

2. Explanation of Financial Condition

(1) Assets, Liabilities and Equity

(Billions of yen)

	Year-end FY2014	End of 3Q FY2015	Change vs. year-end FY2014
Total assets	3,271.1	3,217.5	-53.5
Total liabilities	2,336.7	2,313.7	-22.9
Total equity	934.3	903.7	-30.6
Total equity attributable to owners of the parent	790.0	755.9	-34.1

Reference;

Cash and cash equivalents	362.0	364.4	2.4
Interest-bearing loans	578.4	688.4	109.9
Net interest-bearing loans	216.4	323.9	107.5
D/E ratio (times)	0.73	0.91	0.18
Net D/E ratio (times)	0.27	0.43	0.16
Equity attributable to owners of the parent ratio (%)	24.2%	23.5%	-0.7%

Consolidated total assets at the end of the third quarter of fiscal 2015 were 3,217.5 billion yen, down 53.5 billion yen from the end of fiscal 2014. Inventories increased in preparation for expected sales, particularly in the services business, but trade receivables declined on collections from the concentration of revenue booked toward the end of prior fiscal year.

Consolidated total liabilities amounted to 2,313.7 billion yen, a 22.9 billion yen decrease compared to the end of fiscal 2014. The decline was attributable to payment of trade payables relating to the concentration of sales at the end of the prior fiscal year. The balance of interest-bearing loans increased by 109.9 billion yen from the end of the prior fiscal year, to 688.4 billion yen, as a portion of working capital was financed with borrowings.

The balance of total equity was 903.7 billion yen, a decline of 30.6 billion yen from the end of fiscal 2014. Retained earnings declined because of the loss recorded for the period and payment of a dividend. Equity attributable to owners of the parent ratio was 23.5%, a decline of 0.7 of a percentage point from the end of fiscal 2014.

(2) Cash Flows

(Billions of yen)

	9 Months FY2014	9 Months FY2015	Change
I Net cash provided by operating activities	104.3	33.0	-71.3
II Net cash used in investing activities	-142.4	-116.6	25.8
I+II Free cash flow	-38.1	-83.6	-45.4
III Net cash provided by financing activities	76.1	84.9	8.8
IV Cash and cash equivalents at end of period	341.7	364.4	22.7

Net cash provided by operating activities in the first nine months amounted to 33.0 billion yen, a decrease of 71.3 billion yen from the first nine months of fiscal 2014. In addition to the decline in profit before income taxes for the period, cash flow from operating activities declined because, in the first nine months of fiscal 2014, there was a refund of approximately 26 billion yen in withholding taxes on income in relation to dividends received from subsidiaries in Japan.

Net cash used in investing activities was 116.6 billion yen, primarily reflecting capital expenditures in datacenter facilities. Compared to the same period in fiscal 2014, net outflows declined by 25.8 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 83.6 billion yen, representing a decrease in cash inflows of 45.4 billion yen compared with the first nine months of fiscal 2014.

Net cash provided by financing activities was 84.9 billion yen, as a portion of working capital was financed with short-term borrowings. Compared to the first nine months of fiscal 2014, cash inflows increased by 8.8 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first nine months of fiscal 2015 were 364.4 billion yen, an increase of 2.4 billion yen compared to the end of fiscal 2014.