

## 4. Financial Results for the First Nine Months of Fiscal 2005

### Profit and Loss

	First 9 Months of FY 2005 (Billion Yen)	% Change from 3Q FY 2004
Net Sales	3,313.7	1.5%
Japan	2,179.7	-2.3%
Overseas	1,134.0	9.8%

*Change excluding impact  
of changes in accounting  
policies and restructuring*

2.2%  
-2.7%  
12.9%

	First 9 Months of FY 2005	Change from Same Period Last Year
Operating Income	60.1	22.0

(Billion Yen)

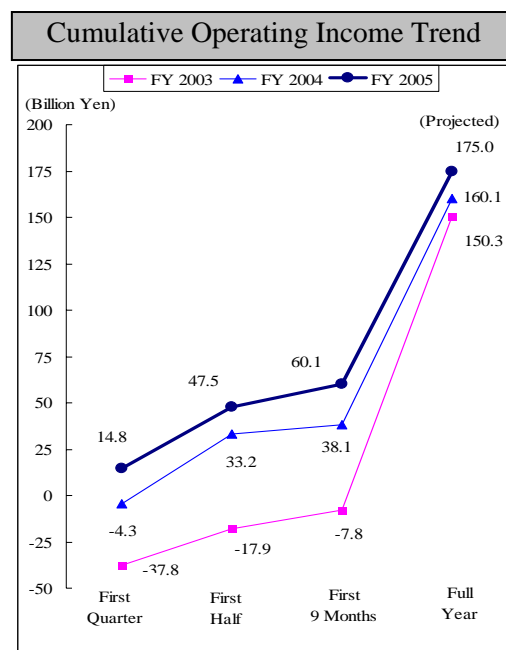
Consolidated net sales for the first nine months of fiscal 2005 were 3,313.7 billion yen (US\$28,083 million). Excluding the impact of changes in accounting policies and restructuring, this represented an increase in sales of 2.2% compared to the first nine months of fiscal 2004.

In addition to stagnant market conditions for semiconductors in the first half of the period, as well as the comparative effect with the previous year, in which there was demand for systems handling newly issued Japanese banknotes, domestic sales in Solutions/SI and System Products in the first nine months of fiscal 2005 were sluggish. Outside Japan, however, in addition to higher sales of servers and HDDs, sales of outsourcing services in the UK and optical transmission systems in North America both increased significantly on a year-over-year basis.

Consolidated operating income was 60.1 billion yen (US\$510 million), an increase of 22.0 billion yen from the same period of the previous year. Excluding the impact of changes in accounting policies, the increase was 6.7 billion yen.

Profitability declined on a year-over-year basis in System Platforms, which saw intensified competition in Japan and overseas markets, as well as in LSI Devices, due to weakness in the semiconductor market during the first half of the period and start-up expenses associated with the new 300mm wafer fab. On the other hand, operating income in Services significantly increased as a result of success in preventing project losses in our solutions/SI business and strong results from outsourcing services in the UK. Likewise, Ubiquitous Product Solutions also posted significantly higher income as a result of cost savings and quality improvements from manufacturing reforms as well as higher earnings from HDDs. As a result of these factors, the overall operating income margin improved by 0.6 percentage points, to 1.8%.

In other income (expenses), there was a reduction in amortization of unrecognized obligations for retirement benefits as a result of pension system revisions. There was also an improvement resulting from currency transaction gains.



We posted a 15.9 billion yen gain on the settlement of litigation relating to HDDs, and a gain of 3.4 billion yen associated with the transfer of our LCD business. We also posted a loss on change in ownership interest of 8.4 billion yen in conjunction with the initial public offering of an affiliated company (Spansion Inc.), and a loss of 5.4 billion yen on restructuring expenses.

As a result, we reported consolidated net income of 11.0 billion yen (US\$94 million) for the first nine months of fiscal 2005, an improvement of 28.7 billion yen over the first nine months of the previous fiscal year.