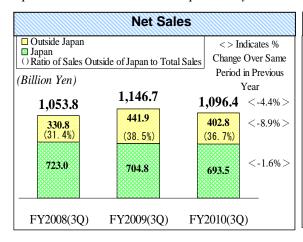
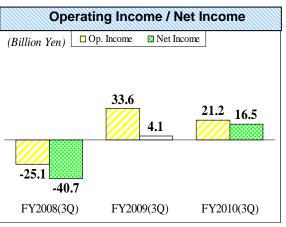
## 2. Profit and Loss

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=81 yen, the approximate Tokyo foreign exchange market rate on December 31, 2010. Figures for and comparisons to prior reporting periods are provided only for reference. The impact of foreign exchange fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for the third quarter of fiscal 2009 to translate the current period's net sales outside Japan into yen.





Consolidated net sales for the third quarter of fiscal 2010 were 1,096.4 billion yen (US\$13,536 million), a decline of 4.4% from the third quarter of fiscal 2009. Excluding the impact of foreign exchange fluctuations, however, sales were on par with the same period last year.

Sales in Japan decreased by 1.6%. Higher sales of LSI devices and electronic components were offset by lower sales of car audio and navigation systems, mobile phone base stations, and server-related products.

Sales outside of Japan decreased by 8.9%. Excluding the impact of exchange rate fluctuations, however, sales increased by 2%. Although sales outside Japan were negatively impacted by fiscal austerity measures in the UK, overall sales in local currency terms increased as a result of higher sales of x86 servers and PCs in continental Europe.

During the third quarter, the average yen exchange rates against major currencies were 83 yen for the US dollar (representing yen appreciation of 7 yen), 112 yen for the euro (21 yen), and 131 yen for the British pound (16 yen) compared to the third quarter of fiscal 2009. As a result, the impact of foreign exchange fluctuations in the third quarter was to reduce net sales by approximately 45.0 billion yen compared to the third quarter of fiscal 2009. Sales generated outside Japan as a percentage of total sales were 36.7%, a decrease of 1.8 percentage points compared to the same period last year.

Gross profit decreased by 16.8 billion yen compared to the third quarter of fiscal 2009. Despite lower depreciation and other fixed costs in the company's LSI device business as a result of structural reforms, and the completion last fiscal year of the amortization of unrecognized obligation for retirement benefits in accordance with a change in accounting standards implemented in fiscal 2000, gross profit decreased as a result of yen appreciation and other factors. The gross profit margin decreased by 0.3 percentage points compared to last year's third quarter, to 27.5%.

Selling, general, and administrative expenses declined by 4.5 billion yen compared to the third quarter of fiscal 2009, despite the increase of upfront investments in cloud services and other areas, primarily as a result of yen appreciation.

Operating income was 21.2 billion yen (US\$262 million), a decline of 12.3 billion yen compared to the third quarter of fiscal 2009.

The operating income for the first nine months was 68.4 billion yen (US\$844 million), an increase of 53.0 billion yen compared to the same period last year.

The company reported consolidated net income of 16.5 billion yen (US\$204 million), representing an increase of 12.4 billion yen compared to the third quarter of fiscal 2009. The company recognized a gain of 2.3 billion yen on changes in equity interest due the issuance of new shares by an affiliate listed in Shenzhen, China. In addition, the company recognized an expense of 15.0 billion yen in conjunction with the restructuring of European subsidiaries resulting from the streamlining of workforces in the third quarter of fiscal 2009.