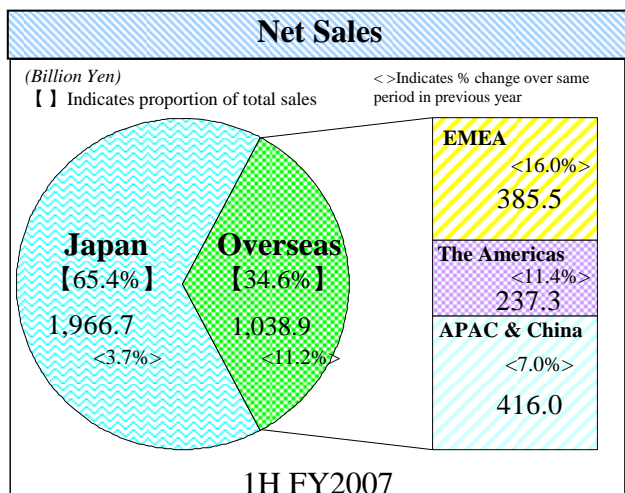


4. Results by Geographic Segment



Operating Income

(Billion Yen)

		First Half FY06	First Half FY07	Change
Japan	Op. income	55.3	56.5	1.1
	[margin]	[2.9%]	[2.9%]	[-]
Overseas	Op. income	21.6	16.5	-5.1
	[margin]	[2.3%]	[1.6%]	[-0.7%]
	EMEA	9.2	4.5	-4.6
	[margin]	[2.8%]	[1.2%]	[-1.6%]
	The Americas	5.3	4.9	-0.3
	[margin]	[2.5%]	[2.1%]	[-0.4%]
	APAC & China	7.0	6.9	-0.1
	[margin]	[1.8%]	[1.7%]	[-0.1%]

In Japan, net sales were 1,966.7 billion yen (US\$17,102 million), a 3.7% increase compared to the same period in the prior fiscal year. Although there was a decrease in sales of mobile phone base stations and standard technology logic products, higher sales in services, mobile phones, and advanced technology logic products led to an increase in domestic sales. Operating income was 56.5 billion yen (US\$491 million), an increase of 1.1 billion yen. Intensified competition in HDDs for notebook PCs and lower sales of mobile phone base stations and standard technology logic products weighed on operating income. This was more than offset, however, by increased sales in such areas as services and mobile phones, improved project profitability in our systems integration business, and efforts to reduce component costs and generate greater efficiencies in such product areas as PCs and servers, all contributing to the overall increase in domestic operating income.

Net sales increased in all three geographic segments outside Japan, for an overall year-on-year increase of 11.2%. In addition to continued strong performance in our outsourcing services business, sales were boosted by positive effects of currency translations and an expansion in our services business as a result of acquisitions. Overseas operating income was 16.5 billion yen (US\$143 million), a year-on-year decrease of 5.1 billion yen. Results were adversely affected by R&D expenses for next-generation network development as well as acquisition-related expenses.

EMEA net sales were 385.5 billion yen (US\$3,352 million), a 16.0% increase over the same period in fiscal 2006. In addition to the positive effects of currency translations, the Group posted higher sales of outsourcing services in the UK and growth in Germany as a result of acquisitions, along with increased sales of optical transmission systems. Operating income, however, fell by 4.6 billion yen, to 4.5 billion yen (US\$39 million), primarily as the result of higher expenses associated with the expansion of our services business, currency translations, and increased R&D expenses related to next-generation networks for optical transmission systems.

Net sales in the Americas segment were 237.3 billion yen (US\$2,063 million), an 11.4% increase over the first half of fiscal 2006. Higher sales in HDDs, optical transmission systems, and in our retailing solutions business as well as a weaker yen contributed to the growth. Operating income was 4.9 billion yen (US\$43 million), on par with the first half of the prior year. Despite higher sales, operating income was adversely affected by larger sales promotion expenses connected with establishing business in such fields as PC servers.

In the APAC & China segment, net sales were up 7.0% over the same period of the prior fiscal year, to 416.0 billion yen (US\$3,617 million). In addition to strong performance in our outsourcing and maintenance services business in Oceania, regional HDD sales also increased. Operating income for APAC & China was 6.9 billion yen (US\$60 million), roughly the same as in the first half of fiscal 2006.

As part of our efforts to bolster global services offerings, in September we acquired a company in the US that provides consulting services. Since October, we have acquired IT services firms in Scandinavia and Oceania.