

8. FY 2007 Consolidated Earnings Projections

We are pursuing business expansion centered on our Technology Solutions business, through which we offer services based on advanced technology and high-quality products to customers around the world. In fiscal 2006, sales in our services business expanded both in Japan and overseas, and this business is on track for continued growth in fiscal 2007. In our product businesses, however, global competition intensified, making it difficult to improve profitability. In fiscal 2007 we will continue to strengthen our business fundamentals through such measures as intensifying manufacturing innovation activities, enhancing collaboration between sales and product development units, and streamlining the number of products we produce, but we recognize that our product businesses will continue to face a very severe competitive landscape.

We project consolidated net sales of 5,400.0 billion yen in fiscal 2007, an increase of 5.9% compared to fiscal 2006. Particularly in our services business, we anticipate higher sales and income both in Japan and overseas. In our product businesses, however, while we project higher sales, we anticipate that it will be difficult to post higher income, primarily because of more intense price competition as well as the weight of increased forward-looking investment in our network business and in LSI devices. We are therefore projecting operating income of 190.0 billion yen for the fiscal year. Since net income in fiscal 2006 included gains on the sale of marketable securities, we are projecting net income of 75.0 billion yen in fiscal 2007.

We intend to implement a number of accounting changes in fiscal 2007. The major changes are outlined below:

- We will soon adopt the “Accounting Standard for Measurement of Inventories,” changing from the cost method to the lower-of-cost-or-market method.
- Primarily for depreciation of property, plant, and equipment, we will change from the declining balance method to the straight-line method.

We will also revise our estimates of the useful life of assets to reflect actual business conditions and the period of time required to return invested capital.

The effects of these accounting policy changes are now being calculated and are not reflected in the projections contained in the tables that follow. We believe that the effects on operating income will be slight, and we are in the process of determining the impact on net income. As soon as the precise effects are determined, revised earnings estimates will be announced.

(Billion Yen)

	First-Half			Full-Year		
	FY 2006 (Actual)	FY 2007 (Forecast)	Change	FY 2006 (Actual)	FY 2007 (Forecast)	Change
Net Sales	2,362.3	2,450.0	3.7%	5,100.1	5,400.0	5.9%
Operating Income	50.6	20.0	-60.5%	182.0	190.0	4.3%
Net Income	14.8	0	-100.0%	102.4	75.0	-26.8%

Quarterly Breakdown of Projected First-Half Net Sales and Operating Income

(Billion Yen)

	First-Quarter			Second-Quarter		
	FY 2006 (Actual)	FY 2007 (Forecast)	Change	FY 2006 (Actual)	FY 2007 (Forecast)	Change
Net Sales	1,102.8	1,150.0	4.3%	1,259.4	1,300.0	3.2%
Operating Income	14.5	0	-100.0%	36.0	20.0	-44.5%

※ 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, Europe and China)
- Rapid changes in the high-technology market (particularly semiconductors, PCs, 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

Forecast for FY 2007 Consolidated Business Segment Information

(1) Net Sales and Operating Income

		Yen (billions)			Change vs. FY06 (%)
		FY 2005 (Actual)	FY 2006 (Actual)	FY 2007 (Forecast)	
Technology Solutions					
Japan	Y	2,092.2	2,087.7	2,150.0	+3.0
Overseas		891.6	1,069.3	1,150.0	+7.5
Total		2,983.9	3,157.0	3,300.0	+4.5
Operating Income		153.0	163.6	185.0	+13.1
[Operating Income Margin]		[5.1%]	[5.2%]	[5.6%]	
<i>System Platforms</i>					
Operating Income		24.5	7.5	15.0	+100.0
[Operating Income Margin]		[3.4%]	[1.1%]	[2.1%]	
<i>Services</i>					
Operating Income		128.4	156.1	170.0	+8.9
[Operating Income Margin]		[5.7%]	[6.4%]	[6.6%]	
Ubiquitous Product Solutions					
Japan		700.8	710.1	740.0	+4.2
Overseas		359.0	408.1	460.0	+12.7
Total		1,059.9	1,118.3	1,200.0	+7.3
Operating Income		34.8	41.6	30.0	-28.0
[Operating Income Margin]		[3.3%]	[3.7%]	[2.5%]	
Device Solutions					
Japan		399.0	457.0	500.0	+9.4
Overseas		308.4	305.6	320.0	+4.7
Total		707.5	762.6	820.0	+7.5
Operating Income		29.5	19.0	30.0	+57.8
[Operating Income Margin]		[4.2%]	[2.5%]	[3.7%]	
Other Operations					
Japan		336.5	349.9	370.0	+5.7
Overseas		110.8	140.4	150.0	+6.8
Total		447.3	490.3	520.0	+6.0
Operating Income		7.6	10.5	10.0	-5.3
[Operating Income Margin]		[1.7%]	[2.2%]	[1.9%]	
Elimination					
Sales		(407.3)	(428.2)	(440.0)	-
Operating Income		(43.5)	(52.7)	(65.0)	-
Total					
Japan		3,199.8	3,274.9	3,430.0	+4.7
Overseas		1,591.5	1,825.2	1,970.0	+7.9
Total		4,791.4	5,100.1	5,400.0	+5.9
Operating Income	Y	181.4	182.0	190.0	+4.3
[Operating Income Margin]		[3.8%]	[3.6%]	[3.5%]	

Note:

Includes intersegment sales. Figures for fiscal 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year fiscal 2006.

(2) Net Sales by Principal Products and Services

		Yen (billions)			
		FY 2005	FY 2006	FY 2007	Change vs.
		(Actual)	(Actual)	(Forecast)	FY06 (%)
Technology Solutions					
	Y	354.2	355.3	370.0	+4.1
		363.4	348.4	360.0	+3.3
		717.6	703.7	730.0	+3.7
		1,020.4	1,091.0	1,240.0	+13.7
		1,037.2	1,164.8	1,240.0	+6.5
		208.5	197.3	90.0	-54.4
		2,266.2	2,453.2	2,570.0	+4.8
		2,983.9	3,157.0	3,300.0	+4.5
Ubiquitous Product Solutions					
		756.6	768.6	800.0	+4.1
		285.4	329.8	380.0	+15.2
		17.8	19.8	20.0	+0.8
		1,059.9	1,118.3	1,200.0	7.3
Device Solutions					
		460.1	473.5	530.0	+11.9
		247.4	289.1	290.0	+0.3
	Y	707.5	762.6	820.0	7.5

Note:

Includes intersegment sales. To strengthen the collaboration between Sales and Product Development, we have revised our corporate structure, and ATM and POS businesses, which were included in "Others" under "Services", are reclassified in FY2007 under "Solutions/SI" which includes Financial solutions and Retail solutions.