

## 7. FY 2006 Earnings Projections

In the first half of fiscal 2006, our consolidated net sales and operating income exceeded the projected levels we announced in July. We were able to achieve these results because of the strong performance of our services business, particularly overseas, and solid results in network equipment, HDDs, electronic components, and other products. We were also able to achieve a higher level of profitability this period, as reflected by a year-on-year increase in first-half net income that was even greater than the increase in operating income. This was the result of a significant improvement in non-operating items, including a substantial reduction in the amortization of unrecognized obligation for retirement benefits as a result of pension system revisions that took place in September of 2005 and the effect of the rise in stock prices that occurred at the end of fiscal 2005, as well as lower net interest expenses and improvement in investment losses under net equity in earnings of affiliated companies.

For the third quarter, we expect market demand both in Japan and overseas to remain favorable as we enter the year-end holiday shopping season, and we are projecting net sales of 1,250.0 billion yen, a substantial increase of 11.5% over the third quarter of fiscal 2005. Despite this projected sales growth, however, because we expect expenses associated with upfront investments, primarily in our logic LSI device and server businesses, to remain high and, because we expect global price competition to further intensify, we project operating income to be slightly above the level of last year's third quarter.

Regarding projections for fiscal 2006 full-year consolidated earnings, we have not changed the forecast we issued in July. Although first-half operating income was higher than projected, it only slightly exceeded the level reported in the first half of fiscal 2005, and uncertainties remain regarding the current fiscal year's fourth quarter, in which both sales and operating income tend to be concentrated for our system products and solutions/systems integration businesses. There are also uncertainties regarding market trends for HDDs, logic LSI devices, and other products. In addition, while demand in global markets is increasing in IT services, hardware and components, price competition is also intensifying.

We will continue to make every effort to meet the earnings targets set at the start of the fiscal year.

### Fiscal 2006 Full-Year Earnings Forecast

	FY 2006 (Forecast)	Change vs. July Projection	(Billion Yen) FY 2005 (Actual)
Net Sales	5,200.0	-	4,791.4
Operating Income	190.0	-	181.4
Net Income	80.0	-	68.5

### Quarterly Breakdown of Net Sales and Operating Income for Fiscal 2006

(Billion Yen)

	1Q (Actual)	2Q (Actual)	3Q (Forecast)	4Q (Forecast)
Net Sales	1,102.8	1,259.4	1,250.0	1,587.6
Operating Income	14.5	36.0	15.0	124.3

### Quarterly Breakdown of Net Sales and Operating Income for Fiscal 2005

(Billion Yen)

	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)
Net Sales	1,026.3	1,165.9	1,121.4	1,477.6
Operating Income	14.8	32.7	12.5	121.3

*※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 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*