

2. Explanation of Financial Condition

(1) Assets, Liabilities and Equity

(Billions of yen)

	FY2015 (As of March 31, 2016)	2Q FY2016 (As of September 30, 2016)	Change
Total assets	3,226.3	3,003.6	-222.6
Total liabilities	2,300.0	2,147.2	-152.8
Total equity	926.2	856.4	-69.8
Total equity attributable to owners of the parent	782.7	725.7	-57.0

Reference;

Cash and cash equivalents	380.8	327.8	-52.9
Interest-bearing loans	534.9	567.5	32.6
Net interest-bearing loans	154.1	239.7	85.6
D/E ratio (times)	0.68	0.78	0.10
Net D/E ratio (times)	0.20	0.33	0.13
Equity attributable to owners of the parent ratio (%)	24.3	24.2	-0.1

Consolidated total assets at the end of the first half of fiscal 2016 were 3,003.6 billion yen, down 222.6 billion yen from the end of fiscal 2015. Trade receivables declined on collections of receivables from sales concentrated toward the end of prior fiscal year.

Consolidated total liabilities amounted to 2,147.2 billion yen, a decrease of 152.8 billion yen compared to the end of fiscal 2015. 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 was 567.5 billion yen, an increase of 32.6 billion yen from the end of the prior fiscal year, primarily because a portion of working capital was financed with borrowings.

The balance of total equity was 856.4 billion yen, a decline of 69.8 billion yen from the end of fiscal 2015. There was a deterioration in the funded status of defined benefit plans mainly outside Japan, primarily because of a decline in the discount rate in light of lower interest rates, resulting in a decrease in retained earnings. In addition, as a result of the appreciation of the yen, there was a decline in foreign currency translation adjustments, leading to a decrease in other components of equity.

Equity attributable to owners of the parent ratio (shareholders' equity ratio) was 24.2%, a decline of 0.1 of a percentage point from the end of fiscal 2015.

(2) Cash Flows

(Billions of yen)

	1H FY2015	1H FY2016	Change
I Cash flows from operating activities	31.7	42.0	10.3
II Cash flows from investing activities	-70.7	-95.7	-24.9
I+II Free cash flow	-39.0	-53.6	-14.6
III Cash flows from financing activities	60.8	13.8	-46.9
IV Cash and cash equivalents at end of period	384.3	327.8	-56.4

Net cash provided by operating activities in the first half amounted to 42.0 billion yen, an increase of 10.3 billion yen from the first half of fiscal 2015 resulting from the improvement in profit for the period before income taxes.

Net cash used in investing activities was 95.7 billion yen, primarily reflecting capital expenditures in datacenters. Compared to the same period in fiscal 2015, net outflows increased by 24.9 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 53.6 billion yen, representing an increase in cash outflows of 14.6 billion yen compared with the first half of fiscal 2015.

Net cash provided by financing activities was 13.8 billion yen, as a portion of working capital was financed with borrowings. Compared to the first half of fiscal 2015, cash inflows decreased by 46.9 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the period were 327.8 billion yen, a decrease of 52.9 billion yen compared to the end of fiscal 2015.