an increase of ¥28.2 billion over the previous year. Profitability benefited from the effects of restructuring carried out over the previous two years and the impact of cost reduction measures in conjunction with continuing efforts to improve manufacturing innovation and efficiency. It was further bolstered by the beginning of full-scale recovery in IT demand, which had been sluggish.

Profitability increased in HDDs 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 recovery in demand by North American telecommunications carriers and the impact of previous restructuring, losses in transmission systems were greatly reduced. Although we were able to minimize the impact of intense price competition on profitability in PCs, we incurred greater costs in equipping mobile phones with high-level functionality, and profitability for mobile phones deteriorated.

We have been developing our server and PC businesses in four key regional markets: Japan, North America, Europe and Asia. In fiscal 2003, our highly reliable high-performance UNIX servers received much favorable attention in the market, particularly in Europe and the US, and sales of these systems by Fujitsu Siemens Computers (Holding) B.V. in Europe, Fujitsu Computer Systems in North America and group companies in other areas increased. In PCs, as well, solidifying our organizational ability to supply products globally and 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 developing and delivering leading-edge products to the global market.

Electronic Devices

Consolidated net sales totaled ¥734.3 billion ($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 phones, 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 operation to equity method affiliate in conjunction with the establishment of a new joint venture company with Advanced Micro Devices, Inc. (AMD) at the end of June 2003. As a result, sales to AMD by the manufacturing subsidiary in Japan 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.

Consolidated operating income made a significant turnaround, reaching ¥27.5 billion ($260 million), an improvement of ¥59.1 billion yen from the loss recorded in the previous year. Although there was a short-term slowdown in operations caused by an earthquake in May 2003 that damaged our Iwate Plant, buoyant demand 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 profits in all key segments within Electronic Devices improved.

Besides our joint venture with AMD in the Flash memory business, we also established a new joint venture with Sumitomo Electric Industries, Ltd. for compound semiconductors, which commenced operations in April 2004. In October 2003, we merged four back-end semiconductor assembly companies into a single company, achieving greater production efficiency and reducing costs.

In addition, we decided to build a new fab at our Mie Plant to mass-produce chips using our advanced 90nm process technology on 300mm wafers. By sharing the risk with strategic partners and undertaking phased investment in accordance with changes in demand, we expect to greatly increase profits.

In the PDP business, as well, with the goal of increasing production capacity to meet rising demand, we decided to invest in the construction of a new facility at the Miyazaki Plant of Fujitsu Hitachi Plasma Display Limited. By investing aggressively to increase production, we expect to reap even greater profits in PDPs.

Financing and Other

In May 2003, we transferred to a third party all of our shares in Kanda Tsushin Kogyo Co., Ltd., previously an equity method affiliate. Also, in September 2003, in a move aimed at strengthening our leasing business, we transferred a portion of the shares of Fujitsu Leasing Co., Ltd. to a third party. And in March 2004, FDK Corporation, which is primarily involved in the manufacture and sales of hybrid modules and batteries, received equity capital from a third party, entailing a switch to equity method affiliate as well.

As a result of making the leasing company an equity method affiliate, from the third quarter of fiscal 2003 we eliminated the Financing segment from our financial statements.

Net Sales and Operating Income by Business Segment (¥ Billions)

Years ended March 31	2003	**2004**	Increase (Decrease) rate (%)
Net sales (including intersegment sales)			
Software & Services	¥2,097	**¥2,146**	2.3%
Platforms	1,843	**1,832**	(0.6)
Electronic Devices	687	**804**	17.1
Financing	128	**54**	(57.6)
Other	378	**418**	10.4
Intersegment elimination	(518)	**(489)**	
Consolidated net sales	¥4,617	**¥4,766**	3.2%

			Increase (Decrease)
Operating Income			
Software & Services	¥176	**¥138**	¥(37)
Platforms	0	**29**	28
Electronic Devices	(31)	**27**	59
Financing	4	**2**	(2)
Other	10	**13**	3
Unallocated operating costs and expenses/intersegment elimination	(59)	**(60)**	(1)
Consolidated operating income	¥100	**¥150**	¥ 49

Geographic Segment Information

Japan

Net sales were ¥3,605.6 billion ($34,016 million), an improvement of 1.4% compared to the previous fiscal year. Sales of electronic devices, particularly those used in digital equipment, were strong. In Software & Services, there were increased sales to manufacturers undertaking global expansion, and the spread of the e-Japan initiative also helped boost sales, particularly to the public and healthcare sectors.

Operating income was ¥203.7 billion ($1,922 million), up by ¥42.8 billion over the previous year. The increase was attributable to the improvement in profitability for the Electronic Devices segment driven by sales growth, as well as to reductions in operating expenses and other factors.

Europe

Net sales were ¥544.5 billion ($5,138 million), an increase of 3.7% compared to the previous year. Although the selling off of certain business operations reduced sales in the Software &