

5. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

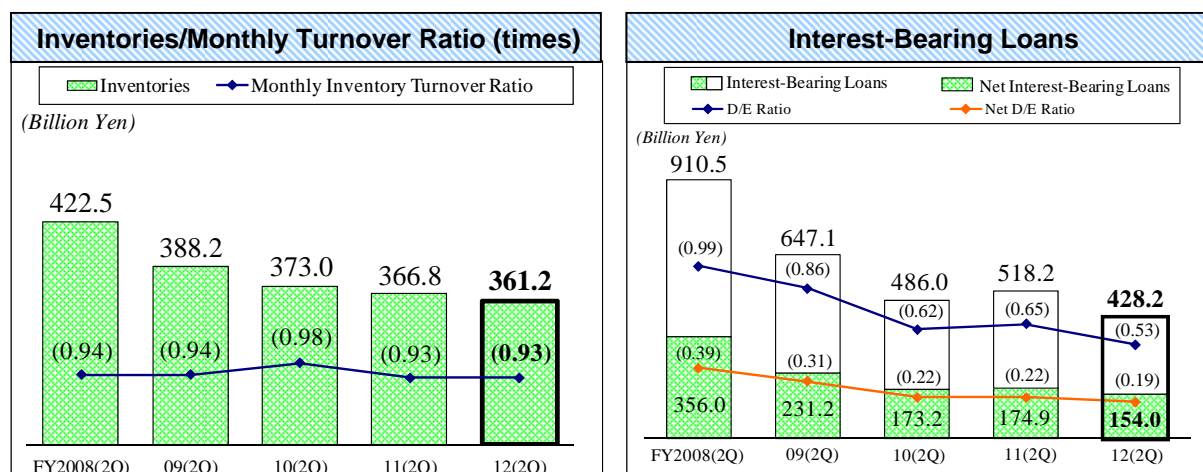
	Second Quarter FY2012 (at sept. 30,2012)	Year-end FY2011 (at March 31,2012)	Change	Second Quarter FY2011 (at sept. 30,2011)
Assets				
Curent assets	1,562.7	1,701.7	-138.9	1,634.6
(Cash and time deposits and Marketable securities)	281.2	273.9	7.3	349.6
(Notes and accounts receivable, trade)	736.7	901.3	-164.6	722.6
(Inventories)	361.2	334.1	27.1	366.8
Non-current assets	1,209.5	1,243.7	-34.2	1,221.3
(Property, plant and equipment)	631.8	640.9	-9.0	630.2
(Intangible assets)	218.5	230.2	-11.7	234.2
(Investment securities and other non-current assets)	359.1	372.4	-13.3	356.9
Total Assets	2,772.2	2,945.5	-173.2	2,855.9
Liabilities				
Current liabilities	1,334.4	1,417.4	-82.9	1,401.9
(Notes and accounts payables, trade)	528.4	617.7	-89.3	534.9
(Short-term borrowings and Current portion of bonds payable)	210.4	128.9	81.4	271.8
(Accrued expenses)	314.2	342.5	-28.2	302.5
Long-term liabilities	509.0	561.4	-52.4	534.1
(Long-term debt)	217.8	252.2	-34.3	246.4
(Accrued retirement benefits)	170.0	180.4	-10.4	173.5
Total Liabilities	1,843.5	1,978.9	-135.3	1,936.1
Net Assets				
Shareholders' equity	904.7	926.0	-21.2	899.4
Accumulated other comprehensive income	-99.5	-85.0	-14.5	-106.1
Minority interests in consolidated subsidiaries	123.4	125.4	-2.0	126.4
Total Net Assets	928.7	966.5	-37.8	919.8
Total Liabilities and Net Assets	2,772.2	2,945.5	-173.2	2,855.9

[Cash Flows]

(Billion Yen)

	First Half FY2012 (4/1/12~9/30/12)	First Half FY2011 (4/1/11~9/30/11)	Change
I .Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	3.1	-10.2	13.3
Depreciation and amortization, including goodwill amortization	95.4	102.1	-6.6
(Increase) decrease in receivables, trade	148.9	124.4	24.4
(Increase) decrease in inventories	-32.1	-34.3	2.2
Increase (decrease) in payables, trade	-79.1	-49.1	-30.0
Income tax paid	-8.2	-18.1	9.8
Net cash provided by operating activities	60.2	55.2	5.0
II .Cash flows from investing activities:			
Purchases of property, plant and equipment	-53.1	-68.7	15.6
Purchases of intangible assets	-28.0	-25.6	-2.3
Net cash used in investing activities	-77.7	-92.6	14.8
I + II Free Cash Flow	-17.5	-37.4	19.8
III .Cash flows from financing activities:			
Net increase in borrowings (decrease)	106.1	92.0	14.0
Bond issue and redemption	-56.9	-39.4	-17.4
Dividends Paid	-11.5	-11.3	-0.2
Net cash provided by financing activities	28.4	27.5	0.9
Cash and cash equivalents at end of period	274.1	343.2	-69.1

Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking first-half sales, dividing by the average balance of inventories in the first half, and then dividing by 6. The average balance of inventories in the second quarter is calculated using the average of the balances at the end of first quarter and second quarter.

Consolidated total assets at the end of the second quarter were 2,772.2 billion yen (US\$35,541 million), a decrease of 173.2 billion yen from the end of fiscal 2011. Current assets decreased by 138.9 billion yen compared with the end of fiscal 2011, to 1,562.7 billion yen, reflecting the collection of notes and accounts receivable associated with the large concentration of sales at the end of previous fiscal year. In preparation for anticipated sales, particularly in the services business and mobile phone business, inventories at the end of the quarter increased to 361.2 billion yen, an increase of 27.1 billion yen from the ending balance of fiscal 2011. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.93 times, essentially unchanged from the end of the second quarter of fiscal 2011.

Non-current assets declined by 34.2 billion yen from the end of fiscal 2011, to 1,209.5 billion yen. The net balances of property, plant and equipment as well as intangible assets decreased as depreciation and amortization exceeded the level of capital expenditures during the first half.

Consolidated total liabilities amounted to 1,843.5 billion yen (US\$23,635 billion), a decrease of 135.3 billion yen compared to the end of fiscal 2011, reflecting the payment of trade notes and accounts payable relating to the concentration of sales at the end of the prior fiscal year. The balance of interest-bearing loans was 428.2 billion yen, an increase of 47.1 billion yen from the end of fiscal 2011. The company redeemed 60.0 billion yen in straight corporate bonds at maturity, but short-term borrowings increased to finance a portion of working capital. As a result, the D/E ratio was 0.53 times, an increase of 0.08 of a percentage point compared to the end of fiscal 2011, and the net D/E ratio was 0.19 times, an increase of 0.05 of a percentage point compared to the end of fiscal 2011. Owners' equity has improved since the end of the second quarter of the previous fiscal year because of the efforts made to repay interest-bearing loans and the net income posted.

Net assets were 928.7 billion yen (US\$11,906 million), a decrease of 37.8 billion yen from the end of fiscal 2011. The decline in net assets reflects a decrease in shareholders' equity of 21.2 billion yen resulting mainly from the net loss recorded in the half and the payment of year-end dividends, as well as a decline in accumulated other comprehensive income of 14.5 billion yen, primarily as a result of yen appreciation. The decline in total assets increased the owners' equity ratio by 0.4 of a percentage point compared to the end of fiscal 2011, to 29.0%.

(Billion Yen)

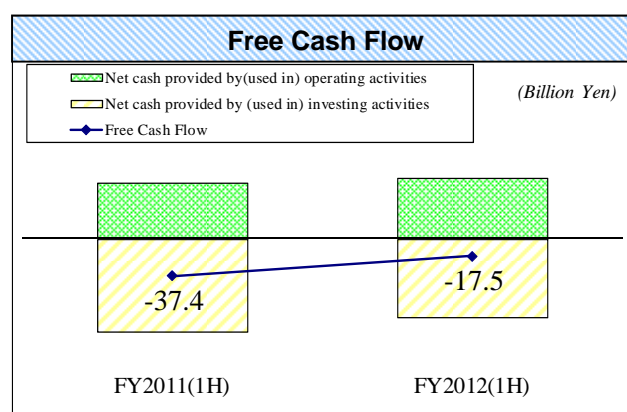
	2Q FY 2012 (September 30, 2012)	FY 2011 (March 31, 2012)	Change	2Q FY 2011 (September 30, 2011)
Cash and cash equivalents at end of period	274.1	266.6	7.4	343.2
Interest-bearing loans	428.2	381.1	47.1	518.2
Net interest-bearing loans	154.0	114.4	39.6	174.9
Owners' equity	805.2	841.0	-35.7	793.3
D/E ratio (times)	0.53	0.45	0.08	0.65
Net D/E ratio (times)	0.19	0.14	0.05	0.22
Shareholders' equity ratio	32.6 %	31.4 %	1.2 %	31.5 %
Owners' equity ratio	29.0 %	28.6 %	0.4 %	27.8 %

1. D/E ratio: Interest-bearing loans/Owners' equity.

2. Net D/E ratio: (Interest-bearing loans – Cash and cash equivalents at end of period)/Owners' equity.

Summary of Cash Flows

Net cash provided by operating activities in the first half amounted to 60.2 billion yen (US\$772 million). This represents an increase in cash inflows of 5.0 billion yen compared to the first half of fiscal 2011. The increase was attributable to improved income before income taxes and minority interests, as a loss on disaster stemming from the impact of the earthquake was posted in the first half of fiscal 2011, and a lower amount of corporate taxes paid due to the liquidation of a European subsidiary which reduced the previous fiscal year's corporate tax liability.



Net cash used in investing activities was 77.7 billion yen (US\$996 million). Outflows mainly consisted of the acquisition of property, plant and equipment amounting to 53.1 billion yen, primarily related to datacenters, and the acquisition of intangible assets amounting to 28.0 billion yen, primarily software. Compared to the same period in fiscal 2011, net outflows decreased by 14.8 billion yen, reflecting lower capital expenditures on property, plant and equipment.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 17.5 billion yen (US\$224 million), representing a decrease in net cash outflows of 19.8 billion yen compared with the same period in the previous fiscal year. Free cash flow was positive in the second quarter although it was negative in the first quarter as income before income taxes and minority interests amounted to a loss.

Net cash provided by financing activities was 28.4 billion yen (US\$364 million). Cash on hand was used to redeem 60.0 billion yen in straight corporate bonds at maturity, but short-term borrowings were increased to finance a portion of working capital. This represents an increase in net cash inflows of 0.9 billion yen compared to the first half of fiscal 2011.

As a result of the above factors, cash and cash equivalents at the end of the first half of fiscal 2012 were 274.1 billion yen (US\$3,514 million), an increase of 7.4 billion yen compared to the end of fiscal 2011.

To replenish cash on hand, which had temporarily declined because it was used to redeem 60.0 billion yen in straight corporate bonds at maturity in September 2012, the company newly issued 60.0 billion yen in straight corporate bonds in October 2012.

	FY 2012			Change vs. FY 2011		
	First Quarter	Second Quarter	First Half	First Quarter	Second Quarter	First Half
	Cash flows from operating activities	-10.0	70.2	60.2	0.6	4.3
Cash flows from investing activities	-34.3	-43.4	-77.7	2.2	12.6	14.8
Free cash flow	-44.3	26.8	-17.5	2.9	16.9	19.8
Cash flows from financing activities	147.4	-118.9	28.4	87.7	-86.8	0.9
Total	103.0	-92.1	10.8	90.6	-69.8	20.8