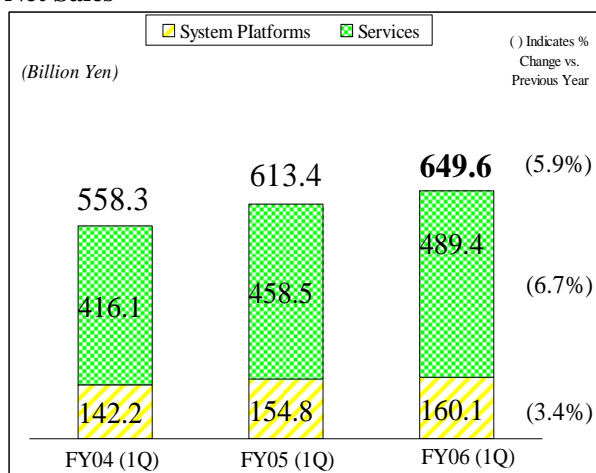


## 2. Results by Business Segment

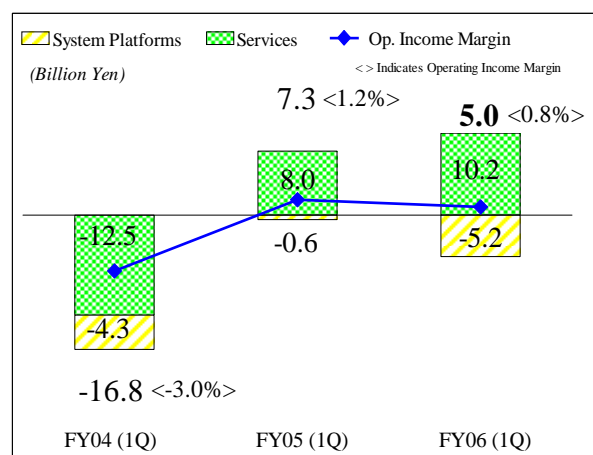
Information on net sales (including intersegment sales) and operating income for the first quarter broken out by business segment is presented below.

### Technology Solutions

#### Net Sales



#### Operating Income



Consolidated net sales in this segment, which includes the System Platforms and Services sub-segments, were 649.6 billion yen (US\$ \$5,698 million), up 5.9% over the first quarter of fiscal 2005.

Sales in Japan declined by 2.5% over the same period in fiscal 2005. However, excluding the impact of the shift to the adoption of the percentage of completion method in the first quarter of the previous fiscal year, sales increased by 1.7%. Due to the especially high level of demand experienced last year, sales of mobile phone base stations in Japan, though strong, decreased over the comparable period in fiscal 2005. Overseas sales for the segment were robust, recording a 24.9% increase thanks to strong performance in UNIX servers, optical transmission systems, and outsourcing services, as well as the effect of corporate acquisitions in North America.

Operating income for the segment was 5.0 billion yen (US\$44 million), a decrease of 2.3 billion yen in comparison with the same period in the previous fiscal year. In Services, strong performance by our outsourcing services business, both in and outside Japan, led to an increase in income. However, due to the impact of lower sales in our mobile phone base stations business, overall income for the segment decreased.

#### (1) System Platforms

(Billion Yen)

	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	160.1	3.4%
Japan	109.2	-2.9%
Overseas	50.9	20.2%

Net Sales in the System Platforms sub-segment were 160.1 billion yen (US\$1,405 million), up 3.4% from the first quarter a year earlier. In Japan, System Products sales increased. In Network Products, although sales of mobile phone base stations continued to be strong, revenue decreased compared to the first quarter of fiscal 2005, when there was an especially high level of demand for such equipment. Overseas, buoyed by such factors as significantly higher sales of UNIX servers

and continued strength in optical transmission systems in North America, the sub-segment posted a 20.2% increase in sales compared to the same period a year earlier.

System Platforms posted an operating loss for the quarter of 5.2 billion yen (US\$46 million), representing a deterioration of 4.6 billion yen over the first quarter of fiscal 2005. Even areas that showed growth in sales, such as server-related and optical transmission systems businesses, were affected by intensified global price competition and the weight of continuing up-front strategic investments. In addition, the especially high level of demand for mobile phone base stations in the same period last year also contributed to the comparative decline in income for this quarter.

We expanded our network of system verification centers, where we provide customers with comprehensive pre-verification and evaluation for platform products and system construction support in open-standard system environments. To address the rapid expansion of the Chinese IT market and promote sales of our platform products, we opened Platform Solution Centers in Shanghai and Hong Kong, complementing existing facilities in Japan, Europe, the US, Singapore and Korea.

## (2) Services

<i>(Billion Yen)</i>		
	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	489.4	6.7%
Japan	306.1	-2.3%
Overseas	183.2	26.2%

Net sales in the Services sub-segment were 489.4 billion yen (US\$4,293 million), up 6.7% from the same period a year earlier. In Japan, sales for the sub-segment decreased 2.3%. However, excluding the impact of the shift to the percentage of completion method implemented during the first quarter last year, which involved the aggregate recording then of sales from project work performed in previous years, sales for the sub-segment increased by 3.5%.

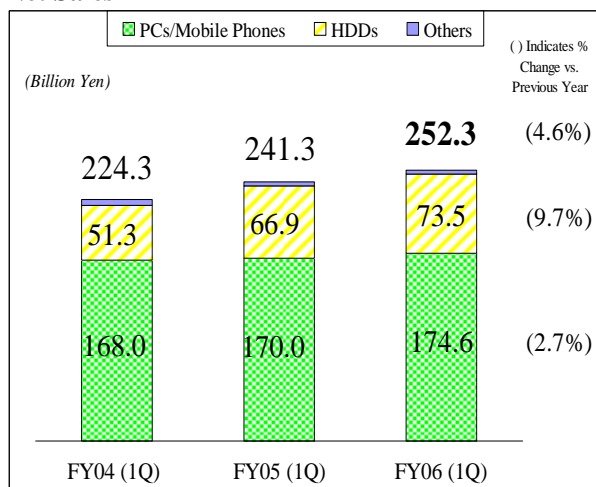
In Japan, in addition to strong performance in our outsourcing services business, we broadened our base for recovery in Solutions/SI, focusing in particular on the financial services, manufacturing and retail sectors, and sales in this sub-segment increased. Outside Japan, buoyed by the strong performance of our outsourcing and other services businesses in the UK, as well as in the US, where revenue was affected by corporate acquisitions, sales recorded a 26.2% increase over the same period a year earlier.

Operating income for the Services sub-segment was 10.2 billion yen (US\$90 million), an improvement of 2.2 billion yen over the same period last year. In order to further improve the profitability of projects in our solutions/SI business in Japan—an area in which we have already significantly stabilized profitability—we increased investments aimed at creating a more efficient development system and promoting business proposals from system engineers. In addition to continued favorable performance by our outsourcing services business in the UK, expansion of our services business in North America through corporate acquisitions contributed to the overall increase in income.

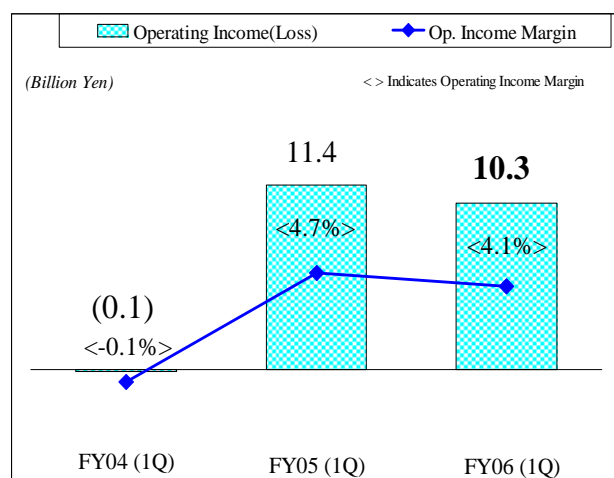
In May 2006, based on our strategic alliance with Cisco Systems, we commenced sales of next-generation high-end routers for constructing next-generation networks. In addition to carrying out joint marketing in Japan to provide solutions that meet our customers' needs, we will continue to work together with Cisco to further strengthen quality assurance activities and rapid incident response, and thereby strive to increase sales.

## Ubiquitous Product Solutions

### Net Sales



### Operating Income



First-quarter net sales in Ubiquitous Product Solutions were 252.3 billion yen (US\$2,214 million), an increase of 4.6% over the same period last year. Sales in Japan were on par with the first quarter of fiscal 2005. While PC sales in Japan were hurt by sluggish consumer demand and intensified competition for corporate sales, our mobile phone business showed favorable results. Overseas, our PC and HDD businesses continued to perform favorably, and sales achieved double-digit growth.

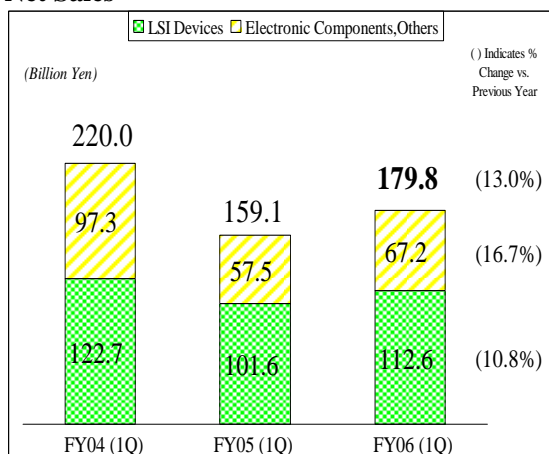
(Billion Yen)

	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	252.3	4.6%
Japan	162.0	1.2%
Overseas	90.3	11.1%

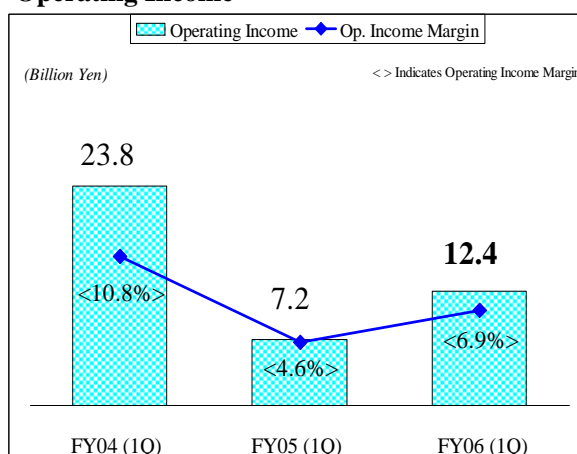
Operating income for Ubiquitous Product Solutions was 10.3 billion yen (US\$91 million), a slight decline from the comparable period last year. Improved quality and cost efficiencies generated by manufacturing innovation initiatives contributed to an increase in earnings from our mobile phones business, but increased price competition negatively impacted PC and HDD results in Japan and overseas.

## Device Solutions

### Net Sales



### Operating Income



Net sales in Device Solutions were 179.8 billion yen (US\$1,577 million), an increase of 13.0% compared to the first quarter of fiscal 2005. Steady demand for logic LSI devices, primarily for digital consumer electronics and automotive-related applications, and full-scale volume production at the Mie Plant's 300mm-wafer line (Fab No. 1) contributed to an increase in sales both in Japan and overseas. There was a particularly large (20.5%) increase in overseas sales, centered in Asia.

*(Billion Yen)*

	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	179.8	13.0%
Japan	98.6	7.4%
Overseas	81.1	20.5%

Operating income for Device Solutions was 12.4 billion yen (US\$109 million), an increase of 5.1 billion yen compared to the same period last year. In addition to the impact of higher sales of logic LSI devices, this reflected a reduction in the burden of start-up costs associated with the 300mm-wafer line at the Mie Plant's Fab No. 1, which was in full-scale operation in the first quarter of this fiscal year. The Electronic Components, Others sub-segment also continued to perform favorably.

To meet increasing demand for advanced technology products, in April 2006 we commenced construction of an earlier-announced second 300mm-wafer line (Fab No. 2) at the Mie Plant. Construction is proceeding according to plan, and the new facility is scheduled to commence operations in April of 2007.