

## 4. FY 2004 Earnings Projections

In spite of the slowdown in business in the third quarter, higher income from stronger hardware sales, cost savings from more efficient manufacturing, and the effects of last year's restructuring of overseas operations has helped bring about a significant improvement of more than 45 billion yen in operating income over the first nine months of fiscal 2004 in comparison with the same period last year.

In Electronic Devices, although profitability of Flash memory and other products have been affected by the weakening of the mobile phone and digital AV equipment markets since the middle of the first half of the fiscal year, we believe the impact on income in the main logic chip business will be relatively limited. However, in light of intensifying price competition in the flat-panel display market arising from the deteriorating demand-supply balance, we do not see market conditions improving for the time being.

Regarding Software & Services, to deal with projects with deteriorating profitability we are working to strengthen project management through such measures as enhancing our preliminary audit capabilities and advancing evaluation toward the introduction of percentage of completion methods. At the same time, based on our SDAS and TRIOLE initiatives, we are striving to improve quality and productivity. And through the unification of our sales and systems engineering groups and reorganization along customer lines, we have shored up a framework that will help prevent problems from recurring and solidify a foundation for greater profitability. However, against continuing pricing pressure in the software and services market, the recovery in profitability is gradual.

As a result of the foregoing factors, we are at this time revising our earnings projections for fiscal 2004 as described below.

Due to the impact of declining income from electronic devices, in particular displays, the worsening of profitability in certain domestic solutions /systems integration projects, a fall-off in large public system orders that are usually clustered at the end of the year, and other factors, we are lowering projected full-year consolidated net sales to 4,800 billion yen, consolidated operating income to 170 billion yen, and consolidated net income to 55 billion yen.

### FY 2004 Full-Year Projections

(Billion Yen)

	FY 2004 (Projected)	Change from previous projection in October 2004	FY 2003 (Actual)
Net Sales	4,800.0	- 100.0	4,766.8
Operating Income	170.0	- 30.0	150.3
Net Income	55.0	- 15.0	49.7

These materials may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- General economic and market conditions in key markets (particularly Japan, North America and Europe)
- Variability in high-technology markets (particularly for semiconductors, PCs, mobile telephones, etc.)
- Fluctuations in currency exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for procurement of parts and components
- Changes in competitive relationships relating to collaboration, alliances, and technology provision
- Potential emergence of unprofitable projects