36,736 million), a decrease of 479.0 billion yen compared to March 31, 2008, the end of fiscal 2007, and a decrease of 237.1 billion yen compared to September 30, 2008, the end of the first half of fiscal 2008. Current assets decreased by 283.1 billion yen compared with the end of fiscal 2007, reflecting both the high level of collections of trade receivables at the end of the last fiscal year and sluggish sales in the third quarter. Inventories stood at 421.8 billion yen, an increase of 38.7 billion yen in comparison with the ending balance for fiscal 2007, primarily to prepare for sales in the Services sub-segment in the fourth quarter.

This represented a decline of 50.1 billion yen in comparison to the balance at December 31, 2007, the end of the third quarter of fiscal 2007, but the monthly inventory turnover ratio, which is an indication of the efficiency of asset utilization, was 0.91 times, not significantly changed from the third quarter of fiscal 2007. In non-current assets, due to a steep decline in stock prices of listed companies since the start of the third quarter, the value of investment securities and other non-current assets decreased by 119.5 billion yen in comparison with the end of the preceding fiscal year.



Total liabilities were 2,352.9 billion yen (US\$25,856 million), a decrease of 338.8 billion yen compared with the end of fiscal 2007, primarily reflecting a decrease in trade payables. The balance of interest-bearing debt was 976.3 billion yen, an increase of 89.0 billion yen over the end of fiscal 2007. The balance of corporate bonds declined by 82.9 billion yen, primarily a result of the redemption of 50.0 billion yen of corporate straight bonds in October, but the balance of borrowings increased by 171.9 billion yen due to fundraising for working capital and other purposes. The debt/equity ratio was 1.20, and the net debt/equity ratio was 0.61. The funds raised in fiscal 2007 through the issuance of new convertible bonds have been invested in low-risk assets to meet the redemption of 250.0 billion yen in convertible bonds maturing in May 2009. After factoring out the impact of the issuance of convertible bonds, the debt/equity ratio is 0.96.

Net assets were 990.0 billion yen (US\$10,880 million), a decrease of 140.1 billion yen compared to the end of fiscal 2007 and a decrease of 114.8 billion compared to end of the first half of fiscal 2008. This was due to the decrease in shareholders' equity resulting from the net loss recorded in the third quarter as well as the negative impact of valuation and translation adjustments stemming from the strengthening of the yen, the decrease in unrealized gains on shares of FANUC, Ltd. and other listed company investments, and the emergence of unrealized losses on a portion of listed ownership stakes held. As a result, the owners' equity ratio was 24.3%, a 0.5 point decrease compared to the end of fiscal 2007.

## Summary of Cash Flows

Net consolidated cash flows from operating activities during the first nine months of the fiscal year were 62.1 billion yen (US\$683 million). This represents a decrease of 57.9 billion yen from the same period in fiscal 2007, due primarily to the decrease in profits before income taxes and minority interests.

Net cash used in investing activities was 187.2 billion yen (US\$2,058 million), primarily for capital expenditures in the Services sub-segment. In comparison with the first nine months of fiscal 2007, net outflows decreased by 29.4 billion yen. In comparison with the previous fiscal year, in which there were heavy cash outflows resulting from the construction of the 300mm line at the Mie Plant, outflows for the acquisition of tangible fixed assets decreased by 66.4 billion yen. Net proceeds from the sale of investment securities declined by 31.9 billion yen compared with the same period in fiscal 2007, when the sale of shares in affiliates partially offset the higher outflows.

Free cash flow, the sum of operating and investing cash flows, was negative 125.0 billion yen (US\$1,375 million) for the first nine months of fiscal 2008, representing an increase in net outflows of 28.5 billion yen compared with the same period in fiscal 2007.

Net cash provided by financing activities was 55.6 billion yen (US\$611 million). The net inflow resulted from the issuance of corporate bonds as well as short-term borrowings to finance a portion of working capital, outweighing payments of 146.6 billion yen to redeem corporate bonds and 24.4 billion yen in dividend payments. Compared to the same period in the previous fiscal year, when there were cash inflows from the issuance of 200 billion yen in convertible bonds and 100 billion yen in corporate straight bonds, cash inflows decreased by 159.8 billion yen.

As a result of the above factors, total cash and cash equivalents at the end of the third quarter were 481.8 billion yen, a decrease of 66.0 billion yen from the end of fiscal 2007 and 86.4 billion yen from the end of the third quarter of fiscal 2007.

**Reference: Major Financial Indices**

	December 31 2008	March 31 2008	Change	December 31 2007
D/E Ratio (times)*	1.20	0.94	0.26	1.11
Net D/E Ratio (times)**	0.61	0.36	0.25	0.50
Shareholders' Equity Ratio	25.7%	23.9%	1.8%	21.2%
Owners' Equity Ratio	24.3%	24.8%	-0.5%	23.1%

**Notes:**

\* D/E ratio is ending balance of interest-bearing loans/owners' equity.

\*\* Net D/E ratio equals (ending balance of interest-bearing loans - cash and cash equivalents at end of period)/owners' equity.