2. Explanation of Financial Condition

(1) Assets, Liabilities and Equity

(Billions of yen)

	Year-end FY2013	Third Quarter FY2014	Change vs. Year-end FY2013	Third Quarter FY2013
Total Assets	3,105.9	3,214.2	108.3	3,199.9
Total Liabilities	2,407.9	2,395.3	-12.6	2,510.9
Total Equity	697.9	818.9	120.9	689.0
Total Equity Attributable to Owners of the Parent	566.5	682.7	116.2	562.3
[Retained earnings]	[-54.3]	[30.8]	[85.1]	[-65.7]
[Other Components of Equity]	[63.1]	[94.3]	[31.2]	[67.7]

Reference; Financial Indices

	Year-end FY2013	Third Quarter FY2014	Change vs. Year-end FY2013	Third Quarter FY2013
Cash and Cash Equivalents	301.1	341.7	40.5	356.9
Interest-bearing Loans	560.2	672.8	112.6	736.2
Net Interest-bearing Loans	259.0	331.1	72.0	379.2
D/E Ratio (Times)	0.99	0.99	-	1.31
Net D/E Ratio (Times)	0.46	0.48	0.02	0.67
Equity Attributable to Owners of the Parent Ratio (%)	18.2%	21.2%	3.0%	17.6%

Consolidated total assets at the end of the third quarter of fiscal 2014 were 3,214.2 billion yen (US$26,564 million), an increase of 108.3 billion yen from the end of fiscal 2013. In addition to an increase in inventories in preparation for anticipated sales in the fourth quarter, property, plant and equipment also increased.

Consolidated total liabilities amounted to 2,395.3 billion yen (US$19,796 billion), a decline of 12.6 billion yen compared to the end of fiscal 2013. Although the balance of interest-bearing loans increased because a portion of working capital was financed with short-term borrowings, there was a decline in the net defined benefit liability due to an improvement in the funded status of defined benefit plans, and trade payables also declined.

The balance of equity was 818.9 billion yen (US$6,768 million), an increase of 120.9 billion yen from the end of fiscal 2013. Equity increased owing to the profit recorded for the first nine months and because of an improvement in the funded status of defined benefit plans. Equity Attributable to Owners of the Parent Ratio was 21.2%, representing an improvement of 3.0 percentage points compared to the end of fiscal 2013.

(2) Cash Flows

(Billions of yen)

		Nine Months FY2013	Nine Months FY2014	Change
I	Net Cash Provided by Operating Activities	7.8	104.3	96.4
II	Net Cash Used in Investing Activities	-86.4	-142.4	-56.0
I+II	Free Cash Flow	-78.5	-38.1	40.3
III	Net Cash Provided by Financing Activities	133.9	76.1	-57.7
IV	Cash and Cash Equivalents at End of Period	356.9	341.7	-15.2

Net cash provided by operating activities in the first nine months amounted to 104.3 billion yen (US$862 million). This represents an increase in cash inflows of 96.4 billion yen compared to the same period of fiscal 2013. In addition to a reduction in payment outflows for structural reform expenses, the amount of income taxes paid declined on a refund in income withheld in the prior fiscal year relating to dividends received from subsidiaries in Japan.

Net cash used in investing activities was 142.4 billion yen (US$1,177 million), representing an increase in outflows of 56.0 billion yen compared to the first nine months of fiscal 2013. In addition to higher capital expenditures, primarily for the LSI device and electronic components businesses, outflows increased because, in the first nine months of fiscal 2013, there was an inflow of cash from the proceeds of transferring businesses, primarily the microcontroller and analogue device business.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 38.1 billion yen (US$315 million), representing an increase of 40.3 billion yen compared with the same period in the previous fiscal year.

Net cash provided by financing activities was 76.1 billion yen (US$629 million). A portion of working capital was financed through short-term borrowings. Compared to the first nine months of fiscal 2013, cash inflows fell 57.7 billion yen because of lower borrowings.

As a result of the above factors, cash and cash equivalents at the end of the third quarter of fiscal 2014 amounted to 341.7 billion yen (US$2,824 million), an increase of 40.5 billion yen compared to the end of fiscal 2013.