

FY 2004 Third-Quarter Financial Results

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Part I: Financial Tables

1. Summary of FY 2004 Third-Quarter Consolidated Results

a. Summary of Consolidated Statements of Operations

(Three months ended December 31)

		Yen (millions) (except per share data)		Change (%)
		2004	2003	
Net sales	Y	1,043,648	1,068,202	-2.3
Operating income		4,827	10,186	-52.6
Income (loss) before income taxes and minority interests		(15,500)	71,655	-
Net income (loss)		(9,570)	7,652	-
Net income (loss) per common share	Y	(4.63)	3.83	-

b. Net Sales to Unaffiliated Customers by Business Segment

(Three months ended December 31)

		Yen (millions)		Change (%)
		2004	2003	
Software & Services	Y	435,907	436,191	-0.1
Platforms		375,332	373,841	+0.4
Electronic Devices		170,163	191,207	-11.0
Other Operations		62,246	66,963	-7.0
Total	Y	1,043,648	1,068,202	-2.3

c. Summary of Consolidated Financial Condition

		Yen (millions) (except per share data)		
		December 31 2004	September 30 2004	March 31 2004
Total assets	Y	3,574,686	3,561,426	3,865,589
Shareholders' equity		853,041	803,044	827,177
Shareholders' equity ratio		23.9 %	22.5 %	21.4 %
Shareholders' equity per share	Y	412.50	401.49	413.22

d. Summary of Consolidated Statements of Cash Flows

(Three months ended December 31)

		Yen (millions)	
		2004	2003
Cash flows from operating activities	Y	33,111	6,804
Cash flows from investing activities		(42,130)	124,910
Cash flows from financing activities		12,474	(79,164)
Cash and cash equivalents at end of period		215,327	288,380

2. Summary of Nine-Month Consolidated Results

a. Summary of Consolidated Statements of Operations

(Nine months ended December 31)

		Yen (millions) (except per share data)		
		2004	2003	Change (%)
Net sales	Y	3,263,707	3,210,136	+1.7
Operating income		38,112	(7,804)	-
Income (loss) before income taxes and minority interests		(13,587)	20,573	-
Net income (loss)		(17,731)	(50,910)	-
Net income (loss) per common share	Y	(8.77)	(25.45)	-

b. Net Sales to Unaffiliated Customers by Business Segment

(Nine months ended December 31)

		Yen (millions)		
		2004	2003	Change (%)
Software & Services	Y	1,352,419	1,345,516	+0.5
Platforms		1,163,270	1,097,662	+6.0
Electronic Devices		563,663	525,953	+7.2
Financing		-	50,391	-
Other Operations		184,355	190,614	-3.3
Total	Y	3,263,707	3,210,136	+1.7

c. Summary of Consolidated Statements of Cash Flows

(Nine months ended December 31)

		Yen (millions)	
		2004	2003
Cash flows from operating activities	Y	83,307	44,228
Cash flows from investing activities		(97,805)	94,558
Cash flows from financing activities		(172,336)	(129,801)
Cash and cash equivalents at end of period		215,327	288,380

3. Consolidated Earnings Forecast for FY 2004
(April 1, 2004 - March 31, 2005)

	Yen (billions) (except per share data)	
	FY 2004 Full Year (Forecast)	Change (%) FY03 to FY04
Net sales	Y 4,800.0	+0.7
Operating income	170.0	+13.1
Net income	55.0	+10.7
Net income per common share	Y 26.60	+8.4

4. Third-Quarter Consolidated Statements of Operations (Unaudited)

(Three months ended December 31)

	Y	Yen (millions)		Change (%)
		2004	2003	
Net sales		1,043,648	1,068,202	-2.3
Operating costs and expenses:				
Cost of goods sold		775,785	781,634	-0.7
Selling, general and administrative expenses		<u>263,036</u>	<u>276,382</u>	-4.8
		<u>1,038,821</u>	<u>1,058,016</u>	
Operating income		4,827	10,186	-52.6
Other income (expenses):				
Net interest*		(2,295)	(3,824)	
Equity in earnings of affiliated companies, net		665	(2,877)	
Amortization of unrecognized obligation for retirement benefits		(9,792)	(14,375)	
Gain on sales of marketable securities		1,006	90,985	
Restructuring charges**		(2,244)	(2,735)	
Other, net		<u>(7,667)</u>	<u>(5,705)</u>	
		<u>(20,327)</u>	<u>61,469</u>	-
Income (loss) before income taxes and minority interests		(15,500)	71,655	-
Income taxes		(4,513)	63,689	
Minority interests		1,417	(314)	
Net income (loss)	Y	<u><u>(9,570)</u></u>	<u><u>7,652</u></u>	-

Note: *Net interest consists of interest income, dividend income and interest charges.

**Restructuring charges are related to expenses for workforce reductions, realignment, and disposal of assets at subsidiaries.

5. Third-Quarter Consolidated Business Segment Information (Unaudited)

(Three months ended December 31)

a. Sales to Unaffiliated Customers

		Yen (millions)		Change (%)
		2004	2003	
Software & Services	Japan	Y 299,222	307,844	-2.8
	Overseas	136,685	128,347	+6.5
	Total	Y 435,907	436,191	-0.1
Platforms	Japan	241,228	255,423	-5.6
	Overseas	134,104	118,418	+13.2
	Total	375,332	373,841	+0.4
Electronic Devices	Japan	100,877	100,470	+0.4
	Overseas	69,286	90,737	-23.6
	Total	170,163	191,207	-11.0
Other Operations	Japan	51,229	55,919	-8.4
	Overseas	11,017	11,044	-0.2
	Total	62,246	66,963	-7.0
Total	Japan	Y 692,556	719,656	-3.8
	Overseas	351,092	348,546	+0.7
	Total	Y 1,043,648	1,068,202	-2.3

b. Sales to Unaffiliated Customers by Products and Services

		Yen (billions)		Change (%)
		2004	2003	
Software & Services	Solutions/SI	Y 175.0	181.6	-3.6
	Infrastructure Services	260.9	254.5	+2.5
	Total	Y 435.9	436.1	-0.1
Platforms	Server-related	Y 80.8	84.6	-4.5
	Mobile / IP Networks	39.8	46.6	-14.6
	Transmission Systems	42.6	38.9	+9.5
	PCs & Mobile Phones	153.3	152.2	+0.7
	HDD-related	58.8	51.5	+14.2
	Total	Y 375.3	373.8	+0.4
Electronic Devices	Semiconductors	Y 96.4	104.0	-7.3
	Others	73.7	87.2	-15.5
	Total	Y 170.1	191.2	-11.0

c. Net Sales including Intersegment Sales

		Yen (millions)		Change (%)
		2004	2003	
Software & Services	Unaffiliated customers	Y 435,907	436,191	-0.1
	Intersegment	8,500	8,639	-1.6
	Total	Y 444,407	444,830	-0.1
Platforms	Unaffiliated customers	375,332	373,841	+0.4
	Intersegment	33,909	46,073	-26.4
	Total	409,241	419,914	-2.5
Electronic Devices	Unaffiliated customers	170,163	191,207	-11.0
	Intersegment	12,661	17,914	-29.3
	Total	182,824	209,121	-12.6
Other Operations	Unaffiliated customers	62,246	66,963	-7.0
	Intersegment	22,601	33,807	-33.1
	Total	84,847	100,770	-15.8
Elimination		(77,671)	(106,433)	-
Total		Y 1,043,648	1,068,202	-2.3

d. Operating Income including Intersegment Transactions

[Operating Margin (%)]

		Yen (millions)		Change (Million Yen)
		2004	2003	
Software & Services		Y 14,294	7,658	+6,636
		3.2%	1.7%	+1.5%
Platforms		1,822	115	+1,707
		0.4%	0.0%	+0.4%
Electronic Devices		347	15,583	-15,236
		0.2%	7.5%	-7.3%
Other Operations		2,935	1,940	+995
		3.5%	1.9%	+1.6%
Elimination		(14,571)	(15,110)	+539
Total		Y 4,827	10,186	-5,359
		0.5%	1.0%	-0.5%

6. Third-Quarter Consolidated Balance Sheets (Unaudited)

	Yen (millions)		Change (Million Yen)
	December 31 2004	September 30 2004	
Assets			
Current assets:			
Cash and cash equivalents and short-term investments	Y 220,617	216,938	+3,679
Receivables, trade	619,731	686,865	-67,134
Inventories	618,814	575,854	+42,960
Other current assets	232,656	247,780	-15,124
Total current assets	1,691,818	1,727,437	-35,619
Investments and long-term loans	874,722	840,303	+34,419
Property, plant and equipment less accumulated depreciation	774,535	781,015	-6,480
Intangible assets	233,611	212,671	+20,940
Total assets	Y 3,574,686	3,561,426	+13,260
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	Y 258,557	274,633	-16,076
Payables, trade	686,339	679,273	+7,066
Other current liabilities	506,088	542,247	-36,159
Total current liabilities	1,450,984	1,496,153	-45,169
Long-term liabilities:			
Long-term debt	888,604	850,285	+38,319
Other long-term liabilities	223,425	226,224	-2,799
Total long-term liabilities	1,112,029	1,076,509	+35,520
Minority interests	158,632	185,720	-27,088
Shareholders' equity:			
Common stock	324,625	324,625	-
Capital surplus	506,130	455,970	+50,160
Retained earnings (Deficit)	(66,517)	(50,895)	-15,622
Unrealized gains on securities and revaluation surplus on land	154,386	134,278	+20,108
Foreign currency translation adjustments	(64,431)	(59,956)	-4,475
Treasury stock	(1,152)	(978)	-174
Total shareholders' equity	853,041	803,044	+49,997
Total liabilities, minority interests and shareholders' equity	Y 3,574,686	3,561,426	+13,260
Ending balance of interest-bearing loans	Y 1,147,161	1,124,918	+22,243
D/E ratio	1.34	1.40	-0.06

Supplementary Information

	Yen (billions)		
	FY2004 (Forecast)	FY2003 (Actual)	Change (%)
Capital expenditure	Y 225.0	Y 159.7	+40.8
Depreciation	185.0	200.0	-7.5

7. Third-Quarter Consolidated Statements of Cash Flows (Unaudited)

(Three months ended December 31)

	Yen (millions)		Change (Million Yen)
	2004	2003	
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	Y (15,500)	71,655	-87,155
Depreciation and amortization	56,299	64,775	-8,476
Increase (decrease) in provisions	(655)	5,548	-6,203
Equity in earnings of affiliates, net	(665)	2,877	-3,542
Disposal of property, plant and equipment	2,228	2,191	+37
(Increase) decrease in receivables, trade	62,402	(21,339)	+83,741
(Increase) decrease in inventories	(45,719)	(57,956)	+12,237
Increase (decrease) in payables, trade	12,285	65,886	-53,601
Other, net	(37,564)	(126,833)	+89,269
Net cash provided by (used in) operating activities	<u>33,111</u>	<u>6,804</u>	<u>+26,307</u>
2. Cash flows from investing activities:			
Purchase of property, plant and equipment	(41,357)	(25,139)	-16,218
(Increase) decrease in investments and long-term loans	4,094	158,441	-154,347
Other, net	(4,867)	(8,392)	+3,525
Net cash provided by (used in) investing activities	<u>(42,130)</u>	<u>124,910</u>	<u>-167,040</u>
1+2 [Free Cash Flow]	<u>(9,019)</u>	<u>131,714</u>	<u>-140,733</u>
3. Cash flows from financing activities:			
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt	25,365	(66,800)	+92,165
Dividends paid	(6,001)	-	-6,001
Other, net	(6,890)	(12,364)	+5,474
Net cash provided by (used in) financing activities	<u>12,474</u>	<u>(79,164)</u>	<u>+91,638</u>
4. Effect of exchange rate changes on cash and cash equivalents	<u>(988)</u>	<u>(828)</u>	<u>-160</u>
5. Net increase (decrease) in cash and cash equivalents	<u>2,467</u>	<u>51,722</u>	<u>-49,255</u>
6. Cash and cash equivalents at beginning of period	<u>212,860</u>	<u>236,658</u>	<u>-23,798</u>
7. Cash and cash equivalents at end of period	Y <u><u>215,327</u></u>	<u><u>288,380</u></u>	<u><u>-73,053</u></u>

8. Nine-Month Consolidated Statements of Operations (Unaudited)

(Nine months ended December 31)

	Yen (millions)		
	<u>2004</u>	<u>2003</u>	Change (%)
Net sales	Y 3,263,707	3,210,136	+1.7
Operating costs and expenses:			
Cost of goods sold	2,408,702	2,358,088	+2.1
Selling, general and administrative expenses	816,893	859,852	-5.0
	<u>3,225,595</u>	<u>3,217,940</u>	
Operating income (loss)	38,112	(7,804)	-
Other income (expenses):			
Net interest*	(6,649)	(11,579)	
Equity in earnings of affiliated companies, net	5,189	(2,459)	
Amortization of unrecognized obligation for retirement benefits	(29,487)	(43,313)	
Gain on sales of marketable securities	3,491	125,455	
Restructuring charges**	(6,843)	(7,409)	
Casualty loss	-	(4,700)	
Other, net	(17,400)	(27,618)	
	<u>(51,699)</u>	<u>28,377</u>	-
Income (loss) before income taxes and minority interests	(13,587)	20,573	-
Income taxes	(833)	67,476	
Minority interests	(4,977)	(4,007)	
Net income (loss)	Y <u><u>(17,731)</u></u>	<u><u>(50,910)</u></u>	-

Note: *Net interest consists of interest income, dividend income and interest charges.

**Restructuring charges are related to expenses for workforce reductions, realignment, and disposal of assets at subsidiaries.

9. Nine-Month Consolidated Business Segment Information (Unaudited)

(Nine months ended December 31)

a. Sales to Unaffiliated Customers

		Yen (millions)		Change (%)
		2004	2003	
Software & Services	Japan	Y 967,003	979,306	-1.3
	Overseas	385,416	366,210	+5.2
	Total	Y 1,352,419	1,345,516	+0.5
Platforms	Japan	793,601	760,442	+4.4
	Overseas	369,669	337,220	+9.6
	Total	1,163,270	1,097,662	+6.0
Electronic Devices	Japan	320,837	265,122	+21.0
	Overseas	242,826	260,831	-6.9
	Total	563,663	525,953	+7.2
Financing	Japan	-	50,391	-
	Overseas	-	-	-
	Total	-	50,391	-
Other Operations	Japan	149,175	156,901	-4.9
	Overseas	35,180	33,713	+4.4
	Total	184,355	190,614	-3.3
Total	Japan	Y 2,230,616	2,212,162	+0.8
	Overseas	1,033,091	997,974	+3.5
	Total	Y 3,263,707	3,210,136	+1.7

b. Sales to Unaffiliated Customers by Products and Services

		Yen (billions)		Change (%)
		2004	2003	
Software & Services	Solutions/SI	Y 567.8	595.3	-4.6
	Infrastructure Services	784.6	750.2	+4.6
	Total	Y 1,352.4	1,345.5	+0.5
Platforms	Server-related	Y 254.8	238.6	+6.8
	Mobile / IP Networks	142.8	127.5	+12.0
	Transmission Systems	123.7	119.5	+3.5
	PCs & Mobile Phones	479.3	474.2	+1.1
	HDD-related	162.6	137.8	+18.0
	Total	Y 1,163.2	1,097.6	+6.0
Electronic Devices	Semiconductors	Y 316.3	286.3	+10.5
	Others	247.3	239.6	+3.2
	Total	Y 563.6	525.9	+7.2

c. Net Sales including Intersegment Sales

		Yen (millions)		Change (%)
		2004	2003	
Software & Services	Unaffiliated customers	Y 1,352,419	1,345,516	+0.5
	Intersegment	26,295	40,506	-35.1
	Total	Y 1,378,714	1,386,022	-0.5
Platforms	Unaffiliated customers	1,163,270	1,097,662	+6.0
	Intersegment	109,214	150,251	-27.3
	Total	1,272,484	1,247,913	+2.0
Electronic Devices	Unaffiliated customers	563,663	525,953	+7.2
	Intersegment	45,352	50,914	-10.9
	Total	609,015	576,867	+5.6
Financing	Unaffiliated customers	-	50,391	-
	Intersegment	-	4,027	-
	Total	-	54,418	-
Other Operations	Unaffiliated customers	184,355	190,614	-3.3
	Intersegment	73,833	100,153	-26.3
	Total	258,188	290,767	-11.2
Elimination		(254,694)	(345,851)	-
Total		Y 3,263,707	3,210,136	+1.7

d. Operating Income (Loss) including Intersegment Transactions

[Operating Margin (%)]

		Yen (millions)		Change (Million Yen)
		2004	2003	
Software & Services		Y 29,835	36,548	-6,713
		2.2%	2.6%	-0.4%
Platforms		5,603	(20,600)	+26,203
		0.4%	(1.7%)	+2.1%
Electronic Devices		34,924	14,365	+20,559
		5.7%	2.5%	+3.2%
Financing		-	2,007	-2,007
		-%	3.7%	-%
Other Operations		9,689	6,971	+2,718
		3.8%	2.4%	+1.4%
Elimination		(41,939)	(47,095)	+5,156
Total		Y 38,112	(7,804)	+45,916
		1.2%	(0.2%)	+1.4%

10. Nine-Month Consolidated Statements of Cash Flows (Unaudited)

(Nine months ended December 31)

	Yen (millions)		Change (Million Yen)
	2004	2003	
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	Y (13,587)	20,573	-34,160
Depreciation and amortization	169,806	202,091	-32,285
Increase (decrease) in provisions	(4,546)	7,867	-12,413
Equity in earnings of affiliates, net	(5,189)	2,459	-7,648
Disposal of property, plant and equipment	12,822	11,722	+1,100
(Increase) decrease in receivables, trade	175,832	57,808	+118,024
(Increase) decrease in inventories	(102,174)	(118,250)	+16,076
Increase (decrease) in payables, trade	(101,343)	54,579	-155,922
Other, net	(48,314)	(194,621)	+146,307
Net cash provided by (used in) operating activities	<u>83,307</u>	<u>44,228</u>	<u>+39,079</u>
2. Cash flows from investing activities:			
Purchase of property, plant and equipment	(102,277)	(93,905)	-8,372
(Increase) decrease in investments and long-term loans	15,186	217,693	-202,507
Other, net	(10,714)	(29,230)	+18,516
Net cash provided by (used in) investing activities	<u>(97,805)</u>	<u>94,558</u>	<u>-192,363</u>
1+2 [Free Cash Flow]	<u>(14,498)</u>	<u>138,786</u>	<u>-153,284</u>
3. Cash flows from financing activities:			
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt	(131,241)	(106,234)	-25,007
Dividends paid	(12,001)	-	-12,001
Other, net	(29,094)	(23,567)	-5,527
Net cash provided by (used in) financing activities	<u>(172,336)</u>	<u>(129,801)</u>	<u>-42,535</u>
4. Effect of exchange rate changes on cash and cash equivalents	<u>322</u>	<u>(2,938)</u>	<u>+3,260</u>
5. Net increase (decrease) in cash and cash equivalents	<u>(186,512)</u>	<u>6,047</u>	<u>-192,559</u>
6. Cash and cash equivalents at beginning of period	<u>413,826</u>	<u>282,333</u>	<u>+131,493</u>
7. Cash and cash equivalents of deconsolidated subsidiaries	<u>(11,987)</u>	<u>-</u>	<u>-11,987</u>
8. Cash and cash equivalents at end of period	<u>Y 215,327</u>	<u>288,380</u>	<u>-73,053</u>

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.

2. FY 2004 Third-Quarter Financial Results

(Billion Yen)

	Third Quarter FY 2004	Change from Third Quarter FY 2003	Change on continuing- operations basis	First 9 Months FY 2004	Change from First 9 Months FY 2003	Change on continuing- operations basis
Net Sales <i>Change from same period in previous year</i>	1,043.6	- 24.5 - 2.3%	0.0%	3,263.7	+ 53.5 + 1.7%	+5.4%
Operating Income	4.8	- 5.3		38.1	+ 45.9	
Net Income (Loss)	(9.5)	- 17.2		(17.7)	+ 33.1	

Operating Income by Business Segment

(Billion Yen)

	Third Quarter FY 2004	Change from Third Quarter FY 2003	First 9 Months FY 2004	Change from First 9 Months FY 2003
Software & Services	14.2	+ 6.6	29.8	- 6.7
Platforms	1.8	+ 1.7	5.6	+ 26.2
Electronic Devices	0.3	- 15.2	34.9	+ 20.5

Third-quarter (October 1–December 31, 2004) consolidated net sales were 1,043.6 billion yen (US\$10,133 million*), a 2.3% decline in comparison with the same period last fiscal year, and roughly flat if the impact of restructuring is excluded. Overseas, sales of outsourcing services, UNIX servers, personal computers, optical transmission systems, and hard disk drives all increased, but deteriorating market conditions resulted in lower sales of semiconductors, plasma display panels (PDPs), and liquid crystal displays (LCDs), and sales in Japan of financial terminals and servers were sluggish.

Consolidated operating income was 4.8 billion yen (US\$47 million), a decline of 5.3 billion yen from the third quarter of last year. Income from software and services and platform businesses overseas increased, and we made progress in reducing costs through manufacturing reforms in Japan, but a combination of lower market prices and sluggish growth in production volumes for such electronic components as semiconductors, PDPs and LCDs resulted in a significant decline in operating income.

The cost of sales ratio was 74.3%, a deterioration of 1.2% compared to the same period last year, primarily as a result of the poor results in Electronic Devices. Conversely, selling, general and administrative costs as a percentage of sales improved 0.7%, to 25.2%, thanks to ongoing efforts to boost efficiency.

Other income and expenses posted an improvement of 7.6 billion yen over the third quarter of last year. Net interest expense declined by 1.5 billion yen as a result of a reduction in interest-bearing debt and lower interest rates. Equity in earnings of affiliated companies was 0.6 billion yen, up 3.5 billion yen from the 2.8 billion yen loss in the third quarter of fiscal 2003. Expenses for amortization of the unrecognized obligation for retirement benefits decreased by 4.5 billion yen as a result of rising stock prices and the transfer of the substitutional portion of employees' pension funds.

The consolidated net loss for the third quarter was 9.5 billion yen (US\$93 million), a deterioration of 17.2 billion yen compared to the third quarter of the previous year, in which results were bolstered by approximately 90 billion yen in other income from the sale of investment securities.

Results by Business Segment

Consolidated net sales to unaffiliated customers and operating income for the third quarter of fiscal 2004 are described by business segment below.

1. Software & Services

(Billion Yen)

	Third Quarter FY 2004	% Change from Third Quarter FY 2003	Change on continuing- operations basis	First 9 Months FY 2004	% Change from First 9 Months FY 2003	Change on continuing- operations basis
Net Sales	435.9	- 0.1 %	+ 1.4%	1,352.4	+ 0.5%	+ 1.8%
Japan	299.2	- 2.8 %	- 2.8%	967.0	- 1.3%	- 1.3%
Overseas	136.6	+ 6.5 %	+ 12.2%	385.4	+ 5.2%	+ 10.5%

Net Sales by Sub-segment

(Billion Yen)

	Third Quarter FY 2004	% Change from Third Quarter FY 2003	First 9 Months FY 2004	% Change from First 9 Months FY 2003
Solutions/S I	175.0	- 3.6 %	567.8	- 4.6%
Infrastructure Services	260.9	+ 2.5 %	784.6	+ 4.6%

Third-quarter net sales in the Software & Services segment were 435.9 billion yen (US\$4,232 million), an increase of 1.4% on a continuing-operations basis compared with the same period in the previous year. In Japan, sales to selected manufacturers and telecommunications carriers increased. Overall, however, a strong recovery in IT investment was not evident in the third quarter. Overseas, excluding the impact of last fiscal year's restructuring, sales increased 12.2% on a continuing-operations basis. In particular, large-scale government-sector outsourcing business won by Fujitsu Services in the UK contributed to the results.

(Billion Yen)

	Third Quarter FY 2004	Change from Third Quarter FY 2003	First 9 Months FY 2004	Change from First 9 Months FY 2003
Operating Income	14.2	+ 6.6	29.8	- 6.7

Software & Services consolidated operating income for the third quarter increased by 6.6 billion yen over the same period in fiscal 2003 to 14.2 billion yen (US\$139 million). The improvement in consolidated operating income was attributable to the accumulated benefit of cost cutting measures aimed at countering continuing pricing pressures in the Japanese market, as well as the positive effects of the restructuring of our US and other overseas subsidiaries last year, and increased income from Fujitsu Services, primarily related to the outsourcing business.

Of the 68.3 billion yen charge taken at the end of fiscal 2003 to cover potentially uncollectible accounts, projects completed or delivered in the third quarter of fiscal 2004 accounted for 6.0 billion yen.

On October 1, 2004, Fujitsu Support and Service became a wholly owned subsidiary of Fujitsu Limited through a stock swap. We have unified and realigned the menu of services offered by the two companies in a way that is easier for customers to understand. In January of this year, we consolidated into a single location nearly 2,500 employees from both companies who had previously been dispersed in multiple centers throughout the Tokyo metropolitan area. We are

continuing the process of consolidating service centers in regional locations throughout Japan and beginning to realign our human resources so as to expand our business in delivering optimal Lifecycle Management services for each customer.

We are continuing to reform our organization and approach in order to more quickly respond to the changing business environment of our customers. As part of the reforms begun in June 2004 to unify the sales and system engineering groups of our solutions business in Japan, we restructured and consolidated our systems engineering companies in the Shikoku region on October 1 and in the Chugoku region on December 1.

2. Platforms

(Billion Yen)

	Third Quarter FY 2004	% Change from Third Quarter FY 2003	First 9 Months FY 2004	% Change from First 9 Months FY 2003
Net Sales	375.3	+ 0.4%	1,163.2	+ 6.0%
Japan	241.2	- 5.6%	793.6	+ 4.4%
Overseas	134.1	+13.2%	369.6	+ 9.6%

Net Sales by Sub-segment

(Billion Yen)

	Third Quarter FY 2004	% Change from Third Quarter FY 2003	First 9 Months FY 2004	% Change from First 9 Months FY 2003
Server-related	80.8	- 4.5 %	254.8	+ 6.8%
Mobile/IP Networks	39.8	- 14.6 %	142.8	+ 12.0%
Transmission Systems	42.6	+ 9.5 %	123.7	+ 3.5%
PCs/Mobile Phones	153.3	+ 0.7 %	479.3	+ 1.1%
HDD-related	58.8	+ 14.2 %	162.6	+ 18.0%

Consolidated net sales in the Platforms segment increased 0.4% compared with the same period in the previous year to 375.3 billion yen (US\$3,644 million). There were healthy sales of UNIX servers in Europe, North America and elsewhere overseas. In Japan however, server sales were sluggish, and with the deployment of financial terminals to accommodate new Japanese banknotes having run its course, overall server-related revenue declined. In Mobile/IP Networks, sales of 3G mobile phone base stations, which had previously been strong, declined when compared against the large orders received from customers in the third quarter last year.

On the other hand, transmission system sales grew on stronger demand from telecommunications carriers overseas. Although PC revenue in Japan dropped below last year's level, due to greater price competition in the retail market, overseas sales, particularly for notebook PCs, saw healthy growth. Likewise, sales of hard disk drives for notebook computers and servers enjoyed double-digit growth compared to the third quarter of fiscal 2003.

(Billion Yen)

	Third Quarter FY 2004	Change from Third Quarter FY 2003	First 9 Months FY 2004	Change from First 9 Months FY 2003
Operating Income	1.8	+ 1.7	5.6	+ 26.2

Consolidated operating income in the Platforms segment was 1.8 billion yen (US\$18 million), an improvement of 1.7 billion yen compared with the same period in the previous year. In

Transmission Systems, IP Networks and other areas, we made progress both through cost reductions as a result of an intensified program of manufacturing innovation and the more efficient use of R&D expenditure. In PCs, given the downward pricing pressures accompanying increases in unit volume, we carried out a comprehensive streamlining of our production and shipping operation, and rigorously drove down procurement costs. In the Server-related segment, however, due to sluggish sales in Japan and lower revenue from financial terminals, income declined compared to the same period in the previous year.

In December we entered into a strategic alliance with Cisco Systems, Inc. focusing on routers and switches. Under this collaboration, we will cooperate in the development of the latest operating system for high-end routers used by telecommunications carriers and market Fujitsu-Cisco co-branded products equipped with the new operating system, thereby further strengthening our IP network business.

In the third quarter we also announced an agreement with IBM to collaborate on autonomic computing standards. The collaboration reflects the fact that today's increasingly complex, heterogeneous IT infrastructures require new technologies to provide systems that are highly reliable, flexible and easy to use. As with this and our collaborations in the server field with Intel, Microsoft, and Sun Microsystems, we will continue to pursue collaboration with global partners to strengthen our business.

In the hard disk drive business, our Philippines-based head manufacture joint venture launched with TDK began operations in December, and we now have a head supply organization able to respond in a timely manner to the anticipated rapid increase in demand for hard disk drives.

3. Electronic Devices

(Billion Yen)

	Third Quarter FY 2004	% Change from Third Quarter FY 2003	Change on continuing- operations basis	First 9 Months FY 2004	% Change from First 9 Months FY 2003	Change on continuing- operations basis
Net Sales	170.1	- 11.0 %	- 9.4%	563.6	+ 7.2%	+ 13.3%
Japan	100.8	+ 0.4 %	+ 0.6%	320.8	+ 21.0%	+ 21.4%
Overseas	69.2	- 23.6 %	- 20.8%	242.8	- 6.9%	+ 4.1%

Net Sales by Sub-segment

(Billion Yen)

	Third Quarter FY 2004	% Change from Third Quarter FY 2003	First 9 Months FY 2004	% Change from First 9 Months FY 2003
Semiconductors	96.4	- 7.3 %	316.3	+ 10.5%
Other	73.7	- 15.5 %	247.3	+ 3.2%

Consolidated net sales in Electronic Devices were 170.1 billion yen (US\$ 1,652 million), a decline of 9.4% on a continuing-operations basis, excluding the impact of restructuring.

In logic chips, although sales of certain products declined as a result of the weakening of the digital home electronics market and related inventory adjustments, the contribution from increased orders for advanced technology products offset those declines, and the category as a whole saw healthy growth. In Flash memory, on the other hand, slacker demand from Asia in particular has led to sluggish orders, and unit price declines are having a negative impact on sales. In PDPs and

LCDs, intensifying price competition along with a deteriorating demand-supply balance led to a sharp decline in sales.

(Billion Yen)

	Third Quarter FY 2004	Change from Third Quarter FY 2003	First 9 Months FY 2004	Change from First 9 Months FY 2003
Operating Income	0.3	- 15.2	34.9	+ 20.5

Electronic Devices consolidated operating income was 0.3 billion yen (US\$ 3 million), a decline of 15.2 billion yen compared to the third quarter of last year. Despite sharply lower sales of PDPs and LCDs, we intensified manufacturing reforms to generate greater production efficiencies and managed to eke out a slim operating profit for the quarter.

We have mostly completed construction of the building at our Mie semiconductor plant that will house a new mass-production utilizing our leading-edge 90nm and 65nm process technology on 300mm wafers, and we are now installing production equipment. That project continues to proceed on schedule, and demand for cutting-edge technology continues to increase.

[For Reference: Operating Income (Loss) Trends by Segment]

(Billion Yen)

	First Quarter FY 2004	Second Quarter FY 2004	Third Quarter FY 2004
Software & Services	(10.9)	26.4	14.2
Platforms	(7.0)	10.8	1.8
Electronic Devices	23.8	10.7	0.3

Assets, Liabilities and Shareholders' Equity

(Billion Yen)

	End of Third Quarter FY 2004	Change from End of First Half FY 2004
Total assets	3,574.6	+ 13.2
Interest-bearing loans	1,147.1	+ 22.2
Shareholders' equity (Shareholder's equity ratio)	853.0 (23.9%)	+ 49.9 (+ 1.4%)

D/E ratio	1.34	- 0.06
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Total assets at the end of the third quarter were 3,574.6 billion yen, up 13.2 billion yen from the close of the fiscal half-year period at the end of September.

Total current assets were 1,691.8 billion yen, down 35.6 billion yen from the end of September. While inventories increased to support higher anticipated sales at the end of the fiscal year, trade receivables resulting from sales in the first half decreased.

Total fixed assets were 1,882.8 billion yen, an increase of 48.8 billion yen compared to the end of the first half. This was due to such factors as an increase in investments and long-term loans owing to the rise in the market value of marketable securities.

Total liabilities were 2,563.0 billion yen, about the same level as at the end of the first half. Interest-bearing loans increased by 22.2 billion yen. In November, 100 billion yen of corporate bonds were issued and we continued to pay down loans. Because the increase in shareholders' equity exceeded that of interest-bearing loans, the D/E ratio improved by 0.06 from the end of the first half to 1.34.

Total shareholders' equity rose to 853.0 billion yen, an increase of 49.9 billion yen over the end of September. This was due to the 50.1 billion yen increase in capital surplus that resulted from Fujitsu Support and Service becoming a wholly owned subsidiary through an exchange of stock. The shareholders' equity ratio improved 1.4% over the end of the first half to 23.9%.

Summary of Cash Flows

(Billion Yen)

	Third Quarter FY 2004	Change from Third Quarter FY 2003	First 9 Months FY 2004	Change from First 9 Months FY 2003
Cash flows from operating activities	33.1	+ 26.3	83.3	+ 39.0
Cash flows from investing activities	- 42.1	- 167.0	- 97.8	- 192.3
Free cash flow	- 9.0	- 140.7	- 14.4	- 153.2

Net cash provided by operating activities in the third quarter was 33.1 billion yen, a large increase compared to the same period in the preceding fiscal year that was due to the collection of trade receivables related to larger sales made during the first half. This represented an improvement of 26.3 billion yen over the same period in the last fiscal year.

Net cash used in investing activities was 42.1 billion yen, related primarily to expenditures in plant and equipment. This represented a significant reduction in income compared to the same period in fiscal 2003 when there was a 162.5 billion yen inflow as a result of the sales of investment securities.

Free cash flow was negative 9.0 billion yen. However, if the impact of last year's sales of investment securities is excluded, there was an improvement of 21.8 billion yen over the same period in fiscal 2003.

Net cash provided by financing activities was 12.4 billion yen. While we issued 100 billion yen in corporate bonds, we paid down other corporate borrowings.

As a result of the above factors, cash and cash equivalents at the end of the third quarter stood at 215.3 billion yen, an increase of 2.4 billion yen from the end of the first half.

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.

3. Results for the First Nine Months of FY 2004

Overview

(Billion Yen)

	First 9 months FY 2004	Change from First 9 months FY 2003	Change %	Change on continuing- operations basis excluding impact of restructuring
Net Sales	3,263.7	+ 53.5	+ 1.7 %	+ 5.4 %
Operating Income	38.1	+ 45.9		
Net Income (Loss)	(17.7)	+ 33.1		

Comparison of Change in Net Sales by Segment

	Change %	Change on continuing- operations basis excluding impact of restructuring
Software & Services	+ 0.5 %	+ 1.8 %
Platforms	+ 6.0 %	+ 6.0 %
Electronic Devices	+ 7.2 %	+ 13.3 %
Others	- 3.3 %	+ 21.6 %

* Net sales to unaffiliated customers

*Restructuring Impact: -112.8 billion yen

-- Major Items --

- Sale of Fujitsu Consulting's Spain operations
- Flash memory operations shifted to JV
- Compound semiconductor operations shifted to JV
- Outside equity tie-up for FDK
- Outside equity tie-up for leasing operation

Consolidated net sales for the first nine months of the fiscal year, through the end of December, were 3,263.7 billion yen (US\$31,686 million), up 5.4% over the same period of the previous fiscal year on a continuing-operations basis. Although there was a sudden deterioration in the market conditions for semiconductors and flat panel displays from the middle of the first half, strong gains were recorded for the nine-month period in sales of 3G mobile phone base stations, financial terminals capable of accommodating new Japanese banknotes, system chips for digital AV equipment and electronic components.

Consolidated operating income was 38.1 billion yen (US\$370 million), an improvement of 45.9 billion yen from the operating loss of 7.8 billion yen recorded for the first nine months of fiscal 2003. This was due to higher sales in Electronic Devices, higher income in the Platforms segment, and greater cost-cutting and expense efficiencies.

Amortization expenses relating to the unrecognized obligation for retirement benefits decreased by 13.8 billion yen and, in addition, net interest expenses declined and equity in earnings of affiliated companies improved.

The consolidated net loss for the first nine months of fiscal 2004 was 17.7 billion yen (US\$172 million), an improvement of 33.1 billion yen over the first nine months of fiscal 2003.

Operating Income by Sub-segment

(Billion Yen)

	First 9 months FY 2004	Change from First 9 months FY 2003
Software & Services	29.8	- 6.7
Platforms	5.6	+ 26.2
Electronic Devices	34.9	+ 20.5

Operating income for Software & Services for the first nine months of this fiscal year was 6.7 billion yen below the level of the same period of fiscal 2003. Although overseas subsidiaries performed well, new and additional losses were recognized for certain domestic projects whose profitability had deteriorated.

Compared to the same nine-month period in fiscal 2003, Platforms operating income rose by 26.2 billion yen due to gains in sales of 3G mobile phone base stations and financial terminals as well as cost-cutting benefits in the personal computer and hard disk drive operations.

Although there was deterioration in the market conditions affecting semiconductors, PDPs, LCDs and other devices from the middle of the first half, as a result of strong results during the first half of the nine-month period, overall operating income for the Electronic Devices segment for the April – December period increased by 20.5 billion yen compared to the same period in fiscal 2003.

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.

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

Part III: Supplementary Information

I. Forecasts for FY 2004

1. Consolidated Business Segment Information

(1) Sales to Unaffiliated Customers

			Yen (billions)		Change (Billion Yen)	Yen (billions)		Change (%) FY03 to Revised FY04
			FY2004 (Forecast)			FY2003 (Actual)		
			Previous*	Revised**				
Software & Services	Japan	Y	1,590.0	1,580.0	-10.0	1,580.8	-0.1	
	Overseas		530.0	540.0	+10.0	513.4	+5.2	
	Total	Y	2,120.0	2,120.0	-	2,094.2	+1.2	
Platforms	Japan		1,220.0	1,190.0	-30.0	1,150.4	+3.4	
	Overseas		520.0	510.0	-10.0	457.7	+11.4	
	Total		1,740.0	1,700.0	-40.0	1,608.1	+5.7	
Electronic Devices	Japan		450.0	420.0	-30.0	378.4	+11.0	
	Overseas		350.0	320.0	-30.0	355.8	-10.1	
	Total		800.0	740.0	-60.0	734.3	+0.8	
Financing	Japan		-	-	-	50.3	-	
	Overseas		-	-	-	-	-	
	Total		-	-	-	50.3	-	
Other Operations	Japan		200.0	200.0	-	218.1	-8.3	
	Overseas		40.0	40.0	-	61.6	-35.1	
	Total		240.0	240.0	-	279.7	-14.2	
Total	Japan	Y	3,460.0	3,390.0	-70.0	3,378.2	+0.3	
	Overseas		1,440.0	1,410.0	-30.0	1,388.6	+1.5	
	Total	Y	4,900.0	4,800.0	-100.0	4,766.8	+0.7	

(2) Sales to Unaffiliated Customers by Products and Services

			Yen (billions)		Change (Billion Yen)	Yen (billions)		Change (%) FY03 to Revised FY04
			FY2004 (Forecast)			FY2003 (Actual)		
			Previous*	Revised**				
Software & Services	Solutions/SI	Y	940.0	940.0	-	970.0	-3.1	
	Infrastructure Services		1,180.0	1,180.0	-	1,124.2	+5.0	
	Total	Y	2,120.0	2,120.0	-	2,094.2	+1.2	
Platforms	Server-related	Y	395.0	390.0	-5.0	365.6	+6.7	
	Mobile / IP Networks		210.0	205.0	-5.0	207.2	-1.1	
	Transmission Systems		200.0	190.0	-10.0	167.4	+13.5	
	PCs & Mobile Phones		700.0	690.0	-10.0	680.9	+1.3	
	HDD-related		235.0	225.0	-10.0	187.0	+20.3	
	Total	Y	1,740.0	1,700.0	-40.0	1,608.1	+5.7	
Electronic Devices	Semiconductors	Y	430.0	420.0	-10.0	403.9	+4.0	
	Others		370.0	320.0	-50.0	330.4	-3.1	
	Total	Y	800.0	740.0	-60.0	734.3	+0.8	

Note: *Previous forecast as of October 28, 2004 ** Revised forecast as of January 28, 2005

(3) Net Sales including Intersegment Sales

		Yen (billions)			Yen	Change (%)
		FY2004 (Forecast)		Change (Billion Yen)	FY2003	FY03 to
		Previous*	Revised**		(Actual)	Revised FY04
Software & Services	Unaffiliated customers	2,120.0	2,120.0	-	2,094.2	+1.2
	Intersegment	40.0	40.0	-	52.1	-23.2
	Total	2,160.0	2,160.0	-	2,146.3	+0.6
Platforms	Unaffiliated customers	1,740.0	1,700.0	-40.0	1,608.1	+5.7
	Intersegment	160.0	150.0	-10.0	224.7	-33.2
	Total	1,900.0	1,850.0	-50.0	1,832.8	+0.9
Electronic Devices	Unaffiliated customers	800.0	740.0	-60.0	734.3	+0.8
	Intersegment	70.0	60.0	-10.0	70.3	-14.7
	Total	870.0	800.0	-70.0	804.6	-0.6
Financing	Unaffiliated customers	-	-	-	50.3	-
	Intersegment	-	-	-	4.0	-
	Total	-	-	-	54.4	-
Other Operations	Unaffiliated customers	240.0	240.0	-	279.7	-14.2
	Intersegment	100.0	100.0	-	138.5	-27.8
	Total	340.0	340.0	-	418.2	-18.7
Elimination		(370.0)	(350.0)	+20.0	(489.7)	-
Total		4,900.0	4,800.0	-100.0	4,766.8	+0.7

(4) Operating Income including Intersegment Transactions

[Operating Margin (%)]

		Yen (billions)			Yen	Change (Billion Yen)
		FY2004 (Forecast)		Change (Billion Yen)	FY2003	FY03 to
		Previous*	Revised**		(Actual)	Revised FY04
Software & Services		155.0	140.0	-15.0	138.7	+1.2
		7.2%	6.5%	-0.7%	6.5%	-%
Platforms		45.0	45.0	-	29.2	+15.7
		2.4%	2.4%	-%	1.6%	+0.8%
Electronic Devices		50.0	35.0	-15.0	27.5	+7.4
		5.7%	4.4%	-1.3%	3.4%	+1.0%
Financing		-	-	-	2.0	-2.0
		-	-	-%	3.7%	-%
Other Operations		15.0	15.0	-	13.6	+1.3
		4.4%	4.4%	-%	3.3%	+1.1%
Elimination		(65.0)	(65.0)	-	(60.8)	-4.1
Total		200.0	170.0	-30.0	150.3	+19.6
		4.1%	3.5%	-0.6%	3.2%	+0.3%

Note: *Previous forecast as of October 28, 2004 ** Revised forecast as of January 28, 2005

2. PC Shipments

(1) By Customer's Geographic Location

	FY2004 (Forecast)		Change	FY2003
	Previous*	Revised**		
Japan	2.65	2.65	-	2.58
Overseas	4.52	4.52	-	3.96
Total	7.17	7.17	-	6.54

(2) By Product Category

	FY2004 (Forecast)		Change	FY2003
	Previous*	Revised**		
Desktop	48%	47%	-1	46%
Notebook	52%	53%	+1	54%

3. Mobile Phone Shipments

	FY2004 (Forecast)		Change	FY2003
	Previous*	Revised**		
	3.23	3.23	-	3.37

4. HDD Production

	FY2004 (Forecast)		Change	FY2003
	Previous*	Revised**		
	20.00	20.00	-	12.47

5. Electronic Devices

(1) Net Sales of Semiconductors

	Yen (billions)		Change (Billion Yen)	Yen (billions)		Change (%) FY03 to Revised FY04
	Previous*	Revised**		FY2003 (Actual)		
	480.0	470.0	-10.0	453.4	+3.7	
[Internal use]	[50.0]	[50.0]	[-]	[49.5]	[+1.0]	

(2) Composition of Net Sales by Product Category (Semiconductors)

	FY2004 (Forecast)		Change	FY2003
	Previous*	Revised**		
Logic	72%	73%	+1	63%
System memory	28%	27%	-1	31%
Compound semiconductor and others	0%	0%	-	6%

(3) Composition of Capital Expenditure

	Yen (billions)		Change (Billion Yen)	Yen (billions)		Change (%) FY03 to Revised FY04
	Previous*	Revised**		FY2003 (Actual)		
Total	95.0	90.0	-5.0	59.3	+51.7	
[Semiconductors]	[55.0]	[50.0]	[-5.0]	[30.1]	[+66.1]	
[PDP]	[18.0]	[18.0]	[-]	[10.7]	[+67.4]	

Note: *Previous forecast as of October 28, 2004 ** Revised forecast as of January 28, 2005

6. R&D Expenditure

	Yen (billions)			Yen (billions)	
	FY2004 (Forecast)		Change (Billion Yen)	FY2003 (Actual)	Change (%) FY03 to Revised FY04
	Previous*	Revised**			
As % of Sales	255.0	245.0	-10.0	250.9	-2.4
	5.2%	5.1%	-0.1%	5.3%	

7. Capital Expenditures, Depreciation

	Yen (billions)			Yen (billions)	
	FY2004 (Forecast)		Change	FY2003 (Actual)	Change (%) FY03 to Revised FY04
	Previous*	Revised**			
Capital Expenditures					
Software & Services	70.0	70.0	-	54.0	+29.5
Platforms	45.0	40.0	-5.0	32.4	+23.3
Electronic Devices	95.0	90.0	-5.0	59.3	+51.7
Corporate and others***	25.0	25.0	-	13.9	+78.9
Total	<u>235.0</u>	<u>225.0</u>	<u>-10.0</u>	<u>159.7</u>	<u>+40.8</u>
Japan	185.0	170.0	-15.0	135.3	+25.6
Overseas	50.0	55.0	+5.0	24.4	+124.9
Depreciation	185.0	185.0	-	200.0	-7.5

8. Consolidated Statements of Cash Flows

	FY2004 (Forecast)			(Billion Yen)
	Previous**	Revised***	Change	FY2003
	(A) Cash flows from operating activities	360.0	350.0	-10.0
[Net income]	[70.0]	[55.0]	[-15.0]	[49.7]
[Depreciation ****]	[260.0]	[260.0]	[-]	[292.9]
[Others]	[30.0]	[35.0]	[+5.0]	[(38.6)]
(B) Cash flows from investing activities	<u>(260.0)</u>	<u>(250.0)</u>	<u>+10.0</u>	<u>67.3</u>
(C) Free cash flows (A)+(B)	100.0	100.0	-	371.4
(D) Cash flows from financing activities	<u>(230.0)</u>	<u>(230.0)</u>	<u>-</u>	<u>(239.9)</u>
(E) Total (C)+(D)	<u>(130.0)</u>	<u>(130.0)</u>	<u>-</u>	<u>131.5</u>

9. Exchange Rates

Forecast Average Rates for

4th Quarter of FY2004		
Previous	Revised	Change
\$1=110 yen	\$1=105 yen	-5 yen

Note *Previous forecast as of October 28, 2004

**Revised forecast as of January 28, 2005

***Including capital expenditures for the parent's administrative divisions and R&D expenditures that can not be allocated to a specific business unit

****Including amortization of goodwill