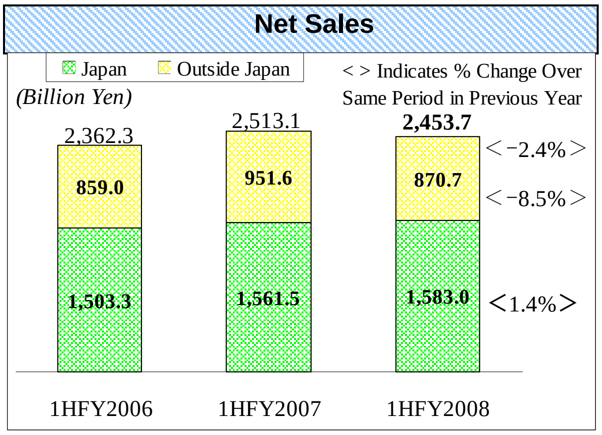
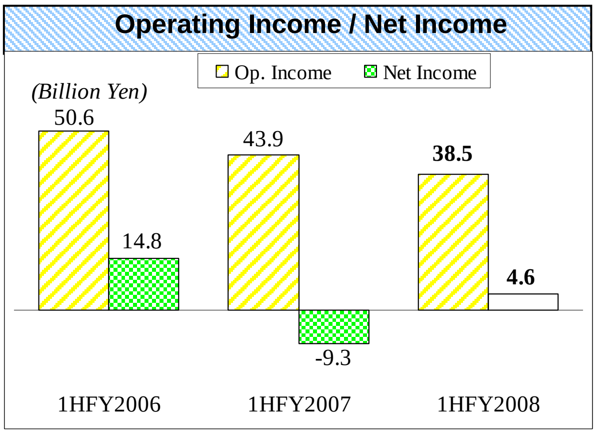
2. Profit and Loss

Note: In these explanatory materials, the yen figures for net sales, operating income, and other figures are converted into US$ amounts for reference purposes, at a rate of $1=104 yen, the approximate Tokyo foreign exchange market rate on September 30, 2008. Figures for and comparisons to prior reporting periods are provided for reference, including approximate comparisons excluding the impact of changes in currency exchange rates.





Consolidated net sales for the first half were 2,453.7 billion yen (US$23,594 million), representing a decline of 2.4% compared to the first half of fiscal 2007. Excluding the negative impact of the yen's appreciation, net sales in and outside Japan were roughly even with the first half of fiscal 2007. Sales of logic LSI devices, electronic components, PCs, mobile phones, and UNIX servers declined, but sales of systems integration services in Japan to the public, financial services and healthcare sectors increased, as did sales of mobile phone base stations and router equipment to telecom carriers.

Consolidated operating income was 38.5 billion yen (US$371 million), a decrease of 5.3 billion yen compared to the first half of fiscal 2007. Gross profit increased by 7.2 billion yen over the previous year due to such factors as higher sales of mobile phone base stations and system integration services, as well as cost reductions in the HDD business. The gross profit margin improved by 0.9 percentage point, to 26.1%.

Selling, general, and administrative expenses increased by 12.6 billion yen over the same period in fiscal 2007. Strategic upfront investments increased, particularly in Technology Solutions, as did amortization costs for unrecognized retirement benefit obligations as a result of lower performance on pension assets in the previous fiscal year. These increases outweighed the favorable impact of the yen's appreciation on expenses denominated in other currencies.

In other income and expenses, other income decreased by 14.3 billion yen compared to the same period a year ago, while other expenses decreased by 31.4 billion yen, for a net improvement of approximately 17.0 billion yen. A major cause for the improvement was an inventory revaluation loss of 25.0 billion yen in the first half of fiscal 2007 arising from a change in accounting policies. Equity in earnings of affiliates deteriorated in comparison with the same period in the previous year due to intensified competition in PCs and servers for our joint venture in Europe, and there was an improvement in foreign exchange gains and losses as a result of the depreciation of the yen in the first half compared to the end of the previous fiscal year, as well as lower losses on the disposal of fixed assets. There was a 2.9 billion yen gain on sales of shares in a cable television company and other investment securities, and a 2.1 billion yen impairment loss in our electronic components business.

As a result, income before income taxes and minority interests was 29.8 billion yen (US$287 million), an increase of 11.6 billion yen from the same period in the previous year. After subtracting income taxes and minority interests, consolidated net income rebounded from a loss of 9.3 billion yen in the same period the previous year to a 4.6 billion yen (US$45 million) profit, an improvement of 13.9 billion yen.

Comparison with Projections Announced in July 2008

Net sales were roughly in line with projections. Lower-than-anticipated sales of PCs, mobile phones, hard disk drives (HDDs) and logic LSI devices were offset by higher-than-anticipated sales in our Services business and a weaker-than-anticipated yen in the first half. Operating income exceeded projections by 3.5 billion yen as a result of cost reduction efforts and greater efficiencies in the servers and related business and higher sales and greater cost efficiencies in the Services business, which outweighed the impact of lower sales of PCs and HDDs and intensified competition in the logic LSI and electronic component markets. Other losses such as losses on foreign currency exchange and disposal of fixed assets were lower than expected, though corporate taxes were higher than anticipated because of increased dividend income from subsidiaries and affiliates outside Japan. As a result, net income totaled 4.6 billion yen compared with the previous break-even projection.

Consolidated Results by Business Segment

(Billion Yen)

		First Half FY 2008 *4/1/08-9/30/08*	First Half FY 2007 *4/1/07-9/30/07*	Change
Technology Solutions	Net Sales	1,524.9	1,507.5	17.4
	Operating Income	57.3	38.7	18.6
	[Operating Income Margin]	[3.8%]	[2.6%]	[1.2%]
Ubiquitous Product Solutions	Net Sales	521.4	575.0	-53.6
	Operating Income	8.8	21.8	-12.9
	[Operating Income Margin]	[1.7%]	[3.8%]	[-2.1%]
Device Solutions	Net Sales	350.9	397.9	-46.9
	Operating Income	-7.3	6.1	-13.4
	[Operating Income Margin]	[-2.1%]	[1.5%]	[- 3.6%]
Other Operations	Net Sales	260.6	253.7	6.9
	Operating Income	7.7	5.8	1.9
	[Operating Income Margin]	[3.0%]	[2.3%]	[0.7%]
Elimination & Corporate	Net Sales	-204.2	-221.1	16.9
	Operating Income	-28.2	-28.5	0.3

Total	Net Sales		2,453.7		2,513.1		-59.3
	Japan	<64.5%>	1,583.0	<62.1%>	1,561.5	<2.4%>	21.5
	Outside Japan	<35.5%>	870.7	<37.9%>	951.6	<-2.4%>	-80.8
	Operating Income		38.5		43.9		-5.3
	[Operating Income Margin]		[1.6%]		[1.7%]		[-0.1%]

Notes: Net sales include intersegment sales.

Percentages inside brackets < > reflect proportion of total sales.

If foreign exchange rates were unchanged from the first half of fiscal 2007, the ratio of net sales outside Japan would be 38%.

Consolidated Results by Geographic Segment

(Billion Yen)

		First Half FY 2008 *4/1/08-9/30/08*	First Half FY 2007 *4/1/07-9/30/07*	Change
Japan	Net Sales	1,950.2	1,966.7	-16.4
	Operating Income	62.0	56.5	5.4
	[Operating Income Margin]	[3.2%]	[2.9%]	[0.3%]
Outside Japan	Net Sales	948.8	1,038.9	-90.1
	Operating Income	6.8	16.5	-9.6
	[Operating Income Margin]	[0.7%]	[1.6%]	[-0.9%]

Note: Net sales include intersegment sales.