

Explanation of Financial Results

1. Overview

Business Environment

In the first half of fiscal 2004 (April 1 – September 30, 2004), the business environment overseas was on the whole favorable, despite a trend toward slower growth in the US and China due to such factors as the rapid rise in global oil prices and higher US interest rates. In Japan, in spite of some deterioration in business conditions after the Olympic Games, moderate growth also continued, thanks to sustained expansion of consumer spending, particularly for digital AV equipment, as well as increased IT investment by corporations.

In the IT industry, ubiquitous networking is moving to a new stage. In the first half of the fiscal year demand increased again for digital AV equipment, for which market penetration is starting to become even more widespread. Nevertheless, with open standards technology intensifying competition, competitive differences in specific products are having an increasing impact on business success or failure.

In July we held Fujitsu Solution Forum 2004 under the banner: “Experiencing the Ubiquitous Networking Future.” There, visitors were able to experience for themselves what the ubiquitous networking world – in which comfortable and convenient shopping, financial services and medical services are made possible by ultra-efficient infrastructure systems integrating highly reliable servers, networks and software – can offer. The advent of the ubiquitous networking era is expected to qualitatively and quantitatively expand the IT market and result in continuing significant growth. This is creating increasingly strong demand for comprehensive solutions encompassing highly reliable, high-quality products and services based on advanced information technologies. We believe this is an environment in which Fujitsu – as a leader in these core technologies – is well positioned to make a major contribution to the realization of the ubiquitous networking world.

Consolidated financial results for the Fujitsu Group in the second quarter and first half of fiscal 2004 are summarized below.

FY 2004 Second-Quarter Financial Results

(For the three months ended September 30, 2004)

(Billion Yen)					
	Second Quarter FY 2004	Second Quarter FY 2003	Change	%	Change on continuing- operations basis excluding impact of restructuring
Net Sales	1,211.9	1,203.1	8.7	0.7%	3.9 %
Operating Income	37.6	19.8	17.7	89.3%	
Net Income (Loss)	3.6	(18.7)	22.4	-	

FY 2004 First-Half Financial Results

(For the six months ended September 30, 2004)

(Billion Yen)					
	First Half FY 2004	First Half FY 2003	Change	%	Change on continuing- operations basis excluding impact of restructuring
Net Sales	2,220.0	2,141.9	78.1	3.6 %	8.1%
Operating Income (Loss)	33.2	(17.9)	51.2	-	
Net Income (Loss)	(8.1)	(58.5)	50.4	-	