2. Results by Business Segment

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

1. Software & Services

	FY 2004 (Billion Yen)	Change from FY 2003	Change on continuing operations basis excluding impact of restructuring
Net sales	2,070.4	-1.1%	---
Japan	1,533.0	-3.0%	-3.0%
Overseas	537.4	4.7%	9.8%

Net Sales by Sub-segment

	FY 2004 (Billion Yen)	Change from FY 2003
Solutions/SI	920.7	-5.1%
Infrastructure Services	1,149.7	2.3%

Software & Services consolidated net sales were 2,070.4 billion yen (US$19,350 million), roughly on par with fiscal 2003 when excluding the impact of that fiscal year's restructuring of overseas subsidiaries. Sales in Japan decreased, primarily due to the slow recovery in IT investment, sluggish sales in solutions/systems integration services, and a reduction in earnings from public infrastructure systems deals. Overseas, sales increased 9.8% on a continuing operations basis, buoyed by successive large-scale government-sector outsourcing wins by Fujitsu Services in the UK, and orders steadily increased.

(Billion Yen)

	FY 2004	Change from FY 2003
Operating Income	113.0	-25.7

Consolidated operating income in this segment declined by 25.7 billion yen to 113.0 billion yen (US$1,057 million). Increased earnings from large-scale government-sector outsourcing deals by Fujitsu Services in the UK and the benefits of last year's restructuring of Fujitsu Consulting in the US led to improved results by each of these subsidiaries. In the domestic solutions/systems integration business, however, development costs significantly increased for projects with deteriorating profitability, bringing operating income well below the 140 billion yen level projected at the time of our third-quarter earnings announcement.

The main areas of divergence from our previous projections were 4.0 billion yen in increased losses from projects with deteriorating profitability that were completed in the fourth quarter and an additional 11.0 billion yen in losses posted on projects that will be completed in fiscal 2005 or beyond. In an effort to maintain delivery schedules and quality on large-scale projects with deteriorating profitability, development staff and resources were diverted to these projects throughout the period. As a result, overall efficiency in our solutions/system integration business declined, and profits from business that was concentrated in March fell short of our projections by 12.0 billion yen.

As of the end of March 2005, the balance of the reserve for losses on projects with deteriorating profitability that will be completed in fiscal 2005 or beyond was 28.0 billion yen. Of the projects with deteriorating profitability uncovered to date, approximately 75% of the projects on a value basis were completed by the end of fiscal 2004, and of the projects expected to be completed in fiscal 2005, the majority are expected to be completed by the third quarter of fiscal 2005. Moreover, the major portion of losses sustained to date have been on projects that were contracted and on which development work began prior to the end of the first half of fiscal 2003. For projects initiated since the second half of fiscal 2003, at which time we implemented comprehensive countermeasures starting from the initial project discussion phase, the incidence of losses has dramatically declined.

Losses from Projects with Deteriorating Profitability by Order Period

	FY 2000	FY 2001	FY 2002	FY 2003 1st Half	FY 2003 2nd Half	FY 2004 1st Half
% of Total Loss Value	15%	32%	26%	24%	2%	1%

Reviewing the concrete measures implemented to date to improve project risk management procedures, in February of 2004 we established an organization to review project business discussions at every stage in order to prevent the occurrence of projects with deteriorating profitability. Since that time we have expanded our organizational resources in this area, strengthening our project risk management organization and reforming our contractual procedures. In April of this year, we established a new Systems Integration Assurance Unit with broader authority that reports directly to the president in order to further enhance our procedures to prevent the occurrence of problematic projects. We have also implemented a real-time project management tracking system and, since the beginning of fiscal 2005 have been applying the percentage of completion method to all software development contracts in order to maximize project visibility.

We are continuing the reform of our organization and approach in order to more quickly respond to our customers’ changing business environments. In June of 2004 we realigned our solutions business organization in Japan by unifying our sales and system engineering groups along customer lines. We also restructured and consolidated our systems engineering companies in the Tohoku, Shikoku, and Chugoku regions.

In addition, in order to augment full IT system lifecycle support for customers, last October we made Fujitsu Support and Service a wholly owned subsidiary of Fujitsu Limited through an exchange of shares. In January of this year, we consolidated into a single location nearly 2,500 employees of both companies, who had previously been dispersed in multiple centers throughout the Tokyo metropolitan area, and we consolidated redundant service centers in regional locations throughout Japan.

Continual cost reductions are essential in order to meet customer expectations regarding pricing. Accordingly, we intend to expand the utilization of our SDAS comprehensive system development framework to all new deals, and thoroughly improve efficiency by reducing development times and other measures. Moreover, we intend to intensify the use of custom-made development tools like our TRIOLE templates, which provide pre-verified system construction patterns for open environments and greatly improve overall system reliability.

2. Platforms

	FY 2004 (Billion Yen)	Change from FY 2003
Net Sales	1,705.1	6.0%
Japan	1,187.5	3.2%
Overseas	517.6	13.1%

Net Sales by Sub-segment

	FY 2004 (Billion Yen)	Change from FY 2003
Server-related	384.4	5.1%
Mobile/IP Networks	214.6	3.6%
Transmission Systems	185.3	10.7%
PCs/Mobile Phones	697.0	2.4%
HDD-related	223.8	19.7%

Consolidated net sales in the Platforms segment grew 6.0% over the previous fiscal year to 1,705.1 billion yen (US$15,936 million). Sales of UNIX servers overseas were strong, particularly in Europe and North America, and sales of transmission systems, primarily to European and North American telecommunications carriers, showed double-digit growth. Although sales of PCs in Japan were sluggish, primarily as a result of intense pricing competition in the retail sector, overseas sales of high-function, high-quality notebook computers registered especially large gains. Sales of our hard disk drives (for use in notebook computers and servers), which enjoy a reputation in the marketplace for high quality and excellent reliability, also showed significant growth, especially overseas.

(Billion Yen)

	FY 2004	Change from FY 2003
Operating Income	55.0	25.7

Operating income for the sector more than doubled from the previous year, increasing by 25.7 billion yen to 55.0 billion yen (US$ 514 million). Continued progress was made in lowering costs though improvements in manufacturing processes as well as reducing development costs and increasing efficiencies for such products as optical transmission systems, IP networks and servers. Amid declining prices and increasing volumes in PCs, we made further efforts to increase efficiencies in our manufacturing and delivery infrastructure and to lower procurement costs for components. However, with the deployment of financial terminals to accommodate new Japanese banknotes having run its course, profitability declined in the Server-related sub-segment, and although sales of new mobile phone handsets increased with the shift to 3G underway in Japan, equipping the new handsets with sophisticated functionality delayed cost reductions and adversely impacted profitability in this area.

In June of last year, we began global sales of new UNIX servers equipped with 64-bit processors employing our leading-edge 90nm semiconductor technology. In April of this year we announced the global launch of PRIMEQUEST, our new mission-critical IA server with mainframe-class performance and reliability. Providing the economy of an open architecture server together with the high reliability of a mainframe computer, PRIMEQUEST breaks new ground as the world’s most powerful open architecture server in the mission-critical space.

Based on a strategy of active collaboration with global partners in order to help strengthen our business, in fiscal 2004 we worked with IBM to establish standards for autonomic system technology, with Cisco Systems in routers and switches, with Intel and Microsoft in the IA server field, and with Sun Microsystems in the area of UNIX servers.

In the hard disk drive business, we merged the operations of our drive-head assembly division in the Philippines with TDK’s Philippines subsidiary, and the new entity began operation in December of last year. This move helps to insure an adequate supply of drive heads to meet future surges in demand.

In light of the Personal Information Protection Act that came into effect in Japan in April and recent increases in counterfeit credit card related crimes, there are growing calls for technology solutions to help protect information security. Our pioneering palm vein recognition technology has been adopted by many financial institutions for use in their ATMs, and a number of these systems are already in operation.

3. Electronic Devices

	FY 2004 (Billion Yen)	Change from FY 2003	Change on continuing operations basis excluding impact of restructuring
Net Sales	733.8	-0.1%	4.6%
Japan	415.4	9.8%	10.1%
Overseas	318.4	-10.5%	-1.8%

Net Sales by Sub-segment

	FY 2004 (Billion Yen)	Change from FY 2003
Semiconductors	419.0	3.7%
Others	314.8	-4.7%

Consolidated net sales in this segment were 733.8 billion yen (US$ 6,859 million), an increase of 4.6% over the previous year on a continuing operations basis excluding the impact of restructuring. Although price competition in PDPs and LCDs intensified as a result of deterioration in the market supply/demand balance, increased orders for leading-edge products and strong sales by our components subsidiaries contributed to the overall increase in sales.

(Billion Yen)

	FY 2004	Change from FY 2003
Operating Income	32.5	5.0

Operating income was 32.5 billion yen (US$ 305 million), an increase over last year of 5.0 billion yen. Continuing progress in improving manufacturing efficiency and increased revenue from components subsidiaries offset the impact of lower sales of PDPs, LCDs and other products, contributing to the overall increase in operating income.

In February of this year, pilot testing was completed at our new Mie Plant facility for the mass production of 300mm wafers utilizing our leading-edge 90nm and 65nm process technology, and operations officially commenced in April. With market demand for leading-edge technology continually increasing, the plant is steadily progressing toward the start of volume production planned for September of this year.

In March of this year, we reached formal agreement with Hitachi, Ltd. regarding the transfer of our plasma display panel operations. Accordingly, we transferred to Hitachi Ltd. a portion of the stock we held in Fujitsu Hitachi Plasma Display Ltd. as well as certain intellectual property relating to plasma display panels. In addition, in April we signed an agreement with Sharp Corporation for the transfer of our liquid crystal display business.

Through the transfer of these flat panel display businesses, we will be better able to concentrate resources in our LSI device business to more effectively grow that business.

4. Other

In June of last year we sold our logistics subsidiary to the Japanese subsidiary of UK-based Exel Ltd. Leveraging our collaboration with Exel, we will work to strengthen our global logistics infrastructure, further improve our supply chain management, and enhance our ability to deliver products to customers worldwide more quickly and reliably.