Fujitsu Limited
April 27, 2006

FY 2005 Full-Year and Fourth-Quarter Financial Results

Contents

≪Contacts≫ TEL:03-6252-2176(PR) ／ 03-6252-2173(IR) Fujitsu Limited Public and Investor Relations
Inquiries: http://www.fujitsu.com/global/news/contacts/

Part I: Financial Tables

1. Summary of FY 2005 Full-Year Consolidated Results

a. Summary of Consolidated Statements of Operations

		Yen (millions) (except per share data)		
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Net sales	**Y**	**4,791,416**	4,762,759	+0.6
Operating income		**181,488**	160,191	+13.3
Income before income taxes and minority interests		**118,084**	223,526	-47.2
Net income		**68,545**	31,907	+114.8
Net income per common share:				
Basic	**Y**	**32.83**	15.42	-
Diluted		**29.54**	13.86	-
Average number of shares outstanding		**2,067,787,540**	2,034,114,961	-
Return on equity		**7.7%**	3.8%	-

b. Net Sales by Business Segment (including intersegment sales)

		Yen (millions)		
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Technology Solutions	**Y**	**2,983,942**	2,934,418	+1.7
Ubiquitous Product Solutions		**1,059,923**	1,031,415	+2.8
Device Solutions		**707,537**	794,797	-11.0
Other Operations		**447,356**	377,227	+18.6
Elimination		**(407,342)**	(375,098)	-
Total	**Y**	**4,791,416**	4,762,759	+0.6

c. Summary of Consolidated Financial Condition

		Yen (millions) (except per share data)	
		March 31 2006	March 31 2005
Total assets	**Y**	**3,807,131**	3,640,198
Shareholders' equity		**917,045**	856,990
Shareholders' equity ratio		**24.1** %	23.5 %
Shareholders' equity per share	**Y**	**443.20**	414.18
Number of shares issued		**2,067,637,475**	2,067,824,941

d. Summary of Consolidated Statements of Cash Flows

		Yen (millions)	
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)
Cash flows from operating activities	**Y**	**405,579**	277,232
Cash flows from investing activities		**(234,684)**	(15,129)
Cash flows from financing activities		**(207,840)**	(212,034)
Cash and cash equivalents at end of period		**420,894**	454,516

2. Summary of FY 2005 Fourth-Quarter Consolidated Results

a. Summary of Consolidated Statements of Operations

	Yen (millions) 4Q FY 2005 (1/1/06-3/31/06)	4Q FY 2004 (1/1/05-3/31/05)	Change (%)
Net sales	**Y 1,477,642**	1,499,052	-1.4
Operating income	**121,322**	122,079	-0.6
Income before income taxes and minority interests	**93,263**	237,113	-60.7
Net income	**Y 57,512**	49,638	+15.9

b. Net Sales by Business Segment (including intersegment sales)

		Yen (millions) 4Q FY 2005 (1/1/06-3/31/06)	4Q FY 2004 (1/1/05-3/31/05)	Change (%)
Technology Solutions	**Y**	**970,558**	1,007,253	-3.6
Ubiquitous Product Solutions		**306,519**	308,954	-0.8
Device Solutions		**188,856**	185,782	+1.7
Other Operations		**127,757**	100,665	+26.9
Elimination		**(116,048)**	(103,602)	-
Total	**Y**	**1,477,642**	1,499,052	-1.4

3. Consolidated Earnings Forecast for FY 2006
(April 1, 2006 - March 31, 2007)

a. First Half and Full Year

			Yen (billions) (except per share data) FY 2006 (Forecast)	FY 2005 (Actual)	Change (%) FY05 to FY06
First half ending Sep. 30	Net sales	**Y**	**2,350.0**	2,192.3	+7.2
	Operating income		**20.0**	47.5	-58.0
	Net income		**0.0**	7.6	-100.0
Full year ending Mar. 31	Net sales		**5,200.0**	4,791.4	+8.5
	Operating income		**190.0**	181.4	+4.7
	Net income		**80.0**	68.5	+16.7
Net income per common share		**Y**	**38.69**	32.83	-

b. First and Second Quarters

			Yen (billions) FY 2006 (Forecast)	FY 2005 (Actual)	Change (%) FY05 to FY06
First quarter ending Jun. 30	Net sales	**Y**	**1,100.0**	1,026.3	+7.2
	Operating income		**0.0**	14.8	-100.0
Second quarter ending Sep. 30	Net sales		**1,250.0**	1,165.9	+7.2
	Operating income		**20.0**	32.7	-39.0

4. Summary of FY 2005 Full-Year Unconsolidated Results

a. Summary of Unconsolidated Statements of Operations

	Yen (millions) (except per share data)		
	FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Net sales	**Y 2,850,235**	2,846,256	+0.1
Operating income	**18,892**	30,631	-38.3
Income before income taxes	**1,111**	109,984	-99.0
Net income (loss)	**Y 17,462**	(39,856)	-
Amounts per share of common stock:			
Net income (loss)	**Y 8.37**	(19.59)	
Cash dividends	**Y 6.00**	6.00	

b. Summary of Unconsolidated Financial Condition

	Yen (millions) (except per share data)	
	March 31 2006	March 31 2005
Total assets	**Y 2,837,076**	Y 2,944,291
Shareholders' equity	**939,585**	854,328
Shareholders' equity ratio	**33.1%**	29.0%
Shareholders' equity per share	**454.35**	413.15

5. Unconsolidated Earnings Forecast for FY 2006 (April 1, 2006 - March 31, 2007)

			Yen (billions) (except per share data)		
			FY 2006 (Forecast)	FY 2005 (Actual)	Change (%) FY05 to FY06
a. First half ending Sep. 30	Net sales	**Y**	**1,300.0**	1,308.4	-0.6
	Net income	**Y**	**0.0**	15.1	-100.0
b. Full year ending Mar. 31	Net sales	**Y**	**2,950.0**	2,850.2	+3.5
	Net income		**55.0**	17.4	+215.0
	Net income per common share	**Y**	**26.60**	8.37	-

6. Full-Year Consolidated Statements of Operations

		Yen (millions)		
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Net sales	**Y**	**4,791,416**	4,762,759	+0.6
Operating costs and expenses:				
Cost of sales		**3,523,421**	3,512,552	+0.3
Selling, general and administrative expenses		**1,086,507**	1,090,016	-0.3
		4,609,928	4,602,568	
Operating income		**181,488**	160,191	+13.3
Other income (expenses):				
Net interest*[1]		**(8,589)**	(9,604)	
Equity in earnings of affiliated companies, net		**(1,478)**	3,691	
Amortization of unrecognized obligation for retirement benefits		**(28,214)**	(39,295)	
Settlement gain*[2]		**15,957**	-	
Gain on business transfer*[3]		**3,455**	36,534	
Gain on sales of marketable securities		**-**	133,299	
Restructuring charges*[4]		**(11,559)**	(20,085)	
Loss on change in interest*[5]		**(8,413)**	-	
Provision for prior product warranties*[6]		**(7,413)**	-	
Real estate valuation losses		**-**	(15,274)	
Other, net		**(17,150)**	(25,931)	
		(63,404)	63,335	-
Income before income taxes and minority interests		**118,084**	223,526	-47.2
Income taxes		**37,027**	185,553	
Minority interests		**(12,512)**	(6,066)	
Net income	**Y**	**68,545**	31,907	+114.8

Notes:

*1 Net interest consists of interest income, dividend income and interest charges.
*2 Settlement gain is related to reconciliation of HDD litigation.
*3 Gain on business transfer for FY 2005 refers to the transfer of LCD panel operations.
*4 Restructuring charges for FY 2005 are related to expenses for restructuring to improve business profitability and asset efficiency, realignment of business locations, etc.
*5 Loss on change in interest refers to loss relating to allocation of new shares of affiliate (Spansion Inc.) to third parties.
*6 Provision for prior product warranties is related to provision to cover warranty-related costs for products sold in prior fiscal years.

7. Full-Year Consolidated Business Segment Information

a. Net Sales* and Operating Income

			Yen (millions)		
			FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Technology Solutions	Japan	Y	**2,092,267**	2,157,678	-3.0
	Overseas		**891,675**	776,740	+14.8
	Total		**2,983,942**	2,934,418	+1.7
	Operating Income		**164,225**	142,082	+15.6
	[Operating Income Margin]		**[5.5%]**	[4.8%]	
	System Platforms				
	Operating Income		**26,278**	45,190	-41.8
	[Operating Income Margin]		**[3.7%]**	[6.2%]	
	Services				
	Operating Income		**137,947**	96,892	+42.4
	[Operating Income Margin]		**[6.1%]**	[4.4%]	
Ubiquitous Product Solutions	Japan		**700,870**	733,040	-4.4
	Overseas		**359,053**	298,375	+20.3
	Total		**1,059,923**	1,031,415	+2.8
	Operating Income		**34,462**	31,327	+10.0
	[Operating Income Margin]		**[3.3%]**	[3.0%]	
Device Solutions	Japan		**399,043**	474,820	-16.0
	Overseas		**308,494**	319,977	-3.6
	Total		**707,537**	794,797	-11.0
	Operating Income		**33,300**	32,582	+2.2
	[Operating Income Margin]		**[4.7%]**	[4.1%]	
Other Operations	Japan		**336,538**	297,467	+13.1
	Overseas		**110,818**	79,760	+38.9
	Total		**447,356**	377,227	+18.6
	Operating Income		**7,709**	9,046	-14.8
	[Operating Income Margin]		**[1.7%]**	[2.4%]	
Elimination	Sales		**(407,342)**	(375,098)	-
	Operating Income		**(58,208)**	(54,846)	-
Total	Japan	Y	**3,199,842**	3,340,664	-4.2
	Overseas		**1,591,574**	1,422,095	+11.9
	Total		**4,791,416**	4,762,759	+0.6
	Operating Income		**181,488**	160,191	+13.3
	[Operating Income Margin]		**[3.8%]**	[3.4%]	

* Includes intersegment sales

b. Net Sales* by Principal Products and Services

			Yen (millions)		
			FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Technology Solutions					
	System Products	Y	**354,263**	380,101	-6.8
	Network Products		**363,425**	353,899	+2.7
	System Platforms		**717,688**	734,000	-2.2
	Solutions / SI		**1,020,487**	1,002,672	+1.8
	Infrastructure Services		**1,037,231**	976,152	+6.3
	Others		**208,536**	221,594	-5.9
	Services		**2,266,254**	2,200,418	+3.0
	Total		**2,983,942**	2,934,418	+1.7
Ubiquitous Product Solutions					
	PCs / Mobile Phones		**756,622**	776,141	-2.5
	Hard Disk Drives		**285,417**	235,531	+21.2
	Others		**17,884**	19,743	-9.4
	Total		**1,059,923**	1,031,415	+2.8
Device Solutions					
	LSI Devices		**460,100**	468,200	-1.7
	Electronic Components, Others		**247,437**	326,597	-24.2
	Total	Y	**707,537**	794,797	-11.0

* Includes intersegment sales

8. Full-Year Consolidated Geographic Segment Information

a. Net Sales* and Operating Income

			Yen (millions)		
			FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Japan	Sales	**Y**	**3,944,401**	4,024,518	-2.0
	Operating Income		**185,842**	187,839	-1.1
	[Operating Income Margin]		**[4.7%]**	[4.7%]	
Europe	Sales		**632,542**	596,902	+6.0
	Operating Income		**22,950**	11,703	+96.1
	[Operating Income Margin]		**[3.6%]**	[2.0%]	
The Americas	Sales		**363,476**	298,918	+21.6
	Operating Income		**13,575**	4,353	+211.9
	[Operating Income Margin]		**[3.7%]**	[1.5%]	
Asia, Australasia & Others	Sales		**718,850**	602,891	+19.2
	Operating Income		**14,919**	12,142	+22.9
	[Operating Income Margin]		**[2.1%]**	[2.0%]	
Elimination	Sales		**(867,853)**	(760,470)	-
	Operating Income		**(55,798)**	(55,846)	-
Total	Sales	**Y**	**4,791,416**	4,762,759	+0.6
	Operating Income		**181,488**	160,191	+13.3
	[Operating Income Margin]		**[3.8%]**	[3.4%]	

* Includes intersegment sales

b. Net Overseas Sales* by Customer's Geographic Location

		Yen (millions)		
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Europe	**Y**	**689,774**	633,243	+8.9
The Americas		**388,131**	320,971	+20.9
Asia, Australasia & Others		**513,669**	467,881	+9.8
Total	**Y**	**1,591,574**	1,422,095	+11.9

* Sales to unaffiliated customers

9. Full-Year Consolidated Statements of Cash Flows

		Yen (millions)		
		FY 2005	FY 2004	Change
		(4/1/05-3/31/06)	(4/1/04-3/31/05)	(Million Yen)
1. Cash flows from operating activities:				
Income before income taxes				
and minority interests	**Y**	**118,084**	223,526	-105,442
Depreciation and amortization		**242,376**	232,118	+10,258
Increase (decrease) in provisions		**3,422**	(2,761)	+6,183
Equity in earnings of affiliates, net		**1,478**	(3,691)	+5,169
Disposal of property, plant				
and equipment		**28,625**	39,765	-11,140
(Increase) decrease in receivables, trade		**10,719**	(26,320)	+37,039
(Increase) decrease in inventories		**5,746**	37,965	-32,219
Increase (decrease) in payables, trade		**21,196**	(47,859)	+69,055
Other, net		**(26,067)**	(175,511)	+149,444
Net cash provided by (used in)				
operating activities		**405,579**	277,232	+128,347
2. Cash flows from investing activities:				
Purchase of property, plant and				
equipment		**(221,100)**	(151,862)	-69,238
(Increase) decrease in investments		**(48,628)**	137,808	-186,436
Other, net		**35,044**	(1,075)	+36,119
Net cash provided by (used in)				
investing activities		**(234,684)**	(15,129)	-219,555
1+2 [Free Cash Flow]		**170,895**	262,103	-91,208
3. Cash flows from financing activities:				
Increase (decrease) in bonds, notes,				
short-term borrowings and long-term debt		**(156,654)**	(162,930)	+6,276
Dividends paid		**(12,408)**	(12,001)	-407
Other, net		**(38,778)**	(37,103)	-1,675
Net cash provided by (used in)				
financing activities		**(207,840)**	(212,034)	+4,194
4. Effect of exchange rate changes				
on cash and cash equivalents		**3,323**	1,661	+1,662
5. Net increase (decrease) in cash				
and cash equivalents		**(33,622)**	51,730	-85,352
6. Cash and cash equivalents				
at beginning of period		**454,516**	413,826	+40,690
7. Cash and cash equivalents of				
consolidated subsidiaries		**-**	947	-947
8. Cash and cash equivalents of				
deconsolidated subsidiaries		**-**	(11,987)	+11,987
9. Cash and cash equivalents				
at end of period	**Y**	**420,894**	454,516	-33,622

10. Full-Year Consolidated Balance Sheets

		Yen (millions) March 31 2006	Yen (millions) March 31 2005	Change (Million Yen)
Assets				
Current assets:				
Cash and cash equivalents and short-term investments	Y	**423,263**	457,188	-33,925
Receivables, trade		**885,300**	824,992	+60,308
Inventories		**408,710**	478,510	-69,800
Other current assets		**215,475**	220,847	-5,372
Total current assets		**1,932,748**	1,981,537	-48,789
Investments and long-term loans		**861,503**	706,466	+155,037
Property, plant and equipment less accumulated depreciation		**776,976**	727,900	+49,076
Intangible assets		**235,904**	224,295	+11,609
Total assets	Y	**3,807,131**	3,640,198	+166,933
Liabilities, minority interests and shareholders' equity				
Current liabilities:				
Short-term borrowings and current portion of long-term debt	Y	**234,848**	209,553	+25,295
Payables, trade		**757,006**	735,981	+21,025
Other current liabilities		**610,651**	545,983	+64,668
Total current liabilities		**1,602,505**	1,491,517	+110,988
Long-term liabilities:				
Long-term debt		**693,765**	873,235	-179,470
Other long-term liabilities		**420,786**	254,249	+166,537
Total long-term liabilities		**1,114,551**	1,127,484	-12,933
Minority interests		**173,030**	164,207	+8,823
Shareholders' equity:				
Common stock		**324,625**	324,625	-
Capital surplus		**498,019**	497,882	+137
Retained earnings (Deficit)		**(40,485)**	(7,823)	-32,662
Unrealized gains on securities and revaluation surplus on land		**182,218**	101,529	+80,689
Foreign currency translation adjustments		**(45,867)**	(57,980)	+12,113
Treasury stock		**(1,465)**	(1,243)	-222
Total shareholders' equity		**917,045**	856,990	+60,055
Total liabilities, minority interests and shareholders' equity	Y	**3,807,131**	3,640,198	+166,933
Ending balance of interest-bearing loans	Y	**928,613**	1,082,788	-154,175
D/E ratio		**1.01**	1.26	-0.25

11. Marketable Securities at Fair Value

	Yen (millions)			Yen (millions)		
	March 31, 2006			March 31, 2005		
	Cost	Carrying Value (Fair Value)	Net Unrealized Gains	Cost	Carrying Value (Fair Value)	Net Unrealized Gains (Losses)
Available-for-sale:						
Equity securities	**Y 53,961**	**Y 357,594**	**Y 303,633**	Y 54,308	Y 220,677	Y 166,369
Debt securities and others	**11,362**	**11,445**	**83**	7,850	7,752	(98)
Total	**Y 65,323**	**Y 369,039**	**Y 303,716**	Y 62,158	Y 228,429	Y 166,271

12. Fourth-Quarter Consolidated Statements of Operations

		Yen (millions)		
		4Q FY 2005 (1/1/06-3/31/06)	4Q FY 2004 (1/1/05-3/31/05)	Change (%)
Net sales	**Y**	**1,477,642**	1,499,052	-1.4
Operating costs and expenses:				
Cost of sales		**1,075,316**	1,103,850	-2.6
Selling, general and administrative expenses		**281,004**	273,123	+2.9
		1,356,320	1,376,973	
Operating income		**121,322**	122,079	-0.6
Other income (expenses):				
Net interest*1		**(2,561)**	(2,955)	
Equity in earnings of affiliated companies, net		**2,782**	(1,498)	
Amortization of unrecognized obligation for retirement benefits		**(4,872)**	(9,808)	
Gain on sales of marketable securities		**-**	129,808	
Gain on business transfer		**-**	36,534	
Provision for prior product warranties*2		**(7,413)**	-	
Restructuring charges*3		**(6,085)**	(13,242)	
Real estate valuation losses		**-**	(15,274)	
Other, net		**(9,910)**	(8,531)	
		(28,059)	115,034	-
Income before income taxes and minority interests		**93,263**	237,113	-60.7
Income taxes		**30,567**	186,386	
Minority interests		**(5,184)**	(1,089)	
Net income	**Y**	**57,512**	49,638	+15.9

Notes:

*1 Net interest consists of interest income, dividend income and interest charges.

*2 Provision for prior product warranties is related to provision to cover warranty-related costs for products sold in prior fiscal years.

*3 Restructuring charges for 4Q FY 2005 are related to expenses for restructuring to improve business profitability and asset efficiency, realignment of business locations, etc.

13. Fourth-Quarter Consolidated Business Segment Information

a. Net Sales* and Operating Income

			Yen (millions)		
			4Q FY 2005 (1/1/06-3/31/06)	4Q FY 2004 (1/1/05-3/31/05)	Change (%)
Technology Solutions	Japan	Y	**699,089**	782,894	-10.7
	Overseas		**271,469**	224,359	+21.0
	Total		**970,558**	1,007,253	-3.6
	Operating Income		**112,303**	110,931	+1.2
	[Operating Income Margin]		**[11.6%]**	[11.0%]	
	System Platforms				
	Operating Income		**32,965**	38,330	-14.0
	[Operating Income Margin]		**[14.0%]**	[14.8%]	
	Services				
	Operating Income		**79,338**	72,601	+9.3
	[Operating Income Margin]		**[10.8%]**	[9.7%]	
Ubiquitous Product Solutions	Japan		**212,601**	227,638	-6.6
	Overseas		**93,918**	81,316	+15.5
	Total		**306,519**	308,954	-0.8
	Operating Income		**11,932**	23,233	-48.6
	[Operating Income Margin]		**[3.9%]**	[7.5%]	
Device Solutions	Japan		**107,952**	109,767	-1.7
	Overseas		**80,904**	75,985	+6.5
	Total		**188,856**	185,782	+1.7
	Operating Income (Loss)		**9,356**	(2,342)	-
	[Operating Income Margin]		**[5.0%]**	[-1.3%]	
Other Operations	Japan		**94,446**	78,678	+20.0
	Overseas		**33,311**	21,987	+51.5
	Total		**127,757**	100,665	+26.9
	Operating Income		**3,352**	3,784	-11.4
	[Operating Income Margin]		**[2.6%]**	[3.8%]	
Elimination	Sales		**(116,048)**	(103,602)	-
	Operating Income		**(15,621)**	(13,527)	-
Total	Japan	Y	**1,020,112**	1,110,048	-8.1
	Overseas		**457,530**	389,004	+17.6
	Total		**1,477,642**	1,499,052	-1.4
	Operating Income		**121,322**	122,079	-0.6
	[Operating Income Margin]		**[8.2%]**	[8.1%]	

* Includes intersegment sales

b. Net Sales* by Principal Products and Services

			Yen (millions)		
			4Q FY 2005 (1/1/06-3/31/06)	4Q FY 2004 (1/1/05-3/31/05)	Change (%)
Technology Solutions					
	System Products	Y	**126,369**	147,797	-14.5
	Network Products		**109,050**	111,439	-2.1
	System Platforms		**235,419**	259,236	-9.2
	Solutions / SI		**337,833**	366,920	-7.9
	Infrastructure Services		**309,854**	290,291	+6.7
	Others		**87,452**	90,806	-3.7
	Services		**735,139**	748,017	-1.7
	Total		**970,558**	1,007,253	-3.6
Ubiquitous Product Solutions					
	PCs / Mobile Phones		**225,897**	240,713	-6.2
	Hard Disk Drives		**75,534**	63,866	+18.3
	Others		**5,088**	4,375	+16.3
	Total		**306,519**	308,954	-0.8
Device Solutions					
	LSI Devices		**123,800**	115,900	+6.8
	Electronic Components, Others		**65,056**	69,882	-6.9
	Total	Y	**188,856**	185,782	+1.7

* Includes intersegment sales

14. Full-Year Unconsolidated Statements of Operations

		Yen (millions) FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (%)
Net sales	**Y**	**2,850,235**	2,846,256	+0.1
Operating costs and expenses:				
Cost of sales		**2,212,308**	2,191,120	+1.0
Selling, general and administrative expenses		**619,034**	624,504	-0.9
		2,831,342	2,815,624	
Operating income		**18,892**	30,631	-38.3
Other income (expenses):				
Net interest *1		**58,609**	32,776	
Amortization of unrecognized obligation for retirement benefits		**(11,169)**	(16,848)	
Settlement gain*2		**15,956**	-	
Gain on sales of marketable securities		**-**	141,459	
Gain on business transfer		**-**	12,931	
Loss on devaluation of subsidiaries' and affiliates' stock *3		**(62,974)**	(60,755)	
Provision for prior product warranties*4		**(7,413)**	-	
Real estate valuation losses		**-**	(15,274)	
Other, net		**(10,789)**	(14,937)	
		(17,780)	79,352	-
Income before income taxes		**1,111**	109,984	-99.0
Income taxes				
Current		**(12,950)**	(4,559)	
Deferred		**(3,400)**	154,400	
		(16,350)	149,841	
Net income (loss)	**Y**	**17,462**	(39,856)	-
Unappropriated retained earnings at beginning of year		**5,216**	54,576	
Interim dividends		**6,203**	6,000	
Unappropriated retained earnings at end of year	**Y**	**16,474**	8,719	

Note: *1 Net interest consists of interest income, dividend income and interest charges.
*2 Settlement gain is related to reconciliation of HDD litigation.
*3 Loss on devaluation of subsidiaries' and affiliates' stock for FY 2005 refers to US-based subsidiary holding Fujitsu Limited shares in Spansion.
*4 Provision for prior product warranties is related to provision to cover warranty-related costs for products sold in prior fiscal years.

15. Full-Year Unconsolidated Appropriation of Retained Earnings and Other Capital Surplus

a. Disposal of Unappropriated Retained Earnings

		Yen (millions)		
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (Million Yen)
Unappropriated retained earnings	**Y**	**16,474**	8,719	+7,755
Reversal of reserve for:				
Software development		**-**	4,300	-4,300
Special depreciation		**1,300**	600	+700
Total		**17,774**	13,619	+4,155
To be appropriated as follows:				
Dividends		**6,202**	6,203	-
(3.0 yen per share in FY 2005 and 3.0 yen per share in FY 2004)				
Bonuses to directors and statutory auditors		**150**	-	+150
[To statutory auditors]		**[22]**	[-]	[+22]
Reserve for:				
Special depreciation		-	2,200	-2,200
Earnings to be carried forward	**Y**	**11,421**	5,216	+6,205

b. Appropriation of Other Capital Surplus

		Yen (millions)		
		FY 2005 (4/1/05-3/31/06)	FY 2004 (4/1/04-3/31/05)	Change (Million Yen)
Other capital surplus	**Y**	**299,868**	300,028	-159
To be appropriated as follows:				
Other capital surplus to be carried forward	**Y**	**299,868**	300,028	-159

Policy on Dividends

With regard to distributions of profits, Fujitsu’s policy is to provide shareholders with a stable return and to secure sufficient internal reserves to strengthen our financial position for future growth and improved profitability in the mid- to long term.

Having recovered from the deterioration in financial performance due to factors including the bursting of the IT bubble some years ago, we have now reached a stage where we are poised to set a course for growth. We have been actively making investments—principally at the parent company level—needed to stay at the vanguard of accelerating global market changes. Accordingly, we plan to issue a year-end dividend of 3 yen per share, for a total fiscal 2005 annual dividend of 6 yen per share (including the interim dividend of 3 yen per share), the same as last fiscal year.

In addition, in line with dividend policies under Japanese corporate law, we are striving to change the way that we conduct business, which has been characterized by the concentration of earnings in the fourth quarter. However, for the time being, we intend to continue to issue dividends two times per year, on the last day of the interim period and the last day of the full-year period.

16. Full-Year Unconsolidated Balance Sheets

		Yen (millions) March 31 2006	Yen (millions) March 31 2005	Change (Million Yen)
Assets				
Current assets:				
Cash and cash equivalents and short-term investments	Y	**188,292**	337,025	-148,732
Receivables, trade		**495,825**	498,616	-2,790
Inventories		**182,318**	202,149	-19,831
Other current assets		**204,487**	252,238	-47,751
Total current assets		**1,070,924**	1,290,030	-219,105
Investments and long-term loans		**1,309,541**	1,196,280	+113,261
Property, plant and equipment less accumulated depreciation		**373,328**	369,671	+3,656
Intangible assets		**83,281**	88,309	-5,027
Total assets	Y	**2,837,076**	2,944,291	-107,215
Liabilities and shareholders' equity				
Current liabilities:				
Short-term borrowings and current portion of long-term debt	Y	**196,228**	255,495	-59,267
Payables, trade		**649,108**	653,461	-4,352
Other current liabilities		**224,655**	226,052	-1,397
Total current liabilities		**1,069,992**	1,135,009	-65,016
Long-term liabilities:				
Long-term debt		**690,066**	856,796	-166,730
Other long-term liabilities		**137,431**	98,157	+39,274
Total long-term liabilities		**827,497**	954,953	-127,455
Shareholders' equity:				
Common stock		**324,625**	324,625	-
Capital surplus		**418,166**	418,142	+23
Retained earnings		**21,377**	15,919	+5,458
[Unappropriated retained earnings]		**[16,474]**	[8,719]	[+7,755]
Unrealized gains on securities, net of taxes		**176,881**	96,885	+79,996
Treasury stock		**(1,465)**	(1,243)	-221
Total shareholders' equity		**939,585**	854,328	+85,257
Total liabilities and shareholders' equity	Y	**2,837,076**	2,944,291	-107,215
Ending balance of interest-bearing loans	Y	**886,294**	1,112,291	-225,997

Part II. Explanation of Financial Results

1. Overview of FY 2005 Consolidated Financial Results

FY 2005 Full-Year Financial Results

(Billion Yen)

	Full-Year FY 2005 *4/1/05-3/31/06*	Full-Year FY 2004 *4/1/04-3/31/05*	Change	*Change excluding impact of change in accounting policies and restructuring*
Net Sales	4,791.4	4,762.7	28.6	
(% Change vs. Prior Fiscal Year)	(0.6%)	(-0.1%)		*(2.4%)*
Operating Income	181.4	160.1	21.2	
(Operating Income Margin)	(3.8%)	(3.4%)	(0.4%)	
Net Income	68.5	31.9	36.6	

Results by Business Segment

(Billion Yen)

		Full-Year FY 2005 *4/1/05-3/31/06*	Full-Year FY 2004 *4/1/04-3/31/05*	Change
Technology Solutions	Net Sales	2,983.9	2,934.4	49.5
	Operating Income	164.2	142.0	22.1
	(Operating Income Margin)	(5.5%)	(4.8%)	(0.7%)
Ubiquitous Product Solutions	Net Sales	1,059.9	1,031.4	28.5
	Operating Income	34.4	31.3	3.1
	(Operating Income Margin)	(3.3%)	(3.0%)	(0.3%)
Device Solutions	Net Sales	707.5	794.7	-87.2
	Operating Income	33.3	32.5	0.7
	(Operating Income Margin)	(4.7%)	(4.1%)	(0.6%)

Note: Net Sales includes intersegment sales. Business segment classification revised from fiscal 2005.

Major Financial Indices*

(Billion Yen, except for D/E Ratio)

	FY 2005 *March 31, 2006*	FY 2004 *March 31, 2005*	Change
Shareholders' Equity	917.0	856.9	60.0
(Shareholders' Equity Ratio)	(24.1%)	(23.5%)	(0.6%)
Interest-Bearing Loans	928.6	1,082.7	-154.1
(Net Interest-Bearing Loans)	507.2	628.0	-120.7
D/E Ratio	1.01	1.26	-0.25
(Net D/E Ratio)	0.55	0.73	-0.18

**Please refer to page 28 for details on method of calculation.*

Impact of Change in Accounting Policies

(Billion Yen)

	FY 2005	Adoption of Percentage-of-Completion Method in Japan	Provision for Product Warranties	Shift to IFRS by Fujitsu Services	
				Recording of Unrecognized Pension Obligations	Others
Net Sales	5.3	10.4	-	-	-5.1
Operating Income	4.8	1.6	-3.0	5.9	0.2

Note: For consolidated UK subsidiaries other than Fujitsu Services, the impact on operating income from change in retirement benefit accounting methods was negligible.

In fiscal 2005 we strove to increase sales and income by focusing efforts on addressing four key challenges outlined at the start of the year: to strengthen our existing businesses, to create and cultivate new businesses, to reform our organization and approach, and to reform our management systems. In particular, we focused on reforming our cost structure to ensure profitability even without sales increases, renewing initiatives to grow our global business, and improving our ability to identify and manage risks through a management framework with clear accountability.

Improving Our Current and Future Revenue Base

Consolidated net sales for fiscal 2005—in the 4,700 billion yen range—were roughly on par with last year's level, but costs as a ratio of sales were 73.5%, three tenths of a percentage point below last year's level, and selling, general, and administrative expenses were also lower. Operating income margin was 3.8%, an increase of four tenths of a percentage point over last year's level, and operating income increased by 21.2 billion yen compared to the prior year.

These achievements were the result of several factors. In Japan, in addition to the impact from the restructuring of our flat panel display and other unprofitable businesses, we were able to reduce losses from loss-generating projects in our domestic solutions/systems integration business to acceptable levels. We were also able to generate cost reductions through enhanced company-wide initiatives in manufacturing innovation, particularly through lower inventories across our product development, production, and sales operations. In addition, we achieved solid business results outside Japan, particularly in regard to sales of government-related IT outsourcing services in the UK and optical transmission systems in the US, as well as overseas sales of hard disk drives (HDDs), personal computers (PCs), servers, and logic LSI devices. Together, these were able to offset the impact of such factors as the drop-off in demand for equipment to accommodate new Japanese banknotes (which had been significant during the previous fiscal year due to special one-time demand), deteriorating profitability due to intensified competition in the server market, costs in our LSI business associated with the start of volume production at the new 300mm wafer production line at our Mie Plant, and development costs for next-generation system platform products.

Along with increasing sales and income, we were able to exceed the projections we announced at the outset of the fiscal year for consolidated operating income and net income. Moreover, in all three of our main business segments, which were newly categorized this fiscal year, we recorded higher operating income and operating income margins. In terms of results by principal geographic region, while performance in Japan was roughly on a par with last year, we posted both higher sales and income in each of our main overseas geographic segments.

In tandem with these trends, in the UK we continued to win several new large-scale government outsourcing contracts and, in the US, in March 2006 we acquired Rapidigm, Inc., which has about 2,000 consultants in North America and India. We commenced global sales of our PRIMEQUEST mission-critical IA servers and also entered into an agreement to provide them to Electronic Data Systems Corporation (EDS). In addition, to further boost global business expansion relating to our TRIOLE model for IT infrastructure optimization, we established verification centers for open-standard systems in several key overseas locations. And to meet demand for our leading-edge semiconductor technology products, we made the decision to construct a second 300mm wafer production facility at our Mie Plant.

Improving Our Financial Condition

The balance of interest-bearing loans at fiscal year-end was 928.6 billion yen, thus meeting our fiscal 2005 target of bringing the balance to 1,000 billion yen or below. We also nearly met the mid-range target of reducing our D/E ratio to 1.0 or below, achieving a ratio of 1.01 at fiscal year end.

In addition, the Fujitsu Welfare Pension Fund (the "Plan"), in which Fujitsu and its consolidated domestic subsidiaries participate, received Japanese government approval for the past substitutional portion of the Plan returned to the government and for revisions to the pension system. As a result of a significant improvement in the financial markets during the second half of the fiscal year, the unrecognized obligation for retirement benefits at fiscal year-end was dissolved.

As a result, compared to fiscal 2004, there was a 1.0 billion yen reduction in interest expenses from reduced interest-bearing loans, and an 11.0 billion yen reduction in amortization of unrecognized obligation for retirement benefits. For fiscal 2006, as a result of the improvement in the investment climate at the end of fiscal 2005, we anticipate a reduction in the amortization of unrecognized obligation for retirement benefits, leading to a further improvement in other income (expenses).

Change in Accounting Policies and Further Initiatives toward Adoption of IFRS

As part of our initiatives in fiscal 2005 toward the shift to International Financial Reporting Standards (IFRS), we applied the percentage-of-completion method in our Solutions/Systems Integration business in Japan as well as in the UK. This was part of the full-fledged shift to IFRS by Fujitsu Services in the UK, bringing it in line with the reporting standards of publicly listed companies there. In addition, because of the requirement to record on our balance sheet the unrecognized obligation for defined-benefit plan retirement benefits at our UK subsidiaries, retained earnings declined by a total of 85.9 billion yen, and the impact on earnings from retirement expenses was reduced.

Separately, we posted provisions for product warranties to cover estimated repair and replacement expenses under long-term warranties, primarily for hard disk drives, for which sales volumes have significantly increased. We recorded a provision of 3.0 billion yen against cost of goods sold for product sales made in fiscal 2005, and an extraordinary loss of 7.4 billion yen for product sales made previously.

The total impact of the change in accounting policies was an increase in consolidated net sales of 5.3 billion yen, and an increase in operating income of 4.8 billion yen.

Business Environment

Compared to previous years, during fiscal 2005 the business environment in which the Fujitsu Group operates was relatively stable. While soaring crude oil prices and higher prices for raw materials, as well as rising interest rates in the United States, were cause for concern, the global economy was boosted by growth in the US and Asia, especially China. Japan's economy also shifted to a firmer footing, helped by a rising equity market, a recovery in corporate earnings resulting from solid export growth, and a recovery in household spending.

With respect to IT investment, there was continued robustness in overseas markets, and even within Japan, which had been seen as lagging other markets, there was evidence of more aggressive spending on the part of corporations seeking to ensure their future competitiveness, particularly companies in the telecommunications and financial services industries.

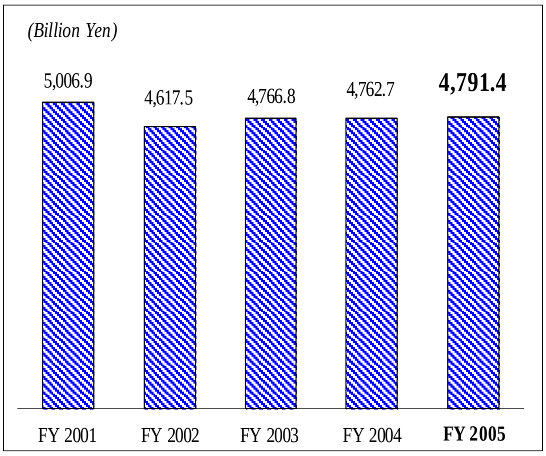
Corporations are now broadening their objectives for employing IT systems. While in the past the focus was on boosting management and operational efficiency, IT systems are increasingly being used to support innovation on the front lines of sales and marketing, product development, manufacturing, procurement and distribution. In line with the broader role IT systems are playing in corporate management, there is now greater emphasis being placed on addressing the rising need for security and business continuity, as well as on strengthening internal control in light of corporate regulatory reforms. In daily life as well, the expansion of IT networks into the fabric of society is enhancing services in such areas as medical and nursing care, education, and entertainment.

Recognizing the central role Fujitsu plays in supporting the infrastructures underpinning our customers' businesses as well as society as a whole, we are very conscious of the important responsibility we bear in maintaining the reliability of information technology and in proposing new applications for it. Going forward, along with placing even further emphasis on ensuring stable systems operation, we will seek to take the lead in demonstrating new uses of IT in our own operations. In addition, all of our employees are committed to conducting themselves in a manner deserving of the trust our customers place in us and that will meet their high expectations. Seeking to serve as a valued and indispensable partner in the operation and management of our customers' businesses, we will strive to continuously provide the most advanced and efficient solutions based on superior technology and sophisticated services.

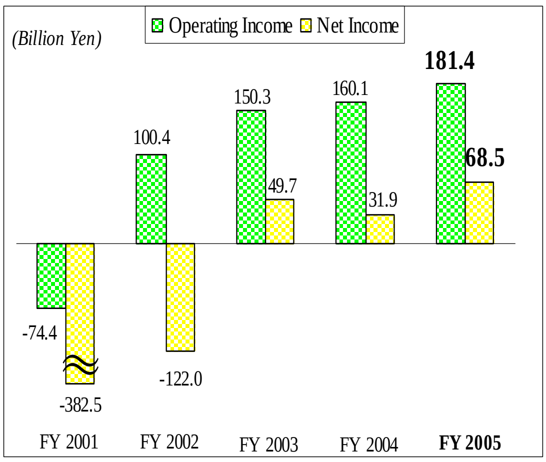
Profit and Loss

Note: In various places throughout these explanatory materials, yen figures for net sales, operating income and net income are converted to U.S. dollars, for convenience only, at a uniform rate of $1 = 118 yen, which was the approximate Tokyo foreign exchange market rate at March 31, 2006.

Trends in Net Sales



Trends in Net Income & Operating Income



Consolidated net sales for fiscal 2005 were 4,791.4 billion yen (US$40,605 million), an increase of 0.6% over the previous fiscal year. Excluding the impact of a change in accounting policies from this fiscal year and the transfer of our flat panel display businesses last fiscal year, net sales increased by 2.4%. In Japan, sales of server-related products and PCs declined, but optical transmission systems in North America, outsourcing services in the UK, consulting services in North America, and HDDs in overseas markets all posted significantly higher sales. Consolidated operating income was 181.4 billion yen (US$1,538 million), an increase of 21.2 billion yen over the previous fiscal year. Excluding a positive impact of 4.8 billion yen stemming from the change in accounting policies this fiscal year, operating income increased by 16.4 billion yen. Income was negatively impacted by factors such as intensified competition in server-related markets in Japan and overseas, as well as forward-looking investments including accelerated development expenses for certain products and expenses related to start-up of the 300mm wafer semiconductor production facility (Building No. 1) at our Mie Plant. However, this was offset by the impact of higher sales of optical transmission systems, outsourcing services, and HDDs, as well as by cost reductions stemming from enhanced initiatives in manufacturing innovation, significantly lower losses from loss-generating projects in our domestic Solutions/Systems Integration business, and the impact of the restructuring of our flat panel display business, together enabling us to post higher profits.

As a result, the cost of sales ratio was 73.5%, three tenths of a percentage point below last year's level, and selling, general, and administrative expenses as a ratio of sales were 22.7%, one tenth of a percentage point below last year's level.

Other income (expenses) was positively impacted by a number of factors, including lower amortization of the unrecognized obligation for retirement benefits as a result of revisions to our pension system, lower net interest expenses, and foreign currency translation gains. Separately, a suit that we brought against component vendors and others, prompted by problems that emerged in 2001 involving our HDDs, was settled in June of 2005, resulting in a 15.9 billion yen gain. In addition, we posted a gain of 3.4 billion yen associated with the transfer of our LCD business. On the other hand, we posted a loss of 8.4 billion yen associated with the change in our ownership interest in the affiliate Spansion Inc. in conjunction with that company's initial public offering; a loss of 11.5 billion yen on expenses related to restructuring of our businesses and consolidation of business locations; and a loss of 7.4 billion yen on a provision for product warranties for products sold in prior years, which we newly initiated in fiscal 2005.

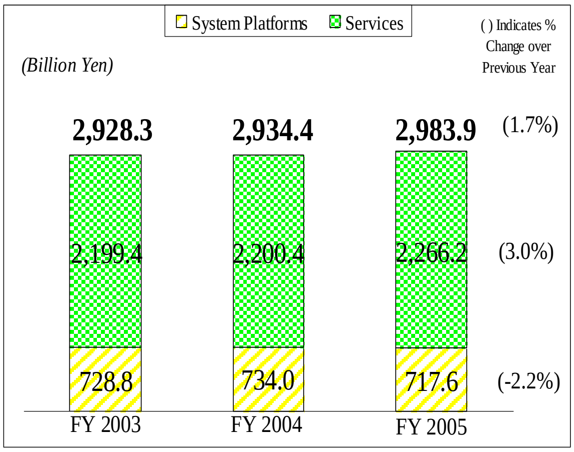
As a result of the above factors, we reported fiscal 2005 consolidated net income of 68.5 billion yen (US$581 million), an increase of 36.6 billion yen over fiscal 2004. Income taxes in fiscal 2004 were higher than usual because we posted a valuation allowance for deferred tax assets. The increase in fiscal 2005 net income is a result of higher operating income, improvements in other income (expenses), and a lower income tax burden.

2. Results by Business Segment

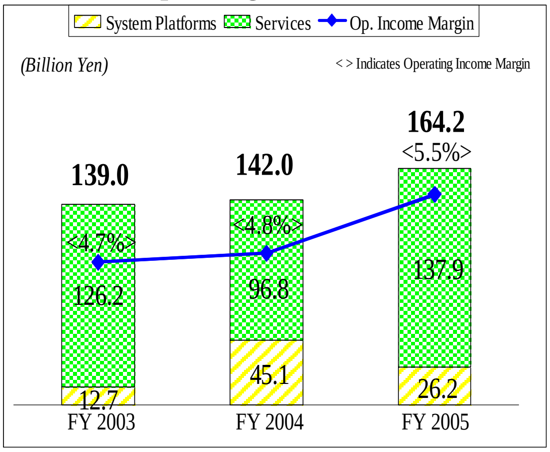
Information on consolidated net sales (including intersegment sales) and operating income broken out by business segment is presented below.

Technology Solutions

Net Sales



Operating Income



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 21st 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	*Change excluding impact of change in accounting policies*
Net Sales	2,266.2	3.0%	*2.7%*
Japan	1,565.4	-1.7%	*-2.4%*
Overseas	700.8	15.3%	*16.1%*

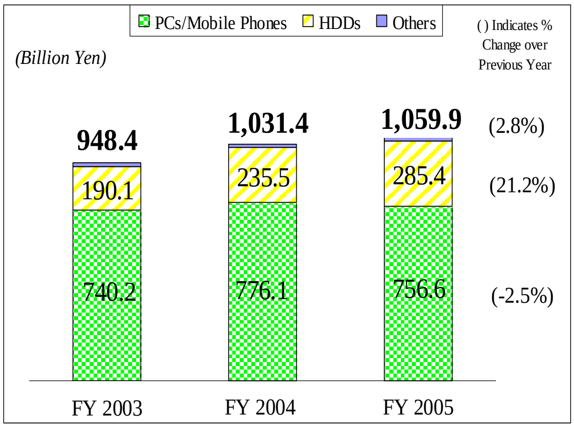
Operating income for Services was 137.9 billion yen (US$1,169 million), an increase of 41.0 billion yen over the same period last year. Factors contributing to this significant upturn included a major decrease in losses relating to loss-generating domestic systems integration projects compared with fiscal 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.

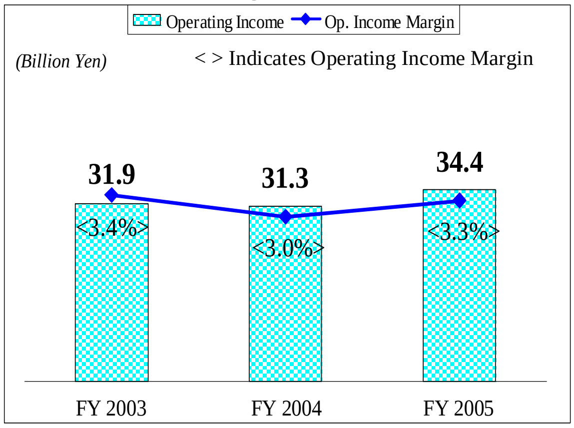
In addition, we are working to accelerate the expansion of our business outside Japan, for example, through development of such new businesses as palm vein authentication security systems and automated self-checkout machines for retailers, and through the recent acquisition of Rapidigm, Inc., an IT consulting and integration firm with about 2,000 consultants in North America and India.

Ubiquitous Product Solutions

Net Sales



Operating Income



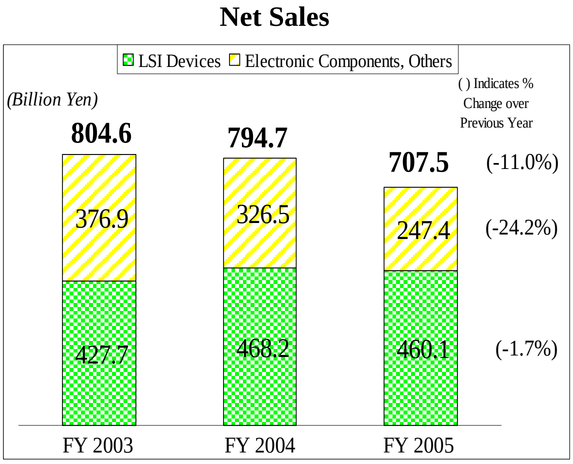
Net sales in the Ubiquitous Product Solutions segment were 1,059.9 billion yen (US$8,982 million) an increase of 2.8% over fiscal 2004. Although sales of PCs increased overseas, they declined overall due to intensified competition in Japan. Continued strong growth in HDD sales, however, enabled the segment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

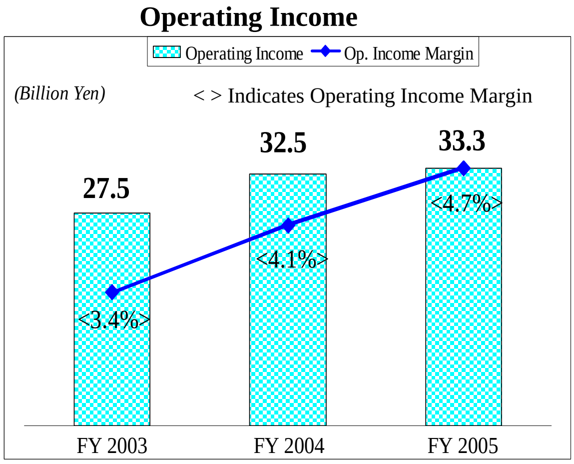
	FY 2005 (Billion Yen)	Change from FY 2004
Net Sales	1,059.9	2.8%
Japan	700.8	-4.4%
Overseas	359.0	20.3%

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%.

3. Financial Condition

Summary of Cash Flows

(Billion Yen)

	FY 2005	Change from FY 2004
Cash Flows from Operating Activities	405.5	128.3
[Internal Reserve]	[372.3]	[98.8]
[Increase/Decrease in Working Capital]	[33.2]	[29.5]
Cash Flows from Investing Activities	-234.6	-219.5
[From business operations]	[-234.6]	[-51.2]
Free Cash Flow	170.8	-91.2
[From business operations]	[170.8]	[77.1]

Net cash provided by operating activities during fiscal 2005 was 405.5 billion yen, exceeding 400.0 billion yen for the first time in five years. This represents an increase of 128.3 billion yen compared with the previous fiscal year, resulting from an increase in internal reserve due to the recovery in principal business operations, and greater efficiency in the use of assets through an improvement in working capital.

Net cash used in investing activities was 234.6 billion yen, an increase in outflows of 219.5 billion yen compared with the previous fiscal year. Excluding the impact of the sale of marketable securities in fiscal 2004, outflows increased by 51.2 billion yen. The increase was primarily attributable to higher capital expenditures, including for the 300mm wafer semiconductor production facility (Building No. 1) at the Mie Plant.

Free cash flow, the sum of operating and investment cash flows, was positive 170.8 billion yen. Excluding the impact of the sale of marketable securities in fiscal 2004, this represents an increase in free cash flow of 77.1 billion yen over fiscal 2004.

Net cash used in financing activities was 207.8 billion yen, as free cash flow was used to repay borrowings.

As a result of the above factors, cash and cash equivalents at the end of the fiscal year were 420.8 billion yen.

Assets, Liabilities and Shareholders' Equity

(Billion Yen, except for D/E Ratio)

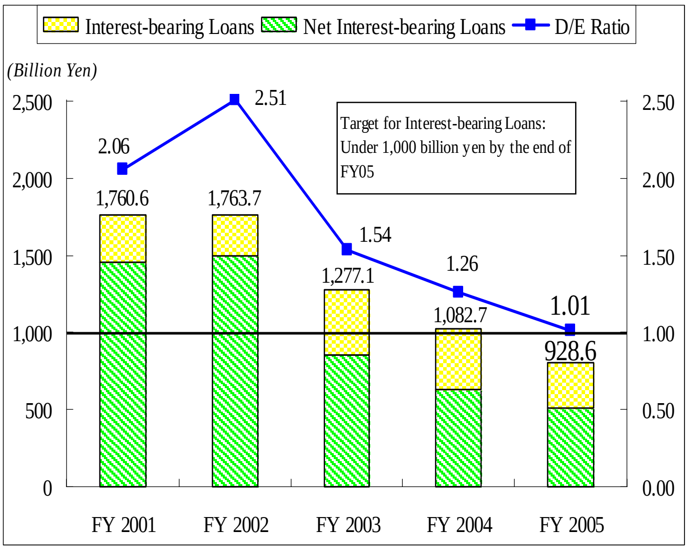
	FY 2005	Change from FY 2004
Total Assets	3,807.1	166.9
Interest-Bearing Loans	928.6	-154.1
[Net Interest-Bearing Loans]	[507.2]	[-120.7]
Shareholders' Equity	917.0	60.0

D/E Ratio	1.01	-0.25
[Net D/E Ratio]	[0.55]	[-0.18]

Total assets at the end of fiscal 2005 were 3,807.1 billion yen, an increase of 166.9 billion yen from the end of the previous fiscal year.

Total current assets were 1,932.7 billion yen, a decrease of 48.7 billion yen from the end of the last fiscal year. Total fixed assets increased to 1,874.3 billion yen, up 215.7 billion yen compared to the end of the last fiscal year. This was primarily due to an increase in property, plant and equipment less accumulated depreciation from capital expenditures and an increase in the market value of marketable securities. Even excluding the impact of a 59.3 billion yen reduction relating to the change in accounting policies and a 9.3 billion yen reduction due to restructuring during the period, inventories decreased 1.2 billion yen from the end of the previous fiscal year.

Trends in Interest-bearing Loans and D/E Ratio



Total liabilities were 2,717.0 billion yen, an increase of 98.0 billion yen compared to the end of the previous fiscal year. There was a large one-time increase in accrued severance benefit associated with the change in pension accounting for our UK subsidiaries, whereby unrecognized pension obligations were recorded as liabilities. The balance of interest-bearing loans totaled 928.6 billion yen at fiscal year-end, achieving the target of 1,000 billion yen or less as a result of loan repayments.

Total shareholders' equity was 917.0 billion yen, an increase of 60.0 billion yen over the end of fiscal 2004. The increase was primarily attributable to increased profits and unrealized gains on marketable securities as a result of the rise in the stock market.

As a result of the foregoing, the D/E ratio nearly reached our mid-range target level of 1.0 and the shareholders' equity ratio rose to 24.1%, reflecting the continuing improvement in the company's overall financial condition.

For Reference: Major Financial Indices

(Billion Yen, except for ratio and period items)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Net Sales	5,006.9	4,617.5	4,766.8	4,762.7	4,791.4
Operating Income Margin	-1.5%	2.2%	3.2%	3.4%	3.8%
Inventories	635.9	595.9	521.1	478.5	408.7
(Inventory Turnover Ratio)	(6.53)	(7.50)	(8.53)	(9.53)	(10.80)
(Monthly Inventory Turnover)	(0.50 times)	(0.59 times)	(0.64 times)	(0.71 times)	(0.88 times)
Total Assets	4,595.8	4,225.3	3,865.5	3,640.1	3,807.1
(Total Assets Turnover Ratio)	(1.02)	(1.05)	(1.18)	(1.27)	(1.29)
Shareholders' Equity	853.7	702.3	827.1	856.9	917.0
(Shareholders' Equity Ratio)	(18.6%)	(16.6%)	(21.4%)	(23.5%)	(24.1%)
Market Value-based Shareholders' Equity Ratio	43.8%	15.2%	34.4%	36.6%	53.9%

Interest-Bearing Loans	1,760.6	1,763.7	1,277.1	1,082.7	928.6
Net Interest-Bearing Loans	1,460.0	1,500.5	861.2	628.0	507.2
D/E Ratio	2.06	2.51	1.54	1.26	1.01
Net D/E Ratio	1.71	2.14	1.04	0.73	0.55

Cash Flows from Operating Activities	306.5	117.7	304.0	277.2	405.5
Free Cash Flow	-102.8	53.3	371.4	262.1	170.8

Debt Repayment Period	5.7 years	15.0 years	4.2 years	3.9 years	2.3 years
Interest Coverage Ratio	7.1	3.9	13.0	15.2	21.3

Note:

Inventory Turnover Ratio:	*Net Sales ÷ {(Beginning Balance of Inventories + Ending Balance of Inventories) ÷ 2}*
Monthly Inventory Turnover:	*Net Sales ÷ Average Inventories during Period ÷ 12*
Total Assets Turnover Ratio:	*Net Sales ÷ {(Beginning Balance of Total Assets + Ending Balance of Total Assets) ÷ 2}*
Shareholders' Equity Ratio:	*Shareholders' Equity ÷ Total Assets*
Market Value-based Shareholders' Equity Ratio:	*Market Capitalization ÷ Total Assets*
Net Interest-Bearing Loans:	*Interest-Bearing Loans – Cash Equivalents*
D/E Ratio:	*Interest-Bearing Loans ÷ Shareholders' Equity*
Net D/E Ratio:	*(Interest-Bearing Loans – Cash Equivalents) ÷ Shareholders' Equity*
Debt Repayment Period:	*Interest-Bearing Loans ÷ Cash Flows from Operating Activities*
Interest Coverage Ratio:	*Cash Flows from Operating Activities ÷ Interest Expense*

4. Business and Other Risks

Listed below are the principal business and other risks affecting the Fujitsu Group (Fujitsu Limited and its consolidated subsidiaries) that we believe may influence investors' decisions. With a view to proactively disclosing information to investors, we have also included items that may not necessarily have significant bearing on such decisions. We are aware of these risks and are making efforts to prevent them from arising, avoid potential risks altogether and immediately confront risks should they occur. Among the risks listed below are some items related to future developments, but the list only includes items that the Group deems necessary to publicly disclose as of the date of submission of these materials (April 27, 2006).

1. Economic and Financial Market Trends

Economic and financial market trends have an impact on the Group's business results, financial base and other aspects of its operations. Examples of such risks are listed below.

1) Economic Trends in Key Markets

The Fujitsu Group provides IT products and services, telecommunications infrastructure equipment, as well as semiconductors, hard disk drives (HDDs) and other components, to corporate and institutional clients and consumers in every region of the globe. Hence, sales and income generated from these operations are greatly affected by economic conditions in each respective market. This is particularly true of Japan, North America, and Europe, key markets where economic trends can significantly impact Fujitsu Group operations.

2) Hi-tech Market Volatility

The IT sector is periodically subject to dramatic changes in the balance of supply and demand that exceed the scope of normal cyclical market variations. This tendency is particularly evident with regard to semiconductors, PCs and other general purpose products.

The Fujitsu Group gives ample consideration to market cycles and volatility when deciding to launch new products, initiate volume production, or scale back production, among other actions. Nonetheless, we may fail to accurately forecast market changes, or changes in market conditions could exceed our forecasts. Accordingly, there is a risk that we may be unable to recoup investment costs, as well as the risk of opportunity losses.

Further, the Group continuously implements structural reforms in a bid to respond to market changes. However, drastic market changes could force us to enact structural reforms on a far greater scale than initially expected, resulting in a temporary increase in related expenses.

3) Exchange Rates

The Fujitsu Group imports a substantial amount of components and materials and exports various products. While import and export costs tend to roughly balance out over the course of a given year, sudden fluctuations in exchange rates and other factors could force the Group to incur losses on foreign currency translation. In addition, with respect to overseas assets held by the Group, as well as liabilities, there is the possibility that exchange rate fluctuations could lead to depreciation of assets and/or appreciation of liabilities.

4) Interest Rates

The Fujitsu Group has interest-bearing loans with a balance in excess of 900 billion yen, including items that are directly impacted by interest rate fluctuations. Consequently, rising interest rates could increase capital procurement costs.

5) Capital Markets

Stock market trends in Japan and overseas have a substantial effect on the value of Group stockholdings in other companies and the management of pension assets. Weak stock market performance could thus force us to incur losses on the devaluation of marketable securities held or a reduction in pension assets, exposing the Group to the risk of higher losses.

2. Customers

Fujitsu Group operations are highly influenced by the business trends of strategic key customers. Examples of potential risks are described below.

1) Changes in Customers' IT Investment Trends

A large proportion of our IT systems and services, as well as communications infrastructure and other business, is with telecommunications carriers, financial institutions, and large manufacturers. The business environment within these industries, including shifting market trends and structural reforms, could lead to changes in customers' IT investment trends having a significant impact on Group sales and profitability. In semiconductors, HDDs and other operations where the Group provides components and other products, both demand and prices are impacted to a large extent by customers' sales of PCs, digital home electronics, mobile phones, automobiles and other products in which these parts are used. Accordingly, soft demand and falling prices for customers' products, or a decline in customers' market share, could negatively impact Group sales and earnings.

Alongside corporate clients, national and local governments represent another important customer base for the Fujitsu Group. In the UK, for example, government-related projects are an especially important part of our business. Accordingly, changes in the approach to e-Government and other national-level IT utilization policies being promoted in Japan and elsewhere could impact sales and profitability.

2) Ability to Maintain Lasting Ties with Customers

The Fujitsu Group is committed to bolstering ties with customers, striving to serve as a business partner and provide solutions across the full IT system lifecycle. For semiconductors, HDDs and other operations where the Group provides components and other products, business stability hinges on maintaining lasting ties with customers that represent key sources of demand for our products. An inability to secure repeat business with such customers could therefore affect sales and profitability.

3. Competitors/Industry

The IT sector is characterized by intense competition and fast-paced technological innovation. Events within the industry or actions by competitors could therefore have a substantial impact on our business results. Examples of such potential risks are listed below.

1) Price Competition

Intensifying competition is directly linked to declining prices for products and services. Anticipating such technology- and competition-driven price erosion, we are pursuing a variety of measures to reduce costs, including the introduction of Toyota Production System reforms, standardization of system development methodologies, and software modularization, as well as efforts to expand sales of new products and services. Despite these steps, the Group still faces the risk of larger-than-expected declines in prices, as well as the risk of being unable to achieve sufficient cost reductions and sales growth due to fluctuations in the price of semiconductors and other components, either of which could negatively impact Group sales and profitability.

2) Competition from New Market Entrants and Others

In addition to challenges posed by existing industry peers, competition from new market entrants continues to intensify in the IT sector. Today, new entrants continue to emerge in market areas where the Fujitsu Group wields a competitive advantage, thus entailing the risk that we may lose our competitive edge, or fail to secure a clear competitive advantage in future business operations.

3) Competition in Technology Development

Technological advancement in the IT sector occurs at an extremely fast pace, leading to rapid turnover in new products and technologies. In this context, remaining competitive requires the continuous development of state-of-the-art technology. While the Fujitsu Group does its utmost to maintain highly competitive technologies, a loss in competitiveness versus other companies in the race to develop innovative technologies could lead to a decline in the Group's market share and profitability, which would negatively impact sales and earnings. Further, sales and profitability could be affected by the development of groundbreaking technologies and other actions by competitors that would severely compromise the value of the Group's products and services.

4. Suppliers, Alliances, etc.

In the course of its operations, the Fujitsu Group conducts business with a range of different companies, including suppliers and alliance partners. Accordingly, any significant changes in relationships with these and other business partners could affect Group operations.

1) Procurement

The Fujitsu Group utilizes sophisticated technologies to produce a range of products. There is therefore a risk that we may encounter difficulties in procuring a stable supply of certain key components or, in cases where regular supply channels are unavailable, that we may be unable to secure alternative procurement sources. There is also the risk that the Group may be unable to sufficiently procure certain parts in the large volumes required. Moreover, natural disasters, accidents and other events, as well as any deterioration in business conditions at suppliers, could hinder the ability of business partners to provide the Group with a stable supply of required components. These and other events could cause delays in product shipments, resulting in postponement in the delivery of products to customers and opportunity losses, among other problems. In respect to component procurement, foreign exchange rate fluctuations, tight supply and demand conditions, and other pressures could drive procurement costs higher than initial estimates, leading to diminished returns on products, as well as lower sales due to the need to raise product prices. Additionally, while we make every effort to ensure the quality of procured components, we cannot guarantee that all components purchased will be free of defects. The discovery of such issues could result in processing delays, as well as defective products, opportunity losses, repair costs, and disposal costs for defective goods, plus the potential obligation to pay damages to customers.

2) Collaborations, Alliances and Technology Licensing

To enhance competitiveness, the Fujitsu Group works with a large number of companies through technology collaborations, joint ventures and other means, a practice that we intend to continue for the foreseeable future. If, however, as a result of managerial, financial, or other causes, it becomes difficult to establish or maintain such collaborative ties or to gain sufficient results from them, the Group's business could be adversely affected. Moreover, many of our products and services employ other companies' patents, technologies, software, and trademarks with the consent of their owners. However, there is no guarantee that other companies will continue to grant or license the right to use their property under terms acceptable to the Fujitsu Group.

5. Public Regulations, Public Policy, and Tax Matters

The business operations of the Fujitsu Group are impacted by a variety of public regulations and trends in public policy, as well as laws pertaining to taxation. Specifically, wherever it operates, the Group must comply with a variety of regulations, such as authorizations for business or investment, import/export regulations and restrictions, as well as laws pertaining to antimonopoly policies, intellectual property rights, consumers, the environment and recycling, labor conditions, and taxation. Earnings might be affected by increased compliance costs associated with measures to make stricter or otherwise revise such laws and regulations. We also provide solutions in certain fields and business domains such as healthcare and communications that are subject to other public regulations, meaning that regulatory trends in these sectors may potentially impact Group businesses.

6. Other Operational Risks

The Fujitsu Group makes every effort to eliminate known risks but can offer no guarantee of its ability to always achieve every desired outcome in the course of executing business operations. Some of the specific risks faced in this respect are detailed below.

1) Deficiencies or Flaws in Products and Services

Quality is a core value of the Fujitsu Group. We are committed to improving quality at the design and development stages as well as in manufacturing. We are also promoting stricter quality control when purchasing components from external suppliers. These efforts notwithstanding, it is impossible to totally eliminate the possibility of deficiencies or flaws occurring in products, including software.

While the Group is also promoting software modularization, standardization of development work, and enhanced security measures in order to improve the quality of system development and other services, the possibility of defects arising cannot be excluded. In the event that such deficiencies or flaws occur, the Group may have to initiate product recalls or repairs, engage in system recovery work, pay damages to customers or suffer opportunity losses, all of which would negatively impact Group sales and profitability.

Following incidents involving system troubles at the Tokyo Stock Exchange, in November 2005 we initiated comprehensive inspections of customer systems that play an important role in supporting the societal infrastructure. In cooperation with our customers, we have been checking for any potential problems in these systems, including the operating environment, software and hardware.

2) Project Management

Due to such factors as the increasing scale of systems and more rigorous demands from customers, as well as the advance of open system environments, system development work is becoming increasingly complex. At the same time, greater competition is leading to increasingly intense pricing pressures. In fiscal 2003, the emergence of certain loss-generating projects prompted the Group to implement extensive risk management measures, including standardized guidelines for projects of a set scale and above, the introduction of the percentage-of-completion method, and other measures to help prevent the occurrence and enhance the early identification of such projects. In fiscal 2004, we strengthened these efforts by establishing a new organization to screen projects at the contract negotiation phase and curtail the occurrence of projects with deteriorating profitability. Additionally, in April 2005 we established the Systems Integration Assurance Unit, a body with enhanced powers that reports directly to the president. In this way, along with revising our approach to making contracts with customers, and advancing the standardization of sales and system engineering business processes, we are working to manage risk from the business negotiation stage through actual project implementation and thereby prevent new incidences of loss-generating projects. Along with these measures, the Group continues to maintain reserves for losses as necessary. Nevertheless, in spite of these measures, there is a possibility that we may be unable to completely prevent the occurrence of loss-generating projects.

3) Investment Decisions

In the IT industry, large investments in R&D and facilities and equipment are necessary to maintain competitiveness. Accordingly, the success or failure of investment choices has a profound effect on the business results of the Fujitsu Group. When making such investment decisions, we give ample consideration to a range of factors such as market trends, customer needs, the superiority of Group technologies and our business portfolio. There is, however, the risk that promising markets and technologies identified by the Group may fail to grow as anticipated, or that supply and demand imbalances or price erosion may be more severe than expected. Investment in semiconductor facilities and equipment represents one such area with a high degree of risk. In addition to substantial funding requirements, this field is characterized in particular by short product cycles, major changes in the market landscape and stiff competition from other companies. The Group takes a number of steps to mitigate this risk, including responding to these inherent fluctuations by dividing investment into multiple phases and forging agreements with customers prior to investment. Nonetheless, there is no guarantee that the Group can generate sufficient returns on such investments.

4) Intellectual Property Rights

The Fujitsu Group has accumulated technologies and expertise that help distinguish its products from those of other companies. Legal restrictions in certain regions, however, may impair our ability to fully protect some of the Group’s proprietary technologies, with the result that we could be unable to effectively prevent the manufacture and sale of similar products developed by third parties using the Group’s own intellectual property. Moreover, the creation of comparable or superior technologies by other companies could erode the value of the Group’s intellectual property. The Group has instituted internal policies, including stringent clearance procedures prior to launching new products and services, to ensure that no infringement of other companies’ intellectual property occurs. However, there is the possibility that the Group’s products or technologies may be found to infringe on other companies’ intellectual property, and that earnings may be impacted by such consequences as the need to pay for usage rights or cover costs associated with having to modify designs. In addition, the Group has previously instituted a program to compensate employees for innovations that they make in the course of their work, and will continue to implement this program in the future in accordance with the revision of Japan's patent laws. Nevertheless, the Group faces potential risk from lawsuits initiated by employees in regard to compensation for innovation created in the workplace.

5) Human Resources

The growth and profitability of the Fujitsu Group depends heavily on human resources. As such, a major issue for the Group is the ability to recruit and foster talented researchers, system engineers, managers and other key personnel; the inability to do so could negatively impact Group growth and profitability.

6) Environmental Pollution

While committed to minimizing environmental burden in accordance with *The FUJITSU Way* and the Fujitsu Group Environmental Policy, the Group cannot guarantee that environmental pollution will not occur as a result of its operations. Moreover, although we monitor soil and wastewater as well as engage in clean-up activities at former factory sites, this does not mean that pollution will not be found at such sites in the future. In the event that environmental pollution were to occur or be identified, clean up and other costs could be incurred that adversely affect Group earnings.

7) Information Management

In order to safeguard the personal and confidential information of customers and business partners, the Group has taken such measures as establishing strict regulations, instituting training programs for employees, and providing consultation to business subcontractors. Nevertheless, the Group cannot absolutely guarantee that information will not be leaked. In the unlikely event that this should occur, trust in the Fujitsu Group could decline and the Group may be obligated to pay damages to customers.

8) Credit Ratings and Other Factors that Affect Trust in the Group

In addition to having a major influence on capital procurement, credit ratings by outside institutions serve as reliable sources of information when conducting transactions with business partners. Lower credit ratings caused by failure to meet earnings targets, deteriorating financial conditions and other reasons could influence our ability to procure needed funds, and place the Group at a disadvantage in bidding for projects and in other business dealings.

7. Natural Disasters and Unforeseen Incidents

Natural disasters and other unforeseen situations could have a major impact on the business results and financial standing of the Fujitsu Group. Examples of the potential risks posed are found below.

1) Damage from Earthquakes, Other Natural Disasters and Accidents

The Group has taken measures to make its business sites more resistant to earthquakes and conducts regular inspections and disaster readiness drills. Nevertheless, there is a possibility that the Group may be prevented from continuing operations due to damage to facilities and equipment or interruptions in the supply of electricity or water as a result of earthquakes or other natural disasters and accidents. Such occurrences could interrupt shipments to customers or disrupt shipments of parts for the Group's internal use, thereby affecting factory production at other Group business sites. Semiconductor fabs and other plants where high precision processing is carried out are particularly susceptible to the effects of earthquakes and similar events. In the wake of such incidents, some time may be required to resume normal operations due to the array of highly specialized equipment and devices used at these sites. Damage caused by natural disasters may also hinder our ability to provide information system support for Group customers, which could interrupt their business activities.

We have a well-developed system in place to ensure the integrity and stable operation of critical in-house networks, which are a key element of our business infrastructure. However, the Group cannot guarantee its ability to prevent invasive computer viruses and other disruptions from impeding network operations.

2) Geopolitical Risk

Conflicts, political instability, currency crises, natural disasters, epidemics or other events in nations or regions where the Fujitsu Group operates could have a significant impact on its businesses.

8. Financial Statements

In addition to business and other risks described above, the Group may also be impacted by the following risks related to its Financial Statements.

1) Property, Plant and Equipment

Depreciation of property, plant and equipment is mainly calculated by the declining balance method at rates based on the estimated useful lives of the respective assets, which vary according to their general classification, structure and function. In the future, in cases where equipment is no longer in use owing to obsolescence from technological advances, or due to the exiting of a business, useful life may end up being shorter originally estimated. As such, there is a risk that incidental losses may occur.

Asset-impairment accounting has been adopted from fiscal 2005. If estimates of future cash flow decrease due to lower earnings projections in certain business areas, asset impairment losses may occur.

2) Intangible Assets (Software)

For the depreciation of software intended for commercial sale, we have adopted a method based on projected sales volume over the estimated life of the product. While projected sales volume is calculated based upon reasonable sales plans, one-time losses may occur if unit sales fall short of the original sales plan.

For software used in-house, we utilize a straight-line method based on the estimated useful life of the software. Should actual useful life in the future be less than the original estimate, there is a risk of incidental losses.

3) Calculation of Consolidated Adjustments

In terms of calculations for consolidated adjustments, incidental losses may occur in cases such as when there is a decrease in the profitability of the acquired business or we sell or exit from an acquired business.

4) Marketable Securities

In regard to other marketable securities that have market value, the value of such securities may change due to fluctuations in market value and, as a result, net assets may increase or decrease. In addition, when the fair value of other marketable securities decreases significantly, and excepting those cases in which the value is deemed to be recoverable, an impairment loss is posted. In future, should there be a significant decrease in fair value, and such value is not deemed to be recoverable, there is a possibility of impairment losses.

5) Retirement Benefit Obligations

Expenses and obligations for employee retirement benefits are calculated according to a variety of actuarial assumptions (discount rate, retirement rate, mortality rate, expected income rate, etc.). If actual experience differs from these underlying assumptions, or if the underlying assumptions themselves change, there is a possibility that it will affect the amount of the expense or obligation for retirement benefits.

In addition, in the event of a change in accounting standards in the countries in which our overseas subsidiaries are located or in Japan, there may be an impact on the amount of the expense or obligation for retirement benefits or shareholders' equity.

6) Deferred Tax Assets
The amount of deferred tax assets is posted appropriately on our balance sheet taking into account the balance of losses carried forward and other temporary differences. In the event that projected taxable income is higher or lower because of variations in future financial performance, there is a risk that the balance of deferred tax assets may increase or decrease. In addition, in the event that future revisions to tax regulations cause a change in the effective tax rate, there is a risk that the balance of deferred tax assets may increase or decrease.

7) Provision for Loss on Repurchase of Computers
A portion of the computers manufactured by the Fujitsu Group are sold to Japan Electronic Computer Co. Ltd. (JECC) and other leasing companies, which lease them to end users. Fujitsu enters into a contract with the leasing companies to repurchase the computers in the future, and at the time of sale a provision is recorded reflecting the expected loss that will be incurred at the time of repurchase. In the event there are changes in usage trends among customers, additions or reductions to the provision may be needed.

8) Provision for Product Warranties
To prepare for expenses to cover costs relating to the free repair and exchange of products covered under contracted warranty periods, we have recorded at the time of sales a provision, based on past experience, to cover future estimated product repair and exchange costs. The Fujitsu Group is pursuing vigorous quality control measures at the manufacturing, development and procurement stages. However, should product defects exceed estimated levels, there is the possibility that additional expenses may arise.

9) Preparation for International Financial Reporting Standards
The Fujitsu Group is preparing to adopt International Financial Reporting Standards (IFRS). When shifting to IFRS, there is a possibility that discrepancies may arise with reports based on Japanese financial reporting standards.

5. Basic Stance on the Company's Business

Information technology has come to permeate nearly every aspect of our daily lives, greatly expanding convenience and producing dramatic changes, as the era of ubiquitous networking continues to take shape. In the corporate world, IT has become more deeply ingrained in core business processes, and it is moving from being solely an efficiency-enhancing tool to playing an essential role in companies' business development activities. Along with this trend, IT systems deployed in business and societal infrastructures have become increasingly sophisticated and complex, and the requirement for high system reliability is more important than ever.

The Fujitsu Group continually seeks to create new value by providing customers with comprehensive solutions comprising highly reliable high-performance products and services based on powerful technologies. Through this, we aim to grow, realize profits and foster mutually beneficial relationships in our communities worldwide. Based on a thorough understanding of the environments in which our customers operate, the overall nature of their operations, and their business challenges, we create and deploy IT solutions that contribute to the growth and development of their businesses. In addition, we fully realize that the stable operation of IT systems is critical in supporting the activities of businesses and society as a whole, and we are therefore renewing our focus on raising operational quality. In so doing, we seek to grow together with our customers as a valued and trusted business partner.

6. Medium-Term Business Strategy and Priority Tasks

Worldwide, investment in IT is growing at a moderate pace. In Japan as well, while there are differences among individual industries and companies, overall, in line with the recovery in corporate earnings a more active posture on IT spending has become apparent. On the other hand, we foresee continuing downward pressure on prices for services and products, as well as intensifying competition, suggesting that our operating environment will remain difficult going forward. Despite these challenges, we are striving for the earnings capacity that will enable us to achieve steady profitable growth. Achieving high earnings capacity will help make possible a stronger product line-up, expanded sales, and reinvestment of profits, thereby laying the basis for long-term growth.

In fiscal 2004, we articulated and began pursuing four key challenges facing the Fujitsu Group: to strengthen our existing businesses, to create and cultivate new businesses, to reform our organization and approach, and to reform our management systems. Since then, the entire Group has pulled together to address these challenges, and we intend to redouble and accelerate our efforts in these areas in fiscal 2006.

1. Strengthening Our Existing Businesses

We are working to raise quality, lower costs and increase speed in every facet of our operations, including design, development, manufacturing and sales. In particular, since November 2005, when we initiated comprehensive inspections of our customers' systems, we have been endeavoring to boost system reliability by strengthening efforts to improve operational quality. In addition, in systems integration projects for customers, we have enhanced our quality assurance activities so as to reduce the number of loss-generating projects, and we are also continuing efforts to make the development process more efficient. In regard to manufacturing, we are moving ahead with manufacturing innovation initiatives across our entire supply chain.

In our services business, we are continuing to work to expand business process outsourcing (BPO) and other outsourcing services. Moreover, in order to speed the growth of our TRIOLE IT infrastructure optimization model for improving system reliability, in fiscal 2005 we added system verification facilities in Singapore, Korea and Shanghai, China to our existing network of such facilities in Japan, the UK, Germany, and California in the US, complementing sales promotion efforts to expand sales of our server, storage, network, middleware and other products. Turning to our electronic devices business, where we are focusing on logic LSI devices, we augmented the capacity of our Mie Plant, which is able to accommodate 300mm wafers and utilizes our leading-edge 90nm and 65nm technology, and we also made the decision to invest in a new large-scale production facility there. By strengthening our partnerships with customers and leveraging our strengths in software as well as in analysis and verification, we are working to help customers reduce their time to market and, at the same time, aiming to quickly recoup our investment.

2) Creating and Cultivating New Businesses

We recognize that in order for our business to grow, it is essential that we increase our presence in markets outside Japan that have strong growth prospects. In recent years, the profitability of our overseas business has been improving, and we are placing renewed emphasis on expanding this business. In North America, through measures such as Fujitsu Consulting's recent acquisition of Rapidigm, Inc., we have been strengthening our services business, which is focused on IT consulting. In doing so, we aim to provide a higher level and broader range of quality services. Moreover, we are taking advantage of our strategic alliance with EDS to expand our server business. Meanwhile in Europe, Fujitsu Siemens Computers is improving its product support capabilities in order to still better serve the needs of its customers. We intend to further grow our international business by enhancing links with and among our various operations outside Japan.

Based on an awareness that the real growth of IT in the future will be on the front lines of business, we are promoting IT-enabled frontline innovation in areas such as sales and marketing, development, manufacturing, procurement and distribution, as well as in fields that touch people's daily lives, such as medical and nursing care, education, and entertainment. To mention some concrete examples, we are seeking to further open up new business areas through efforts including the worldwide promotion of our highly secure contactless palm vein authentication devices and the deployment of RFID systems that are pioneering sophisticated new applications in the retail industry and other fields.

3) Reforming Our Organization and Approach

We have been implementing various organizational reforms to provide speedier service to customers and one-stop support over the entire IT system lifecycle. In terms of sales activities, following last year's integration of our sales and system engineering groups, we are pursuing further reforms of our sales processes, including measures to make the progress of business deals more transparent. Other organizational improvements include clarifying the relationships between the parent company and Group companies, as well as those among Group companies.

4) Reforming Our Management Systems

Based on the mission, values and code of conduct set forth in *The FUJITSU Way*, we will continue to emphasize sustainability in the management of our business. In the second half of fiscal 2005, we initiated projects designed to improve our internal business processes and strengthen internal control functions, and we will expand these activities throughout the company going forward. In addition, we are stepping up efforts to revitalize our human resources.

We will work unceasingly to meet these challenges, serve as a trusted partner to our customers, and pursue further reforms as global company that contributes to the creation of a rich and dynamic networked economy and earns the trust of our customers and society at large.

7. Posture Regarding Lowering of Minimum Tradable Share Units*

Recognizing that participation in the equity market by individual investors can help promote the vitality of the market as well as foster a stable base of long-term Fujitsu shareholders, we carry out an active investor relations program aimed at making accurate company information available on a regular and timely basis.

Although reducing the minimum number of shares that individuals could trade would help promote the participation of individual investors in capital markets and be one effective means of increasing stock liquidity, taking into consideration the current level of Fujitsu shares, the total number of shareholders and proportion of individual shareholders, as well as the liquidity of Fujitsu shares in the market, we believe it would be premature at present to do so.

We will review this stance as appropriate, taking into consideration future trends regarding individual investors in the capital markets as well as changes in the price of our shares and other factors.

** Refers to current practice whereby Fujitsu's shares may only be traded in units of not less than 1,000 shares.*

8. FY 2006 Earnings Projections

In fiscal year 2006 we will strive to the best of our abilities to continue last year's efforts to pursue the challenges outlined earlier under "Medium-Term Business Strategy and Priority Tasks." Moreover, to help ensure success in these efforts, we intend to consistently take the lead in growth markets, build a sound business structure that is not significantly affected by changes in economic conditions, and continuously strive to increase revenue and profits. This is the thinking behind our projections for 2006, which are outlined below.

We plan to achieve consolidated net sales of 5,200.0 billion yen in fiscal 2006, an 8.5% increase over fiscal 2005, through further expansion of our overseas business, aided in part by new product introductions, as well as aggressive efforts to capitalize on resurgent IT investment in Japan. In addition, during fiscal 2006 we will further expand our manufacturing innovation activities throughout the Group in a relentless effort to improve efficiency. In Technology Solutions, we are putting great emphasis on making our organization more efficient by carrying out reforms to optimize responsiveness to customers, as well as continuing our efforts to boost profitability both inside and outside Japan. In Ubiquitous Product Solutions and Device Solutions, in addition to working to improve operational efficiency, we plan to boost investment in future growth areas in response to the more competitive environment, and therefore operating income growth in these two segments is expected to be relatively flat. Overall, however, we are projecting consolidated operating income to increase to 190.0 billion yen.

In addition to increased operating income, as a result of factors including lower net interest expenses stemming from the reduction in interest-bearing loans, as well as the dissolution of the amortization of unrecognized obligation for retirement benefits, we are projecting further improvements in other income (expenses). Net income is projected at 80.0 billion yen.

Going forward, while working to strengthen earnings capacity and ensuring our ability to generate cash flow, we intend to exercise flexibility in directing profits and cash into future-oriented investment that will better enable us to respond to challenges and opportunities and thereby create a virtuous cycle of strong growth.

(Billion Yen)

	First-Half			Full-Year		
	FY 2005 (Actual)	**FY 2006 (Forecast)**	Change	FY 2005 (Actual)	**FY 2006 (Forecast)**	Change
Net Sales	2,192.3	2,350.0	7.2%	4,791.4	5,200.0	8.5%
Operating Income	47.5	20.0	-58.0%	181.4	190.0	4.7%
Net Income	7.6	0	-100.0%	68.5	80.0	16.7%

Quarterly Breakdown of First Half Net Sales and Operating Income

(Billion Yen)

	First-Quarter			Second-Quarter		
	FY 2005 (Actual)	**FY 2006 (Forecast)**	Change	FY 2005 (Actual)	**FY 2006 (Forecast)**	Change
Net Sales	1,026.3	1,100.0	7.2%	1,165.9	1,250.0	7.2%
Operating Income	14.8	0	-100.0%	32.7	20.0	-39.0%

** 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*

Forecast for FY 2006 Consolidated Business Segment Information

(1) Net Sales* and Operating Income

		Yen (billions)			
		FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**	Change vs. FY05 (%)
Technology Solutions					
Japan	**Y**	2,157.6	2,092.2	**2,150.0**	+2.8
Overseas		776.7	891.6	**1,030.0**	+15.5
Total	**Y**	2,934.4	2,983.9	**3,180.0**	+6.6
Operating Income	**Y**	142.0	164.2	**185.0**	+12.7
[Operating Income Margin]		[4.8%]	[5.5%]	**[5.8%]**	
System Platforms					
Operating Income		45.1	26.2	**25.0**	-4.9
[Operating Income Margin]		[6.2%]	[3.7%]	**[3.3%]**	
Services					
Operating Income		96.8	137.9	**160.0**	+16.0
[Operating Income Margin]		[4.4%]	[6.1%]	**[6.6%]**	
Ubiquitous Product Solutions					
Japan		733.0	700.8	**730.0**	+4.2
Overseas		298.3	359.0	**430.0**	+19.8
Total		1,031.4	1,059.9	**1,160.0**	+9.4
Operating Income		31.3	34.4	**30.0**	-12.9
[Operating Income Margin]		[3.0%]	[3.3%]	**[2.6%]**	
Device Solutions					
Japan		474.8	399.0	**460.0**	+15.3
Overseas		319.9	308.4	**350.0**	+13.5
Total		794.7	707.5	**810.0**	+14.5
Operating Income		32.5	33.3	**35.0**	+5.1
[Operating Income Margin]		[4.1%]	[4.7%]	**[4.3%]**	
Other Operations					
Japan		297.4	336.5	**350.0**	+4.0
Overseas		79.7	110.8	**120.0**	+8.3
Total		377.2	447.3	**470.0**	+5.1
Operating Income		9.0	7.7	**10.0**	+29.7
[Operating Income Margin]		[2.4%]	[1.7%]	**[2.1%]**	
Elimination					
Sales		(375.0)	(407.3)	**(420.0)**	-
Operating Income		(54.8)	(58.2)	**(70.0)**	-
Total					
Japan	**Y**	3,340.6	3,199.8	**3,360.0**	+5.0
Overseas		1,422.0	1,591.5	**1,840.0**	+15.6
Total	**Y**	4,762.7	4,791.4	**5,200.0**	+8.5
Operating Income	**Y**	160.1	181.4	**190.0**	+4.7
[Operating Income Margin]		[3.4%]	[3.8%]	**[3.7%]**	

* Includes intersegment sales

(2) Net Sales* by Principal Products and Services

		Yen (billions)			
		FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**	Change vs. FY05 (%)
Technology Solutions					
System Products	**Y**	380.1	354.2	**380.0**	+7.3
Network Products		353.8	363.4	**370.0**	+1.8
System Platforms		734.0	717.6	**750.0**	+4.5
Solutions / SI		1,002.6	1,020.4	**1,090.0**	+6.8
Infrastructure Services		976.1	1,037.2	**1,120.0**	+8.0
Others		221.5	208.5	**220.0**	+5.5
Services		2,200.4	2,266.2	**2,430.0**	+7.2
Total	**Y**	2,934.4	2,983.9	**3,180.0**	+6.6
Ubiquitous Product Solutions					
PCs / Mobile Phones		776.1	756.6	**800.0**	+5.7
Hard Disk Drives		235.5	285.4	**340.0**	+19.1
Others		19.7	17.8	**20.0**	+11.8
Total		1,031.4	1,059.9	**1,160.0**	+9.4
Device Solutions					
LSI Devices	**Y**	468.2	460.1	**510.0**	+10.8
Electronic Components, Others		326.5	247.4	**300.0**	+21.2
Total	**Y**	794.7	707.5	**810.0**	+14.5

* Includes intersegment sales

Part III: Supplementary Information

1. Employees

(Thousands)

	March 31 2005	**March 31 2006**	change
Japan	101	**99**	-2
[Parent Company]	[34]	**[37]**	+3
Overseas	50	**59**	+9
Total	151	**158**	+7

2. Retirement Benefit Obligation Details

(1) Itemization of Projected Benefit Obligation, etc.
(Consolidated domestic accounts)

Yen (billions)

	March 31 2005 (Actual)	**March 31 2006 (Estimate)**	Change (Estimate)
a. Projected benefit obligation	(1,247.1)	**(1,055.0)**	+192.1
b. Plan assets	876.7	**1,120.0**	+243.3
[plan assets for retirement benefit plan stock holding trust]	[202.4]	**[230.0]**	[+27.6]
c. Accrued severance benefit	85.7	**85.0**	-0.7
d. Prepaid pension cost	(110.7)	**(90.0)**	+20.7
Total (a+b+c+d)	(395.4)	**60.0**	+455.4
Breakdown of total			
i. Unrecognized net obligation at transition	(81.6)	**(65.0)**	+16.6
ii. Unrecognized actuarial loss	(314.3)	**(50.0)**	+264.3
iii. Unrecognized prior service cost (reduced obligation)	0.5	**175.0**	+174.5
Total (i+ii+iii)	(395.4)	**60.0**	+455.4

On September 1, 2005, the Fujitsu Welfare Pension Fund (the "Plan"), in which Fujitsu and its consolidated domestic subsidiaries participate, received approval from the Minister of Health, Labour and Welfare for the past substitutional portion of the Plan returned to the government and for revisions to the pension system designed to improve the financial soundness and promote the long-term stability of the Plan. Accordingly, the Fujitsu Welfare Pension Fund was changed to the Fujitsu Corporate Pension Fund.

As a result of these revisions, consolidated projected benefit obligation decreased by approximately 180 billion yen, and unrecognized obligation decreased by the same amount.

For Reference

Change in unrecognized obligation from March 31, 2005

	(Billion Yen)
Revisions to pension system	180.0
Amortization of unrecognized obligation for FY 2005	28.2
Decrease in actuarial loss due to recovery in stock price, etc.	247.2
	455.4

(2) Basis for Tabulating Projected Benefit Obligation

a. Discount rate	2.5% (at March 31, 2005) 2.5% (at March 31, 2006)
b. Amortization period for net obligation at transition	10 years (one-time amortization for parent company)
c. Method of allocating actuarial loss	Straight-line method over employees' average remaining employment period starting from next period
d. Method of allocating prior service cost	Straight-line method over 10 years

3. Miscellaneous Forecasts for FY 2006

a. R&D Expenses

Yen (billions)

	FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
	240.2	241.5	**255.0**
As % of sales	5.0%	5.0%	**4.9%**

b. Capital Expenditures, Depreciation

		Yen (billions)		
		FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
Capital Expenditures				
Technology Solutions	Y	65.8	93.1	**120.0**
Ubiquitous Product Solutions		17.2	19.4	**30.0**
Device Solutions		76.1	115.5	**180.0**
Corporate and others		22.0	21.8	**20.0**
Total	Y	181.4	249.9	**350.0**
Japan		142.3	190.6	**290.0**
Overseas		39.0	59.3	**60.0**
Depreciation		169.9	169.8	**220.0**

c. Cash Flows

	Yen (billions)		
	FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
(A) Cash flows from operating activities	277.2	405.5	**530.0**
[Net income]	[31.9]	[68.5]	**[80.0]**
[Depreciation *]	[232.1]	[242.3]	**[300.0]**
[Others]	[13.2]	[94.6]	**[150.0]**
(B) Cash flows from investing activities	(15.1)	(234.6)	**(360.0)**
(C) Free cash flow (A)+(B)	262.1	170.8	**170.0**
(D) Cash flows from financing activities	(212.0)	(207.8)	**(170.0)**
(E) Total (C)+(D)	50.0	(36.9)	**-**

* Including amortization of goodwill

d. Exchange Rates

	FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
Average and forecast rates for	$1=107 yen	$1=113 yen	$1=115 yen

e. PC Shipments

(Million Units)

FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
7.44	8.25	**9.00**

f. Mobile Phone Shipments

(Million Units)

FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
3.49	3.62	**3.50**

g. HDD Production

(Million Units)

FY 2004 (Actual)	FY 2005 (Actual)	**FY 2006 (Forecast)**
19.34	25.21	**33.50**

4. Environmental Accounting

a. Cost/Benefit Trends

(Billion Yen)

	FY 2003		FY 2004		FY 2005		**FY 2006 (Forecast)**	
	Costs	Benefits	Costs	Benefits	Costs	Benefits	**Costs**	**Benefits**
Fujitsu Limited	7.9	10.3	7.9	9.7	9.0	10.9	**8.5**	**11.9**
Affiliated companies	11.1	13.6	10.0	12.9	8.9	13.6	**9.4**	**14.2**
Total	19.0	23.9	17.9	22.6	17.9	24.5	**17.9**	**26.1**

b. Itemization of Fiscal 2005 Results [*1]

(Billion Yen)

Costs	Item	Fujitsu Limited	Affiliated companies	Total
Business area costs				
Pollution prevention costs	Costs incurred to prevent air pollution and water contamination (fees for water treatment facilities) and other activities	3.1	2.0	5.1
Global environmental conservation costs	Costs of energy-saving measures, as well as costs of global warming countermeasures	1.2	0.9	2.1
Resource circulation costs	Costs incurred for waste reduction and disposal, as well as for water conservation, rainwater usage and other measures aimed at efficient resources usage	1.2	1.8	3.0
Upstream/downstream costs	Costs of lowering the environmental burden imposed upstream and downstream by manufacturing and service activities (costs incurred for recycling /reuse of waste products and packaging, Green Procurement, etc.)	0.1	1.0	1.1
Administration costs	Environmental protection costs related to administrative activity, including personnel expenses for environmental promotion activities and costs associated with acquiring and maintaining ISO14001 certification, measuring environmental burden, greenification programs, environmental reporting and environmental publicity	2.0	1.2	3.2
R&D/solutions business costs	Environmental protection costs for R&D activities and costs of environmental solutions business activities (Green Products/environmental technology design and development costs, environmental solutions business costs)	0.3	1.9	2.2
Social activities costs	Environmental protection costs stemming from participation in social activities, such as participation in/support for organizations concerned with environmental preservation	0.0	0.0	0.0
Environmental remediation costs	Costs of environmental restoration operations (remediating soil and groundwater contamination, environmental compensation, etc.)	1.1	0.1	1.3
Total		9.0	8.9	17.9

(Billion Yen)

Benefits	Item	Fujitsu Limited	Affiliated companies	Total
Business area benefits				
Pollution prevention benefits	Contribution of environmental protection activities to value added[*2] in manufacturing.	3.8	2.9	6.7
	Savings from avoidance of operating losses[*3] stemming from failure to observe environmental laws and regulations.	1.0	1.3	2.2
Global environmental conservation benefits	Cost savings from reductions in electricity, oil and gas consumption[*4]	1.7	0.6	2.3
Resource circulation benefits	Cost savings from waste reduction and more effective resource utilization[*4]	2.9	6.8	9.7
Upstream/downstream benefits	Sales value of recycled and reused products[*4]	0.0	0.8	0.9
Administration benefits	Value of efficiency enhancement through ISO14001 system implementation, effects of employee training, corporate image enhancement from environment-related publicity	0.3	0.4	0.7
R&D/Solutions business benefits	Contribution to sales made by Green Products, other eco-friendly products and environmental solutions business	1.0	0.6	1.6
Social activities benefits	Value of corporate image improvement from participation in support for organizations concerned with environmental preservation and others	0.0	0.0	0.0
Environmental remediation benefits	Savings of compensation payments to residents through policies preventing groundwater and soil contamination[*5]	0.2	0.2	0.4
Total		10.9	13.6	24.5

*1 Classification system is in accordance with "Environmental Accounting Guidelines 2005" issued by Japan's Ministry of the Environment.

*2 Contribution of environmental protection activities in relation to value added: value added x (maintenance and management costs for environmental facilities/total generated costs)

*3 Avoidance of operating losses: (value added/days of operation) x days lost

*4 Actual benefit

*5 Estimate of risk avoidance assuming such events arise

c. Comment

In fiscal 2005 we recorded increased environmental remediation costs related to measures to deal with soil contamination. Total environmental benefits for the Group were 24.5 billion yen. Of particular note, pollution prevention benefits (risk avoidance effect) related to the impact of capital investment to prevent water contamination increased in comparison with the previous year. Taking into account such factors as plans to strengthen global warming countermeasures and an anticipated increase in the contribution to sales from “Super Green Products,” we project total consolidated environmental costs and benefits of 17.9 billion yen and 26.1 billion yen, respectively, in fiscal 2006.

d. Third Party Audit

This information is being released following completion of an audit of Fujitsu's fiscal 2005 environmental accounting by Shin Nihon Environmental Management and Quality Research Institute. Information on the environmental conservation benefit will be released separately.