

5. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

	FY 2011 (March 31, 2012)	FY 2010 (March 31, 2011)	Change
Assets			
Current assets	1,701.7	1,760.6	-58.8
(Cash and deposit and marketable securities)	273.9	364.6	-90.7
(Notes and accounts receivable, trade)	901.3	877.0	24.2
(Inventories)	334.1	341.4	-7.3
Non-current assets	1,243.7	1,263.4	-19.7
(Property, plant and equipment)	640.9	638.6	2.3
(Intangible assets)	230.2	251.9	-21.6
(Investment securities and other non-current assets)	372.4	372.8	-0.3
Total Assets	2,945.5	3,024.0	-78.5
Liabilities			
Current liabilities	1,417.4	1,507.8	-90.3
(Notes and accounts payable, trade)	617.7	604.2	13.4
(Short-term borrowings and current portion of long-term debt)	128.9	225.5	-96.6
(Accrued expenses)	342.5	323.1	19.3
Long-term liabilities	561.4	562.5	-1.0
(Long-term debt)	252.2	245.2	6.9
(Accrued retirement benefits)	180.4	181.5	-1.0
(Deferred tax liabilities)	27.9	33.7	-5.8
Total Liabilities	1,978.9	2,070.3	-91.4
Net Assets			
Shareholders' equity	926.0	903.9	22.1
Total accumulated other comprehensive income	-85.0	-82.6	-2.3
Minority interests	125.4	132.4	-6.9
Total Net Assets	966.5	953.7	12.8
Total Liabilities and Net Assets	2,945.5	3,024.0	-78.5

[Cash Flows]

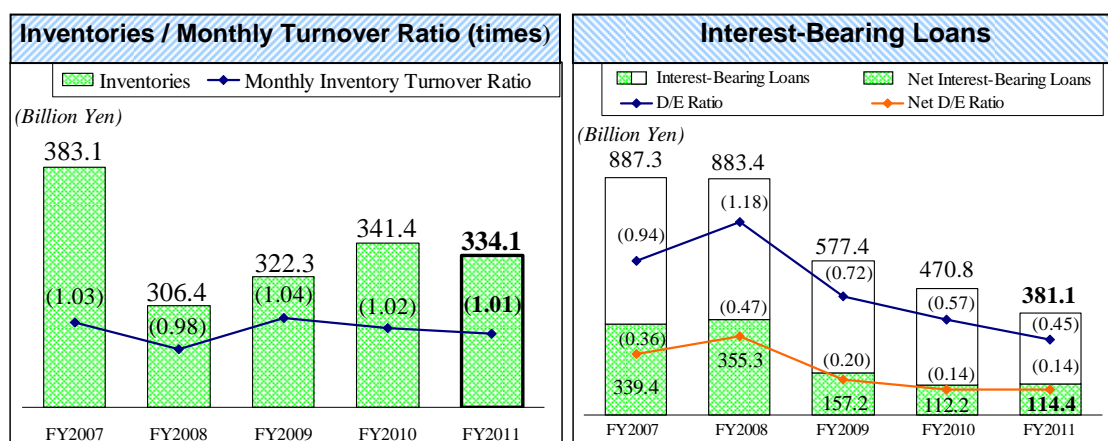
(Billion Yen)

	Full-Year FY 2011 (4/1/11~3/31/12)	Full-Year FY 2010 (4/1/10~3/31/11)	Change
I. Cash flows from operating activities:			
Income before income taxes and minority interests	66.7	102.2	-35.5
Depreciation and amortization, including goodwill amortization	209.5	223.3	-13.8
(Increase) decrease in receivables, trade	-33.9	25.6	-59.6
(Increase) decrease in inventories	4.6	-22.7	27.3
Increase (decrease) in payables, trade	20.8	-1.7	22.5
Net Cash provided by operating activities	240.0	255.5	-15.5
II. Cash flows from investing activities			
Purchases of property, plant and equipment	-137.7	-122.2	-15.5
Purchases of intangible assets	-57.5	-59.6	2.1
(Gain) loss on sales of investment securities, net	5.6	35.1	-29.5
Net cash used in investing activities	-190.8	-142.1	-48.7
I + II Free cash flow	49.1	113.4	-64.2
(excluding one-time items)	43.5	73.3	-29.8
III. Cash flows from financing activities			
Net increase in borrowings (decrease)	-40.6	-3.1	-37.4
Bond issue and redemption	-48.2	-99.8	51.6
Dividends paid	-22.6	-23.1	0.5
Net cash used in financing activities	-138.9	-166.9	27.9
IV. Cash and cash equivalents at end of period	266.6	358.5	-91.8

Note:

Free cash flow excluding one-time items excludes proceeds from sales of investment securities, income from acquisition of subsidiaries' stock, and proceeds from the transfer of business.

Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover rate is calculated by taking sales for the fiscal year, dividing by the average balance of inventories during the period, and then dividing by 12. The average balance of inventories for the fiscal year is calculated by taking the average of the balances of the end of the first, second, and third quarters and the end of the fiscal year.

Consolidated total assets at the end of fiscal 2011 were 2,945.5 billion yen (US\$35,921 million), a decrease of 78.5 billion yen compared to the end of fiscal 2010. Current assets totaled 1,701.7 billion yen, a decrease of 58.8 billion yen compared to the end of the prior fiscal year. The combined balance of cash and time deposits and marketable securities declined by a total of 90.7 billion yen, as cash on hand was applied to cover a portion of the convertible bonds redeemed during the period, and borrowings were reduced. Notes and accounts receivable increased by 24.2 billion yen as sales in the fourth quarter of fiscal 2011 were higher than in the same period of fiscal 2010. Inventories at the end of fiscal 2011 totaled 334.1 billion yen, down 7.3 billion yen from the end of the previous fiscal year. After last year's earthquake in Japan and the Thai floods, the company has been holding parts and materials in inventory of sufficient quantity to enable it to cope with unforeseen circumstances, although steady progress was achieved in the delivery of the next-generation supercomputer system. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 1.01 times, a level roughly unchanged from the end of the previous fiscal year.

Non-current assets were 1,243.7 billion yen, a decrease of 19.7 billion yen compared to the end of the preceding fiscal year. The balance of intangible assets decreased 21.6 billion yen on the amortization of goodwill.

Total consolidated liabilities were 1,978.9 billion yen (US\$24,133 million), a decrease of 91.4 billion yen from the end of fiscal 2010. The balance of interest-bearing debt was 381.1 billion yen, a decrease of 89.6 billion yen from the end of fiscal 2010. The company redeemed 100.0 billion yen of convertible bonds at maturity, and issued 50.0 billion yen in straight bonds that mature in three and five years. In addition, efforts were made to reduce borrowings. As a result, the D/E ratio was 0.45 times, an improvement of 0.12 of a percentage point compared to the end of fiscal 2010, and the net D/E ratio was 0.14 times, unchanged from the end of the preceding fiscal year. Both the D/E ratio and the net D/E ratio marked the lowest level ever attained by the group.

Net assets were 966.5 billion yen (US\$11,787 million), an increase of 12.8 billion yen from the end of the previous fiscal year. With the posting of fiscal 2011's net income, shareholders'

equity increased by 22.1 billion yen. Accumulated other comprehensive income was a negative 85.0 billion yen at the end of fiscal 2011, essentially unchanged from the end of fiscal 2010, although exchange rates and stock prices fluctuated widely during the fiscal year. The owners' equity ratio was 28.6%, an increase of 1.4 percentage points over the end of fiscal 2010 due to an increase in shareholder's equity.

(Billion Yen)			
	FY 2011 (March 31, 2012)	FY 2010 (March 31, 2011)	Change
Cash and cash equivalents at end of period	266.6	358.5	-91.8
Ending balance of interest-bearing loans	381.1	470.8	-89.6
Ending balance of net interest-bearing loans	114.4	112.2	2.2
Owners' equity	841.0	821.2	19.7

Summary of Cash Flows

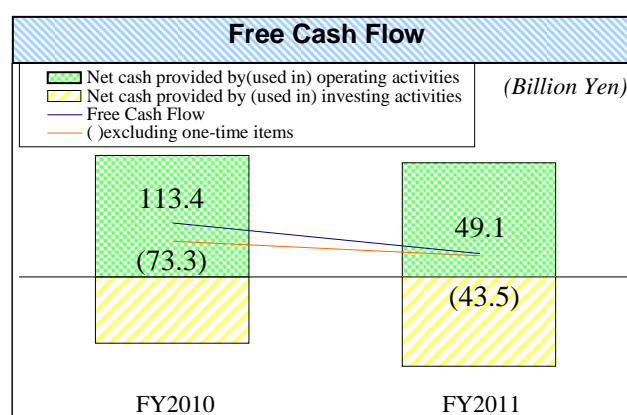
Net cash flows provided by operating activities during fiscal 2011 were 240.0 billion yen (US\$2,927 million), a year-on-year decrease of 15.5 billion yen. The reduction stemmed from the deterioration in income before income taxes and minority interests as a result of the Thai floods, the weak demand for LSI devices and electronic components, and the reduction in large-scale systems deals, among other factors.

Net cash used in investing activities was 190.8 billion yen (US\$2,327 million). There were outflows of 137.7 billion yen for the acquisition of property, plant and equipment resulting from capital expenditures primarily in datacenters, and there were outflows of 57.5 billion yen to acquire intangible assets, primarily software. Compared to the previous fiscal year, outflows increased 48.7 billion yen. During fiscal 2010, there was an inflow of 35.1 billion yen from the sale of investment securities.

Free cash flow, the sum of operating and investing cash flows, was 49.1 billion yen (US\$599 million), a decrease of 64.2 billion yen compared with the previous fiscal year. Excluding the impact of such one-time factors as cash inflows from the sale of investment securities, free cash flow was 43.5 billion yen, a decline of 29.8 billion yen from the previous fiscal year.

Net cash used in financing activities was 138.9 billion yen (US\$1,694 million). The company redeemed 100.0 billion yen in convertible bonds at maturity, against which it issued 50.0 billion yen in straight bonds that reach maturity at three and five years. In addition, efforts moved forward to pay down borrowings. Compared to the previous fiscal year, cash inflows rose by 27.9 billion yen.

As a result of the above factors, cash and cash equivalents at the end of fiscal 2011 were 266.6 billion yen (US\$3,251 million), a decrease of 91.8 billion yen compared to the end of fiscal 2010.



Note: Free cash flow excluding special factors is free cash flow minus proceeds from the sale of investment securities, proceeds from the transfer of business, and income from the acquisition of subsidiaries' stock.