

Part II: Explanation of Financial Results

1. Overview of FY2012 Second-Quarter Consolidated Financial Results

Business Environment

During the first half of fiscal 2012 (April 1, 2012 – September 30, 2012), as the economic slowdown spread, recovery in the global economy was weak. Progress was made in building a framework of economic assistance for countries in southern Europe, although financial markets remained unstable. The real economy also continued to deteriorate as a result of fiscal austerity measures put in place by governments and rising unemployment. With unemployment remaining stubbornly high in the US, there was a further easing of monetary policy, but concerns over fiscal policy have resulted in continued uncertainty. Economic growth in emerging market countries has moderated as exports have declined due to the European recession.

Economic conditions in Japan continued to be bolstered by an uptick in demand on the back of reconstruction efforts following the Great East Japan Earthquake, but overall growth remains weak as a result of the expiration of subsidies for hybrid car purchases and slowdown in global economic growth.

Spending on information and communication technology (ICT) in Japan has been solid as investments that were previously put off were made and telecommunications carriers invested to keep up with increases in communications traffic. Outside of Japan, primarily in Europe, where economic conditions continue to deteriorate, companies are making stronger moves to control investment spending.

FY 2012 Second-Quarter Financial Results

(Billion Yen)

	FY2012		FY2011		Change vs. 2Q FY 2011		Change (%) Constant Currency
	2Q 7/1/12- 9/30/12	1Q 4/1/12- 6/30/12	2Q 7/1/11- 9/30/11	1Q 4/1/11- 6/30/11	Change (%)		
Net Sales	1,114.4	957.3	1,106.2	986.0	8.1	0.7	2
Cost of Sales	804.8	706.7	796.9	721.5	7.9	1.0	
Gross Profit	309.5	250.6	309.3	264.5	0.2	0.1	
[Gross Profit Margin]	[27.8%]	[26.2%]	[28.0%]	[26.8%]	[-0.2%]		
Selling, General and Administrative Expenses	276.8	275.6	285.1	281.7	-8.3	-2.9	
Operating Income (Loss)	32.7	-25.0	24.1	-17.1	8.5	35.3	
[Operating Income Margin]	[2.9%]	[-2.6%]	[2.2%]	[-1.7%]	[0.7%]		
Other Income and Expense	-4.6	0.1	-8.0	-9.2	3.4	-	
Income (Loss) Before Income Taxes and Minority Interests	28.0	-24.9	16.1	-26.3	11.9	74.2	
Income Taxes	14.4	-1.8	-9.0	-3.0	23.5	-	
Income (Loss) Before Minority Interests	13.5	-23.0	25.1	-23.3	-11.5	-46.0	
Minority Interests (Loss)	0.8	0.7	-1.0	-2.9	1.8	-	
Net Income (Loss)	12.7	-23.7	26.1	-20.4	-13.4	-51.3	

FY 2012 First-Half Financial Results

(Billion Yen)

	First Half FY 2012 4/1/12- 9/30/12	First Half FY 2011 4/1/11- 9/30/11	Change vs. First Half FY 2011		Change (%) Constant Currency	Change vs. July 2012 projections
				Change (%)		
Net Sales	2,071.8	2,092.3	-20.5	-1.0	0	-8.1
Operating Income [Operating Income Margin]	7.6 [0.4%]	7.0 [0.3%]	0.6 [0.1%]	9.1		2.6 [0.2%]
Net Income	-11.0	5.7	-16.8	-		-1.0

Quarterly Breakdown of Results

(Billion Yen)

		FY2011				FY2012	
		1Q	2Q	3Q	4Q	1Q	2Q
Total	Sales	986.0	1,106.2	1,079.7	1,295.5	957.3	1,114.4
	Operating Income	-17.1	24.1	3.1	95.0	-25.0	32.7

[Results by Business Segment]

Technology Solutions	Sales	659.1	726.2	686.1	863.3	627.1	713.3
	Operating Income	2.5	43.1	25.9	99.6	0.8	46.2
Services	Sales	534.0	584.6	559.1	693.4	513.6	575.6
	Operating Income	2.0	27.9	22.1	71.8	4.9	32.4
System Platforms	Sales	125.1	141.6	127.0	169.8	113.4	137.6
	Operating Income	0.4	15.2	3.7	27.8	-4.0	13.7
Ubiquitous Solutions	Sales	235.4	280.3	301.1	337.2	234.6	314.7
	Operating Income	-0.0	4.3	2.0	13.5	-2.0	12.4
Device Solutions	Sales	140.8	147.5	138.1	158.0	130.3	138.3
	Operating Income	-1.0	-3.8	-8.4	3.0	-3.6	-3.3