

Deferred tax assets, non-current, decreased by ¥61.7 billion to ¥47.4 billion compared with the previous fiscal year principally due to tax deductions through dispositions of receivables, securities, and real estate. Such losses had already been recognized for financial statement purposes. The net value of short-term and long-term deferred tax assets and liabilities also dropped by ¥84.3 billion from the previous fiscal year to ¥52.5 billion (US\$446 million), due to an increase in deferred tax liabilities resulting from revaluation gains on available-for-sale securities and tax deductions.

Short-term debt decreased by ¥39.3 billion to ¥382.4 billion (US\$3,256 million) compared with the previous fiscal year, and **current maturities of long-term debt** decreased by ¥82.1 billion to ¥173.1 billion (US\$1,473 million) from the previous fiscal year. This was due to repayments of interest-bearing debt as well as efforts for long-term funding. (Note: Refer to Note 9 "Short-term and long-term debt" in the consolidated financial statements.)

Trade payables increased by ¥111.2 billion to ¥1,078.2 billion (US\$9,178 million) compared with the previous fiscal year. This was primarily due to increases in Energy; Chemicals, Forest Products & General Merchandise; and Food, in accordance with increases in business transactions resulting from rising prices of marketable commodities. In addition, there was an increase in **advances from customers**, a ¥45.6 billion increase to ¥135.8 billion (US\$1,156 million) compared with the previous fiscal year, mainly due to increases in Machinery, Aerospace, Electronics & Multimedia).

As a result, current liabilities were ¥2,129.8 billion (US\$18,131 million), down by ¥69.7 billion compared with the previous fiscal year.

Reserves for Liquidity

The basic policy of the Company is to maintain and secure an adequate amount of reserves required for liquidity cov-

ering short-term interest-bearing debt and contingent liabilities due within three months. This policy is based on the scenario whereby new funding may be unavailable for about three months because of market turmoil. In such a case, the Company must maintain adequate reserves to repay liabilities during such a period in order to cope with unpredictable events.

The Company has a long-term commitment line with financial institutions totaling ¥260.0 billion (US\$2,214 million). Against the background of this long-term commitment line, the Company has the intention and the ability for a long-term rollover of current maturities of long-term debt from financial institutions. It thus classified ¥260.0 billion (US\$2,214 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheets. This was part of ¥433.1 billion (US\$3,686 million) in non-current liabilities with a deadline of one year or less based on loan contracts at the end of Fiscal 2006. However, the classification as shown below is in accordance with loan contract repayments.

Primary liquidity resources at the end of Fiscal 2006, the sum of cash, cash equivalents, time deposits (¥502.2 billion), commitment line agreements (short-term ¥250.0 billion and long-term ¥260.0 billion) and commitment long-term loan agreements (¥ 6.0 billion) was ¥ 1,018.2 billion, an increase of ¥ 35.6 billion compared with the previous fiscal year.

The total amount of liquidity reserves, or primary liquidity reserves plus secondary liquidity reserves (other assets that can be changed into cash in a short period of time) stood at ¥ 1,539.2 billion. The Company believes that this amount constitutes adequate reserves of liquidity, since it is more than four times the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥ 334.5 billion as of March 31, 2006.

Necessary Liquidity

March 31	Billions of Yen		Millions of U.S. dollars
	2006	Necessary liquidity	2006
Short-term interest-bearing debt	¥ 382.4	¥ 191.2 (382.4/6 months x 3 months)	\$ 1,628
Current installments of long-term interest-bearing debt	(*) 433.1	108.3 (433.1/12 months x 3 months)	922
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of associated companies and customers)	139.9	35.0 (139.9/12 months x 3 months)	298
Total		¥ 334.5	\$ 2,848

(*) The figure is the total of current maturities of long-term debt (¥173.1 billion) and long-term commitment line with financial institutions (¥260.0 billion).