

## 2. Explanation of Financial Condition

### (1) Assets, Liabilities and Equity

Consolidated total assets at the end of the first quarter of fiscal 2017 were 3,041.3 billion yen, down 150.1 billion yen from the end of fiscal 2016. Trade receivables declined on collections of receivables from sales concentrated toward the end of fiscal 2016.

Consolidated total liabilities amounted to 2,022.8 billion yen, a decrease of 149.4 billion yen compared to the end of fiscal 2016. In addition to the payment of trade payables relating to the concentration of sales at the end of the previous fiscal year, the decline was attributable to a decrease in other payables due to the payment of bonuses.

The balance of interest-bearing loans was 508.9 billion yen, an increase of 22.2 billion yen, partly from short-term borrowings to finance a portion of the working capital.

The balance of total equity was 1,018.5 billion yen, and is essentially unchanged from the end of fiscal 2016. Despite the payment of dividends, total equity increased because of the profit recorded for the period and an improvement in the funded status of defined benefit plans, primarily in Japan.

Equity attributable to owners of the parent ratio (shareholders' equity ratio) was 28.9%, an increase of 1.3 percentage points from the end of fiscal 2016.

### (2) Cash Flows

Net cash provided by operating activities in the first quarter amounted to 81.6 billion yen, an increase of 19.6 billion yen from the first quarter of fiscal 2016 resulting from an improvement in profit for the period before income taxes.

Net cash used in investing activities was 31.4 billion yen, primarily reflecting capital expenditures in datacenters and other areas. Compared to the same period in fiscal 2016, net outflows declined by 6.9 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was 50.2 billion yen, representing an increase in net cash inflows of 26.6 billion yen compared with the first quarter of fiscal 2016.

Net cash provided by financing activities was 9.6 billion yen, primarily because a portion of working capital was financed with short-term borrowings. Compared to the first quarter of fiscal 2016, cash inflows decreased by 17.1 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2017 were 444.7 billion yen, up 60.7 billion yen from the end of fiscal 2016.

## Earnings Forecast for FY2017

Please refer to supplemental explanation materials (Presentation Material).