Fujitsu Limited

July 28, 2005

FY 2005 First-Quarter Financial Results

Contents

Part I: Financial Tables

1. Summary of FY 2005 First-Quarter Consolidated Results

a. Summary of Consolidated Statements of Operations

		Yen (millions) (except per share data)		
		1Q FY 2005 (4/1/05~6/30/05)	1Q FY 2004 (4/1/04~6/30/04)	Change (%)
Net sales	**Y**	**1,026,339**	1,008,148	+1.8
Operating income (loss)		**14,811**	(4,381)	-
Income (loss) before income taxes and minority interests		**16,435**	(15,803)	-
Net income (loss)		**2,498**	(11,841)	-
Net income (loss) per common share	**Y**	**1.21**	(5.92)	-
Net income per diluted common share		**1.08**	-	-

b. Net Sales by Business Segment (including intersegment)

		Yen (millions)		
		1Q FY 2005 (4/1/05~6/30/05)	1Q FY 2004 (4/1/04~6/30/04)	Change (%)
Technology Solutions	**Y**	**613,415**	558,388	+9.9
Ubiquitous Product Solutions		**241,366**	224,365	+7.6
Device Solutions		**159,172**	220,024	-27.7
Other Operations		**102,188**	92,668	+10.3
Elimination		**(89,802)**	(87,297)	-
Total	**Y**	**1,026,339**	1,008,148	+1.8

c. Summary of Consolidated Financial Condition

		Yen (millions) (except per share data)		
		June 30 2005	March 31 2005	June 30 2004
Total assets	**Y**	**3,536,272**	Y3,640,198	Y3,607,501
Shareholders' equity		**775,131**	856,990	815,241
Shareholders' equity ratio		**21.9** %	23.5 %	22.6 %
Shareholders' equity per share	**Y**	**374.86**	414.18	407.56

d. Summary of Consolidated Statements of Cash Flows

		Yen (millions)		
		1Q FY 2005 (4/1/05~6/30/05)	1Q FY 2004 (4/1/04~6/30/04)	FY 2004
Cash flows from operating activities	**Y**	**(43,642)**	(53,647)	277,232
Cash flows from investing activities		**(46,347)**	(35,117)	(15,129)
Cash flows from financing activities		**22,899**	(67,006)	(212,034)
Cash and cash equivalents at end of period		**387,347**	246,561	454,516

2. Consolidated Earnings Forecast for FY 2005

	Yen (billions) (except per share data)			
	First Half ending Sep.30, 2005 (Forecast)		Full Year ending Mar.31, 2006 (Forecast)	
Net sales	Y	2,200.0	Y	4,850.0
Operating income		30.0		175.0
Net income (loss)		(15.0)		50.0
Net income (loss) per common share	Y	(7.25)	Y	24.18

3. First-Quarter Consolidated Statements of Operations

	Yen (millions)		
	1Q FY 2005 (4/1/05~6/30/05)	1Q FY 2004 (4/1/04~6/30/04)	Change (%)
Net sales	**Y1,026,339**	1,008,148	+1.8
Operating costs and expenses:			
Cost of sales	**751,171**	745,848	+0.7
Selling, general and administrative expenses	**260,357**	266,681	-2.4
	1,011,528	1,012,529	
Operating income (loss)	**14,811**	(4,381)	-
Other income (expenses):			
Net interest*	**(254)**	(911)	
Equity in earnings of affiliated companies, net	**(4,214)**	2,559	
Amortization of unrecognized obligation for retirement benefits	**(9,815)**	(9,863)	
Settlement gain**	**15,957**	-	
Other, net	**(50)**	(3,207)	
	1,624	(11,422)	-
Income (loss) before income taxes and minority interests	**16,435**	(15,803)	-
Income taxes	**12,712**	(5,630)	
Minority interests	**(1,225)**	(1,668)	
Net income (loss)	**Y2,498**	(11,841)	-

Note: * Net interest consists of interest income, dividend income and interest charges.
**Settlement gain is related to reconciliation of HDD litigation.

4. First-Quarter Consolidated Business Segment Information

a. Net Sales and Operating Income (including intersegment)

			Yen (millions) 1Q FY 2005 (4/1/05~6/30/05)	1Q FY 2004 (4/1/04~6/30/04)	Change (%)
Technology Solutions	Japan	Y	**425,836**	389,029	+9.5
	Overseas		**187,579**	169,359	+10.8
	Total		**613,415**	558,388	+9.9
	Operating Income		**7,369**	(16,882)	-
	[Operating Margin]		**[1.2%]**	[(3.0%)]	
	System Platforms				
	Operating Income		**(657)**	(4,323)	-
	[Operating Margin]		**[(0.4%)]**	[(3.0%)]	
	Services				
	Operating Income		**8,026**	(12,559)	-
	[Operating Margin]		**[1.8%]**	[(3.0%)]	
Ubiquitous Product Solutions	Japan		**160,069**	160,688	-0.4
	Overseas		**81,297**	63,677	+27.7
	Total		**241,366**	224,365	+7.6
	Operating Income		**11,410**	(171)	-
	[Operating Margin]		**[4.7%]**	[(0.1%)]	
Device Solutions	Japan		**91,818**	124,274	-26.1
	Overseas		**67,354**	95,750	-29.7
	Total		**159,172**	220,024	-27.7
	Operating Income		**7,251**	23,863	-69.6
	[Operating Margin]		**[4.6%]**	[10.8%]	
Other Operations	Japan		**78,715**	73,284	+7.4
	Overseas		**23,473**	19,384	+21.1
	Total		**102,188**	92,668	+10.3
	Operating Income		**1,617**	1,915	-15.6
	[Operating Margin]		**[1.6%]**	[2.1%]	
Elimination	Sales		**(89,802)**	(87,297)	-
	Operating Income		**(12,836)**	(13,106)	-
Total	Japan	Y	**682,012**	670,952	+1.6
	Overseas		**344,327**	337,196	+2.1
	Total		**1,026,339**	1,008,148	+1.8
	Operating Income		**14,811**	(4,381)	-
	[Operating Margin]		**[1.4%]**	[(0.4%)]	

b. Net Sales by Principal Products and Services (including intersegment)

			Yen (millions)		
			1Q FY 2005 (4/1/05~6/30/05)	1Q FY 2004 (4/1/04~6/30/04)	Change (%)
Technology Solutions					
	System Products	Y	**61,187**	66,331	-7.8
	Network Products		**93,685**	75,933	+23.4
	System Platforms		**154,872**	142,264	+8.9
	Solutions / SI		**205,098**	169,298	+21.1
	Infrastructure Services		**221,452**	210,615	+5.1
	Others		**31,993**	36,211	-11.6
	Services		**458,543**	416,124	+10.2
	Total		**613,415**	558,388	+9.9
Ubiquitous Product Solutions					
	PCs / Mobile Phones		**170,076**	168,058	+1.2
	Hard Disk Drives		**66,995**	51,373	+30.4
	Others		**4,295**	4,934	-13.0
	Total		**241,366**	224,365	+7.6
Device Solutions					
	LSI Devices		**101,600**	122,700	-17.2
	Electronic Components, Others		**57,572**	97,324	-40.8
	Total	Y	**159,172**	220,024	-27.7

5. First-Quarter Consolidated Balance Sheets

		Yen (millions)		
		June 30 2005	March 31 2005	Change (Million Yen)
Assets				
Current assets:				
Cash and cash equivalents and short-term investments	Y	**391,927**	457,188	-65,261
Receivables, trade		**724,138**	824,992	-100,854
Inventories		**465,632**	478,510	-12,878
Other current assets		**214,920**	220,847	-5,927
Total current assets		**1,796,617**	1,981,537	-184,920
Investments and long-term loans		**756,008**	706,466	+49,542
Property, plant and equipment less accumulated depreciation		**768,366**	727,900	+40,466
Intangible assets		**215,281**	224,295	-9,014
Total assets	Y	**3,536,272**	3,640,198	-103,926
Liabilities, minority interests and shareholders' equity				
Current liabilities:				
Short-term borrowings and current portion of long-term debt	Y	**259,922**	209,553	+50,369
Payables, trade		**587,696**	735,981	-148,285
Other current liabilities		**537,878**	545,983	-8,105
Total current liabilities		**1,385,496**	1,491,517	-106,021
Long-term liabilities:				
Long-term debt		**859,731**	873,235	-13,504
Other long-term liabilities		**353,118**	254,249	+98,869
Total long-term liabilities		**1,212,849**	1,127,484	+85,365
Minority interests		**162,796**	164,207	-1,411
Shareholders' equity:				
Common stock		**324,625**	324,625	-
Capital surplus		**497,883**	497,882	+1
Retained earnings (Deficit)		**(95,607)**	(7,823)	-87,784
Unrealized gains on securities and revaluation surplus on land		**107,224**	101,529	+5,695
Foreign currency translation adjustments		**(57,714)**	(57,980)	+266
Treasury stock		**(1,280)**	(1,243)	-37
Total shareholders' equity		**775,131**	856,990	-81,859
Total liabilities, minority interests and shareholders' equity	Y	**3,536,272**	3,640,198	-103,926
Ending balance of interest-bearing loans	Y	**1,119,653**	1,082,788	+36,865
D/E ratio		**1.44**	1.26	+0.18

6. First-Quarter Consolidated Statements of Cash Flows

		Yen (millions)		
		1Q FY 2005	1Q FY 2004	Change
		(4/1/05~6/30/05)	(4/1/04~6/30/04)	(Million Yen)
1. Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	Y	**16,435**	(15,803)	+32,238
Depreciation and amortization		**54,144**	53,113	+1,031
Increase (decrease) in provisions		**(3,067)**	(189)	-2,878
Equity in earnings of affiliates, net		**4,214**	(2,559)	+6,773
Disposal of property, plant and equipment		**2,697**	1,859	+838
(Increase) decrease in receivables, trade		**150,877**	164,241	-13,364
(Increase) decrease in inventories		**(57,964)**	(59,236)	+1,272
Increase (decrease) in payables, trade		**(133,594)**	(135,112)	+1,518
Other, net		**(77,384)**	(59,961)	-17,423
Net cash provided by (used in) operating activities		**(43,642)**	(53,647)	+10,005
2. Cash flows from investing activities:				
Purchase of property, plant and equipment		**(35,681)**	(32,501)	-3,180
(Increase) decrease in investments and long-term loans		**(24,481)**	1,097	-25,578
Other, net		**13,815**	(3,713)	+17,528
Net cash provided by (used in) investing activities		**(46,347)**	(35,117)	-11,230
1+2 [Free Cash Flow]		**(89,989)**	(88,764)	-1,225
3. Cash flows from financing activities:				
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt		**36,006**	(48,955)	+84,961
Dividends paid		**(6,204)**	(6,000)	-204
Other, net		**(6,903)**	(12,051)	+5,148
Net cash provided by (used in) financing activities		**22,899**	(67,006)	+89,905
4. Effect of exchange rate changes on cash and cash equivalents		**(79)**	492	-571
5. Net increase (decrease) in cash and cash equivalents		**(67,169)**	(155,278)	+88,109
6. Cash and cash equivalents at beginning of period		**454,516**	413,826	+40,690
7. Cash and cash equivalents of deconsolidated subsidiaries		**-**	(11,987)	+11,987
8. Cash and cash equivalents at end of period	**Y**	**387,347**	246,561	+140,786

Part II. Explanation of Financial Results

1. Overview

Business Environment

During the first quarter the business environment in which we operate was characterized by the continuation of a mild overall recovery, despite concerns over the impact of rising crude-oil prices and rising interest rates. Solid economic expansion continued in both the US and China, and Europe also continued its steady economic recovery. In Japan, IT-sector inventory adjustments bottomed out in latter part of last fiscal year, and there were indications of resurgence in personal consumption.

With respect to IT investment, although there has been a healthy trend in spending overseas, especially among multinational companies, there are still few signs of a strong recovery in overall spending in Japan, with the exception of certain corporations.

While corporate IT systems have typically been used for operational management or processing transactions with other companies, the convergence of the revolution in LSI technology with cheap, large-capacity broadband networks and software is dramatically expanding the use of IT. It is increasingly being used at various frontline points of contact between companies and their customers to provide more comfortable and convenient shopping, financial services, medical services, and other benefits. At the same time, this new utilization of IT is bringing with it a corresponding need for greater information security.

Fujitsu will strive to continuously provide efficient, technologically advanced solutions that will enable everyone to safely and securely enjoy the benefits of this information technology-driven innovation.

FY 2005 First-Quarter Results

(Billion Yen)

	First Quarter FY 2005 *4/1/05-6/30/05*	First Quarter FY 2004 *4/1/04-6/30/04*	Change	Difference From April Projections
Net Sales	1,026.3	1,008.1	18.1	16.3
[% change vs. same period in prior fiscal year]	[1.8%]*	[7.4%]		
Operating Income (Loss)	14.8	(4.3)	19.1	24.8
[Operating Margin]	[1.4%]	[-0.4%]	[1.8%]	[2.4%]
Net Income (Loss)	2.4	(11.8)	14.3	32.4

*Excluding the impact of changes in accounting policies and restructuring of businesses, change was 0.8%

Note: Throughout these explanatory materials, yen figures are converted to U.S. dollars, for convenience only, at a uniform rate of $1 = 111 yen, which was the approximate Tokyo foreign exchange market rate at June 30, 2005.

Profit and Loss

First-quarter consolidated net sales were 1,026.3 billion yen (US$9,246 million), a year-on-year increase of 1.8%. Excluding the impact of the reorganization of our display businesses and other operations, and of the application of the percentage of completion method for software development contracts, results were roughly the same as in the first quarter of fiscal 2004. There were continued inventory adjustments on LSI devices for consumer electronics, which had sold strongly a year previously; demand for financial terminals capable of handling new Japanese banknotes, which had been strong a year ago when the new notes were introduced, ran its course; and there was severe price competition in personal computers, all of which had a negative effect on sales compared to the first quarter of fiscal 2004. However, sales increased for 3G mobile phone base station systems and optical transmission systems, as well as for hard disk drives (HDDs) and mobile phones.

Consolidated operating income was 14.8 billion yen (US$133 million), an improvement of 19.1 billion yen over the first quarter the year before. This is the first time we have posted an operating profit for the first quarter since we began reporting financial results on a quarterly basis in fiscal 2000. Although profits in our LSI business were sharply lower due to customer inventory adjustments, in our solutions/systems integration business the systems and procedures implemented to prevent project losses and to improve overall project management began to produce the desired results. In addition, income was up in network equipment, hard disk drives, and mobile phones, and thanks to an intensified focus on manufacturing innovation, we succeeded in driving down costs and improving expense efficiency, helping to realize a major improvement in operating income compared with the first quarter of fiscal 2004. As a result, our cost of sales ratio improved by 0.8 percentage points year-on-year to 73.2%; the ratio of selling, general and administrative expenses to net sales improved by 1.0 percentage point; and our operating income margin improved by 1.8 percentage points. The adoption of the percentage of completion method for software development contracts added 4.0 billion yen in income compared to the previous method of revenue recognition based on customer acceptance.

In other income (expenses), equity in earnings of affiliated companies declined.

A suit brought against component vendors and others, prompted by problems that emerged in 2001 involving our HDDs, was settled in June this year. As a result, we reported a 15.9 billion yen gain on this settlement.

As a result of the above factors, we reported consolidated net income of 2.4 billion yen (US$23 million), an improvement of 14.3 billion yen over the first quarter of fiscal 2004.

Regarding Projections Announced in April

Although domestic server-related and PC sales fell short of predictions, there was strong demand for mobile phones and related equipment in Japan, optical transmission systems in North America, and HDDs. These positive results, along with the impact of applying the percentage of completion method for software development contracts, led to higher than projected sales overall.

Operating income was 24.8 billion yen higher than forecast in April. This significant increase reflected progress in cost cutting, more efficient expense allocation, progress in generating a more equal distribution of earnings throughout the fiscal year in line with a rethinking of our business cycle, and the ability of almost all our business units to meet the targets we established at the beginning of the fiscal year. The shift to the percentage of completion method contributed 4.0 billion yen to income in the first quarter.

The improvement in operating income, together with better than expected other income due to foreign currency transaction gains and the posting of a gain on settlement of HDD litigation, resulted in significantly greater net income than initially projected.

2. Changes in Accounting Policies

1) Application of Percentage of Completion Accounting for Software Development Contracts*

Since last fiscal year, we have instituted organizational changes and other measures designed to strengthen the risk management function of our solutions/systems integration business by providing organizational support from the initiation of business discussions to provision of estimates, negotiation of contracts and on through project completion, thereby enabling us to grasp and respond to project risks as early as possible. For the development phase, we have instituted a monthly progress management system based on output, including development work performed by outside contractors, in order to improve project planning, track progress, and promote risk visibility. Along with realigning this project management structure, we have begun applying the percentage of completion method for contracted software development work starting this fiscal year, requiring detailed development plans to accompany all contracts. Recognizing income and expenses on development work in accordance with the progress of completion enables more timely performance monitoring and disclosure.

The impact of this accounting policy change on first-quarter results was to increase sales by 43.2 billion yen and operating income by 4.0 billion yen. The impact on first-half and full-year fiscal 2005 results is expected to be an increase in sales of 20.0 billion yen and an increase in operating income of 2.0 billion yen for each period. The impact on operating income of applying the percentage of completion method to work in progress at the beginning of the first quarter was an increase of 1.5 billion yen. Starting from the second quarter, we will expand the application of this method to include subsidiaries' major projects.

* Refers to contracted software development work in which Fujitsu is responsible for providing all or some portion of a customer's software development work.

2) Recording of Liabilities for Retirement Benefit Obligations at UK Subsidiaries

In the UK, as in Japan, defined contribution retirement benefit plans have become widespread, and, in accordance with new British accounting standards as well as International Financial Reporting Standards (IFRS), companies are obligated to record as liabilities the full amount of their unfunded retirement benefit obligations. UK-based Fujitsu Services has switched to IFRS starting this fiscal year, and another UK subsidiary, Fujitsu Telecommunications Europe, has reported its unfunded retirement benefit obligations as required under the new British accounting standards. As a result of recording liabilities associated with these companies' unfunded retirement benefit obligations, reserves for accrued retirement benefits were increased by 106.1 billion yen, reducing retained earnings net of tax by 82.7 billion yen. Compared with previous methods, the new accounting changes for retirement benefits had the effect of increasing first-quarter operating income by 1.3 billion yen. The impact on full-year results is expected to be an increase in operating income of 5.1 billion yen.

3) Accounting for Impaired Property, Plant, and Equipment

Starting this fiscal year, we are recording in our financial statements any impairment to the value of property, plant, and equipment. In the fist quarter, there were no impairment losses to record.

Status of Plans to Adopt International Financial Reporting Standards (IFRS)

The Fujitsu Group is currently in the process of moving toward the adoption of IFRS. This switch is being implemented while taking into consideration the trend toward convergence between different countries' accounting standards and IFRS.

This fiscal year, for operations in Japan, the shift toward IFRS included introducing the adoption of the percentage of completion method for software development contracts and asset impairment accounting for property, plant, and equipment. In addition, for Fujitsu Services, in conjunction with the required shift in accounting for retirement benefit obligations, IFRS has been fully adopted.

Going forward, while keeping in mind the situation with respect to dealing with converging accounting standards, we intend to adopt IFRS as fully as possible as the necessary internal organizational changes are made, aiming for complete adoption by fiscal 2007.

4) Changes in Business Segment Classification

Today's IT market is characterized by increasing technology convergence and complexity and a widening array of services. There is now greater need than ever for vendors who can integrate servers, networks and software to construct highly stable and reliable IT infrastructure and who can offer full lifecycle support for a variety of services. Accordingly, we have been working to quickly shift our overall business to a model that, departing from the traditional product and services sales framework, centers on the provision of full lifecycle solutions—ranging from the construction of IT infrastructure to consulting, systems integration and outsourcing—all based on cultivating long-term partnerships with our customers.

In order to further improve this solutions model, last year we integrated our sales and system engineering groups in Japan and pursued other organizational reforms to make our group structure more efficient. In light of these ongoing organizational reforms, and taking into account the similarities in particular product and service offerings and sales methods, from this fiscal year we have reclassified our business segments as: Technology Solutions, Ubiquitous Product Solutions, Device Solutions, and Other Operations.

In the Technology Solutions segment, we offer customers full lifecycle solutions through the provision of various services optimized to meet customers' individual needs and based on high-performance, highly reliable IT infrastructure comprising system platforms built on cutting-edge technology. In Ubiquitous Product Solutions, we provide personal computers, mobile phones and HDDs, products that are indispensable to realizing a ubiquitous networking world. In this area of our business we place a premium on speed and cost competitiveness through the aggressive pursuit of manufacturing innovation. And in Device Solutions we provide optimal solutions centering on pivotal logic LSI devices and other electronic components to both internal and external customers in order to help boost the competitiveness of their products.

New Segment Classification

<table>
<tr><th>Segment</th><th colspan="2">Sub-segment</th><th>Main products/services</th></tr>
<tr><td rowspan="9">Technology Solutions</td><td colspan="3">System Platforms</td></tr>
<tr><td rowspan="2"></td><td>System Products</td><td>Servers (mainframes, UNIX servers, IA servers), peripheral equipment used in information systems (disk arrays, etc), software, etc.
*Business-use PCs are included in Ubiquitous Product Solutions</td></tr>
<tr><td>Network Products</td><td>Mobile systems (3G base station systems, etc), optical transmission systems, etc.</td></tr>
<tr><td colspan="3">Services</td></tr>
<tr><td rowspan="2"></td><td>Solutions / SI</td><td>System construction (systems integration services), system installation and operational support, consulting, etc.</td></tr>
<tr><td>Infrastructure Services</td><td>One-stop information system operational management (outsourcing services), network environments and networking-related services for information systems (network services, Internet services), information system and network maintenance and monitoring services</td></tr>
<tr><td colspan="2">Others</td><td>Information system installation, network construction, custom terminal installation (ATMs, POS systems, etc.)</td></tr>
<tr style="display:none"></tr>
<tr style="display:none"></tr>
<tr><td rowspan="3">Ubiquitous Product Solutions</td><td colspan="2">PCs / Mobile Phones</td><td>Personal computers, mobile phones</td></tr>
<tr><td colspan="2">Hard Disk Drives</td><td>Storage devices (compact magnetic drives, magneto-optical drives)</td></tr>
<tr><td colspan="2">Others</td><td>Optical modules</td></tr>
<tr><td rowspan="2">Device Solutions</td><td colspan="2">LSI Devices</td><td>Logic LSI devices (system LSI, ASIC, microcontrollers, FRAM-embedded logic), memory LSI (Flash memory, FCRAM)</td></tr>
<tr><td colspan="2">Electronic Components, Others</td><td>Semiconductor packages, SAW filters, relays, connectors, etc.</td></tr>
<tr><td>Other Operations</td><td colspan="2"></td><td>Audio and navigation equipment, electronic equipment for automobile control, printed circuit boards, magnesium molds, etc.</td></tr>
</table>

Note: As a result of anticipated changes in product sales patterns and organizational responsibilities going forward, some of the product sub-segment classification included in the Technology Solutions segment at the time of the earnings announcement in April has been revised. The principal change is the shifting of IP Systems from the Network Products sub-segment to the Infrastructure Services sub-segment. This reflects the fact that, as a result of the tie-up with Cisco Systems, we will be offering total solutions combining products and network services.

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%

(Billion Yen)

	First Quarter FY 2005	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.

(Billion Yen)

	First Quarter FY 2005	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.

(Billion Yen)

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

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.

4. Financial Condition

Assets, Liabilities and Shareholders' Equity

(Billion Yen)

	First Quarter FY 2005	Change from FY 2004 Year-End
Total assets	3,536.2	-103.9
Interest-bearing loans	1,119.6	36.8
[Net interest-bearing loans]	[730.7]	[102.6]
Shareholders' equity	775.1	-81.8
[Retained earnings]	[-95.6]	[-87.7]

D/E ratio	1.44	0.18
[Net D/E ratio]	[0.94]	[0.21]

Total assets at the end of the first quarter were 3,536.2 billion yen, down 103.9 billion yen from the end of fiscal 2004.

Total current assets were 1,796.6 billion yen, down 184.9 billion yen from the end of fiscal 2004. This was due in large part to the collection of trade receivables from the concentration of sales at the end of the fiscal year. Inventories decreased by 12.8 billion yen compared to the end of fiscal 2004. However, if the impact of accounting policy changes and restructuring is excluded, inventories rose by 57.1 billion yen.

Total fixed assets were 1,739.6 billion yen, an increase of 80.9 billion yen from the end of fiscal 2004. This was primarily due to an increase in property, plant and equipment less accumulated depreciation relating to investment in the new 300mm line at the Mie Plant, an increase in marketable securities, and an increase in deferred tax assets resulting from recording on our balance sheet the unfunded retirement benefits obligations of our UK subsidiaries.

Total liabilities were 2,598.3 billion yen, a decrease of 20.6 billion yen compared to the end of the fiscal 2004. While trade payables relating to the sales volume at the end of the fiscal year decreased as a result of payments made, reserves for pension fund obligations at our UK subsidiaries increased as a result of the recording of unfunded retirement obligations on our balance sheet. Interest-bearing loans totaled 1,119.6 billion yen, up 36.8 billion yen from the end of fiscal 2004. This was primarily a result of an increase in short-term borrowings to cover a portion of working capital needs.

Total shareholders' equity was 775.1 billion yen, a decrease of 81.8 billion yen compared to the end of fiscal 2004. Although we posted a net profit in the first quarter, the recognition on our balance sheet of unfunded retirement benefit obligations at our UK subsidiaries resulted in this decline. As a result of the foregoing, the shareholders' equity ratio at the end of the first quarter was 21.9% and the D/E ratio was 1.44.

Summary of Cash Flows

(Billion Yen)

	First Quarter FY 2004	Change from 1Q FY 2005
Cash flows from operating activities	-43.6	10.0
Cash flows from investing activities	-46.3	-11.2
Free cash flow	-89.9	-1.2

Net cash used in operating activities in the first quarter was 43.6 billion yen. This was primarily related to an increase in inventories for sales expected from the second quarter. This represents an improvement of 10.0 billion yen over the same period in the preceding fiscal year, resulting from improved income before income taxes and minority interests.

Net cash used in investment activities was 46.3 billion yen, an increase in outflows of 11.2 billion yen over the same period in the preceding fiscal year. This was primarily attributable to increased capital expenditure at facilities such as our Mie Plant and acquisition of marketable securities.

Free cash flow, the sum of operating and investment cash flows, was negative 89.9 billion yen, approximately the same level as in the first quarter of last fiscal year.

As a result of applying a portion of cash on hand and short-term borrowings to cover the free cash flow deficit, net cash provided by financing activities was 22.8 billion yen, and the balance of cash and cash equivalents at the end of the quarter was 387.3 billion yen, a decrease of 67.1 billion yen from the end of the prior fiscal year.

5. Fiscal 2005 Earnings Projections

Despite an uneven pattern of recovery and lack of strong momentum in IT investment in Japan in the first quarter, as a result of higher demand relating to mobile phones in Japan, optical transmission systems in the North American market, and HDDs, as well as manufacturing innovation-driven progress in paring costs and improving operating expense efficiency, we were able to record profits that exceeded our initial projections. With respect to our solutions/systems integration business, which has posted sluggish results in recent years, although demand in Japan has still not fully recovered, as a result of efforts to move up orders and sales revenue and the strengthening of controls to prevent the emergence of loss-generating projects, we were able to reach a point where we are now poised for a recovery in profitability. In addition, the improvement in operating income, together with better-than-expected other income due to foreign currency transaction gains resulting from the weaker yen and the posting of a gain on settlement of HDD litigation, resulted in significantly greater net income than initially projected.

In order to maintain a leadership position in this constantly changing industry, we will further leverage the unified organization created through the integration of our sales and systems engineering groups last year and, by helping to realize new innovation in the field, work to regularly deliver optimal solutions to our customers. In order to prevail over global competition, we will relentlessly pursue cost efficiencies along with leadership in cutting-edge technologies.

Taking all these factors into consideration, as a result of the impact of higher demand for certain products and the accelerated realization of cost reductions, as well as progress in generating a more equal distribution of earnings throughout the fiscal year, we have made upward revisions to our forecast financial results for the first half of fiscal 2005 from the initial forecast we announced in April. However, due to an anticipated delay in the recovery of the semiconductor market, as well as a number of major uncertainties with respect to the IT market in the second half, we are leaving our initial full-year fiscal 2005 earnings forecast unchanged.

FY 2005 Consolidated Earnings Forecast

(Billion Yen)

	First Half (4/1/05 – 9/30/05)			Full Year (4/1/05 – 3/31/06)		
	FY 2004	**FY 2005**	Change (%)	FY 2004	**FY 2005**	Change (%)
Net Sales	2,220.0	2,200.0	-0.9%	4,762.7	4,850.0	1.8%
Operating Income	33.2	30.0	-9.9%	160.1	175.0	9.2%
Net Income (Loss)	(8.1)	(15.0)	--	31.9	50.0	56.7%

※ These materials may contain forward-looking statements that are based on management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- General economic and market conditions in key markets (particularly in Japan, North America and Europe)
- Rapid changes in the high-technology market (particularly semiconductors, PCs, mobile phones, etc.)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships relating to collaborations, alliances and technical provisions
- Potential emergence of unprofitable projects
- Changes in accounting policies

Part III: Supplementary Information

1. Forecasts for FY 2005

a. Consolidated Business Segment Information*

(1) Net Sales and Operating Income (including intersegment)

			Yen (billions) FY 2005 (Forecast) Previous**	Revised***	Change (Billion Yen)	Yen (billions) FY 2004 (Actual)	Change (%) FY 04 to Revised FY 05
Technology Solutions	Japan	Y	2,180.0	**2,200.0**	+20.0	2,157.6	+2.0
	Overseas		820.0	**820.0**	-	776.7	+5.6
	Total		3,000.0	**3,020.0**	+20.0	2,934.4	+2.9
	Operating Income		180.0	**180.0**	-	142.0	+26.7
	[Operating Margin]		[6.0%]	**[6.0%]**	-	[4.8%]	
	System Platforms						
	Operating Income		40.0	**40.0**	-	45.1	-11.5
	[Operating Margin]		[5.6%]	**[5.6%]**	-	[6.2%]	
	Services						
	Operating Income		140.0	**140.0**	-	96.8	+44.5
	[Operating Margin]		[6.1%]	**[6.1%]**	-	[4.4%]	
Ubiquitous Product Solutions	Japan		730.0	**730.0**	-	733.0	-0.4
	Overseas		320.0	**320.0**	-	298.3	+7.2
	Total		1,050.0	**1,050.0**	-	1,031.4	+1.8
	Operating Income		25.0	**25.0**	-	31.3	-20.2
	[Operating Margin]		[2.4%]	**[2.4%]**	-	[3.0%]	
Device Solutions	Japan		440.0	**430.0**	-10.0	474.8	-9.4
	Overseas		310.0	**300.0**	-10.0	319.9	-6.2
	Total		750.0	**730.0**	-20.0	794.7	-8.2
	Operating Income		20.0	**15.0**	-5.0	32.5	-54.0
	[Operating Margin]		[2.7%]	**[2.1%]**	-0.6%	[4.1%]	
Other Operations	Japan		310.0	**310.0**	-	297.4	+4.2
	Overseas		100.0	**100.0**	-	79.7	+25.4
	Total		410.0	**410.0**	-	377.2	+8.7
	Operating Income		15.0	**15.0**	-	9.0	+65.8
	[Operating Margin]		[3.7%]	**[3.7%]**	-	[2.4%]	
Elimination	Sales		(360.0)	**(360.0)**	-	(375.0)	-
	Operating Income		(65.0)	**(60.0)**	+5.0	(54.8)	-
Total	Japan		3,350.0	**3,360.0**	+10.0	3,340.6	+0.6
	Overseas		1,500.0	**1,490.0**	-10.0	1,422.0	+4.8
	Total		4,850.0	**4,850.0**	-	4,762.7	+1.8
	Operating Income	Y	175.0	**175.0**	-	160.1	+9.2
	[Operating Margin]		[3.6%]	**[3.6%]**	-	[3.4%]	

Note: *FY 2004 actual and previous FY 2005 forecast figures have been restated to reflect business sub-segment reclassification for certain products. See note on P.13 of Explanation of Financial Results for explanation of reclassification.
**Previous forecast: as of April 27, 2005 ***Revised forecast: as of July 28, 2005

(2) Sales by Products and Services (including intersegment)*

	FY 2005 (Forecast) Yen (billions) Previous*	FY 2005 (Forecast) Yen (billions) **Revised****	Change (Billion Yen)	FY 2004 (Actual) Yen (billions)	Change (%) FY 04 to Revised FY 05
Technology Solutions					
System Products	380.0	**380.0**	-	380.1	-0.0
Network Products	330.0	**330.0**	-	353.8	-6.8
System Platforms	710.0	**710.0**	-	734.0	-3.3
Solutions / SI	1,005.0	**1,025.0**	+20.0	1,002.6	+2.2
Infrastructure Services	1,060.0	**1,060.0**	-	976.1	+8.6
Others	225.0	**225.0**	-	221.5	+1.5
Services	2,290.0	**2,310.0**	+20.0	2,200.4	+5.0
Total	3,000.0	**3,020.0**	+20.0	2,934.4	+2.9
Ubiquitous Product Solutions					
PCs / Mobile Phones	770.0	**770.0**	-	776.1	-0.8
Hard Disk Drives	260.0	**260.0**	-	235.5	+10.4
Others	20.0	**20.0**	-	19.7	+1.3
Total	1,050.0	**1,050.0**	-	1,031.4	+1.8
Device Solutions					
LSI Devices	500.0	**485.0**	-15.0	468.2	+3.6
Electronic Components, Others	250.0	**245.0**	-5.0	326.5	-25.0
Total	750.0	**730.0**	-20.0	794.7	-8.2

Note: *Previous forecast: as of April 27, 2005 **Revised forecast: as of July 28, 2005

b. PC Shipments

(1) By Customer's Geographic Location

(Million Units)

	FY 2005 (Forecast) Previous*	FY 2005 (Forecast) **Revised****	Change	FY 2004 (Actual)
Japan	2.70	**2.70**	-	2.58
Overseas	5.30	**5.30**	-	4.86
Total	8.00	**8.00**	-	7.44

(2) Composition by Product Category

	FY 2005 (Forecast) Previous*	FY 2005 (Forecast) **Revised****	(%) Change	FY 2004 (Actual)
Desktop	47%	**47%**	-	46%
Notebook	53%	**53%**	-	54%

c. Mobile Phone Shipments

(Million Units)

FY 2005 (Forecast) Previous*	FY 2005 (Forecast) **Revised****	Change	FY 2004 (Actual)
3.10	**3.10**	-	3.49

d. HDD Production

(Million Units)

FY 2005 (Forecast) Previous*	FY 2005 (Forecast) **Revised****	Change	FY 2004 (Actual)
25.00	**25.00**	-	19.34

e. R&D Expenses

(Billion Yen)

	FY 2005 (Forecast) Previous*	FY 2005 (Forecast) **Revised****	Change	FY 2004 (Actual)
	245.0	**245.0**	-	240.2
As % of sales	5.1%	**5.1%**	-	5.0%

f. Capital Expenditures, Depreciation

Yen (billions) / (Billion Yen)

	FY 2005 (Forecast) Previous*	FY 2005 (Forecast) **Revised****	Change	FY 2004 (Actual)
Capital Expenditures				
Technology Solutions	110.0	**110.0**	-	65.8
Ubiquitous Product Solutions	20.0	**20.0**	-	17.2
Device Solutions	110.0	**110.0**	-	76.1
Corporate and others***	20.0	**20.0**	-	22.0
Total	260.0	**260.0**	-	181.4
Japan	200.0	**200.0**	-	142.3
Overseas	60.0	**60.0**	-	39.0
Depreciation	190.0	**190.0**	-	169.9

Note: *Previous forecast: as of April 27, 2005 **Revised forecast: as of July 28, 2005
***Including capital expenditures for the parent's administrative divisions and R&D expenditures that can not be allocated to a specific business unit.

g. Consolidated Statements of Cash Flows

(Billion Yen)

	FY 2005 (Forecast)			
	Previous*	**Revised****	Change	FY 2004
(A) Cash flows from operating activities	350.0	**350.0**	**-**	277.2
[Net income]	[50.0]	**[50.0]**	[-]	[31.9]
[Depreciation***]	[260.0]	**[260.0]**	[-]	[232.1]
[Others]	[40.0]	**[40.0]**	[-]	[13.2]
(B) Cash flows from investing activities	(250.0)	**(250.0)**	**-**	(15.1)
(C) Free cash flow (A)+(B)	100.0	**100.0**	**-**	262.1
(D) Cash flows from financing activities	(120.0)	**(120.0)**	**-**	(212.0)
(E) Total (C)+(D)	(20.0)	**(20.0)**	**-**	50.0

2. Exchange Rates

Average Rates

FY 2005 (Forecast)		
Previous*	**Revised****	Change
$1=105 yen	**$1=105 yen**	-

Note: *Previous forecast: as of April 27, 2005 **Revised forecast: as of July 28, 2005
***Including amortization of goodwill