

6. FY 2005 Earnings Projections

Consolidated net sales for the first half were in line with projections. However, operating income for the period greatly exceeded our initial projections. The results reflected the impact of higher sales relating to increased demand for mobile phone base stations and optical transmission systems, as well as the expansion of our overseas businesses. Additionally, group-wide initiatives aimed at improving profitability, such as the strengthening of controls to prevent the emergence of loss-generating projects in our domestic solutions/systems integration business, manufacturing innovation-driven progress in paring costs, and improvements in operating expense efficiency, were able to offset the effects of sluggish demand and increased competition in the Japanese IT market.

Consolidated earnings projections for the full fiscal year remain as announced on October 18. While we project third-quarter consolidated net sales of 1,110.0 billion yen, an increase compared to the same period in the previous year, given the difficult Japanese IT market environment, we expect third-quarter operating income to break even. In light of our traditional business structure—in which sales and profits tend to be concentrated in the fourth quarter—and with conditions in the IT market in Japan still difficult to predict, we have maintained our previous projections for full-year consolidated operating income of 175.0 billion yen. In other income (expenses), amortization of unrecognized obligation for retirement benefits is expected to be further reduced as a result of pension system revisions. In light of this and other factors, including fluctuations in corporate income tax, our full-year consolidated net income forecast of 50.0 billion yen has been left unchanged. We expect that the group-wide application of International Financial Reporting Standards (IFRS) will have an upward impact on profitability of 7.1 billion yen compared to the previous year.

In order to achieve our targets for the fiscal year, we will further leverage the unified organization created through the integration of our domestic sales and systems engineering groups last year, and, seeking to help customers realize new innovation in the field, continue to deliver quality solutions incorporating powerful technologies. In addition, striving to boost our earnings capacity, we will aggressively promote sales of globally competitive products that reflect the relentless pursuit of cost efficiencies along with leadership in cutting-edge technologies, while continually working to improve the financial soundness of our businesses by meticulously pursuing the efficient use of capital and other resources and enhancing profitability.

(Billion Yen)

	FY 2005 (Forecast)	FY 2004 (Actual)	Change
Net Sales	4,800.0	4,762.7	37.2
Operating Income	175.0	160.1	14.8
Net Income	50.0	31.9	18.0

Net Sales and Operating Income on a Quarterly Basis

(Billion Yen)

	1Q FY 2005 (Actual)	2Q FY 2005 (Actual)	3Q FY 2005 (Forecast)	4Q FY 2005 (Forecast)
Net Sales	1,026.3	1,165.9	1,110.0	1,497.6
Operating Income	14.8	32.7	0	127.4

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 high-technology markets (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*