

## Part II: Explanation of Financial Results

### 1. Overview

#### Business Environment

In the third quarter of fiscal 2004 (October 1 – December 31, 2004), despite temporary deceleration in the US and Chinese economies caused by rises in interest rates and crude oil prices, there was growth in Europe and overall, and concerns about a global slowdown abated. In Japan, production adjustments continued in the digital home electronics industry, which had previously enjoyed strong growth, and the market for electronic components experienced a sharp deterioration. Overall, growth in Japan reached a temporary plateau, although there are signs pointing to a recovery next fiscal year.

With respect to IT spending, there is a strong desire to increase investments in IT on the part of leading corporations that are expanding their operations around the globe, supported by rapid advances in information technology. In Japan, there are significant variations in attitudes toward IT spending depending on the industry, company size, and region, as well as among individual companies, but overall IT spending has yet to show signs of real strength.

As illustrated by the narrowing gap in supply and demand fluctuations in electronic components, progress in information technology is not just key to opening new markets and developing new technologies; it is also driving competitiveness in all aspects of today's dynamic business environment, including price, quality, and delivery times. IT companies must be responsive to changes in both the technological landscape and the competitive environment, while at the same time pushing forward with unrelenting structural reforms in their business operations.

Consolidated financial results for the Fujitsu Group in the third quarter are summarized below.

#### FY 2004 Third-Quarter Financial Results (For the three months ended December 31, 2004 )

(Billion Yen)

	Third Quarter FY 2004	Third Quarter FY 2003	Change	
				%
Net Sales	1,043.6	1,068.2	- 24.5	- 2.3 %
Operating Income	4.8	10.1	- 5.3	- 52.6 %
Net Income (Loss)	(9.5)	7.6	- 17.2	-

Change on continuing-operations basis excluding impact of restructuring  
0.0%

(Yen)

Net Income (Loss) Per Share	(4.63)	3.83	- 8.46	-
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#### FY 2004 First Nine Months Financial Results (For the nine months ended December 31, 2004)

(Billion Yen)

	First 9 months FY 2004	First 9 months FY 2003	Change	
				%
Net Sales	3,263.7	3,210.1	+ 53.5	+ 1.7 %
Operating Income (Loss)	38.1	(7.8)	+ 45.9	-
Net Income (Loss)	(17.7)	(50.9)	+ 33.1	-

Change on continuing-operations basis excluding impact of restructuring  
+ 5.4%

(Yen)

Net (Loss) Per Share	(8.77)	(25.45)	+ 16.68	-
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Note: Throughout these explanatory materials, yen figures are converted to US dollars for convenience only at a uniform rate of \$1 = 103 yen, the approximate closing exchange rate on December 31, 2004.