

## 2. Explanation of Financial Condition

### (1) Assets, Liabilities and Equity

(Billions of yen)

	FY2015 (As of March 31, 2016)	3Q FY2016 (As of December 31, 2016)	Change
Total assets	3,226.3	3,161.3	-64.9
Total liabilities	2,300.0	2,215.1	-84.9
Total equity	926.2	946.2	19.9
Total equity attributable to owners of the parent	782.7	809.5	26.8

Reference;

Cash and cash equivalents	380.8	380.9	0.1
Interest-bearing loans	534.9	612.8	77.9
Net interest-bearing loans	154.1	231.9	77.8
D/E ratio (times)	0.68	0.76	0.08
Net D/E ratio (times)	0.20	0.29	0.09
Equity attributable to owners of the parent ratio (%)	24.3	25.6	1.3

Consolidated total assets at the end of the third quarter of fiscal 2016 were 3,161.3 billion yen, down 64.9 billion yen from the end of fiscal 2015. Inventories increased in preparation for expected sales, particularly in the services business, but trade receivables declined on collections of receivables from sales concentrated toward the end of prior fiscal year.

Consolidated total liabilities amounted to 2,215.1 billion yen, a decrease of 84.9 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, and because there was a decline in retirement benefit liabilities due to an improvement in the funded status of defined benefit plans.

The balance of interest-bearing loans was 612.8 billion yen, an increase of 77.9 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 946.2 billion yen, up 19.9 billion yen from the end of fiscal 2015. Despite the payment of dividends total equity increased because of the recording of profits from the first nine months and as there was 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 25.6%, an increase of 1.3 percentage points from the end of fiscal 2015.

### (2) Cash Flows

(Billions of yen)

	9 Months FY2015	9 Months FY2016	Change
I Cash flows from operating activities	33.0	94.2	61.1
II Cash flows from investing activities	-116.6	-130.9	-14.3
I+II Free cash flow	-83.6	-36.7	46.8
III Cash flows from financing activities	84.9	38.9	-46.0
IV Cash and cash equivalents at end of period	364.4	380.9	16.4

Net cash provided by operating activities in the first nine months of the fiscal year amounted to 94.2 billion yen, an increase of 61.1 billion yen from the same period of fiscal 2015. In addition to higher profit for the period before income taxes, there was an improvement in working capital.

Net cash used in investing activities was 130.9 billion yen, primarily reflecting capital expenditures in datacenters. Compared to the same period in fiscal 2015, net outflows increased by 14.3 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 36.7 billion yen, representing an increase in net cash inflows of 46.8 billion yen compared with the same period in fiscal 2015.

Net cash provided by financing activities was 38.9 billion yen, as 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 period were 380.9 billion yen, essentially unchanged from the end of fiscal 2015.