

4. FY 2006 Earnings Projections

In the first quarter of fiscal 2006 both consolidated net sales and operating income exceeded the forecast announced in April. Our services business performed well in Japan as well as overseas, and, along with the recovery trend in IT markets, demand for logic LSI devices and network products remained firm. In addition to the improvement in operating income, there was a dramatic improvement in other income (expenses) due to the sharp decrease in the amortization of unrecognized obligation for retirement benefits resulting from pension system revisions that took place in September of 2005 and the rise in stock prices that occurred at the end of the fiscal year.

All of our business segments face severe price competition and other challenges in the global markets in which we compete. In Technology Solutions and Ubiquitous Product Solutions, in order to provide customers with high-value IT solutions, we continue to strive for cost reductions and increased efficiencies throughout our entire supply chain, from the upstream processes of development and design through manufacturing. In the Device Solutions segment, where we have concentrated our resources on logic LSI devices, in addition to also seeking cost reductions and increased efficiencies, we are moving forward to increase production capacity while carefully assessing market trends and profitability.

We have revised upward the forecast we announced in April for first-half earnings. Our outsourcing and other services businesses are performing well both in Japan and in overseas markets. In addition, demand remains firm for logic LSI devices for digital consumer electronics. However, even with this revision to first-half earnings projections, our forecast operating and net income for the half-year period are still below the results of the corresponding period in fiscal 2005. Moreover, uncertainties remain regarding certain product-related and solutions/SI businesses for which sales and profits tend to be highly concentrated toward the end of the fiscal year. Even in respect to logic LSI devices, which are performing well, it would be premature to change our perspective on prospective market conditions and profitability. Therefore, we are leaving unchanged our earnings forecast for the full fiscal year that we announced in April.

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

(Billion Yen)

	First Half (Apr. 1 – Sep. 30)			Full Year (Apr. 1 – Mar. 31)		
	FY 2005 (Actual)	FY 2006 (Forecast)	Difference vs. April Forecast	FY 2005 (Actual)	FY 2006 (Forecast)	Difference vs. April Forecast
Net Sales	2,192.3	2,350.0	-	4,791.4	5,200.0	-
Operating Income	47.5	35.0	15.0	181.4	190.0	-
Net Income	7.6	5.0	5.0	68.5	80.0	-

※ 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*

Forecast for FY 2006 Consolidated Business Segment Information

(1) Net Sales* and Operating Income

		Yen (billions)			Change (%)		
		FY 2006 (Forecast)		Change	FY 2005 (Actual)	FY 05 to Revised FY 06	
		Previous**	Revised***				
Technology Solutions	Japan	Y 2,150.0	2,150.0	-	2,092.2	+2.8	
	Overseas	1,030.0	1,030.0	-	891.6	+15.5	
	Total	3,180.0	3,180.0	-	2,983.9	+6.6	
	Operating Income	185.0	185.0	-	164.2	+12.7	
	[Operating Income Margin]	[5.8%]	[5.8%]	-	[5.5%]		
	<i>System Platforms</i>						
	Operating Income	25.0	25.0	-	26.2	-4.9	
	[Operating Income Margin]	[3.3%]	[3.3%]	-	[3.7%]		
	<i>Services</i>						
	Operating Income	160.0	160.0	-	137.9	+16.0	
[Operating Income Margin]	[6.6%]	[6.6%]	-	[6.1%]			
Ubiquitous Product Solutions	Japan	730.0	730.0	-	700.8	+4.2	
	Overseas	430.0	430.0	-	359.0	+19.8	
	Total	1,160.0	1,160.0	-	1,059.9	+9.4	
	Operating Income	30.0	30.0	-	34.4	-12.9	
[Operating Income Margin]	[2.6%]	[2.6%]	-	[3.3%]			
Device Solutions	Japan	460.0	460.0	-	399.0	+15.3	
	Overseas	350.0	350.0	-	308.4	+13.5	
	Total	810.0	810.0	-	707.5	+14.5	
	Operating Income	35.0	35.0	-	33.3	+5.1	
[Operating Income Margin]	[4.3%]	[4.3%]	-	[4.7%]			
Other Operations	Japan	350.0	350.0	-	336.5	+4.0	
	Overseas	120.0	120.0	-	110.8	+8.3	
	Total	470.0	470.0	-	447.3	+5.1	
	Operating Income	10.0	10.0	-	7.7	+29.7	
[Operating Income Margin]	[2.1%]	[2.1%]	-	[1.7%]			
Elimination	Sales	(420.0)	(420.0)	-	(407.3)	-	
	Operating Income	(70.0)	(70.0)	-	(58.2)	-	
Total	Japan	3,360.0	3,360.0	-	3,199.8	+5.0	
	Overseas	1,840.0	1,840.0	-	1,591.5	+15.6	
	Total	5,200.0	5,200.0	-	4,791.4	+8.5	
	Operating Income	Y 190.0	190.0	-	181.4	+4.7	
[Operating Income Margin]	[3.7%]	[3.7%]	-	[3.8%]			

Note: * Includes intersegment sales

** Previous forecast as of April 27, 2006 *** Revised forecast as of July 27, 2006

(2) Net Sales* by Principal Products and Services

	Yen (billions)			Change	FY 2005 (Actual)	Change (%) FY 05 to Revised FY 06
	FY 2006 (Forecast)		Change			
	Previous**	Revised***				
Technology Solutions						
System Products	Y 380.0	380.0	-	354.2	+7.3	
Network Products	370.0	370.0	-	363.4	+1.8	
<i>System Platforms</i>	750.0	750.0	-	717.6	+4.5	
Solutions / SI	1,090.0	1,090.0	-	1,020.4	+6.8	
Infrastructure Services	1,120.0	1,120.0	-	1,037.2	+8.0	
Others	220.0	220.0	-	208.5	+5.5	
<i>Services</i>	2,430.0	2,430.0	-	2,266.2	+7.2	
Total	Y 3,180.0	3,180.0	-	2,983.9	+6.6	
Ubiquitous Product Solutions						
PCs / Mobile Phones	800.0	800.0	-	756.6	+5.7	
Hard Disk Drives	340.0	340.0	-	285.4	+19.1	
Others	20.0	20.0	-	17.8	+11.8	
Total	1,160.0	1,160.0	-	1,059.9	+9.4	
Device Solutions						
LSI Devices	Y 510.0	510.0	-	460.1	+10.8	
Electronic Components, Others	300.0	300.0	-	247.4	+21.2	
Total	Y 810.0	810.0	-	707.5	+14.5	

Note: * Includes intersegment sales

** Previous forecast as of April 27, 2006 *** Revised forecast as of July 27, 2006