

5. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

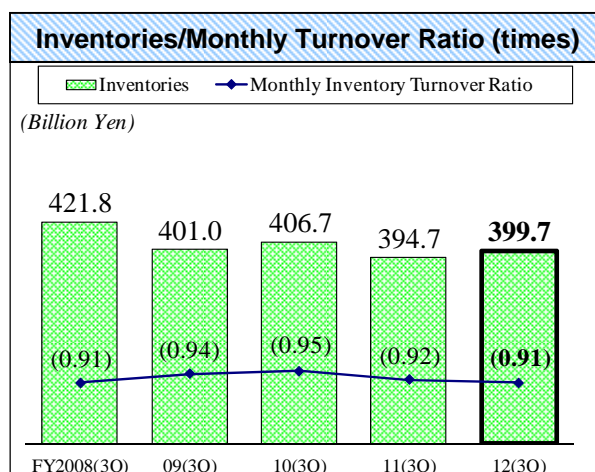
	Third Quarter FY2012 (at Dec. 31, 2012)	Year-end FY2011 (at March 31, 2012)	Change	Third Quarter FY2011 (at Dec. 31, 2011)
Assets				
Current assets	1,700.6	1,701.7	-1.1	1,701.9
(Cash and time deposits and Marketable securities)	319.1	273.9	45.2	327.0
(Notes and accounts receivable, trade)	778.6	901.3	-122.6	780.3
(Inventories)	399.7	334.1	65.6	394.7
Non-current assets	1,185.7	1,243.7	-57.9	1,215.5
(Property, plant and equipment)	608.2	640.9	-32.6	630.1
(Intangible assets)	189.8	230.2	-40.4	231.6
(Investment securities and other non-current assets)	387.6	372.4	15.1	353.6
Total Assets	2,886.4	2,945.5	-59.0	2,917.4
Liabilities				
Current liabilities	1,438.6	1,417.4	21.2	1,477.7
(Notes and accounts payables, trade)	545.8	617.7	-71.9	558.7
(Short-term borrowings and Current portion of bonds payable)	289.4	128.9	160.5	332.1
(Accrued expenses)	292.8	342.5	-49.7	284.1
Long-term liabilities	583.8	561.4	22.3	533.9
(Long-term debt)	257.2	252.2	5.0	252.5
(Accrued retirement benefits)	185.3	180.4	4.8	173.0
Total Liabilities	2,022.5	1,978.9	43.6	2,011.6
Net Assets				
Shareholders' equity	815.3	926.0	-110.6	884.7
Accumulated other comprehensive income	-75.9	-85.0	9.0	-105.0
Minority interests in consolidated subsidiaries	124.4	125.4	-1.0	125.9
Total Net Assets	863.9	966.5	-102.6	905.7
Total Liabilities and Net Assets	2,886.4	2,945.5	-59.0	2,917.4

[Cash Flows]

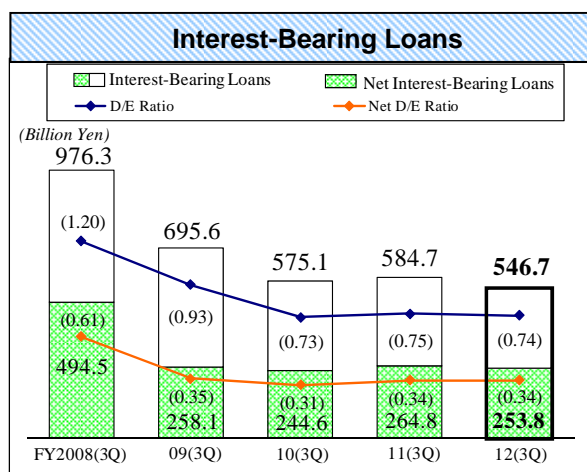
(Billion Yen)

	Nine Months FY2012 (4/1/12~12/31/12)	Nine Months FY2011 (4/1/11~12/31/11)	Change
I. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	-81.4	-8.6	-72.8
Depreciation and amortization, including goodwill amortization	143.5	152.9	-9.4
Impairment loss	28.0	-	28.0
Increase (decrease) in provisions	8.4	-18.9	27.3
(Increase) decrease in receivables, trade	136.3	66.0	70.3
(Increase) decrease in inventories	-64.3	-62.8	-1.4
Increase (decrease) in payables, trade	-83.2	-24.1	-59.1
Income taxes paid	-18.1	-31.1	13.0
Net cash provided by operating activities	20.6	25.2	-4.6
II. Cash flows from investing activities:			
Purchases of property, plant and equipment	-80.0	-96.7	16.6
Purchases of intangible assets	-43.7	-38.4	-5.2
Proceeds from sales of investment securities	1.1	4.7	-3.5
Proceeds from transfer of business	10.2	-	10.2
Net cash used in investing activities	-122.8	-132.8	10.0
I + II Free Cash Flow	-102.2	-107.5	5.3
III. Cash flows from financing activities:			
Net increase (decrease) in borrowings	155.6	161.9	-6.2
Bond issue and redemption	5.1	-42.7	47.8
Dividends Paid	-23.0	-22.6	-0.3
Net cash provided by financing activities	124.3	75.8	48.5
Cash and cash equivalents at end of period	292.9	319.9	-26.9

Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking sales for nine months, dividing by the average balance of inventories in nine months, and then dividing by 9. The average balance of inventories in nine months is calculated using the average of the balances at the end of first, second, and third quarters.



Consolidated total assets at the end of the third quarter amounted to 2,886.4 billion yen (US\$33,177 million), a decrease of 59.0 billion yen from the end of fiscal 2011. Current assets decreased by 1.1 billion yen compared with the end of fiscal 2011, to 1,700.6 billion yen. Reflecting the collection of notes and accounts receivable associated with the large concentration of sales at the end of previous fiscal year, notes and accounts receivable decreased by 122.6 billion yen from the end of fiscal 2011. In preparation for anticipated sales, particularly in the services business and mobile phone business, inventories at the end of the quarter increased to 399.7 billion yen, an increase of 65.6 billion yen from the ending balance of fiscal 2011. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.91 times, essentially unchanged from the end of the third quarter of fiscal 2011.

Non-current assets declined by 57.9 billion yen from the end of fiscal 2011, to 1,185.7 billion yen. Tangible fixed assets decreased by 32.6 billion yen compared with the end of fiscal 2011, primarily as a result of the impairment of fixed assets in the LSI device business. Intangible assets decreased by 40.4 billion yen from the end of fiscal 2011, primarily as a result of the impairment of goodwill of a European subsidiary.

Consolidated total liabilities amounted to 2,022.5 billion yen (US\$23,247 billion), an increase of 43.6 billion yen compared to the end of fiscal 2011. Trade notes and accounts payable decreased by 71.9 billion yen, reflecting the paying down of balances accumulated in relation to the concentration of sales at the end of the prior fiscal year. The balance of interest-bearing loans was 546.7 billion yen, an increase of 165.5 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 0.74 times, an increase of 0.29 of a percentage point compared to the end of fiscal 2011, and the net D/E ratio was 0.34 times, an increase of 0.2 of a percentage point compared to the end of fiscal 2011, essentially unchanged from the end of the third quarter of fiscal 2011.

Net assets were 863.9 billion yen (US\$9,930 million), a decrease of 102.6 billion yen from the end of fiscal 2011. The decline in net assets reflects a decrease in shareholders' equity of 110.6 billion yen resulting mainly from the net loss recorded in the nine months and the payment of dividends. Accumulated other comprehensive income increased by 9.0 billion yen, primarily as a result of yen

depreciation and rising share prices. The decline in owners' equity lowered the owners' equity ratio by 3 percentage points compared to the end of fiscal 2011, to 25.6%.

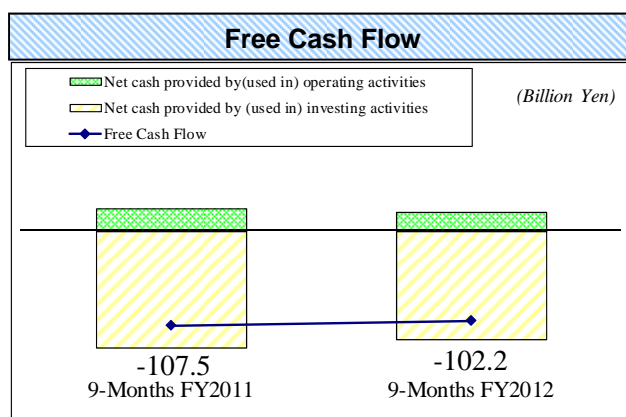
	(Billion Yen)			
	3Q FY2012	FY2011	Change	3Q FY2011
	(December 31, 2012)	(March 31, 2012)		(December 31, 2011)
Cash and cash equivalents at end of period	292.9	266.6	26.2	319.9
Interest-bearing loans	546.7	381.1	165.5	584.7
Net interest-bearing loans	253.8	114.4	139.3	264.8
Owners' equity	739.3	841.0	-101.6	779.7
D/E ratio (times)	0.74	0.45	0.29	0.75
Net D/E ratio (times)	0.34	0.14	0.20	0.34
Shareholders' equity ratio	28.2 %	31.4 %	-3.2 %	30.3 %
Owners' equity ratio	25.6 %	28.6 %	-3.0 %	26.7 %

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 nine months amounted to 20.6 billion yen (US\$237 million). This represents a decrease in cash inflows of 4.6 billion yen compared to the first three quarters of fiscal 2011. Although the restructuring expenses primarily for the LSI caused a significant deterioration in income before income taxes and minority interests, there were also increases in impairment losses and reserve provisions. There was also a reduction in the 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 122.8 billion yen (US\$1,411 million). Outflows mainly consisted of the acquisition of property, plant and equipment amounting to 80.0 billion yen, primarily related to datacenters, and the acquisition of intangible assets amounting to 43.7 billion yen, primarily software. A cash inflow of 10.2 billion yen primarily represents the sales proceeds for fixed and other assets stemming from the transfer of the Iwate Plant and the LSI assembly and test facilities of the LSI device business. Compared to the same period in fiscal 2011, net outflows decreased by 10.0 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 102.2 billion yen (US\$1,175 million), representing a decrease in net cash outflows of 5.3 billion yen compared with the same period in the previous fiscal year.

Net cash provided by financing activities was 124.3 billion yen (US\$1,429 million). Short-term borrowings were increased to finance a portion of working capital. This represents an increase in net cash inflows of 48.5 billion yen compared to the first nine months of fiscal 2011.

As a result of the above factors, cash and cash equivalents at the end of the third quarter of fiscal 2012 were 292.9 billion yen (US\$3,367 million), an increase of 26.2 billion yen compared to the end of fiscal 2011.