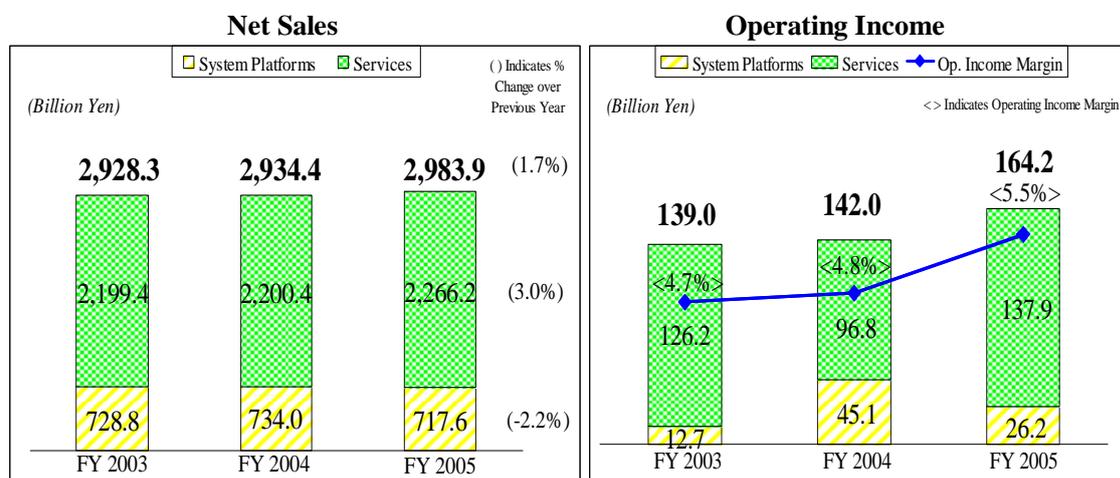


## 2. Results by Business Segment

Information on consolidated net sales (including intersegment sales) and operating income broken out by business segment is presented below.

### Technology Solutions



Consolidated net sales in this segment, which includes the System Platforms and Services sub-segments, were 2,983.9 billion yen (US\$25,288 million), up 1.7% over fiscal 2004. Sales of system products declined, mainly on account of sluggish sales of servers and related products in Japan. However, overall sales for the segment increased, thanks to the continued strength of our UNIX server business outside Japan, our optical transmission system business in North America, and our outsourcing services business in the UK.

Operating income for the segment was 164.2 billion yen (US\$1,392 million), an increase of 22.1 billion yen over the previous year. System Platforms recorded lower operating income as a result of intensified competition in the server and related markets both inside and outside Japan and accelerated investment in development of certain new products. In Services, however, a large reduction in losses from loss-generating projects and continued strong performance by our outsourcing services business in the UK contributed to a substantial increase in income.

#### (1) System Platforms

Net sales in the System Platforms sub-segment were 717.6 billion yen (US\$6,082 million), down 2.2% from fiscal 2004. In System Products, sales of Intel-architecture servers were relatively healthy and overseas sales of UNIX servers increased, but the competitive environment in Japan remained severe, and there was a decline in sales compared to the previous year. In Network Products, sales increased compared to the previous year, as the overall recovery continued and sales of optical transmission systems in North America were strong.

	FY 2005 (Billion Yen)	Change from FY 2004
Net Sales	717.6	-2.2%
Japan	526.8	-6.8%
Overseas	190.8	13.0%

System Platforms posted operating income of 26.2 billion yen (US\$223 million), a decline of 18.9 billion yen from the previous fiscal year. Although there was a positive impact on income from higher sales of optical transmission systems, overall income in this sub-segment declined from last

year's level due to such factors as sluggish sales of servers and related products in Japan, intensified price competition in overseas markets and accelerated investment for development of next-generation models of mobile phone base stations, optical transmission systems and servers.

In November 2005, we signed a global technology alliance agreement with EDS that includes supplying our PRIMEQUEST mission-critical IA servers to EDS. This agreement, along with joint development alliances with other companies, is designed to strengthen our sales capabilities and methods. In addition, to further expand business related to our TRIOLE IT infrastructure optimization model on a global basis, we opened new system verification centers in Singapore, Korea and Shanghai, China, where we provide customers with comprehensive verification and evaluation support for platform products in open-standard system environments. The new centers complement existing facilities in Japan, the UK, Germany, and California in the US.

Also, in March 2006 we signed an agreement with British Telecommunications plc (BT) under which we have been designated as a preferred supplier to BT's 21<sup>st</sup> Century Network program. Going forward, we will provide BT with infrastructure products for next-generation networks utilizing the most advanced technology.

## (2) Services

Net sales in the Services sub-segment were 2,266.2 billion yen (US\$19,206 million), up 3.0% from the same period a year earlier. Excluding the impact of the change in accounting policies, the increase was 2.7%. In Japan, although there were signs of improvement during the second half, sluggish IT investment and the lack of demand for financial terminals designed to accommodate new Japanese banknotes (an area of special one-time demand in fiscal 2004) helped bring about a decline of 2.4% in domestic sales in this sub-segment compared with the previous fiscal year. Results outside Japan, however, recorded double-digit growth, with our outsourcing services business in the UK continuing to perform well and Fujitsu Consulting expanding its business in North America.

	FY 2005 (Billion Yen)	Change from FY 2004	<i>Change excluding impact of change in accounting policies</i>
Net Sales	2,266.2	3.0%	2.7%
Japan	1,565.4	-1.7%	-2.4%
Overseas	700.8	15.3%	16.1%

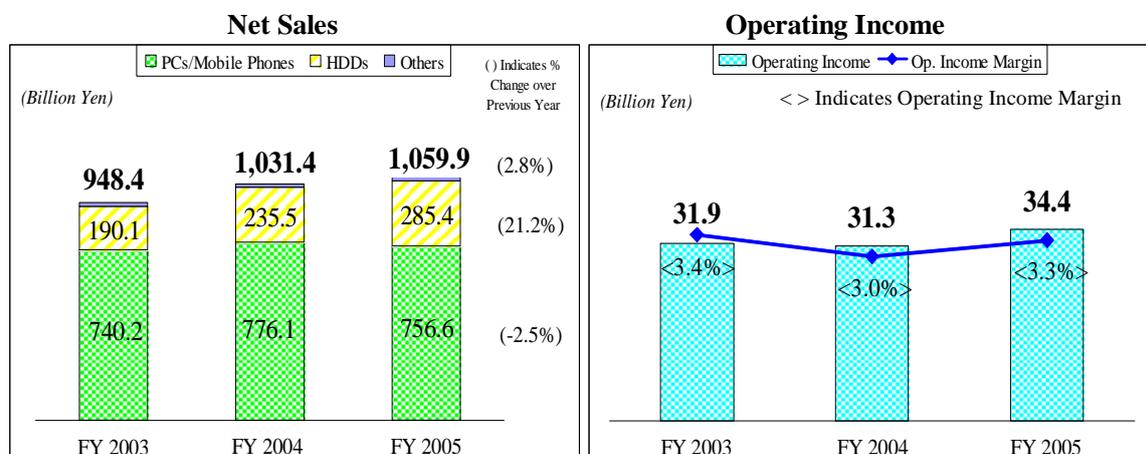
Operating income for Services was 137.9 billion yen (US\$1,169 million), an increase of 41.0 billion yen over the same period last year. Factors contributing to this significant upturn included a major decrease in losses relating to loss-generating domestic systems integration projects compared with fiscal 2004, the expansion of our outsourcing services business in the UK and the impact of the change in accounting policies, including the application of the percentage-of-completion method.

As a result of measures including the establishment of an organizational unit dedicated to bolstering project auditing and assurance, the integration of sales and system engineering groups into teams organized along customer lines, and the institution of a real-time project progress management system, the occurrence of loss-generating projects has been reduced to an acceptable level. Moreover, we are endeavoring to further improve productivity by configuring products in accordance with the TRIOLE concept and utilizing development tools such as our SDAS (System Development Architecture and Support) framework.

In addition, we are working to accelerate the expansion of our business outside Japan, for example, through development of such new businesses as palm vein authentication security systems and automated self-checkout machines for retailers, and through the recent acquisition of Rapidigm,

Inc., an IT consulting and integration firm with about 2,000 consultants in North America and India.

## Ubiquitous Product Solutions



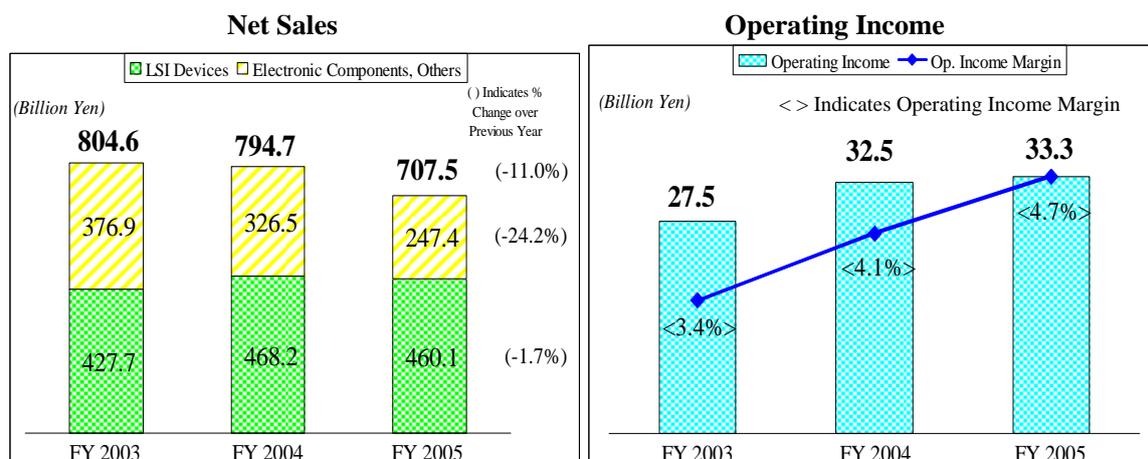
Net sales in the Ubiquitous Product Solutions segment were 1,059.9 billion yen (US\$8,982 million) an increase of 2.8% over fiscal 2004. Although sales of PCs increased overseas, they declined overall due to intensified competition in Japan. Continued strong growth in HDD sales, however, enabled the segment as a whole to achieve an increase in sales.

	FY 2005 (Billion Yen)	Change from FY 2004
Net Sales	1,059.9	2.8%
Japan	700.8	-4.4%
Overseas	359.0	20.3%

Operating income for Ubiquitous Product Solutions was 34.4 billion yen (US\$292 million), an increase of 3.1 billion yen compared to the previous fiscal year. Although the decline in the value of the yen against other currencies led to an increase in component costs, this impact was offset by cost efficiencies and quality improvements generated by our manufacturing innovation initiatives, as well as higher HDD sales, resulting in an overall increase in operating income.

To strengthen our HDD business, in addition to expanding the range of our 2.5" HDDs and other products, we will also enter the 1.8" HDD market for mobile devices, where demand is expected to grow. Looking ahead, we will continue our commitment to product quality, focus our resources on promising growth markets, and seek to further strengthen growth opportunities worldwide by entering into strategic alliances with other companies.

## Device Solutions



Net sales of Device Solutions were 707.5 billion yen (US\$5,996 million), a decrease of 11.0% compared to fiscal 2004. Excluding the impact of the transfer of our flat panel display businesses, sales on a continuing operations basis increased by 0.5%. In the LSI Devices sub-segment, memory sales decreased as a result of a decline in market prices, but the market for logic chips recovered in the latter half of the fiscal year, especially for devices used in mobile phone and digital consumer electronics applications, and the start of volume production at our new 300 mm wafer semiconductor fabrication facility also contributed to sales. The combination of these factors contributed to a slight overall increase in logic sales, mostly from overseas sales, compared to the prior fiscal year.

	FY 2005 (Billion Yen)	Change from FY 2004	Change excluding impact of restructuring
Net Sales	707.5	-11.0%	0.5%
Japan	399.0	-16.0%	-4.9%
Overseas	308.4	-3.6%	8.9%

Operating income for Device Solutions was 33.3 billion yen (US\$282 million), an increase of 0.7 billion yen compared to the previous fiscal year. Although operating income in the LSI Devices sub-segment declined as a result of the weakness of the market during the first half of the fiscal year, as well as the impact of expenses relating to start-up of the 300mm wafer production facility at our Mie Plant that began operation in April 2005, the Electronic Components, Others sub-segment continued to post strong results, and losses associated with the flat panel display businesses were eliminated. As a result of these factors, overall operating income improved slightly over fiscal 2004.

The new 300mm wafer semiconductor fabrication facility at our Mie Plant (Building No. 1) commenced volume shipments as scheduled from September 2005. Moreover, in order to meet the growing demand for leading-edge technology products, we decided in January 2006 to build an additional 300mm wafer facility (Building No. 2) at the Mie Plant. Going forward, we will concentrate our resources in logic LSI devices and work to further strengthen this business while striking a balance between advanced technology products to drive future growth and standard products that support our existing business.

In December 2005 Spansion, Inc., our joint venture with Advanced Micro Devices, Inc. in the flash memory business, issued new shares in tandem with its initial public offering. As a result, our ownership share changed from 40.0% to 25.2%.