

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.