

4. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

	First Quarter FY 2011 (at June 30, 2011)	Full Year FY 2010 (at March 31, 2011)	Change	First Quarter FY 2010 (at June 30, 2010)
Current assets	1,688.4	1,760.6	-72.1	1,703.9
(Cash and time deposits)	269.7	353.8	-84.0	263.5
(Notes and accounts receivable, trade)	725.9	877.0	-151.1	740.3
(Marketable securities)	111.4	10.8	100.6	142.7
(Inventories)	382.1	341.4	40.7	359.8
Non-current assets	1,243.7	1,263.4	-19.7	1,293.3
(Property, plant and equipment)	632.1	638.6	-6.4	645.4
(Intangible assets)	243.2	251.9	-8.7	258.5
(Investment securities and other non-current assets)	368.4	372.8	-4.4	389.3
Total Assets	2,932.1	3,024.0	-91.9	2,997.2
Current liabilities	1,442.3	1,507.8	-65.4	1,491.1
(Notes and accounts payable, trade)	509.3	604.2	-94.9	538.0
(Short-term borrowings and current portion of long-term debt)	290.8	225.5	65.2	311.8
(Accrued expenses)	282.6	323.1	-40.4	283.3
Long-term liabilities	573.2	562.5	10.7	596.4
(Long-term debt)	257.4	245.2	12.1	258.2
(Accrued retirement benefits)	180.4	181.5	-1.1	191.9
Total Liabilities	2,015.6	2,070.3	-54.6	2,087.5
Shareholders' equity	873.2	903.9	-30.6	860.9
Accumulated other comprehensive income	-85.5	-82.6	-2.9	-86.3
Minority interests	128.8	132.4	-3.6	134.9
Total Net Assets	916.5	953.7	-37.2	909.6
Total Liabilities and Net Assets	2,932.1	3,024.0	-91.9	2,997.2

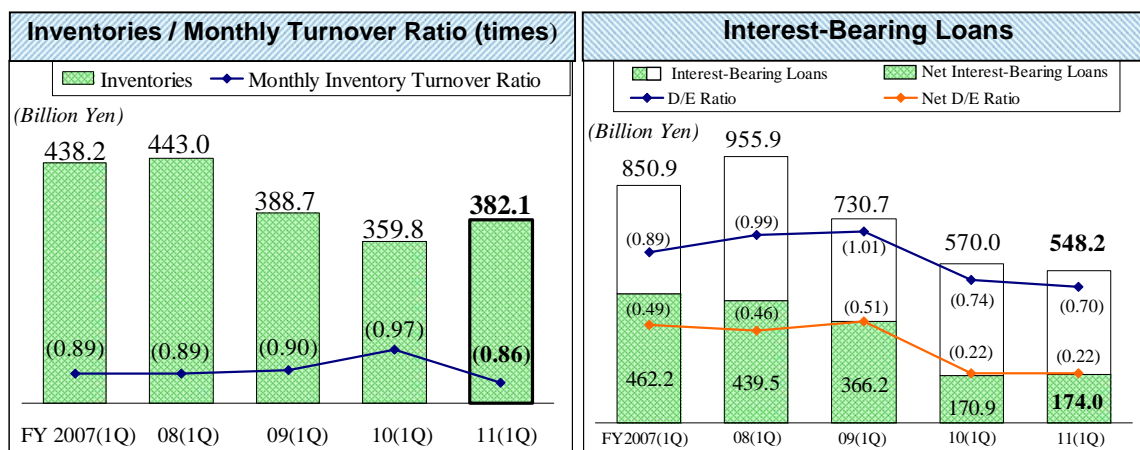
[Cash Flows]

(Billion Yen)

	First Quarter FY 2011 (4/1/11~6/30/11)	First Quarter FY 2010 (4/1/10~6/30/10)	Change
I. Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	-26.3	2.4	-28.7
Depreciation and amortization, including goodwill amortization	51.6	54.8	-3.1
(Increase) decrease in receivables, trade	147.1	154.6	-7.5
(Increase) decrease in inventories	-42.1	-45.6	3.5
Increase (decrease) in payables, trade	-92.1	-62.4	-29.6
Net Cash Provided by (Used in) Operating Activities	-10.7	43.2	-53.9
II. Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-27.9	-29.0	1.0
Proceeds from sales of investment securities	0.7	21.3	-20.6
Net Cash Used in Investing Activities	-36.5	-16.8	-19.7
I + II Free Cash Flow	-47.3	26.3	-73.6
[excluding one-time items]	[-48.1]	[4.9]	[-53.1]
III. Cash Flows from Financing Activities			
Net increase in borrowings (decrease)	168.0	87.0	80.9
Bond issue and redemption	-89.8	-91.3	1.5
Dividends paid	-11.3	-11.7	0.4
Net Cash Provided by (Used in) Financing Activities	59.6	-34.4	94.1
IV. Cash and Cash Equivalents at End of Period	374.2	399.1	-24.9

Note: Free cash flow excluding one-time items excludes proceeds from sale of investment securities and income from acquisition of subsidiaries' stock.

Explanation of Assets, Liabilities and Net Assets



Note: The monthly inventory turnover ratio is calculated by taking first quarter sales, dividing by the balance of inventories at the end of the first quarter, and then dividing by 3.

Consolidated total assets at the end of the first quarter were 2,932.1 billion yen (US\$36,199 million), a decrease of 91.9 billion yen from the end of fiscal 2010. Current assets decreased by 72.1 billion yen compared with the end of fiscal 2010, to 1,688.4 billion yen, reflecting the collection of notes and accounts receivable associated with the large concentration of sales toward the end of fiscal 2010. In preparation for future expected sales, particularly in the services business, inventories at the end of the quarter increased to 382.1 billion yen, an increase of 40.7 billion yen from the ending balance of fiscal 2010. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.86 times, a deterioration of 0.11 times compared to the end of the first quarter of fiscal 2010. This deterioration was largely the result of the lower level of sales in the first quarter of fiscal 2011 compared to the previous fiscal year's first quarter, due to the earthquake and other factors.

Non-current assets declined by 19.7 billion yen from the end of fiscal 2010, to 1,243.7 billion yen. The net balances of property, plant and equipment, and intangible assets decreased because depreciation and amortization exceeded the level of capital expenditures.

Consolidated total liabilities amounted to 2,015.6 billion yen (US\$24,884 billion), a decrease of 54.6 billion yen compared to the end of fiscal 2010, reflecting the payment of trade notes and accounts payable relating to the concentration of sales at the end of the prior fiscal year, as well as the payment of accrued expenses, including salary bonuses. The balance of interest-bearing loans was 548.2 billion yen, an increase of 77.4 billion yen from the end of fiscal 2010. Although 100 billion yen in convertible bonds were redeemed at maturity during the period, short-term borrowings increased to finance a portion of working capital. As a result, the D/E ratio was 0.70 times, a deterioration of 0.13 of a percentage point compared to the end of fiscal 2010, and the net D/E ratio was 0.22 times, a deterioration of 0.08 of a percentage point compared to the end of fiscal 2010. Both ratios were essentially unchanged from the levels at the end of the first quarter of the previous fiscal year.

Net assets were 916.5 billion yen, a decrease of 37.2 billion yen from the end of fiscal 2010, reflecting a decrease in shareholders' equity resulting from the net loss recorded in the quarter. In line with the decrease in owners' equity, the owners' equity ratio declined to 26.9%, a deterioration of 0.3 of a percentage point compared to the end of fiscal 2010.

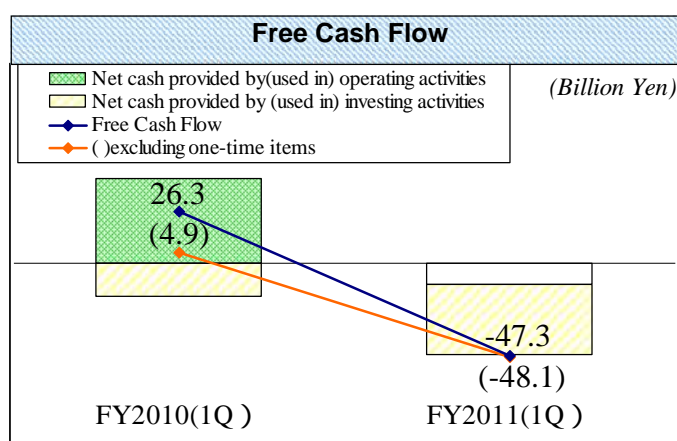
				(Billion Yen)
	1Q FY2011 (June 30, 2011)	FY2010 (March 31, 2011)	Change	1Q FY2010 (June 30, 2010)
Cash and cash equivalents at end of period	374.2	358.5	15.6	399.1
Interest-bearing loans	548.2	470.8	77.4	570.0
Net interest-bearing loans	174.0	112.2	61.8	170.9
Owners' equity	787.7	821.2	-33.5	774.6

D/E ratio (times)	0.70	0.57	0.13	0.74
Net D/E ratio (times)	0.22	0.14	0.08	0.22
Shareholders' equity ratio	29.8%	29.9%	-0.1%	28.7%
Owners' equity ratio	26.9%	27.2%	-0.3%	25.8%

1. D/E ratio: Interest-bearing loans/Owners' equity
2. Net D/E ratio: (Interest-bearing loans – End balance of cash and cash equivalents)/Owners' equity

Summary of Cash Flows

Net cash flows used in operating activities in the first quarter amounted to 10.7 billion yen (US\$132 million). This represents a decrease of 53.9 billion yen compared to the first quarter of fiscal 2010. Operating cash flows deteriorated for several reasons. First, there was a deterioration in income before income taxes and minority interests as a result of the impact of the earthquake and other factors, resulting in a loss. In addition, working capital increased in the first quarter as a result of the lower level of sales at the end of fiscal 2010 and the higher level of raw materials in the first quarter, both stemming from the effects of the earthquake.



Note: Free cash flow excluding one-time items is free cash flow minus proceeds from the sale of investment securities and proceeds from the acquisition of subsidiaries' shares.

Net cash used in investing activities was 36.5 billion yen (US\$451 million). Outflows mainly consisted of the acquisition of property, plant and equipment, primarily related to datacenters. Compared to the same period in fiscal 2010, net outflows increased by 19.7 billion yen, primarily reflecting a decrease in proceeds from the sale of investment securities.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 47.3 billion yen (US\$584 million), a decline of 73.6 billion yen compared with the same period in the previous fiscal year. Excluding the impact of such one-time items as proceeds from the sale of investment securities, free cash flow was negative 48.1 billion yen, representing a deterioration of 53.1 billion yen from the first quarter of fiscal 2010.

Net cash provided by financing activities was 59.6 billion yen (US\$736 million). Although 100.0 billion yen in convertible bonds were redeemed at maturity during the period, short-term borrowings increased to finance a portion of working capital. Compared to the same period in the previous fiscal year, there was a net inflow of 94.1 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2011 were 374.2 billion yen (US\$4,620 million), an increase of 15.6 billion yen compared to the end of fiscal 2010.

Cash on hand was temporarily reduced by the redemption of 100.0 billion yen in convertible bonds at maturity in May 2011. The company therefore issued 50.0 billion yen in straight corporate bonds in July to bolster cash on hand. The company had considered issuing the new bonds prior to the maturity of the convertible bonds, but deterioration in the market environment for new issuances after the earthquake delayed the timing of the issuance.