6. FY 2010 Consolidated Earnings Projections

For the first half of fiscal 2010, although net sales fell short of the projections announced on July 29, operating income exceeded projections by 12.1 billion yen. Both sales and operating income in the ICT services business outside of Japan were below projections, as institutions in Europe and the US reduced or postponed ICT spending. Sales of network products and mobile phones, however, exceeded projections, and further group-wide progress was made in generating cost reductions and business efficiencies, enabling the company to exceed operating income projections. In the services business in Japan, performance in the solutions and systems integration business was on par with projections, and the infrastructure services business exceeded projections. Despite a loss on foreign exchange as a result of the yen's appreciation, net income for the first half exceeded projections by 4 billion yen as a result of an improvement in operating income and gains on the sales of investment securities.

Driven by growth in China and other emerging markets, the global economy is experiencing a moderate recovery, but the pace of recovery is slowing. In the US, although the corporate sector is leading a mild economic rebound, the economy remains weak amid stagnant consumer spending. In Europe, against a backdrop of rising exports, there are signs of a recovery, but significant fiscal austerity measures on the part of the British government and other nations have resulted in a heightened sense that internal demand is stagnating, leading to rising uncertainty about the future course of the economy. In Japan, too, while corporate earnings continue to improve, there is rising uncertainty about future economic conditions because of yen appreciation and the slowdown in the pace of the global recovery, thereby weakening corporate investment sentiment, and it is expected that the pace of Japan's recovery will further weaken in the second half of fiscal 2010.

ICT investment is moderately recovering as a result of an expansion in the use of datacenter services and a rebound in capital utilization rates, but corporations, particularly in the manufacturing sector, are taking a more cautious stance toward new investment as a result of the yen's appreciation and economic weakness. Consequently, since previous economic projections, assumptions regarding a recovery in the second half of fiscal 2010 have been lowered.

Taking the overall business environment into consideration, financial projections for fiscal 2010 are being revised as follows.

Full-year projections for net sales for fiscal 2010 have been revised to 4,670.0 billion yen, representing a decrease of 130.0 billion yen compared to the forecast announced in July. Projected sales for the Technology Solutions segment are being revised down by 100.0 billion yen. Although sales of network products exceeded the previous projections in the first half, the new projection takes into account expectations of lower services sales outside Japan due to fiscal austerity measures in the UK and the slowdown in the recovery of the US economy. In addition, in Japan, services sales are expected to be impacted by a delayed recovery in demand for ICT investment, particularly in the manufacturing sector. The higher yen is also expected to reduce Technology Solutions sales by 40.0 billion yen. Projected sales for Ubiquitous Solutions and Device Solutions have been reduced by 15.0 billion yen and 10.0 billion yen, respectively. Although sales of mobile phones are expected to exceed previous projections, the downward revisions are the result of lower expected sales of mobilewear, particularly outside Japan, as demand shifts to lower-priced car models, fewer of which are equipped with navigation systems, and the impact of the higher yen on sales of electronic components.

There have been no changes made to full-year projections for operating income of 185.0 billion yen. In Technology Solutions, reductions or postponements of ICT investment spending in Europe and the US are expected to reduce operating income in the services business by 7.0 billion yen, and, in Device Solutions, the impact of the stronger yen is expected to reduce operating income from electronic components by 5.0 billion yen. However, operating income in the “Other/Elimination and Corporate” category has been revised upward by 12.0 billion yen as a result of further expected progress in group-wide cost efficiencies.

The full-year projection for net income remains unchanged, as the loss on foreign exchange recorded in the first half is expected to be offset by the gain on sales of investment securities recorded in the first half and lower eliminations of income from minority interests.

(Billion Yen)

	Fiscal 2009 Full-Year Results	Fiscal 2010 Full-Year Forecast	Change vs. July Forecast	Impact of Exchange Rate Fluctuations
Net Sales	4,679.5	4,670.0	-130.0	-60.0
Operating Income	94.3	185.0	-	-5.0
Net Income	93.0	95.0	-	-5.0

Note: These earnings projections reflect the following exchange rate assumptions for the second half of the fiscal year (figures in parentheses are the assumptions used in the projections announced in July): US$ = 85 yen (90 yen), euro = 105 yen (115 yen), British pound = 130 yen (135 yen).