

## 6. FY 2007 Earnings Projections

In the first quarter of fiscal 2007, net sales in our Technology Solutions and Ubiquitous Product Solutions segments exceeded the forecast we announced in April. In addition, despite the adverse effect of the change in accounting policies, consolidated operating income exceeded our previous forecast. Results for logic LSI devices, for which the recovery in demand has been delayed, were below forecast, but strong performance in our Services business in Japan and overseas, higher sales of PCs and mobile phones, and progress in reducing costs combined to produce overall results that exceeded our forecast.

We are expanding our global delivery capability in our strongly performing IT services business. Although our network products business is facing a downturn in demand because of changes in customer investment patterns and continuing high levels of upfront investment, with the launch of a new line of UNIX servers, our System Platforms segment as a whole is now on the path toward recovery. While severe market conditions are likely to persist through the first half of the fiscal year due to intensifying price competition in HDDs and continuing inventory adjustments for logic LSI devices, particularly overseas, we are anticipating a recovery beginning in the second half.

With respect to projected results for the year, despite the positive effect of higher sales and cost reductions in PCs and mobile phones in the first quarter, because of the offsetting impact of the sluggishness in LSI devices, our overall view of full-year sales has not fundamentally changed since we announced our forecast in April.

However, having confirmed the change in accounting policies that were not taken into account at the time of our April forecasts, we now project an increase of 5.0 billion yen in full-year consolidated operating income and a decrease of 10.0 billion yen in full-year consolidated net income in comparison with the figures we announced in April. By business segment, in Technology Solutions, we expect full-year operating income to be reduced by 5.0 billion yen versus the April forecast, primarily because of the change to reflect as operating expenses the amortization of unrecognized obligation of retirement benefits. In Device Solutions we expect full-year operating income to increase by 10.0 billion yen versus the April forecast, primarily because of changes to depreciation methods. Separately, in accordance with application of the lower-of-cost-or-market method for inventory valuation, we recorded a valuation loss of 25.0 billion on the balance of inventories at the start of the first quarter. The impact of these various accounting policy changes is shown in the full-year forecasts below and discussed in further detail beginning on page 22.

We are actively pursuing initiatives to strengthen our core businesses on a global basis, improve profitability through the strength of our products, and optimize our business structure in order to assure that we meet these earnings targets.

### First-Half Forecast

	Fiscal 2006 First-Half Results
Net Sales	2,362.3
Operating Income	50.6
Net Income (Loss)	14.8

### (Billion Yen)

Fiscal 2007 First-Half Forecast	Change vs. April Forecast
2,450.0	-
20.0	-
(20.0)	-20.0

**Full-Year Forecast**

	Fiscal 2006 Full-Year Results
Net Sales	5,100.1
Operating Income	182.0
Net Income	102.4

*(Billion Yen)*

Fiscal 2007 Full-Year Forecast	Change vs. April Forecast
5,400.0	-
195.0	5.0
65.0	-10.0

**Full-Year Operating Income by Segment**

	Fiscal 2006 Full-Year Results
Technology Solutions	163.6
System Platforms	7.5
Services	156.1
Ubiquitous Product Solutions	41.6
Device Solutions	19.0

Fiscal 2007 Full-Year Forecast	Change vs. April Forecast
180.0	-5.0
15.0	-
165.0	-5.0
35.0	5.0
35.0	5.0

*Itemized Change vs.  
April Announcement*

Impact of Accounting Changes	Business Changes
-5.0	-
-	-
-5.0	-
-	5.0
10.0	-5.0

Note: April forecast as of April 26, 2007

# Forecast for FY 2007 Consolidated Business Segment Information

## (1) Net Sales\* and Operating Income

		Yen (Billions)			Change (%)	
		FY 2007 (Forecast)			FY 2006	FY 2006 to
		Previous**	Revised***	Change	(Actual)	Revised FY 2007
<b>Technology Solutions</b>						
<b>Japan</b>	<b>Y</b>	2,150.0	<b>2,150.0</b>	-	2,087.7	+3.0
<b>Overseas</b>		1,150.0	<b>1,150.0</b>	-	1,069.3	+7.5
<b>Total</b>		3,300.0	<b>3,300.0</b>	-	3,157.0	+4.5
<b>Operating income:</b>						
System Platforms		15.0	<b>15.0</b>	-	7.5	+100.0
[Operating income margin]		[2.1%]	<b>[2.1%]</b>		[1.1%]	
Services		170.0	<b>165.0</b>	-5.0	156.1	+5.7
[Operating income margin]		[6.6%]	<b>[6.4%]</b>		[6.4%]	
<b>Total operating income</b>		185.0	<b>180.0</b>	-5.0	163.6	+10.0
<b>[Operating income margin]</b>		[5.6%]	<b>[5.5%]</b>		[5.2%]	
<b>Ubiquitous Product Solutions</b>						
<b>Japan</b>		740.0	<b>740.0</b>	-	710.1	+4.2
<b>Overseas</b>		460.0	<b>460.0</b>	-	408.1	+12.7
<b>Total</b>		1,200.0	<b>1,200.0</b>	-	1,118.3	+7.3
<b>Operating income</b>		30.0	<b>35.0</b>	+5.0	41.6	-16.0
<b>[Operating income margin]</b>		[2.5%]	<b>[2.9%]</b>		[3.7%]	
<b>Device Solutions</b>						
<b>Japan</b>		500.0	<b>500.0</b>	-	457.0	+9.4
<b>Overseas</b>		320.0	<b>320.0</b>	-	305.6	+4.7
<b>Total</b>		820.0	<b>820.0</b>	-	762.6	+7.5
<b>Operating income</b>		30.0	<b>35.0</b>	+5.0	19.0	+84.1
<b>[Operating income margin]</b>		[3.7%]	<b>[4.3%]</b>		[2.5%]	
<b>Other Operations</b>						
<b>Japan</b>		370.0	<b>370.0</b>	-	349.9	+5.7
<b>Overseas</b>		150.0	<b>150.0</b>	-	140.4	+6.8
<b>Total</b>		520.0	<b>520.0</b>	-	490.3	+6.0
<b>Operating income</b>		10.0	<b>10.0</b>	-	10.5	-5.3
<b>[Operating income margin]</b>		[1.9%]	<b>[1.9%]</b>		[2.2%]	
<b>Elimination</b>						
<b>Sales</b>		(440.0)	<b>(440.0)</b>	-	(428.2)	-
<b>Operating income</b>		(65.0)	<b>(65.0)</b>	-	(52.7)	-
<b>Total</b>						
<b>Japan</b>		3,430.0	<b>3,430.0</b>	-	3,274.9	+4.7
<b>Overseas</b>		1,970.0	<b>1,970.0</b>	-	1,825.2	+7.9
<b>Total</b>		5,400.0	<b>5,400.0</b>	-	5,100.1	+5.9
<b>Operating income</b>	<b>Y</b>	190.0	<b>195.0</b>	+5.0	182.0	+7.1
<b>[Operating income margin]</b>		[3.5%]	<b>[3.6%]</b>		[3.6%]	

Notes:

\* Includes intersegment sales.

\*\* Previous forecast as of April 26, 2007.

\*\*\* Revised forecast as of July 26, 2007.

## (2) Net Sales\* by Principal Products and Services

		Yen (Billions)			Change (%)	
		<b>FY 2007 (Forecast)</b>			FY 2006	FY 2006 to
		Previous**	Revised***	Change	(Actual)	Revised FY 2007
<b>Technology Solutions</b>						
<b>System Platforms:</b>						
	System Products	Y 370.0	<b>370.0</b>	-	355.3	+4.1
	Network Products	360.0	<b>360.0</b>	-	348.4	+3.3
		<u>730.0</u>	<u><b>730.0</b></u>	-	<u>703.7</u>	<u>+3.7</u>
<b>Services:</b>						
	Solutions / SI	1,240.0	<b>1,240.0</b>	-	1,091.0	+13.7
	Infrastructure Services	1,240.0	<b>1,240.0</b>	-	1,164.8	+6.5
	Others	90.0	<b>90.0</b>	-	197.3	-54.4
		<u>2,570.0</u>	<u><b>2,570.0</b></u>	-	<u>2,453.2</u>	<u>+4.8</u>
	<b>Total</b>	<u>3,300.0</u>	<u><b>3,300.0</b></u>	-	<u>3,157.0</u>	<u>+4.5</u>
<b>Ubiquitous Product Solutions</b>						
	PCs / Mobile Phones	800.0	<b>800.0</b>	-	768.6	+4.1
	Hard Disk Drives	380.0	<b>380.0</b>	-	329.8	+15.2
	Others	20.0	<b>20.0</b>	-	19.8	+0.8
	<b>Total</b>	<u>1,200.0</u>	<u><b>1,200.0</b></u>	-	<u>1,118.3</u>	<u>+7.3</u>
<b>Device Solutions</b>						
	LSI Devices	530.0	<b>530.0</b>	-	473.5	+11.9
	Electronic Components, Others	290.0	<b>290.0</b>	-	289.1	+0.3
	<b>Total</b>	<u>Y 820.0</u>	<u><b>820.0</b></u>	-	<u>762.6</u>	<u>+7.5</u>

Notes:

\* Includes intersegment sales.

\*\* Previous forecast as of April 26, 2007.

\*\*\* Revised forecast as of July 26, 2007.