4. Results by Geographic Segment

In Japan, third-quarter net sales were 1,010.2 billion yen (US$9,021 million), a 7.6% increase compared to the same period in the prior fiscal year. Although there was a decrease in sales of mobile phone base stations and other products, higher sales of services, PCs, mobile phones, and advanced technology logic products resulted in increased sales in Japan. Operating income in Japan for the quarter was 46.5 billion yen (US$416 million), an increase of 34.2 billion yen.

Increased sales as well as efforts to reduce costs and generate greater cost efficiencies in such product areas as PCs and servers contributed to the overall increase in operating income.

Net sales increased in all three geographic segments outside of Japan, rising 6.3% compared to the third quarter of last year. In addition to continued strong performance in existing business, services sales were also boosted as a result of the acquisition of TDS AG in Germany in the fourth quarter of last year. The operating leverage of higher sales resulted in a 7.3 billion yen increase in operating income outside Japan.

EMEA net sales were 200.2 billion yen (US$1,788 million), a 4.5% increase over the same quarter of fiscal 2006. Sales were boosted by growth in the Services business as a result of acquisitions in Germany and Scandinavia. Operating income was 6.6 billion yen (US$59 million), an increase of 1.6 billion yen compared to the same period in the prior fiscal year. Results were adversely affected by acquisition-related expenses in the Services business and R&D costs related to optical transmission systems being developed for next-generation networks. Overall, however, the operating leverage of higher sales contributed to an increase in EMEA operating income.

Net sales in the Americas segment were 113.9 billion yen (US$1,017 million), a 7.5% increase over the same quarter of fiscal 2006. Higher sales of optical transmission systems, HDDs, and other products contributed to the overall increase in sales. Operating income was 3.0 billion yen (US$27 million), an increase of 2.5 billion yen over the same quarter in fiscal 2006. Higher overall sales along with streamlining in the retail solutions business contributed to the increased profitability.
In the APAC & China segment, net sales were up 7.4% over the same period of the prior fiscal year, to 225.8 billion yen (US$2,016 million). There were higher sales in Services as a result of the impact of acquisitions made in Oceania, as well as increased sales of PCs and LSI logic devices. Operating income for APAC & China was 4.8 billion yen (US$44 million), an increase of 3.1 billion yen over the same period in the previous year, primarily due to the operating leverage of higher sales.

As part of our efforts to expand our global services delivery capability, we acquired IT services providers in Oceania and Canada in October. In addition, in November we acquired a Scandinavian IT services provider.