

## 2. Explanation of Financial Condition

### (1) Assets, Liabilities and Equity

(Billions of yen)

	FY2015 (At March 31, 2016)	1Q FY2016 (At June 30, 2016)	Change
Total assets	3,226.3	3,008.6	-217.6
Total liabilities	2,300.0	2,201.7	-98.3
Total equity	926.2	806.9	-119.2
Total equity attributable to owners of the parent	782.7	679.8	-102.9

Reference;

Cash and cash equivalents	380.8	419.8	39.0
Interest-bearing loans	534.9	579.4	44.5
Net interest-bearing loans	154.1	159.5	5.4
D/E ratio (times)	0.68	0.85	0.17
Net D/E ratio (times)	0.20	0.23	0.03
Equity attributable to owners of the parent ratio (%)	24.3	22.6	-1.7

Consolidated total assets at the end of the first quarter of fiscal 2016 were 3,008.6 billion yen, down 217.6 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 2,201.7 billion yen, a 98.3 billion yen decrease compared to the end of fiscal 2015. In addition to the payment of trade payables relating to the concentration of sales at the end of the prior fiscal year, the decline was attributable to a decrease in other payables from the payment of bonuses. The balance of interest-bearing loans was 579.4 billion yen, an increase of 44.5 billion yen from the end of the prior fiscal year, primarily because a portion of working capital was financed with short-term borrowings.

The balance of total equity was 806.9 billion yen, a decline of 119.2 billion yen from the end of fiscal 2015. There was a deterioration in the funded status of defined benefit plans, 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 22.6%, a decline of 1.7 percentage points from the end of fiscal 2015.

### (2) Cash Flows

(Billions of yen)

	1Q FY2015	1Q FY2016	Change
I Cash flows from operating activities	29.3	62.0	32.6
II Cash flows from investing activities	-28.3	-38.4	-10.0
I+II Free cash flow	0.9	23.6	22.6
III Cash flows from financing activities	12.1	26.8	14.6
IV Cash and cash equivalents at end of period	378.3	419.8	41.5

Net cash provided by operating activities in the first quarter amounted to 62.0 billion yen, an increase of 32.6 billion yen from the first quarter of fiscal 2015. In addition to an improvement in profit for the period before income taxes, there was also an improvement in working capital efficiency.

Net cash used in investing activities was 38.4 billion yen, primarily reflecting capital expenditures in datacenters and others. Compared to the same period in fiscal 2015, net outflows increased by 10.0 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was 23.6 billion yen, representing an increase in cash inflows of 22.6 billion yen compared with the first quarter of fiscal 2015.

Net cash provided by financing activities was 26.8 billion yen. Compared to the first quarter of fiscal 2015, cash inflows increased by 14.6 billion yen, primarily because a portion of working capital was financed with short-term borrowings.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2016 were 419.8 billion yen, an increase of 39.0 billion yen compared to the end of fiscal 2015.