

Part II. Explanation of Financial Results

1. Overview of FY 2011 Full-Year Financial Results

Business Environment

During fiscal 2011 (April 1, 2011 – March 31, 2012), Europe experienced a deepening sovereign debt crisis that adversely impacted the real economy, dragging the region into negative growth. In the US, although there were signs of an improving outlook for employment and consumer spending, a full-fledged recovery has yet to materialize. In emerging markets, economic growth was still relatively high, but decelerated somewhat due to the impact of tightening monetary policy and lower exports as a result of the economic slowdown in Europe. In Japan, supply chains recovered more quickly than anticipated from the paralysis caused by the Great East Japan Earthquake, although recovery once again stagnated on the negative impact of the flooding in Thailand and a decline in exports as a result of the high yen and the economic slowdown outside Japan. There were signs of a recovery in the fourth quarter, however, as the strength of the yen began to ease and businesses recuperated from the flood damage in Thailand.

Spending on information and communication technology (ICT) in Japan has yet to fully recover. Although there are signs of a recovery in certain segments, the overall investment stance remains cautious.

FY 2011 Full-Year Summary

(Billion Yen)

	FY 2011 4/1/11- 3/31/12	FY 2010 4/1/10- 3/31/11	Change		Change vs. Jan. 2012 Forecast
				Change (%)	
Net Sales	4,467.5	4,528.4	-60.8*	[0]** -1.3	-22.4
Cost of Sales	3,232.1	3,270.9	-38.7	-1.2	
Gross Profit [Gross Profit Margin]	1,235.4 [27.7%]	1,257.4 [27.8%]	-22.0 [-0.1%]	-1.8	
Selling, General and Administrative Expenses	1,130.1	1,124.8	5.2	0.5	
Operating Income [Operating Income Margin]	105.3 [2.4%]	132.5 [2.9%]	-27.2* [-0.5%]	-20.6	5.3
Other Income and Expenses	-38.5	-30.3	-8.2	-	
Income Before Income Taxes	66.7	102.2	-35.5	-34.7	
Income Taxes	29.9	48.1	-18.1	-37.7	
Income before Minority Interests	36.7	54.0	-17.3	-32.1	
Minority Interests	-5.9	-1.0	-4.9	-	
Net Income	42.7	55.0	-12.3	-22.5	7.7

***Note: Estimated amount of reduction caused by the Thai floods: Net sales: -28.0 billion yen; operating income: -15.0 billion yen.**

The amount of reduction caused by the Thai floods is an estimate of lost sales, higher costs and other factors associated with revisions to planned production and sales figures on account of the floods which took place in Thailand. The impact of parts procurement delays and higher prices, customer production adjustments and other factors is included.

****Excluding the impact of exchange rate fluctuations (%)**

FY 2011 Quarterly Breakdown of Results

(Billion Yen)

		1Q	2Q	3Q	4Q	Full-Year	Change vs. Jan. 2012 Forecast
Consolidated	Net Sales	986.0	1,106.2	1,079.7	1,295.5	4,467.5	-22.4
	Change from FY 2010	-61.1	6.0	-16.7	11.0	-60.8	
	Operating Income	-17.1	24.1	3.1	95.0	105.3	5.3
	Change from FY 2010	-27.1	-12.9	-18.1	30.9	-27.2	

Results by Business Segment

Technology Solutions	Net Sales	659.1	726.2	686.1	863.3	2,934.9	-45.0
	Change from FY 2010	-6.6	-8.7	-31.9	-32.1	-79.4	
	Operating Income	2.5	43.1	25.9	99.6	171.2	1.2
	Change from FY 2010	-6.0	-4.5	0.9	18.0	8.4	
Ubiquitous Solutions	Net Sales	235.4	280.3	301.1	337.2	1,154.2	4.2
	Change from FY 2010	-41.4	16.0	11.6	42.4	28.6	
	Operating Income	-0	4.3	2.0	13.5	19.9	4.9
	Change from FY 2010	-10.6	-0	-1.6	9.6	-2.7	
Device Solutions	Net Sales	140.8	147.5	138.1	158.0	584.7	4.7
	Change from FY 2010	-17.6	-13.5	-17.1	2.4	-45.9	
	Operating Income	-1.0	-3.8	-8.4	3.0	-10.1	4.8
	Change from FY 2010	-7.0	-9.0	-16.8	1.8	-31.1	

FY2011 Major Items in Other Income and Expenses

(Billion Yen)

Item		FY2011	Description
		24.3	
Expense	Business Structure Improvement Expense	15.1	One-time costs (5.9 billion yen) associated with the decision to transfer the LSI device business's Iwate Plant and its employees, costs (5.2 billion yen) on the decision to restructure the production of car audio and navigation system operations in Japan, and expenses (3.9 billion yen) related to the streamlining of services businesses, mainly in Europe
	Loss on Disaster	7.5	In the first quarter of FY2011, fixed costs and other expenses associated with damage to factories due to aftershocks of the Great East Japan Earthquake and the suspension of operations at factories impacted by customer-related factors
	Other	1.6	Loss on changes in retirement benefit plan of domestic subsidiary companies and impairment loss on fixed assets