

## 5. Fiscal 2005 Earnings Projections

Despite an uneven pattern of recovery and lack of strong momentum in IT investment in Japan in the first quarter, as a result of higher demand relating to mobile phones in Japan, optical transmission systems in the North American market, and HDDs, as well as manufacturing innovation-driven progress in paring costs and improving operating expense efficiency, we were able to record profits that exceeded our initial projections. With respect to our solutions/systems integration business, which has posted sluggish results in recent years, although demand in Japan has still not fully recovered, as a result of efforts to move up orders and sales revenue and the strengthening of controls to prevent the emergence of loss-generating projects, we were able to reach a point where we are now poised for a recovery in profitability. In addition, the improvement in operating income, together with better-than-expected other income due to foreign currency transaction gains resulting from the weaker yen and the posting of a gain on settlement of HDD litigation, resulted in significantly greater net income than initially projected.

In order to maintain a leadership position in this constantly changing industry, we will further leverage the unified organization created through the integration of our sales and systems engineering groups last year and, by helping to realize new innovation in the field, work to regularly deliver optimal solutions to our customers. In order to prevail over global competition, we will relentlessly pursue cost efficiencies along with leadership in cutting-edge technologies.

Taking all these factors into consideration, as a result of the impact of higher demand for certain products and the accelerated realization of cost reductions, as well as progress in generating a more equal distribution of earnings throughout the fiscal year, we have made upward revisions to our forecast financial results for the first half of fiscal 2005 from the initial forecast we announced in April. However, due to an anticipated delay in the recovery of the semiconductor market, as well as a number of major uncertainties with respect to the IT market in the second half, we are leaving our initial full-year fiscal 2005 earnings forecast unchanged.

### FY 2005 Consolidated Earnings Forecast

(Billion Yen)

	First Half (4/1/05 – 9/30/05)			Full Year (4/1/05 – 3/31/06)		
	FY 2004	<b>FY 2005</b>	Change (%)	FY 2004	<b>FY 2005</b>	Change (%)
Net Sales	2,220.0	2,200.0	-0.9%	4,762.7	4,850.0	1.8%
Operating Income	33.2	30.0	-9.9%	160.1	175.0	9.2%
Net Income (Loss)	(8.1)	(15.0)	--	31.9	50.0	56.7%

※ These materials may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- General economic and market conditions in key markets (particularly in Japan, North America and Europe)
- Rapid changes in the high-technology market (particularly semiconductors, PCs, mobile phones, etc.)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships relating to collaborations, alliances and technical provisions
- Potential emergence of unprofitable projects
- Changes in accounting policies