

8. FY 2007 Full-Year Earnings Projections

In the third quarter, our consolidated net sales rose 8.1% and operating income increased 39.5 billion yen over a year ago to 46.6 billion yen (US\$417 million). As a result, operating income, which had declined 6.7 billion yen in the first half compared to the previous year, totaled 90.5 billion yen (US\$809 million) for the first nine months of the fiscal year, an increase of 32.8 billion over the same period the previous year. There was a slight decrease in income in the Device Solutions segment. On the other hand, the Technology Solutions and Ubiquitous Product Solutions segments posted higher income due primarily to robust growth in our Services business both inside and outside Japan as well as strong sales of PCs, servers and others.

Regarding consolidated net sales for fiscal 2007, we are projecting sales of 5,350.0 billion yen (US\$47,768 million), a decrease of 50.0 billion yen in comparison with our previous forecast. Since the end of the 2007 calendar year, the yen has appreciated in value, and the downward revision reflects the projected impact on our Services business in Europe and on the electronic components business.

We now project operating income of 200.0 billion yen (US\$1,786 million), an increase of 5.0 billion yen from our previous forecast. We have revised down our projections for operating income for such products as electronic components, where the strong yen negatively impacts profitability, and LSI logic devices, where a recovery in orders is lagging. But we have upwardly revised our projections for PCs, which continue to perform strongly. We will pay careful attention to trends in such areas as servers and network equipment, where sales are concentrated at the end of the fiscal year, and HDDs, where prices continue to decline.

We now project consolidated net income of 40.0 billion yen (US\$357 million) for the 2007 fiscal year, a decrease of 25.0 billion yen from the previous projection. We posted valuation losses of 19.8 billion yen in the third quarter due primarily to a significant decline in the value of shares in Spansion Inc., listed on the NASDAQ exchange. In addition, we anticipate expenses of approximately 10.0 billion yen for the relocation of LSI-related facilities from the Akiruno Technology Center to the Mie Plant and the related disposal of certain equipment. Facilities to be relocated include equipment for 90nm-generation and beyond advanced process development and 90nm LSI logic mass-production prototyping.

Constantly aiming for an optimal customer-oriented organizational structure, we will make every effort to maximize our income by expanding our Services business globally, optimizing the use of our R&D resources, and offering superior products and services on a timely basis.

Consolidated

(Billion Yen)

	FY 2006 (Actual Results)	FY 2007 (Current Forecast)	Change Since November Forecast
Net Sales	5,100.1	5,350.0	-50.0
Operating Income	182.0	200.0	5.0
Net Income	102.4	40.0	-25.0

Operating Income by Business Segment

Technology Solutions	163.6	175.0	-
System Platforms	7.5	10.0	-
Services	156.1	165.0	-
Ubiquitous Product Solutions	41.6	50.0	10.0
Device Solutions	19.0	25.0	-10.0
Others	10.5	15.0	5.0
Eliminations	-52.7	-65.0	-
Total Operating Income	182.0	200.0	5.0

Note: Please refer to supplementary materials for risk factors relating to the financial projections presented above.

Forecast for FY 2007 Consolidated Business Segment Information

(1) Net Sales* and Operating Income

	Yen (Billions)			FY 2006 (Actual)	Change (%) FY 2006 to Revised FY 2007
	FY 2007 (Forecast)				
	Previous**	Revised***	Change		
Technology Solutions					
Japan	Y 2,130.0	2,120.0	-10.0	2,087.7	+1.5
Overseas	1,170.0	1,160.0	-10.0	1,069.3	+8.5
Total	3,300.0	3,280.0	-20.0	3,157.0	+3.9
Operating income:					
System Platforms	10.0	10.0	-	7.5	+33.3
[Operating income margin]	[1.4%]	[1.4%]		[1.1%]	
Services	165.0	165.0	-	156.1	+5.7
[Operating income margin]	[6.4%]	[6.4%]		[6.4%]	
Total operating income	175.0	175.0	-	163.6	+7.0
[Operating income margin]	[5.3%]	[5.3%]		[5.2%]	
Ubiquitous Product Solutions					
Japan	760.0	770.0	+10.0	710.1	+8.4
Overseas	450.0	440.0	-10.0	408.1	+7.8
Total	1,210.0	1,210.0	-	1,118.3	+8.2
Operating income	40.0	50.0	+10.0	41.6	+20.0
[Operating income margin]	[3.3%]	[4.1%]		[3.7%]	
Device Solutions					
Japan	500.0	500.0	-	457.0	+9.4
Overseas	320.0	290.0	-30.0	305.6	-5.1
Total	820.0	790.0	-30.0	762.6	+3.6
Operating income	35.0	25.0	-10.0	19.0	+31.5
[Operating income margin]	[4.3%]	[3.2%]		[2.5%]	
Other Operations					
Japan	360.0	360.0	-	349.9	+2.9
Overseas	150.0	150.0	-	140.4	+6.8
Total	510.0	510.0	-	490.3	+4.0
Operating income	10.0	15.0	+5.0	10.5	+42.0
[Operating income margin]	[2.0%]	[2.9%]		[2.2%]	
Elimination					
Sales	(440.0)	(440.0)	-	(428.2)	-
Operating income	(65.0)	(65.0)	-	(52.7)	-
Total					
Japan	3,420.0	3,420.0	-	3,274.9	+4.4
Overseas	1,980.0	1,930.0	-50.0	1,825.2	+5.7
Total	5,400.0	5,350.0	-50.0	5,100.1	+4.9
Operating income	195.0	200.0	+5.0	182.0	+9.8
[Operating income margin]	[3.6%]	[3.7%]		[3.6%]	

Notes:

* Includes intersegment sales.

** Previous forecast as of November 22, 2007.

*** Revised forecast as of January 31, 2008.

(2) Net Sales* by Principal Products and Services

	Yen (Billions)			FY 2006 (Actual)	Change (%) FY 2006 to Revised FY 2007
	FY 2007 (Forecast)				
	Previous**	Revised***	Change		
Technology Solutions					
System Platforms:					
System Products	Y 370.0	370.0	-	355.3	+4.1
Network Products	340.0	340.0	-	348.4	-2.4
	<u>710.0</u>	<u>710.0</u>	-	<u>703.7</u>	<u>+0.9</u>
Services:					
Solutions / SI	1,240.0	1,240.0	-	1,091.0	+13.7
Infrastructure Services	1,260.0	1,240.0	-20.0	1,164.8	+6.5
Others	90.0	90.0	-	197.3	-54.4
	<u>2,590.0</u>	<u>2,570.0</u>	-20.0	<u>2,453.2</u>	<u>+4.8</u>
Total	<u>3,300.0</u>	<u>3,280.0</u>	-20.0	<u>3,157.0</u>	<u>+3.9</u>
Ubiquitous Product Solutions					
PCs / Mobile Phones	820.0	840.0	+20.0	768.6	+9.3
Hard Disk Drives	370.0	350.0	-20.0	329.8	+6.1
Others	20.0	20.0	-	19.8	+0.8
Total	<u>1,210.0</u>	<u>1,210.0</u>	-	<u>1,118.3</u>	<u>+8.2</u>
Device Solutions					
LSI Devices	530.0	510.0	-20.0	473.5	+7.7
Electronic Components, Others	290.0	280.0	-10.0	289.1	-3.2
Total	<u>Y 820.0</u>	<u>790.0</u>	-30.0	<u>762.6</u>	<u>+3.6</u>

Notes:

* Includes intersegment sales.

** Previous forecast as of November 22, 2007.

*** Revised forecast as of January 31, 2008.