

## 4.Financial Condition

### [Assets, Liabilities and Net Assets]

(Billion Yen)

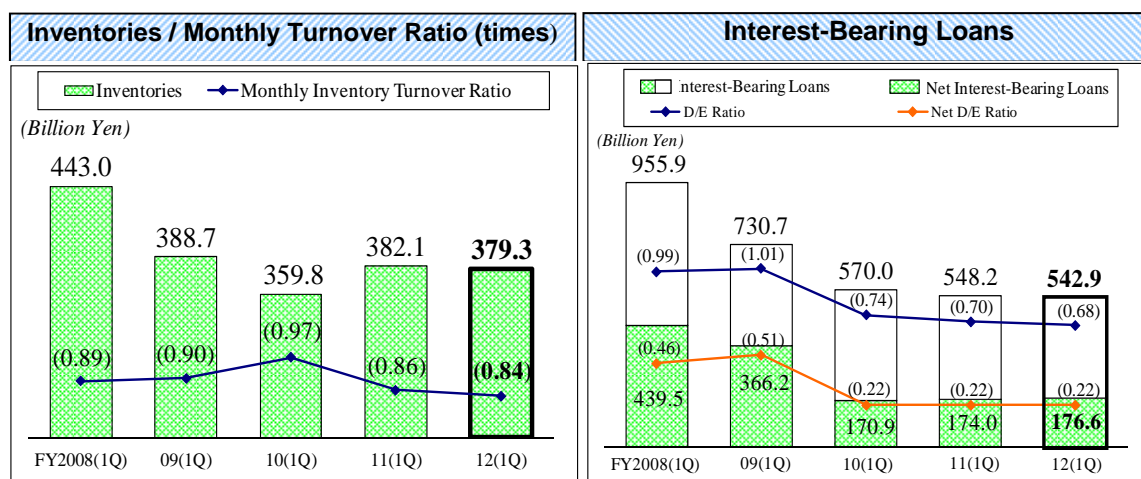
	Fitst Quarter FY2012 (at June 30,2012)	Year-end FY2011 (at March 31,2012)	Change	Fitst Quarter FY2011 (at June 30,2011)
<b>Assets</b>				
Current assets	1,653.5	1,701.7	-48.1	1,688.4
(Cash and time deposits and Marketable securities)	373.9	273.9	99.9	381.2
(Notes and accounts receivable, trade)	697.5	901.3	-203.7	725.9
(Inventories)	379.3	334.1	45.2	382.1
Non-current assets	1,210.2	1,243.7	-33.4	1,243.7
(Property, plant and equipment)	627.2	640.9	-13.6	632.1
(Intangible assets)	222.7	230.2	-7.5	243.2
(Investment securities and other non-current assets)	360.2	372.4	-12.2	368.4
<b>Total Assets</b>	<b>2,863.8</b>	<b>2,945.5</b>	<b>-81.6</b>	<b>2,932.1</b>
<b>Liabilities</b>				
Current liabilities	1,414.6	1,417.4	-2.8	1,442.3
(Notes and accounts payables, trade)	505.2	617.7	-112.4	509.3
(Short-term borrowings and Current portion of bonds payable)	304.8	128.9	175.9	290.8
(Accrued expenses)	288.9	342.5	-53.5	282.6
Long-term liabilities	532.7	561.4	-28.7	573.2
(Long-term debt)	238.1	252.2	-14.1	257.4
(Accrued retirement benefits)	171.4	180.4	-9.0	180.4
<b>Total Liabilities</b>	<b>1,947.3</b>	<b>1,978.9</b>	<b>-31.5</b>	<b>2,015.6</b>
<b>Net Assets</b>				
Shareholders' equity	892.0	926.0	-33.9	873.2
Accumulated other comprehensive income	-98.6	-85.0	-13.6	-85.5
Minority interests in consolidated subsidiaries	122.9	125.4	-2.4	128.8
<b>Total Net Assets</b>	<b>916.4</b>	<b>966.5</b>	<b>-50.1</b>	<b>916.5</b>
<b>Total Liabilities and Net Assets</b>	<b>2,863.8</b>	<b>2,945.5</b>	<b>-81.6</b>	<b>2,932.1</b>

### [Cash Flows]

(Billion Yen)

	Fitst Quarter FY2012 (4/1/12~6/30/12)	Fitst Quarter FY2011 (4/1/11~6/30/11)	Change
<b>I .Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	-24.9	-26.3	1.4
Depreciation and amortization, including goodwill amortization	47.9	51.6	-3.6
(Increase) decrease in receivables, trade	185.7	147.1	38.6
(Increase) decrease in inventories	-50.6	-42.1	-8.4
Increase (decrease) in payables, trade	-100.8	-92.1	-8.7
Net cash used in operating activities	-10.0	-10.7	0.6
<b>II .Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	-21.6	-27.9	6.3
Purchases of intangible assets	-12.5	-10.8	-1.7
Net cash used in investing activities	-34.3	-36.5	2.2
<b>I + II Free Cash Flow</b>	<b>-44.3</b>	<b>-47.3</b>	<b>2.9</b>
<b>III.Cash flows from financing activities:</b>			
Net increase in borrowings(decrease)	161.9	168.0	-6.1
Bond issue and redemption	1.9	-89.8	91.7
Dividends Paid	-11.5	-11.3	-0.2
Net cash provided by financing activities	147.4	59.6	87.7
<b>Cash and cash equivalents at end of period</b>	<b>366.2</b>	<b>374.2</b>	<b>-7.9</b>

## 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 2,863.8 billion yen (US\$36,251 million), a decrease of 81.6 billion yen from the end of fiscal 2011. Approximately 50 billion yen of this decrease was attributable to the appreciation of the yen. Current assets decreased by 48.1 billion yen compared with the end of fiscal 2011, to 1,653.5 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 future expected sales, particularly in the services business and mobile phone business, inventories at the end of the quarter increased to 379.3 billion yen, an increase of 45.2 billion yen from the ending balance of fiscal 2011. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.84 times, a deterioration of 0.02 times compared to the end of the first quarter of fiscal 2011.

Non-current assets declined by 33.4 billion yen from the end of fiscal 2011, to 1,210.2 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 quarter. In addition, because of yen appreciation, the yen value of the assets of European subsidiaries and other assets outside of Japan declined.

Consolidated total liabilities amounted to 1,947.3 billion yen (US\$24,649 billion), a decrease of 31.5 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, as well as the payment of accrued expenses, including salary bonuses. The balance of interest-bearing loans was 542.9 billion yen, an increase of 161.8 billion yen from the end of fiscal 2011. Short-term borrowings increased to finance a portion of working capital. As a result, the D/E ratio was 0.68 times, a deterioration of 0.23 of a percentage point compared to the end of fiscal 2011, 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 2011. Both ratios were essentially unchanged from the levels at the end of the first quarter of the previous fiscal year.

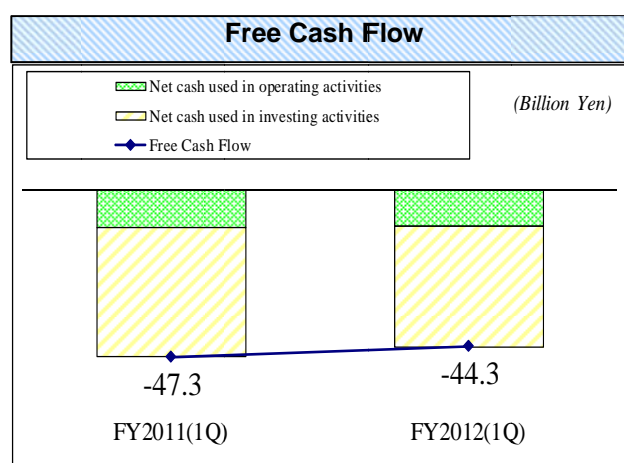
Net assets were 916.4 billion yen, a decrease of 50.1 billion yen from the end of fiscal 2011, reflecting a decrease in shareholders' equity of 33.9 billion yen resulting mainly from the net loss recorded in the quarter and a decline in other comprehensive income of 13.6 billion yen, primarily from foreign currency translation adjustment losses. In line with the decrease in owners' equity, the owners' equity ratio declined to 27.7%, a deterioration of 0.9 of a percentage point compared to the end of fiscal 2011.

	1Q FY2012 (June 30, 2012)	FY2011 (March 31, 2012)	Change	(Billion Yen) 1Q FY2011 (June 30, 2011)
Cash and cash equivalents at end of period	366.2	266.6	99.6	374.2
Interest-bearing loans	542.9	381.1	161.8	548.2
Net interest-bearing loans	176.6	114.4	62.2	174.0
Owners' equity	793.4	841.0	-47.6	787.7
D/E ratio (times)	0.68	0.45	0.23	0.70
Net D/E ratio (times)	0.22	0.14	0.08	0.22
Shareholders' equity ratio	31.1%	31.4%	-0.3%	29.8%
Owners' equity ratio	27.7%	28.6%	-0.9%	26.9%

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 flows used in operating activities in the first quarter amounted to 10.0 billion yen (US\$127 million). This represents a decrease in cash outflows of 0.6 billion yen compared to the first quarter of fiscal 2011. Although working capital declined because of the collection of accounts receivable stemming from the concentration of sales at the end of the previous fiscal year, operating cash flows deteriorated because of the loss posted in income before income taxes and minority interests as a result of the deterioration in the performance of businesses outside Japan, primarily hardware businesses, and a delayed recovery of the market for LSI devices.



Net cash used in investing activities was 34.3 billion yen (US\$434 million). Outflows mainly consisted of the acquisition of property, plant and equipment amounting to 21.6 billion yen, mainly related to datacenters, and the acquisition of intangible assets amounting to 12.5 billion yen, primarily software. Compared to the same period in fiscal 2011, net outflows decreased by 2.2 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 44.3 billion yen (US\$561 million), representing a decrease in net cash outflows of 2.9 billion yen compared with the same period in the previous fiscal year.

Net cash provided by financing activities was 147.4 billion yen (US\$1,866 million). Short-term borrowings increased to finance a portion working capital. It represents an increase in net cash inflows of 87.7 billion yen compared to the first quarter of fiscal 2011, when 100.0 billion yen in convertible bonds was redeemed at maturity.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2012 were 366.2 billion yen (US\$4,635 million), an increase of 99.6 billion yen compared to the end of fiscal 2011.