

3. Results by Business Segment

Information on net sales (including internal net sales between segments) and operating income for the first quarter broken out by business segment is presented below.

Technology Solutions

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004	Change Excluding Impact of Change in Accounting Policies
Net Sales	613.4	9.9%	2.1%
Japan	425.8	9.5%	-1.7%
Overseas	187.5	10.8%	10.8%
System Platforms	154.8	8.9%	
Services	458.5	10.2%	

	First Quarter FY 2005 (Billion Yen)	Change from 1Q FY 2004
Operating Income (Loss)	7.3	24.2
System Platforms	(0.6)	3.6
Services	8.0	20.5

(1) System Platforms

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004
Net Sales	154.8	8.9%
System Products	61.1	-7.8%
Network Products	93.6	23.4%

Net Sales in the System Platforms sub-segment were 154.8 billion yen (US\$1,395 million), up 8.9% from the first quarter a year earlier. In System Products, overseas sales of UNIX servers were strong, but in Japan there was a decline in earnings compared to a year earlier, when there were a number of large-scale orders. Network Products posted double digit growth, buoyed by strong sales both in Japan and overseas. With the spread of 3G mobile handsets and broadband networks, and the corresponding need to handle larger data volumes, sales of mobile phone base stations and optical transmission systems continued to exhibit strength.

	First Quarter FY 2005 (Billion Yen)	Change from 1Q FY 2004
Operating Income (Loss)	(0.6)	3.6

System Platforms posted an operating loss for the quarter of 0.6 billion yen (US\$6 million), representing a 3.6 billion yen improvement over the 4.3 billion yen loss in the first quarter of the previous year. The improvement stems from an increase in Network Products earnings, as well as from improvements in cost efficiencies and quality generated by manufacturing reforms.

In April we launched global sales of PRIMEQUEST, the world's most advanced mission-critical IA server, which combines the economy of an open architecture server with the reliability of a mainframe.

In addition, as part of our plan to expand our TRIOLE strategy for IT infrastructure optimization on a global basis, in May we opened two new system construction support centers, in Singapore and California, where we provide comprehensive verification of various platform products based on customers' particular requirements. The new centers complement existing facilities in Japan, England and Germany.

TRIOLE: A high-reliability IT infrastructure model utilizing pre-verified combinations of servers, storage systems, network equipment, etc.

(2) Services

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004	Change Excluding Impact of Change in Accounting Policies
Net Sales	458.5	10.2%	-0.2%
Solutions / SI	205.0	21.1%	-2.5%
Infrastructure Services	221.4	5.1%	
Others	31.9	-11.6%	

Net sales in Services were 458.5 billion yen (US\$4,131 million), up 10.2% from a year earlier. Excluding the impact of applying the percentage of completion method, sales were roughly at the same level as the first quarter of last year. Although factors like the existence of large-scale orders in the same period of the previous year and the drop-off in demand for business related to handling new Japanese banknotes had a downward impact on earnings in comparison with last year, outsourcing contracts by Fujitsu Services in the UK continued to contribute to sales in Infrastructure Services and overall sales in the sub-segment increased.

In this quarter, Fujitsu Services was not only was successful in securing public sector contracts but also won new large-scale private sector outsourcing business. In addition, Fujitsu Australia renewed and expanded major outsourcing contracts and, overall, orders and sales are steadily increasing overseas.

	(Billion Yen)	
	First Quarter FY 2005	Change from 1Q FY 2004
Operating Income	8.0	20.5

Operating income for Services was 8.0 billion yen (US\$72 million), an improvement of 20.5 billion yen over the 12.5 billion yen loss in the same period last year. In the Solutions/SI sub-segment, business increased greatly compared to last year due to the contribution to earnings from Fujitsu Services and the impact of large loss-generating projects in the same period last year.

Since last fiscal year we have been strengthening our project risk management procedures. Along with revising our approach to customer contracts, we have worked to standardize sales and system engineering business processes, instituted risk management spanning from initial business discussions through project completion, and bolstered our systems integration assurance function in order to prevent loss-generating projects. Together, these efforts are proving effective in preventing losses from new projects.

In July of this year we launched an initiative to expand sales of our contactless palm vein authentication system business worldwide. With increasing need throughout the world for greater security by governments, the private sector as well as individuals, we are aiming to establish the system as a de facto standard in the security market. We will collaborate with Group companies in North America, Europe and other parts of Asia to vigorously promote this business.

Ubiquitous Product Solutions

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004
Net Sales	241.3	7.6%
Japan	160.0	-0.4%
Overseas	81.2	27.7%

Breakdown of Net Sales by Principal Products

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004
PCs / Mobile Phones	170.0	1.2%
Hard Disk Drives	66.9	30.4%
Other	4.2	-13.0%

Net sales in Ubiquitous Product Solutions were 241.3 billion yen (US\$2,174 million), an increase of 7.6% over the same period last year. PC earnings in Japan were hurt by intensified price competition, but because of favorable response to our simple, easy-to-use mobile phone handsets based on universal design concepts, and in contrast with depressed conditions in the mobile phone market a year previously, earnings in this category increased. In addition, HDD sales for both notebook PCs and servers were strong, with particularly robust growth overseas.

	First Quarter FY 2005	Change from 1Q FY 2004
Operating Income	11.4	11.5

(Billion Yen)

Operating income for Ubiquitous Product Solutions was 11.4 billion yen (US\$103 million), an improvement of 11.5 billion yen over the comparable period last year. Although income for PCs declined due to intensified competition in Japan, this impact was offset by significant progress in realizing cost efficiencies in purchasing, resulting in operating income for the segment on par with the first quarter of last year. In addition to the positive impact of higher earnings in mobile phones and HDDs, improved quality and cost efficiencies generated by our manufacturing innovation initiatives contributed positively to results.

In light of the Personal Data Protection Law that came into effect this April in Japan, and the increase in crimes related to credit card counterfeiting, society's needs for increased security are growing rapidly. This April we introduced a thin client solution, which provides increased protection against unauthorized data removal or information leaks by using client PCs not equipped with hard disk drives. In addition, in June we introduced a mobile phone that offers increased protection of personal data. We will continue to enhance our security solutions while providing highly secure systems tailored to the specifics of our customers' businesses.

Device Solutions

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004	Change Excluding Impact of Restructuring
Net Sales	159.1	-27.7%	-14.8%
Japan	91.8	-26.1%	-14.6%
Overseas	67.3	-29.7%	-15.2%

Breakdown of Net Sales by Principal Products

	First Quarter FY 2005 (Billion Yen)	% Change from 1Q FY 2004
LSI Devices	101.6	-17.2%
Electronic Components, Others	57.5	-40.8%

Net sales of Device Solutions were 159.1 billion yen (US\$1,434 million), a decrease of 27.7% compared to the first quarter of fiscal 2004. Excluding the impact of the transfer of our flat panel display businesses, results on a continuing operations basis declined by 14.8%. In the LSI Devices sub-segment, sales decreased primarily due to customer inventory adjustments in the consumer electronics field and the slow recovery of Japan and other Asian markets for Flash memory used in mobile phones.

	(Billion Yen)	
	First Quarter FY 2005	Change from 1Q FY 2004
Operating Income	7.2	-16.6

Operating income for Device Solutions was 7.2 billion yen (US\$65 million), a decrease of 16.6 billion yen compared to the same period last year. In contrast with the favorable conditions that characterized the LSI devices business a year ago, customers' inventory adjustments in this term resulted in lower sales, and intensifying pricing competition sharply reduced profits. In addition, income was reduced by depreciation expenses and start-up costs for the new semiconductor fabrication facility at our Mie Plant that began operation in April of this year.

Having transferred ownership of our flat panel display businesses, we are further concentrating our resources on LSI devices to strengthen our Device Solutions business.

In June 2005 we reached an agreement with Seiko Epson to jointly develop the next generation of FRAM technology. Leveraging the superior low power consumption and high read/write capabilities of FRAM, we will provide optimal embedded memory solutions for system LSI devices.

In addition, we developed multilayer wiring technology that will serve as a key technology for realizing high speeds and low power consumption in next-generation 45nm LSI devices.