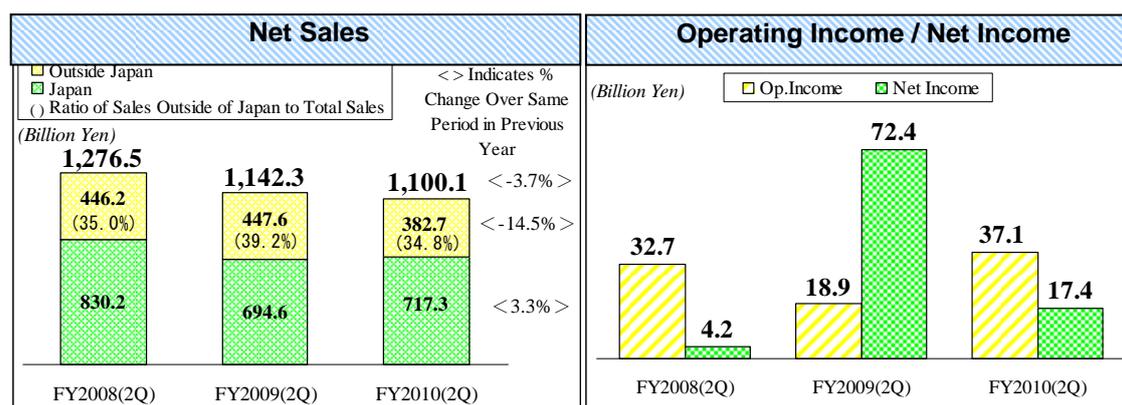


## 2. Profit and Loss for Second Quarter

Note: In these explanatory materials, the yen figures for net sales, operating income, and other figures are converted into US\$ amounts, for reference purposes, at a rate of \$1=84 yen, the approximate Tokyo foreign exchange market rate on September 30, 2010. Figures for and comparisons to prior reporting periods are provided only for reference. The impact of foreign exchange rate fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for the second quarter of fiscal 2009 to translate the current period's net sales outside Japan into yen.



Consolidated net sales for the second quarter of fiscal 2010 were 1,100.1 billion yen (US\$13,096 million), a decline of 3.7% from the second quarter of fiscal 2009. Excluding the impact of the transfer of the hard disk drive (HDD) business, which was completed in October 2009, and the impact of foreign exchange rate fluctuations, sales increased by 5%.

Sales in Japan increased by 3.3%. Despite continued constraints on ICT spending, for the second consecutive quarter, sales in Japan increased for every segment compared to the same period the previous year. Compared with the second quarter of fiscal 2009, in which sales had declined significantly, there were higher sales of PCs, mobile phones, and car audio and navigation systems.

Sales outside of Japan decreased by 14.5%. Excluding the impact of the transfer of the HDD business and exchange rate fluctuations, however, sales increased by 6%. Though sales in Europe declined due to the prolonged economic slump, sales of LSI devices and electronic components increased outside Japan, particularly to Asian markets, and sales of optical transmission systems in North America also increased.

During the second quarter, the yen continued to appreciate against other currencies. The average yen exchange rates against major currencies were 86 yen for the US dollar (representing yen appreciation of 8 yen), 111 yen for the euro (23 yen), and 133 yen for the British pound (21 yen), compared to the second quarter of fiscal 2009. As a result, the impact of foreign exchange fluctuations in the second quarter was to reduce net sales by approximately 50.0 billion yen compared to the second quarter of fiscal 2009.

Sales generated outside Japan as a percentage of total sales were 34.8%, a decrease of 4.4 percentage points compared to the same period last year as a result of the transfer of the HDD business and the impact of exchange rate fluctuations.

Gross profit increased by 10.4 billion yen. This was a result of higher sales in Japan, lower depreciation and other fixed costs in the company's LSI device business as a result of structural reforms, and the completion last year of the amortization of unrecognized obligation for retirement benefits in accordance with a change in accounting standards implemented in fiscal 2000. The gross profit margin increased 2.0 percentage points compared to last year's second quarter, to 28.5%, as a result of the transfer of the loss-generating HDD business as well as the impact of structural reforms in the LSI device business.

Selling, general, and administrative expenses declined by 7.7 billion yen compared to the second quarter of fiscal 2009, due to the impact of exchange rate fluctuations.

As a result, operating income was 37.1 billion yen (US\$442 million), an improvement of 18.2 billion yen compared to the second quarter of fiscal 2009.

In other income and expenses, the company posted a loss of 4.2 billion yen, compared to a gain of 56.6 billion yen in the same period last year when the company recognized a gain of 89.5 billion yen on sales of shares in FANUC Ltd. and other investment securities. In addition, as a result of the share sale in the previous year, the amount of recoverable deferred tax assets increased, and a reversal of the valuation reserve resulted in a lower tax burden in the same quarter last year.

The company reported consolidated net income of 17.4 billion yen (US\$207 million), representing a decline of 55.0 billion yen compared to the second quarter of fiscal 2009.