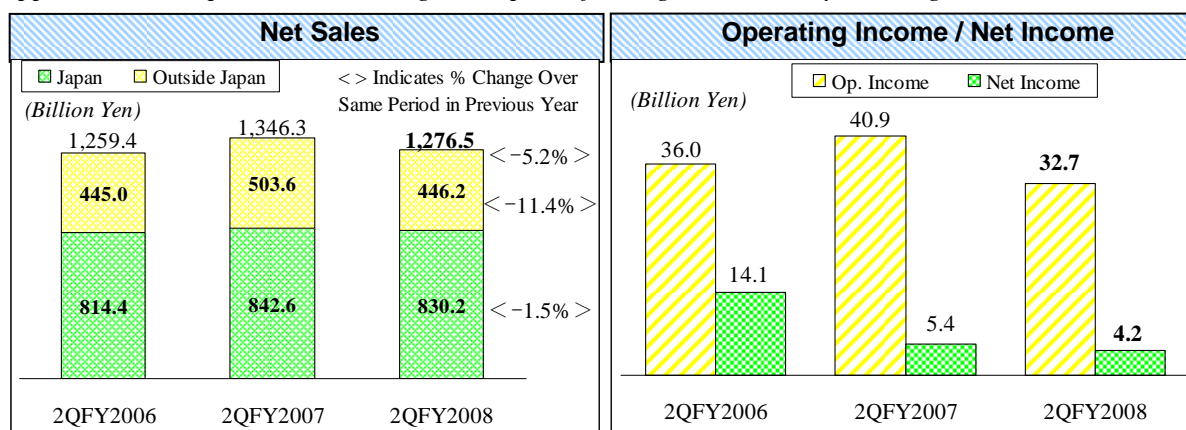


5. FY 2008 Second-Quarter Consolidated Financial Results

Profit and Loss

Figures for and comparisons to prior reporting periods are provided for reference, including approximate comparisons excluding the impact of changes in currency exchange rates.



Second-quarter consolidated net sales were 1,276.5 billion yen (US\$12,274 million), representing a decline of 5.2% compared to the second quarter of fiscal 2007. Sales in Japan decreased by 1.5%. Sales of system integration services to the public and financial services sectors increased, as did sales of mobile phone base stations, router equipment for telecom carriers, and server-related equipment. These factors were outweighed, however, by lower sales of mobile phones due to longer upgrade cycles, and falling demand for PCs and logic LSI devices. Sales outside Japan decreased by 11.4%. Excluding the impact of yen appreciation, sales outside Japan declined by 3%. Among the major factors weighing on sales outside Japan were lower sales of UNIX servers compared to last year's first half, when demand was temporarily bolstered by the launch of new server models, a revenue decline in North America due to deteriorating market conditions, and lower sales of HDDs amid intensified global competition.

Consolidated operating income was 32.7 billion yen (US\$315 million), a decrease of 8.2 billion yen compared to the second quarter of fiscal 2007. Gross profit declined by 9.0 billion yen compared to the previous year. Declining sales of PCs, mobile phones, and LSI devices outweighed the positive impact of higher sales in Japan of systems integration services, mobile phone base stations, and servers and related business, along with greater cost efficiencies. Selling, general, and administrative expenses declined by 0.7 billion yen compared to the second quarter of 2007. Despite increased amortization costs for unrecognized retirement benefit obligations as a result of lower performance on pension assets in the previous fiscal year, more efficient R&D activities and the higher yen helped to reduce costs.

In other income and expenses, other income decreased by 8.7 billion yen compared to the same period a year ago, while other expenses decreased by 6.3 billion yen, for a net deterioration of approximately 2.4 billion yen. Equity in earnings of affiliates deteriorated in comparison with the same period in the previous year due to intensified competition in PCs and servers for our joint venture in Europe, but this was mainly offset by lower losses on the disposal of fixed assets. In addition, there was a 689 million yen gain on sales of securities, and a 2.1 billion yen impairment loss in our electronic components business.

As a result, income before income taxes and minority interests was 19.2 billion yen (US\$185 million), a decrease of 10.6 billion yen compared to last year's second quarter. After subtracting income taxes and minority interests, consolidated net income totaled 4.2 billion yen (US\$41 million) for the second quarter, a decline of 1.1 billion yen compared to the prior year's quarter.