2. Results by Business Segment

Looking at earnings by business segment in FY 2003, although Software & Services operating income declined compared with the previous year, the Electronic Devices segment, which had suffered an operating loss in fiscal 2002, returned to profitability, and for the first time since fiscal 2000, all three of our key business segments were in the black. Results for each segment are described below.

*Note: "Net Sales" are sales to unaffiliated customers

1. Software & Services

	FY 2003 (Billion Yen)	Change from FY 2002
Net Sales	2,094.2	+3.4%
Japan	1,580.8	+4.9%
Overseas	513.4	-1.1%

Breakdown

	Net Sales (Billion Yen)	Change from FY 2002
Solutions / S I	970.0	+3.1%
Infrastructure Services	1,124.2	+3.6%

Software & Services consolidated net sales increased 3.4% from the prior fiscal year to ¥2,094.2 billion yen (US$19,757 million). In Japan the increase was 4.9%, primarily as a result of demand from Japanese manufacturers pursuing global business expansion and from the public and healthcare sectors in conjunction with the e-Japan initiative.

Overseas, net sales decreased 1.1%, due to the effect of the sale of some European operations. However, excluding that impact, revenues actually saw a healthy increase of 2.5%. In the UK in particular, we won a series of major government outsourcing orders from agencies including the Inland Revenue Service and the National Health Service. We also formed an IT services partnership with Siemens Business Services of Germany to provide reciprocal support in the IT services field in Europe and Asia. And through restructuring and consolidation of overseas operations, in particular our North American services subsidiary, we worked to strengthen our ability to support customers' global business growth.

(Billion Yen)

	FY 2003	Change from FY 2002
Operating Income	138.7	-37.7

Consolidated operating income in this segment declined by 37.7 billion yen from the previous year, to 138.7 billion yen (US$1,309 million). Price competition intensified in the Solutions/Systems Integration businesses, and profitability for some projects deteriorated. In addition, increased investment was required for initiatives to open new markets and for Linux technology development.

Going forward, in addition to working to reduce development times through the deployment of our renewed SDAS comprehensive system development framework, based on our TRIOLE concept, we will utilize pre-verified combinations of hardware and middleware products to help reduce system deployment and operation burdens, prevent system errors from occurring and greatly improve cost efficiency.

Last November we completed construction of Fujitsu Solution Square in Kamata, Tokyo, bringing together in one location 4,000 solutions experts from the greater Tokyo/Yokohama metropolitan area. We are leveraging real-time knowledge sharing across the worldwide Fujitsu group to more rapidly develop and provide higher value-added solutions to meet customers' needs. Going forward, we will fortify and expand our global business, as a leading global IT services player, in order to strengthen revenues in software and services.

* SDAS (Systems Development Architecture & Support): A comprehensive application development framework covering all aspects of information systems operations.

* TRIOLE: High-reliability IT infrastructure utilizing pre-verified combinations of servers, storage systems, network equipment, etc.

2. Platforms

	FY 2003 (Billion Yen)	Change from FY 2002
Net Sales	1,608.1	- 0.2%
Japan	1,150.4	- 0.8%
Overseas	457.7	+1.2%

Breakdown

	Net Sales (Billion Yen)	Change from FY 2002
Servers	365.6	-4.5%
Mobile / IP Networks	207.2	+9.2%
Transmission Systems	167.4	-7.0%
PCs / Mobile Phones	680.9	+3.9%
HDD-related	187.0	+15.9%

Consolidated net sales in the Platforms segment were roughly flat compared with the previous year, amounting to 1,608.1 billion yen (US$15,172 million). First quarter sales were markedly lower (17.6%) than the comparable period in fiscal 2002, but with increased sales of 3G mobile phones and base stations, PCs and HDDs, owing to the pickup in the economy and other factors, full-year sales in the segment were able to recover to essentially the same level as the previous year.

In Japan, sales of transmission systems and servers declined. In PCs, the impact of price erosion was offset by gains in unit shipments, and sales were held to roughly the same level as in the previous year. On the other hand, sales of mobile phones and systems in conjunction with the shift to 3G and sales of financial terminals capable of accommodating new banknotes both increased, so that domestic Platforms sales as a whole were roughly even with the previous year.

Overseas, sales of UNIX servers, PCs and HDDs increased, particularly in Europe and North America, resulting in a 1.2% increase over the previous year. Although overseas sales of transmission systems declined on a full-year basis, significant recovery could be seen in the second half.

(Billion Yen)

	FY 2003	Change from FY 2002
Operating Income	29.2	+28.2

Operating income was 29.2 billion yen (US$275 million), an increase of 28.2 billion yen over the previous year. In addition to benefiting from the effects of restructuring over the previous two years and the impact of cost reduction measures in conjunction with continuing efforts to improve manufacturing innovation and efficiency, profitability was aided by the beginning of solid recovery in previously sluggish IT demand.

Profitability increased in HDDs, particularly those used in notebook PCs, as well as in financial terminals, due to the sudden increase in demand for models accommodating new banknotes in Japan. In addition, thanks to the impact of previous restructuring and a recovery in demand by North American telecommunications carriers, losses in transmission systems were greatly reduced. Although we were able to minimize the adverse impact of intense price competition on profitability in PCs, we incurred greater costs in equipping mobile phones with high-level functionality, and income for mobile phones diminished as a result.

We have been developing our server and PC businesses in four key regional markets: Japan, North America, Europe and Asia-Pacific. In fiscal 2003, our high-performance, high-reliability UNIX servers received much favorable attention in the market, particularly in Europe and the US, and sales of these systems by Fujitsu Siemens Computers in Europe, Fujitsu Computer Systems in North America (a company established in January 2004 combining our local server and PC sales companies), and others increased. In PCs as well, solidifying our organizational ability to supply products globally on very short timeframes, we enjoyed a large increase in overseas unit sales, particularly in Europe. Going forward, we intend to further strengthen our structure for development and supply of leading-edge technology-based products to the global marketplace.

As one of very few IT vendors in the world capable of providing the full range of hardware, software and services, we intend to introduce more offerings based on “TRIOLE,” our high-performance, high-reliability open IT infrastructure, in order to further strengthen our IT business.

3. Electronic Devices

	FY 2003 (Billion Yen)	Change from FY 2002
Net Sales	734.3	+18.7%
Japan	378.4	+26.3%
Overseas	355.8	+11.5%

Breakdown

	FY 2003 (Billion Yen)	Change from FY 2002
Semiconductors	403.9	+15.6%
Other	330.4	+22.7%

Consolidated net sales totaled 734.3 billion yen (US$6,928 million), an increase of 18.7% over the previous year. In semiconductors, driven by especially strong demand for use in digital AV equipment and mobile telephones, sales of logic chips rose by nearly 30%. Flash memory sales recorded a 1.7% decline. This decline, however, was attributable to the shift of our flash memory operations to equity-method accounting in conjunction with the establishment at the end of June of a new joint venture company with AMD. As a result, sales by the Japan-based manufacturing JV to AMD were removed from our consolidated accounts. Excluding the effect of this removal, on the basis of continuing operations flash memory sales would actually have risen by 66% over fiscal 2002.

In addition, robust demand for PDPs and LCDs led to year-on-year sales increases of over 50% in both segments.

(Billion Yen)

	FY 2003	Change from FY 2002
Operating Income	27.5	59.1

Operating income in Electronic Devices made a significant turnaround, reaching 27.5 billion yen (US$260 million), an increase of 59.1 billion yen over the previous year's loss. Although there was a short-term slowdown in operations caused by an earthquake last May that damaged the Iwate plant, buoyant demand has significantly increased capacity utilization at all of our production facilities, resulting in improved profitability. In addition, PDP operations returned to profitability on a full-year basis, and all business segments achieved improvements in income.

Besides our joint venture with AMD in flash-memory operations, we have also established a new joint venture with Sumitomo Electric Industries for compound semiconductors, which commences operations this month. Last October, we consolidated four back-end semiconductor assembly companies into a single company, achieving greater production efficiency and reducing costs.

In fiscal 2003 we made the decision to build a new fab at our Mie plant to mass-produce chips using our advanced 90-nm process technology on 300-mm wafers. Sharing the risk with strategic partners, and investing in phases in accordance with changes in demand, we expect to greatly increase profits.

Also, with the goal of increasing production capacity to meet rising demand, we decided to invest in construction of a new production facility at Fujitsu-Hitachi Plasma Display's Miyazaki plant. By investing aggressively to increase production, we expect to reap even greater profits in PDPs.

4. Other

In May last year, we transferred all our shares in Kanda Tsushin Kogyo Co., Ltd., a company previously accounted for under the equity method, to a third party. In September, in a move aimed at strengthening our leasing business, we transferred a portion of the shares of Fujitsu Leasing to a third party; and in March of this year, FDK, which is primarily involved in the manufacture and sales of hybrid modules and batteries, received equity capital form a third-party, entailing a switch to equity-method accounting for this affiliate, as well.