

FY 2006 Third-Quarter Financial Results

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Part I: Financial Tables

1. Summary of FY 2006 Third-Quarter Consolidated Results

a. Summary of Consolidated Statements of Operations

		Yen (millions)		
		3Q FY 2006 (10/1/06~12/31/06)	3Q FY 2005 (10/1/05~12/31/05)	Change (%)
Net sales	Y	1,197,607	1,121,442	+6.8
Operating income		7,117	12,591	-43.5
Income (Loss) before income taxes and minority interests		11,676	(5,013)	-
Net income	Y	1,162	3,367	-65.5

b. Net Sales by Business Segment (including intersegment)

		Yen (millions)		
		3Q FY 2006 (10/1/06~12/31/06)	3Q FY 2005 (10/1/05~12/31/05)	Change (%)
Technology Solutions	Y	716,824	669,304	+7.1
Ubiquitous Product Solutions		273,437	254,949	+7.3
Device Solutions		187,608	182,634	+2.7
Other Operations		125,259	108,786	+15.1
Elimination		(105,521)	(94,231)	-
Total	Y	1,197,607	1,121,442	+6.8

c. Summary of Consolidated Financial Condition

		Yen (millions) (except per share data)		
		December 31 2006	March 31 2006	December 31 2005
Total assets	Y	3,787,849	3,807,131	3,631,995
Net assets		1,119,879	917,045	845,982
Owners' equity ratio		24.6 %	24.1 %	23.3 %
Net assets per share	Y	451.40	443.20	409.13

Note:

The figures of the formerly classified shareholders' equity, shareholders' equity ratio, and shareholders' equity per share are stated in net assets, owners' equity ratio, and net assets per share, respectively, in the columns of March 31, 2006 and December 31, 2005.

d. Summary of Consolidated Statements of Cash Flows

		Yen (millions)	
		3Q FY 2006 (10/1/06~12/31/06)	3Q FY 2005 (10/1/05~12/31/05)
Cash flows from operating activities	Y	(79,792)	6,589
Cash flows from investing activities		(52,924)	(38,670)
Cash flows from financing activities		(41,218)	(72,975)
Cash and cash equivalents at end of period	Y	243,411	375,493

2. Summary of FY 2006 Nine-Month Consolidated Results

(For nine months ended December 31)

a. Summary of Consolidated Statements of Operations

		Yen (millions) (except per share data)		
		2006	2005	
		(4/1/06~12/31/06)	(4/1/05~12/31/05)	Change (%)
Net sales	Y	3,559,940	3,313,774	+7.4
Operating income		57,758	60,166	-4.0
Income before income taxes and minority interests		49,353	24,821	+98.8
Net income		16,009	11,033	+45.1
Net income per common share:				
Basic		7.74	5.34	+44.9
Diluted	Y	6.98	4.75	+46.9

b. Net Sales by Business Segment (including intersegment)

		Yen (millions)		
		2006	2005	
		(4/1/06~12/31/06)	(4/1/05~12/31/05)	Change (%)
Technology Solutions	Y	2,145,457	2,013,384	+6.6
Ubiquitous Product Solutions		802,052	753,404	+6.5
Device Solutions		564,574	518,681	+8.8
Other Operations		360,358	319,599	+12.8
Elimination		(312,501)	(291,294)	-
Total	Y	3,559,940	3,313,774	+7.4

c. Summary of Consolidated Statements of Cash Flows

		Yen (millions)		
		2006	2005	FY 2005
		(4/1/06~12/31/06)	(4/1/05~12/31/05)	Full Year
Cash flows from operating activities	Y	104,291	149,628	405,579
Cash flows from investing activities		(171,955)	(142,863)	(234,684)
Cash flows from financing activities		(114,758)	(88,154)	(207,840)
Cash and cash equivalents at end of period	Y	243,411	375,493	420,894

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

	Yen (billions) (except per share data)	
	FY 2006 Full Year (Forecast)	Change (%) FY05 to FY06
Net sales	Y 5,100.0	+6.4
Operating income	190.0	+4.7
Net income	80.0	+16.7
Net income per common share	Y 38.70	+17.9

4. Third-Quarter Consolidated Statements of Operations

	Y	Yen (millions)		Change (%)
		3Q FY 2006 (10/1/06~12/31/06)	3Q FY 2005 (10/1/05~12/31/05)	
Net sales	Y	1,197,607	1,121,442	+6.8
Cost of sales		906,594	840,963	+7.8
Gross profit		291,013	280,479	+3.8
Selling, general and administrative expenses		283,896	267,888	+6.0
Operating income		7,117	12,591	-43.5
Other income (expenses):				
Net interest*		(1,038)	(2,467)	
Equity in earnings of affiliated companies, net		3,299	552	
Amortization of unrecognized obligation for retirement benefits		(809)	(5,260)	
Gain on sales of marketable securities**		7,612	-	
Gain on change in interest***		2,136	-	
Loss on sales of marketable securities****		(2,275)	-	
Loss on change in interest		-	(8,413)	
Other, net		(4,366)	(2,016)	
		4,559	(17,604)	-
Income (loss) before income taxes and minority interests		11,676	(5,013)	-
Income taxes		5,983	(10,952)	
Minority interests		4,531	2,572	
Net income	Y	1,162	3,367	-65.5

Notes:

- * Net interest consists of interest income, dividend income and interest charges.
- ** Gain on sales of marketable securities refers principally to gain on sales of subsidiary company shares in connection with the IPO of said subsidiary company (NIFTY Corporation).
- *** Gain on change in interest refers to gain relating to allocation of new shares of subsidiary company (NIFTY Corporation) to third parties.
- **** Loss on sales of marketable securities refers principally to loss on sales of affiliated company (Spansion Inc.) shares.

5. Third-Quarter Consolidated Business Segment Information

a. Net Sales and Operating Income

		Yen (millions)			
		3Q FY 2006 (10/1/06~12/31/06)	3Q FY 2005 (10/1/05~12/31/05)	Change (%)	
Technology Solutions	Japan	Y 443,642	443,126	+0.1	
	Overseas	273,182	226,178	+20.8	
	Total	716,824	669,304	+7.1	
	Operating Income	14,573	6,067	+140.2	
	[Operating Income Margin]	[2.0%]	[0.9%]		
	<i>System Platforms</i>				
	Operating Income (loss)	(9,168)	(10,698)	-	
	[Operating Income Margin]	[-6.0%]	[-7.2%]		
	<i>Services</i>				
	Operating Income	23,741	16,765	+41.6	
[Operating Income Margin]	[4.2%]	[3.2%]			
Ubiquitous Product Solutions	Japan	161,691	159,326	+1.5	
	Overseas	111,746	95,623	+16.9	
	Total	273,437	254,949	+7.3	
	Operating Income	1,107	5,922	-81.3	
[Operating Income Margin]	[0.4%]	[2.3%]			
Device Solutions	Japan	114,095	100,324	+13.7	
	Overseas	73,513	82,310	-10.7	
	Total	187,608	182,634	+2.7	
	Operating Income	493	8,498	-94.2	
[Operating Income Margin]	[0.3%]	[4.7%]			
Other Operations	Japan	88,340	80,714	+9.4	
	Overseas	36,919	28,072	+31.5	
	Total	125,259	108,786	+15.1	
	Operating Income	2,940	2,255	+30.4	
[Operating Income Margin]	[2.3%]	[2.1%]			
Elimination	Sales	(105,521)	(94,231)	-	
	Operating Income	(11,996)	(10,151)	-	
Total	Japan	728,495	709,840	+2.6	
	Overseas	469,112	411,602	+14.0	
	Total	1,197,607	1,121,442	+6.8	
	Operating Income	Y 7,117	12,591	-43.5	
	[Operating Income Margin]	[0.6%]	[1.1%]		

Note:

Includes intersegment sales. Operating income figures for previous fiscal years have been restated for comparison purposes with new method of allocating operating expenses, which has been introduced this fiscal year.

b. Net Sales by Principal Products and Services

		Yen (millions)		
		3Q FY 2006	3Q FY 2005	
		(10/1/06~12/31/06)	(10/1/05~12/31/05)	Change (%)
Technology Solutions				
	System Products	Y 70,700	71,744	-1.5
	Network Products	81,730	77,868	+5.0
	<i>System Platforms</i>	152,430	149,612	+1.9
	Solutions / SI	243,223	225,101	+8.1
	Infrastructure Services	282,348	254,784	+10.8
	Others	38,823	39,807	-2.5
	<i>Services</i>	564,394	519,692	+8.6
	Total	716,824	669,304	+7.1
Ubiquitous Product Solutions				
	PCs / Mobile Phones	176,699	178,555	-1.0
	Hard Disk Drives	91,379	73,019	+25.1
	Others	5,359	3,375	+58.8
	Total	273,437	254,949	+7.3
Device Solutions				
	LSI Devices	112,300	117,000	-4.0
	Electronic Components, Others	75,308	65,634	+14.7
	Total	Y 187,608	182,634	+2.7

Note:

Includes intersegment sales.

6. Third-Quarter Consolidated Balance Sheets

	Yen (millions)			Yen (millions)	
	December 31 2006	December 31 2005*	Change (million yen)	September 30 2006	Change (million yen)
Assets					
Current assets:					
Cash and cash equivalents and short-term investments	Y 247,147	376,875	-129,728	417,580	-170,433
Receivables, trade	873,097	761,632	+111,465	791,464	+81,633
Inventories	496,182	482,467	+13,715	466,517	+29,665
Other current assets	221,184	203,260	+17,924	213,379	+7,805
Total current assets	1,837,610	1,824,234	+13,376	1,888,940	-51,330
Investments and long-term loans	832,121	835,300	-3,179	798,014	+34,107
Property, plant and equipment less accumulated depreciation	880,274	758,600	+121,674	848,699	+31,575
Intangible assets	237,844	213,861	+23,983	232,566	+5,278
Total assets	Y 3,787,849	3,631,995	+155,854	3,768,219	+19,630
Liabilities and net assets					
Current liabilities:					
Short-term borrowings and current portion of long-term debt	Y 282,182	334,396	-52,214	215,940	+66,242
Payables, trade	721,569	671,229	+50,340	749,327	-27,758
Other current liabilities	681,861	527,606	+154,255	653,310	+28,551
Total current liabilities:	1,685,612	1,533,231	+152,381	1,618,577	+67,035
Long-term liabilities:					
Long-term debt	571,927	699,345	-127,418	666,427	-94,500
Other long-term liabilities	410,431	385,679	+24,752	406,029	+4,402
Total long-term liabilities	982,358	1,085,024	-102,666	1,072,456	-90,098
Total liabilities	2,667,970	2,618,255	+49,715	2,691,033	-23,063
Net assets					
Shareholders' equity:					
Common stock	324,625	324,625	-	324,625	-
Capital surplus	498,026	498,016	+10	498,024	+2
Retained earnings (Deficit)	(41,446)	(94,660)	+53,214	(31,875)	-9,571
Treasury stock	(1,858)	(1,348)	-510	(1,676)	-182
Total shareholders' equity	779,347	726,633	+52,714	789,098	-9,751
Valuation and translation adjustments:					
Valuation difference on available-for-sale securities**	185,665	169,618	+16,047	151,292	+34,373
Foreign currency translation adjustments	(31,858)	(50,269)	+18,411	(40,979)	+9,121
Total valuation and translation adjustments	153,807	119,349	+34,458	110,313	+43,494
Minority interests	186,725	167,758	+18,967	177,775	+8,950
Total net assets	1,119,879	1,013,740	+106,139	1,077,186	+42,693
Total liabilities and net assets	3,787,849	3,631,995	+155,854	3,768,219	+19,630
Ending balance of interest-bearing loans	854,109	1,033,741	-179,632	882,367	-28,258
Owners' equity***	Y 933,154	845,982	87,172	899,411	+33,743
D/E ratio****	0.92	1.22	-0.30	0.98	-0.06
Shareholders' equity ratio	20.6%	20.0%	+0.6%	20.9%	-0.3%
Owners' equity ratio	24.6%	23.3%	+1.3%	23.9%	+0.7%

Notes:

* Figures for December 31, 2005 have been restated to match new classifications for reason of comparison.

** Valuation difference on available-for-sale securities at December 31, 2005 includes deferred gain and loss from hedging.

*** Owners' equity is total net assets - minority interests.

**** D/E ratio is ending balance of interest-bearing loans ÷ owners' equity.

7. Third-Quarter Consolidated Statements of Cash Flows

	Yen		Change (Million Yen)
	(millions)		
	3Q FY 2006 (10/1/06~12/31/06)	3Q FY 2005 (10/1/05~12/31/05)	
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	Y 11,676	(5,013)	+16,689
Depreciation and amortization	69,838	62,467	+7,371
Increase (decrease) in provisions	(1,543)	752	-2,295
Equity in earnings of affiliates, net	(3,299)	(552)	-2,747
Disposal of property, plant and equipment	2,113	3,602	-1,489
(Increase) decrease in receivables, trade	(66,921)	(69,148)	+2,227
(Increase) decrease in inventories	(26,730)	(31,851)	+5,121
Increase (decrease) in payables, trade	(36,404)	54,380	-90,784
Other, net	(28,522)	(8,048)	-20,474
Net cash provided by (used in) operating activities	<u>(79,792)</u>	<u>6,589</u>	<u>-86,381</u>
2. Cash flows from investing activities:			
Purchase of property, plant and equipment	(67,445)	(39,728)	-27,717
(Increase) decrease in investments	27,298	165	+27,133
Other, net	(12,777)	893	-13,670
Net cash provided by (used in) investing activities	<u>(52,924)</u>	<u>(38,670)</u>	<u>-14,254</u>
1+2 [Free Cash Flow]	<u>(132,716)</u>	<u>(32,081)</u>	<u>-100,635</u>
3. Cash flows from financing activities:			
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt	(29,022)	(56,986)	+27,964
Dividends paid	(7,993)	(6,204)	-1,789
Other, net	(4,203)	(9,785)	+5,582
Net cash provided by (used in) financing activities	<u>(41,218)</u>	<u>(72,975)</u>	<u>+31,757</u>
4. Effect of exchange rate changes on cash and cash equivalents	<u>1,792</u>	<u>1,830</u>	<u>-38</u>
5. Net increase (decrease) in cash and cash equivalents	<u>(172,142)</u>	<u>(103,226)</u>	<u>-68,916</u>
6. Cash and cash equivalents at beginning of period	<u>415,553</u>	<u>478,719</u>	<u>-63,166</u>
7. Cash and cash equivalents at end of period	Y <u>243,411</u>	<u>375,493</u>	<u>-132,082</u>

8. Third-Quarter Consolidated Statements of Shareholders' Equity

(Millions of Yen)

	Shareholders' Equity					Valuation and Translation Adjustments		Minority Interests	Total Net Assets
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments		
Balance at September 30, 2006	324,625	498,024	(31,875)	(1,676)	789,098	151,292	(40,979)	177,775	1,077,186
Increase (decrease) during the term:									
Cash dividends from retained earnings			(6,202)		(6,202)				(6,202)
Net income			1,162		1,162				1,162
Acquisition and sales of treasury stocks		2		(182)	(180)				(180)
Decrease as a result of deconsolidation of equity method affiliates			(4,582)		(4,582)				(4,582)
Others			51		51				51
Net increase (decrease) during the term, except for items under shareholders' equity					-	34,373	9,121	8,950	52,444
Total	-	2	(9,571)	(182)	(9,751)	34,373	9,121	8,950	42,693
Balance at December 31, 2006	324,625	498,026	(41,446)	(1,858)	779,347	185,665	(31,858)	186,725	1,119,879

9. Nine-Month Consolidated Statements of Operations
(For nine months ended December 31)

	Yen (millions)		Change (%)
	2006 (4/1/06~12/31/06)	2005 (4/1/05~12/31/05)	
Net sales	Y 3,559,940	3,313,774	+7.4
Cost of Sales	2,651,516	2,448,105	+8.3
Gross profit	908,424	865,669	+4.9
Selling, general and administrative expenses	850,666	805,503	+5.6
Operating income	57,758	60,166	-4.0
Other income (expenses):			
Net interest*	(3,506)	(6,028)	
Equity in earnings of affiliated companies, net	1,661	(4,260)	
Amortization of unrecognized obligation for retirement benefits	(2,419)	(23,342)	
Gain on sales of marketable securities**	7,612	-	
Gain on change in interest***	2,136	-	
Settlement gain	-	15,957	
Gain on business transfer	-	3,455	
Loss on sales of marketable securities****	(2,275)	-	
Loss on change in interest	-	(8,413)	
Restructuring charges	-	(5,474)	
Other, net	(11,614)	(7,240)	
	(8,405)	(35,345)	-
Income before income taxes and minority interests	49,353	24,821	+98.8
Income taxes	21,854	6,460	
Minority interests	11,490	7,328	
Net income	Y 16,009	11,033	+45.1

Notes:

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

** Gain on sales of marketable securities refers principally to gain on sales of subsidiary company shares in connection with the IPO of said subsidiary company (NIFTY Corporation).

*** Gain on change in interest refers to gain relating to allocation of new shares of subsidiary company (NIFTY Corporation) to third parties.

**** Loss on sales of marketable securities refers principally to loss on sales of affiliated company (Spansion Inc.) shares.

10. Nine-Month Consolidated Business Segment Information

(For nine months ended December 31)

a. Net Sales and Operating Income

		Yen (millions)			
		2006 (4/1/06~12/31/06)	2005 (4/1/05~12/31/05)	Change (%)	
Technology Solutions	Japan	Y 1,386,544	1,393,178	-0.5	
	Overseas	758,913	620,206	+22.4	
	Total	<u>2,145,457</u>	<u>2,013,384</u>	+6.6	
	Operating Income	51,018	43,191	+18.1	
	[Operating Income Margin]	[2.4%]	[2.1%]		
	<i>System Platforms</i>				
	Operating Income (Loss)	(14,342)	(8,000)	-	
	[Operating Income Margin]	[-2.9%]	[-1.7%]		
	<i>Services</i>				
	Operating Income	65,360	51,191	+27.7	
[Operating Income Margin]	[4.0%]	[3.3%]			
Ubiquitous Product Solutions	Japan	496,730	488,269	+1.7	
	Overseas	305,322	265,135	+15.2	
	Total	<u>802,052</u>	<u>753,404</u>	+6.5	
	Operating Income	21,100	22,607	-6.7	
[Operating Income Margin]	[2.6%]	[3.0%]			
Device Solutions	Japan	329,757	291,091	+13.3	
	Overseas	234,817	227,590	+3.2	
	Total	<u>564,574</u>	<u>518,681</u>	+8.8	
	Operating Income	16,536	21,032	-21.4	
[Operating Income Margin]	[2.9%]	[4.1%]			
Other Operations	Japan	258,701	242,092	+6.9	
	Overseas	101,657	77,507	+31.2	
	Total	<u>360,358</u>	<u>319,599</u>	+12.8	
	Operating Income	7,864	4,345	+81.0	
[Operating Income Margin]	[2.2%]	[1.4%]			
Elimination	Sales	(312,501)	(291,294)	-	
	Operating Income	(38,760)	(31,009)	-	
Total	Japan	2,231,826	2,179,730	+2.4	
	Overseas	1,328,114	1,134,044	+17.1	
	Total	Y <u>3,559,940</u>	<u>3,313,774</u>	+7.4	
	Operating Income	57,758	60,166	-4.0	
[Operating Income Margin]	[1.6%]	[1.8%]			

Note:

Includes intersegment sales. Operating income figures for previous fiscal years have been restated for comparison purposes with new method of allocating operating expenses, which has been introduced this fiscal year.

b. Net Sales by Principal Products and Services
(For nine months ended December 31)

		Yen (millions)		
		2006	2005	Change (%)
		(4/1/06~12/31/06)	(4/1/05~12/31/05)	
Technology Solutions				
	System Products	Y 232,464	227,894	+2.0
	Network Products	258,711	254,375	+1.7
	<i>System Platforms</i>	491,175	482,269	+1.8
	Solutions / SI	737,374	682,654	+8.0
	Infrastructure Services	808,001	727,377	+11.1
	Others	108,907	121,084	-10.1
	<i>Services</i>	1,654,282	1,531,115	+8.0
	Total	2,145,457	2,013,384	+6.6
Ubiquitous Product Solutions				
	PCs / Mobile Phones	540,425	530,725	+1.8
	Hard Disk Drives	246,878	209,883	+17.6
	Others	14,749	12,796	+15.3
	Total	802,052	753,404	+6.5
Device Solutions				
	LSI Devices	348,500	336,300	+3.6
	Electronic Components, Others	216,074	182,381	+18.5
	Total	Y 564,574	518,681	+8.8

Note:

Includes intersegment sales.

11. Nine-Month Consolidated Statements of Cash Flows
(For nine months ended December 31)

	Yen (millions)		
	2006	2005	Change
	(4/1/06~12/31/06)	(4/1/05~12/31/05)	(Million Yen)
1. Cash flows from operating activities:			
Income before income taxes			
and minority interests	Y 49,353	24,821	+24,532
Depreciation and amortization	195,098	175,061	+20,037
Increase (decrease) in provisions	(14,468)	(12,188)	-2,280
Equity in earnings of affiliates, net	(1,661)	4,260	-5,921
Disposal of property, plant			
and equipment	8,198	13,536	-5,338
(Increase) decrease in receivables, trade	43,136	124,395	-81,259
(Increase) decrease in inventories	(81,849)	(70,903)	-10,946
Increase (decrease) in payables, trade	(53,121)	(60,275)	+7,154
Other, net	(40,395)	(49,079)	+8,684
Net cash provided by (used in)			
operating activities	<u>104,291</u>	<u>149,628</u>	<u>-45,337</u>
2. Cash flows from investing activities:			
Purchase of property, plant and			
equipment	(194,606)	(167,432)	-27,174
(Increase) decrease in investments	30,643	(24,672)	+55,315
Other, net	(7,992)	49,241	-57,233
Net cash provided by (used in)			
investing activities	<u>(171,955)</u>	<u>(142,863)</u>	<u>-29,092</u>
1+2 [Free Cash Flow]	<u>(67,664)</u>	<u>6,765</u>	<u>-74,429</u>
3. Cash flows from financing activities:			
Increase (decrease) in bonds, notes,			
short-term borrowings and long-term debt	(76,587)	(51,994)	-24,593
Dividends paid	(16,572)	(12,408)	-4,164
Other, net	(21,599)	(23,752)	+2,153
Net cash provided by (used in)			
financing activities	<u>(114,758)</u>	<u>(88,154)</u>	<u>-26,604</u>
4. Effect of exchange rate changes			
 on cash and cash equivalents	<u>4,281</u>	<u>2,366</u>	<u>+1,915</u>
5. Net increase (decrease) in cash			
 and cash equivalents	<u>(178,141)</u>	<u>(79,023)</u>	<u>-99,118</u>
6. Cash and cash equivalents			
 at beginning of period	<u>420,894</u>	<u>454,516</u>	<u>-33,622</u>
7. Cash and cash equivalents of			
 deconsolidated subsidiaries	<u>658</u>	<u>-</u>	<u>+658</u>
8. Cash and cash equivalents			
 at end of period	Y <u>243,411</u>	<u>375,493</u>	<u>-132,082</u>

12. Nine-Month Consolidated Balance Sheets

	Yen		
	(millions)		
	December 31 2006	March 31 2006*	Change (Million Yen)
Assets			
Current assets:			
Cash and cash equivalents and short-term investments	Y 247,147	423,263	-176,116
Receivables, trade	873,097	885,300	-12,203
Inventories	496,182	408,710	+87,472
Other current assets	221,184	215,475	+5,709
Total current assets	1,837,610	1,932,748	-95,138
Investments and long-term loans	832,121	861,503	-29,382
Property, plant and equipment less accumulated depreciation	880,274	776,976	+103,298
Intangible assets	237,844	235,904	+1,940
Total assets	Y 3,787,849	3,807,131	-19,282
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	Y 282,182	234,848	+47,334
Payables, trade	721,569	757,006	-35,437
Other current liabilities	681,861	610,651	+71,210
Total current liabilities	1,685,612	1,602,505	+83,107
Long-term liabilities:			
Long-term debt	571,927	693,765	-121,838
Other long-term liabilities	410,431	420,786	-10,355
Total long-term liabilities	982,358	1,114,551	-132,193
Total liabilities	2,667,970	2,717,056	-49,086
Net assets			
Shareholders' equity:			
Common stock	324,625	324,625	-
Capital surplus	498,026	498,019	+7
Retained earnings (Deficit)	(41,446)	(40,485)	-961
Treasury stock	(1,858)	(1,465)	-393
Total shareholders' equity	779,347	780,694	-1,347
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities**	185,665	182,218	+3,447
Foreign currency translation adjustments	(31,858)	(45,867)	+14,009
Total valuation and translation adjustments	153,807	136,351	+17,456
Minority interests	186,725	173,030	+13,695
Total net assets	1,119,879	1,090,075	+29,804
Total liabilities and net assets	3,787,849	3,807,131	-19,282
Ending balance of interest-bearing loans	854,109	928,613	-74,504
Owners' equity***	Y 933,154	917,045	+16,109
D/E ratio****	0.92	1.01	-0.09
Shareholders' equity ratio	20.6%	20.5%	+0.1%
Owners' equity ratio	24.6%	24.1%	+0.5%

Notes:

* Figures for March 31, 2006 have been restated to match new classifications for comparison purposes.

** Valuation difference on available-for-sale securities at December 31, 2006 includes deferred gain and loss from hedging.

*** Owners' equity is total net assets - minority interests.

**** D/E ratio is ending balance of interest-bearing loans ÷ owners' equity. 15

13. Nine-Month Consolidated Statements of Shareholders' Equity

(For nine months ended December 31)

(Millions of Yen)

	Shareholders' Equity					Valuation and Translation Adjustments		Minority Interests	Total Net Assets
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments		
Balance at March 31, 2006	324,625	498,019	(40,485)	(1,465)	780,694	182,218	(45,867)	173,030	1,090,075
Increase (decrease) during the term:									
Cash dividends from retained earnings			(12,405)		(12,405)				(12,405)
Bonus to directors			(665)		(665)				(665)
Net income			16,009		16,009				16,009
Acquisition and sales of treasury stocks		7		(393)	(386)				(386)
Decrease as a result of deconsolidation of equity method affiliates			(4,582)		(4,582)				(4,582)
Others			682		682				682
Net increase (decrease) during the term, except for items under shareholders' equity					-	3,447	14,009	13,695	31,151
Total	-	7	(961)	(393)	(1,347)	3,447	14,009	13,695	29,804
Balance at December 31, 2006	324,625	498,026	(41,446)	(1,858)	779,347	185,665	(31,858)	186,725	1,119,879

Part II. Explanation of Financial Results

1. Overview

Business Environment

During the third quarter of fiscal 2006 (October 1 – December 31, 2006) there was continued stability in the business environment in which the Fujitsu Group operates, although there was a certain degree of deceleration due to such factors as concerns over a possible slowdown in the US economy and weakened consumer spending in Japan. Nevertheless, the overall global economy showed solid growth, and capital investment by corporations in Japan continued to expand.

Spending on IT services remained robust both in Japan and overseas, and we perceived a strengthening of customer sentiment toward more active investment in IT. At the same time, however, there has been an increasing shift to lower price points as performance improves for products like servers and storage systems, and there was a temporary lull in investment in mobile phone base stations. In addition, potential buyers of PCs and peripherals postponed their purchases in advance of the launch of the Windows Vista operating system, and competition intensified in digital consumer electronics products such as flat-screen televisions.

Going forward, in order to capitalize on the favorable economic environment and heightened interest in IT investment, we are taking measures to increase the speed of our business execution. As management and IT become more closely integrated, the role of IT systems in improving management is assuming greater importance. The Fujitsu Group will strive to grow together with our customers as their IT partner by redoubling our efforts to act in a customer-centric manner and to serve as model for them by pressing ahead with implementation of the most advanced technologies and services in our own operations.

Third-Quarter Summary

	(Billion Yen)			
	Third Quarter FY 2006 <i>10/1/06-12/31/06</i>	Third Quarter FY 2005 <i>10/1/05-12/31/05</i>	Change	<i>Change from October 2006 Projections</i>
Net Sales	1,197.6	1,121.4	76.1	-52.3
[% change vs. same period in prior fiscal year]	[6.8%]	[7.5%]		
Operating Income	7.1	12.5	-5.4	-7.8
[Operating Income Margin]	[0.6%]	[1.1%]	[-0.5%]	[-0.6%]
Net Income	1.1	3.3	-2.2	

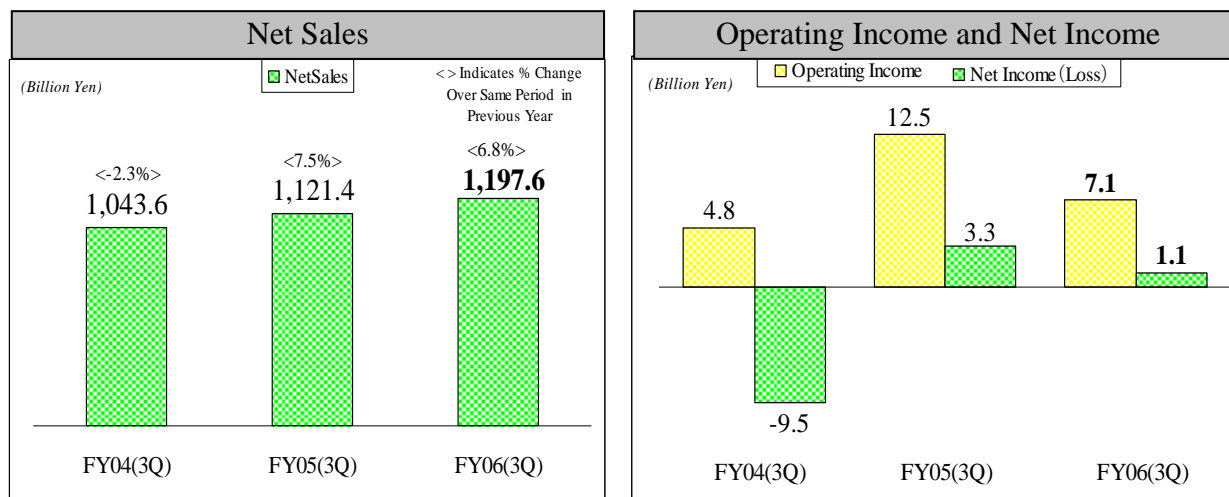
Nine-Month Cumulative Summary

	(Billion Yen)		
	First 9 Months FY 2006 <i>4/1/06-12/31/06</i>	First 9 Months FY 2005 <i>4/1/05-12/31/05</i>	Change
Net Sales	3,559.9	3,313.7	246.1
[% change vs. same period in prior fiscal year]	[7.4%]	[1.5%]	
Operating Income	57.7	60.1	-2.4
[Operating Income Margin]	[1.6%]	[1.8%]	[-0.2%]
Net Income	16.0	11.0	4.9

2. FY 2006 Third-Quarter Financial Results

Note: Throughout these explanatory materials, yen figures are converted to U.S. dollars for convenience only at a uniform rate of \$1 = 119 yen, which was the approximate Tokyo foreign exchange market rate at December 31, 2006.

Profit and Loss



Consolidated net sales for the third quarter were 1,197.6 billion yen (US\$10,064 million), up 6.8% compared to the third quarter of fiscal 2005. Outside Japan, sales increased by 14.0% compared to the previous year. While sales of LSI devices were sluggish, IT services sales continued to increase in the UK and, as a result of expanded operations resulting from acquisitions, in North America. Overseas sales of hard disk drives (HDDs), optical transmission systems, and UNIX servers also increased. Third-quarter sales in Japan increased 2.6% over the same period in the previous year. PCs and mobile phone base stations posted lower sales, but sales of IT services, primarily to the financial services, manufacturing, and retailing industries, were solid, and sales of electronic components also increased.

Consolidated operating income was 7.1 billion yen (US\$60 million), a decrease of 5.4 billion yen compared to last year's third quarter. While gross profit increased by 10.5 billion yen, selling, general and administrative expenses increased by 16.0 billion yen. Operating profitability in services and other businesses benefited from higher sales, but lower sales of PCs and LSI devices as a result of the deterioration in market conditions had a negative impact on profitability in those businesses, and there was an intensification of global price competition in HDDs and optical transmission systems. As a result, costs as a ratio of sales worsened by seven-tenths of a percentage point over last year's third quarter, to 75.7%. The increase in selling, general and administrative expenses was attributable to the growth in outsourcing services in the UK and the expanded scale of North American operations as a result of acquisitions, as well as continued aggressive upfront strategic investments in both our hardware and software businesses in Japan, primarily in the Technology Solutions segment.

In other income (expenses), as a result of pension system revisions that took place in September 2005 and the effect of the rise in stock prices that occurred at the end of fiscal 2005, there was a substantial year-on-year reduction in the amortization of unrecognized obligation for retirement benefits. Moreover, there was an increase in investment gains under net equity in earnings of affiliated companies.

Gains were recorded in conjunction with the initial public offering of consolidated subsidiary NIFTY Corporation in accordance with the sale of a portion of Fujitsu's equity holdings in the company and the allocation of new shares to third parties. As a result, we recorded a gain of 7.6 billion yen on sales of marketable securities and a 2.1 billion gain on change in interest. We also posted a loss of 2.2 billion yen from the sale of a portion of our shareholdings in Spansion Inc., which underwent an initial public offering in December 2005. With this sale, the ratio of Fujitsu's

ownership in Spansion has fallen below 20%, and starting in this third-quarter period results from Spansion are no longer consolidated under the equity method.

Consolidated net income for the third quarter was 1.1 billion yen (US\$10 million), a decrease of 2.2 billion yen compared to the third quarter of fiscal 2005. The decrease in net income is partly attributable to a higher tax rate compared to the previous year, in which the tax rate was lower as a result of the loss recorded in conjunction with Spansion Inc.'s initial public offering.

Comparison with Projections Announced in October

Because of the impact of intensified price competition and the deterioration of market conditions in PCs and LSI devices, net sales were 52.3 billion yen lower than the projected amount announced in October 2006.

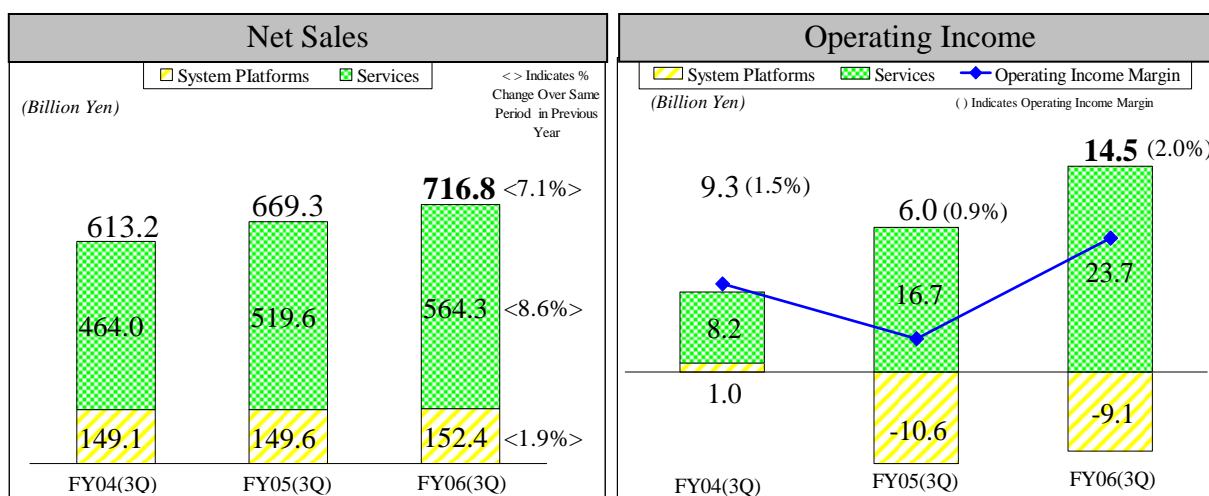
Operating income was 7.8 billion yen lower than projected as a result of the impact of lower sales in some businesses and intensified price competition in areas such as HDDs.

Results by Business Segment

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

Note: In accordance with changes in the allocation of operating expenses implemented from the first half of fiscal 2006, figures from previous fiscal years are restated for purposes of comparison.

1) Technology Solutions



	Third Quarter FY 2006 (Billion Yen)	% Change from 3Q FY 2005
Net Sales	716.8	7.1%
Japan	443.6	0.1%
Overseas	273.1	20.8%

Total from First 9 Months of FY 2006 (Billion Yen)	% Change from First 9 Months of FY 2005
2,145.4	6.6%
1,386.5	-0.5%
758.9	22.4%

	Third Quarter FY 2006 (Billion Yen)	Change from 3Q FY 2005 (Billion Yen)
Operating Income	14.5	8.5

Total from First 9 Months of FY 2006 (Billion Yen)	Change from First 9 Months of FY 2005 (Billion Yen)
51.0	7.8

Consolidated net sales in this segment were 716.8 billion yen (US\$6,024 million), up 7.1% over the same period in fiscal 2005. In Japan, while sales in areas such as mobile phone base stations declined, sales in our services business increased, contributing to overall results that were roughly on par with the third quarter of the previous year. Overseas, sales of IT services continued to increase in the UK and, as a result of expanded operations resulting from acquisitions, in North America. Overseas sales of optical transmission systems and UNIX servers also increased. As a result of these factors, there was a significant 20.8% year-on-year increase in overall overseas sales for the third quarter.

Operating income for the segment was 14.5 billion yen (US\$122 million), an increase of 8.5 billion yen compared with the third quarter of last year. In addition to severe price competition for optical transmission systems and server-related systems, profitability continued to be affected by strategic upfront investments. The effect of higher sales in our services business and improved profitability from increased efficiency in system development in our systems integration business, as well as cost efficiencies generated by our manufacturing innovation efforts, resulted in overall operating income for the segment exceeding that of the third quarter of fiscal 2005.

(1) System Platforms

	Third Quarter FY 2006 (Billion Yen)	% Change from 3Q FY 2005	Total from First 9 Months of FY 2006 (Billion Yen)	% Change from First 9 Months of FY 2005
Net Sales	152.4	1.9%	491.1	1.8%
Japan	104.0	-1.7%	341.5	-2.4%
Overseas	48.4	10.5%	149.5	13.2%

	Third Quarter FY 2006 (Billion Yen)	Change from 3Q FY 2005 (Billion Yen)	Total from First 9 Months of FY 2006 (Billion Yen)	Change from First 9 Months of FY 2005 (Billion Yen)
Operating Income	-9.1	1.5	-14.3	-6.3

Net sales in the System Platforms sub-segment were 152.4 billion yen (US\$1,281 million), an increase of 1.9% over the third quarter of fiscal 2005. In Japan, reduced sales in such areas as mobile phone base stations resulted in a decrease in sales of 1.7% over the same quarter last year. Overseas, higher sales of UNIX servers in North America and optical transmission systems, particularly in the UK, contributed to a 10.5% increase in sales over the same period in fiscal 2005.

Sales of UNIX servers increased, but price competition intensified. Likewise, in the third quarter pricing pressures increased in our optical transmission systems business in the North American market, where sales had been strong.

System Platforms recorded a third-quarter operating loss of 9.1 billion yen (US\$77 million), which was, however, a 1.5 billion yen improvement over the loss in the third quarter of the previous fiscal year. Price competition in such areas as optical transmission systems and server-related systems further intensified, and outlays associated with strategic upfront investments continued to be heavy. In particular, development expenses increased for new products and projects for Next-Generation Networks* in the US and the UK. However, due to improvements in quality and cost efficiency from manufacturing innovation initiatives, overall losses for the sub-segment narrowed.

In December 2006, we began shipment of a PC server with the world's smallest footprint, world-class low-noise operation and low power consumption. Moving forward, in addition to high performance and reliability, we will provide more products with improved environmental considerations, and a broad lineup of servers for small-, mid- and large-sized enterprises.

* Next Generation Network (NGN): Next generation networks are built entirely using Internet Protocol. The purpose of these networks is to integrate Internet and other services of the IP network with what currently are separate fixed line networks in order to provide integrated communication, broadcasting, authentication and other services.

(2) Services

	Third Quarter FY 2006 (Billion Yen)	% Change from 3Q FY 2005
Net Sales	564.3	8.6%
Japan	339.6	0.7%
Overseas	224.7	23.3%

Total from First 9 Months of FY 2006 (Billion Yen)	% Change from First 9 Months of FY 2005
1,654.2	8.0%
1,044.9	0.2%
609.3	24.9%

	Third Quarter FY 2006 (Billion Yen)	Change from 3Q FY 2005 (Billion Yen)
Operating Income	23.7	6.9

Total from First 9 Months of FY 2006 (Billion Yen)	Change from First 9 Months of FY 2005 (Billion Yen)
65.3	14.1

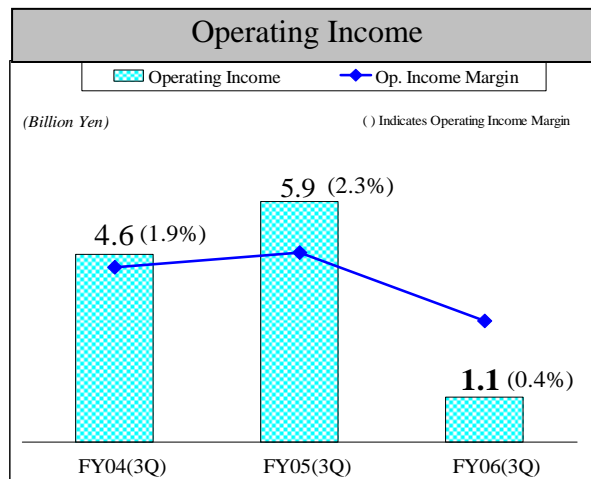
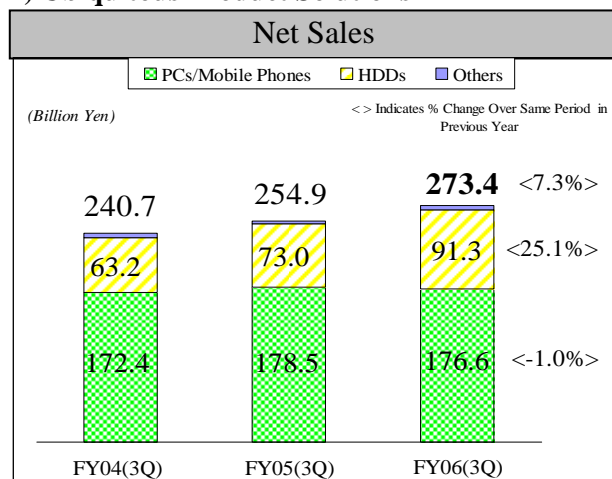
Net sales in the Services sub-segment were 564.3 billion yen (US\$4,743 million), up 8.6% over the same period a year earlier. In Japan, sales of outsourcing and systems integration services increased, particularly in the financial services, manufacturing and retail sectors. Additionally, there was heightened IT investment sentiment in the healthcare field. Overseas, continued growth in our services business in the UK and, as a result of an expanded scale of operations from acquisitions, in North America contributed to a significant 23.3% increase over the third quarter of fiscal 2005.

Operating income for Services was 23.7 billion yen (US\$199 million), an increase of 6.9 billion yen over the same period last year. In Japan, strategic expenses due to intensified proposal activities for our systems integration business increased, but these higher expenses were offset by progress in our efforts to boost system development efficiency, resulting in increased profitability overall. Overseas operations continued to record solid profits.

In December 2006, NIFTY Corporation, our consolidated subsidiary engaged in Internet services, underwent an initial public offering. In addition to allocating shares to third parties, we also sold a portion of our shareholdings in the company. Moving forward, with greater managerial independence and latitude, NIFTY Corporation will provide customers with new types of value-added services and solutions that more precisely reflect customer needs and thereby help to raise the corporate value of the Fujitsu Group.

In January 2007, our UK subsidiary Fujitsu Services acquired the German IT services company TDS, which is engaged in business areas such as operational outsourcing services and consulting. This acquisition will enable us to strengthen our presence in the German market as we strive for further growth in this major European market.

2) Ubiquitous Product Solutions



	Third Quarter FY 2006 (Billion Yen)	% Change from 3Q FY 2005
Net Sales	273.4	7.3%
Japan	161.6	1.5%
Overseas	111.7	16.9%

Total from First 9 Months of FY 2006 (Billion Yen)	% Change from First 9 Months of FY 2005
802.0	6.5%
496.7	1.7%
305.3	15.2%

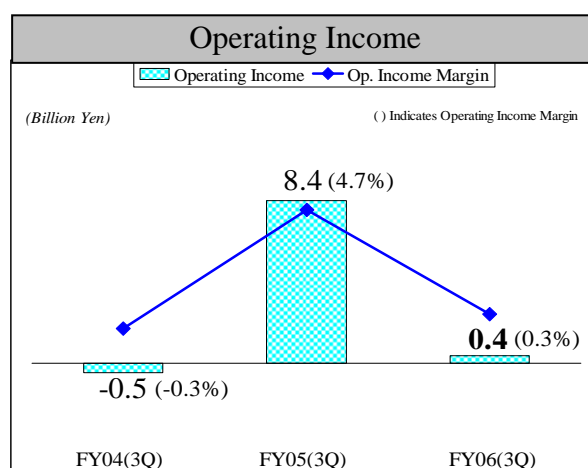
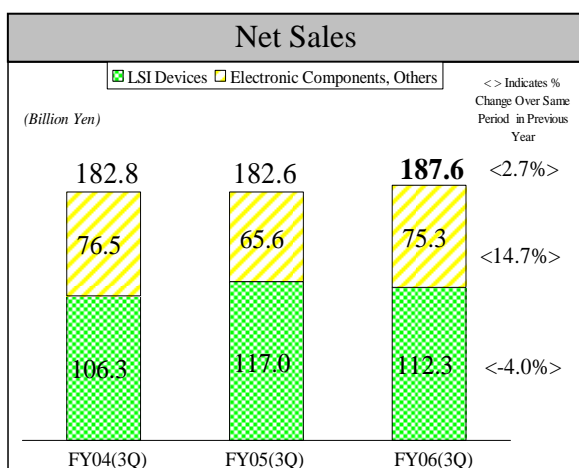
	Third Quarter FY 2006 (Billion Yen)	Change from 3Q FY 2005 (Billion Yen)
Operating Income	1.1	-4.8

Total from First 9 Months of FY 2006 (Billion Yen)	Change from First 9 Months of FY 2005 (Billion Yen)
21.1	-1.5

Consolidated net sales in this segment were 273.4 billion yen (US\$2,298 million), up 7.3% over the third quarter of the previous year. In Japan, sales were adversely affected by postponed consumer purchases of PCs prior to the release of Windows Vista, but these effects were offset by relatively solid sales trends in mobile phones, contributing to overall domestic sales for the segment that were on par with the third quarter of fiscal 2005. Overseas, HDD and PC price competition intensified, but we achieved record unit shipments of HDDs for both notebook PCs and servers, resulting in a 16.9% increase in overseas sales.

Operating income for the segment was 1.1 billion yen (US\$9 million), a decrease of 4.8 billion yen from the third quarter of the previous year. Although higher sales made a positive contribution to profitability in HDDs and mobile phones, and manufacturing innovation initiatives resulted in improvements in cost efficiency and quality, there was a reduction in consumer demand for PCs in Japan while consumers waited for the Windows Vista launch, and PCs for corporate customers were impacted by intensified price competition. Additionally, despite having gained a greater share of the server HDD market due to the effect of mergers by our competitors and our own efforts to improve quality, aggressive pricing by competitors in the notebook PC HDD market adversely affected our profitability.

3) Device Solutions



	Third Quarter FY 2006 (Billion Yen)	% Change from 3Q FY 2005	Total from First 9 Months of FY 2006 (Billion Yen)	% Change from First 9 Months of FY 2005
Net Sales	187.6	2.7%	564.5	8.8%
Japan	114.0	13.7%	329.7	13.3%
Overseas	73.5	-10.7%	234.8	3.2%

	Third Quarter FY 2006 (Billion Yen)	Change from 3Q FY 2005 (Billion Yen)	Total from First 9 Months of FY 2006 (Billion Yen)	Change from First 9 Months of FY 2005 (Billion Yen)
Operating Income	0.4	-8.0	16.5	-4.4

Net sales in Device Solutions were 187.6 billion yen (US\$1,577 million), a 2.7% increase over the third quarter of the previous year. On a quarterly basis, year-on-year sales growth sharply declined from the 13.0% and 11.5% growth recorded in the first and second quarters, respectively. Although the start of full-scale volume production from the 300mm wafer line at our Mie Plant this fiscal year and higher sales of electronic components contributed to revenues, intensified competition in digital consumer electronics constrained growth in sales of standard technology logic devices. Also, in addition to unstable demand for advanced technology devices, there were lower sales of system memory products for mobile phones overseas, resulting in sluggish sales growth overall.

Operating income for Device Solutions was 0.4 billion yen (US\$4 million), a decline of 8.0 billion yen compared to the third quarter of the previous year. Higher sales of electronic components contributed to profitability, but this was offset by sluggishness in standard technology logic devices and unstable demand for advanced logic devices, along with higher amortization and development costs associated with the expansion of the Mie Plant's 300mm wafer line.

In the third quarter, we sold a portion of our shareholdings in Spansion Inc., a Flash memory joint venture with AMD that subsequently underwent an initial public offering in December 2005. After the sale, Fujitsu's share of ownership was reduced to less than 20%, and so the company is no longer an equity-method affiliate.

At our Mie Plant, a second 300mm wafer production facility (Fab No. 2), employing 65nm technology, is currently under construction and scheduled to commence operations in April of 2007. Progress in product development and ramp-up to volume production are proceeding according to schedule. Capitalizing on these capabilities, we seek to serve as a strategic business partner to our customers and contribute to their success by providing a wide range of optimized solutions, including high-performance products based on cutting-edge technologies.

3. Financial Condition

Assets, Liabilities and Net Assets

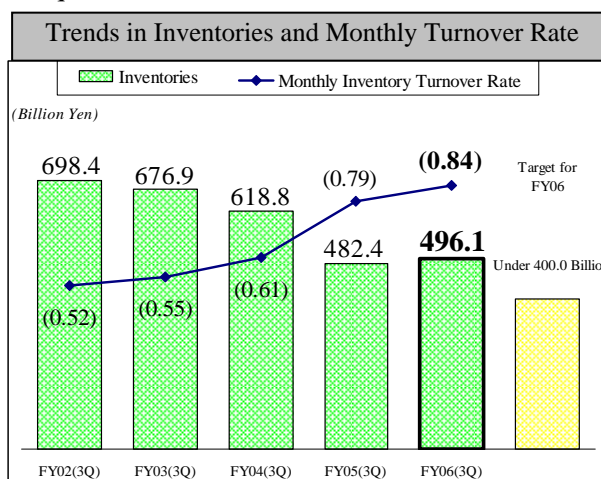
(Billion Yen)

	Third Quarter FY 2006	Change from Third Quarter FY 2005
Total assets	3,787.8	155.8
[Inventories]	[496.1]	[13.7]
Interest-bearing loans	854.1	-179.6
[Net interest-bearing loans]	[612.4]	[-45.4]
Net assets	1,119.8	106.1
[Shareholders' equity]	[779.3]	[52.7]

D/E ratio	0.92	-0.30
[Net D/E ratio]	[0.66]	[-0.12]

Total assets at the end of the third quarter were 3,787.8 billion yen, an increase of 155.8 billion yen over the balance at the end of last year's third quarter.

Although cash and cash equivalents decreased, primarily as a result of bond retirement, trade receivables increased as a result of growth in third-quarter sales, and property, plant and equipment less accumulated depreciation increased due to capital investment. Inventories stood at 496.1 billion yen at the end of the third quarter, an increase of 13.7 billion yen over the end of the same period in the preceding fiscal year, but the monthly inventory turnover rate, which is a measure of asset utilization efficiency, improved by 0.05, to 0.84 times.



Total liabilities were 2,667.9 billion yen, an increase of 49.7 billion yen over the same period a year ago. However, interest-bearing loans totaled 854.1 billion yen, a reduction of 179.6 billion yen compared to the end of the third quarter of the preceding fiscal year, primarily as a result of bond retirement.

Net assets totaled 1,119.8 billion yen, an increase of 106.1 billion yen over the balance at the end of the prior year's third quarter. The shareholders' equity ratio stood at 20.6%, and the D/E ratio was 0.92.

Summary of Cash Flows

(Billion Yen)

	Third Quarter FY 2006	Change from Third Quarter FY 2005
Cash flows from operating activities	-79.7	-86.3
Cash flows from investing activities	-52.9	-14.2
Free cash flow	-132.7	-100.6
Cash flows from financing activities	-41.2	31.7

Change excluding impact of one-time benefit due to non-trading days at end of 1H FY06

-11.1
7.2
-3.9

Net cash used in operating activities in the third quarter was 79.7 billion yen, an increase in cash outflows of 86.3 billion yen over the same period in fiscal 2005. Excluding the impact of a one-time benefit from non-trading days at the end of the first half, which resulted in payments on trade and other payables being pushed into the third quarter, cash outflows increased by 11.1 billion yen. The increase in cash outflows was primarily attributable to a build-up of inventories in preparation for sales in the fourth quarter and an increase in payment of sales expenses.

Net cash used in investing activities was 52.9 billion yen, an increase in cash outflows of 14.2 billion yen over the third quarter of the previous year. However, excluding the impact of the one-time benefit due to non-trading days at the end of the first half, as well as 33.6 billion yen in gains on sales of stock in NIFTY Corporation, Spansion Inc. and others, cash outflows increased by 26.4 billion yen, primarily for capital investment.

Free cash flow, the sum of operating and investing cash flows, was negative 132.7 billion yen. This represents an increase in cash outflows of 100.6 billion yen compared to the third quarter of the previous fiscal year. Excluding the impact of the one-time benefit from non-trading days at the end of the first half and proceeds from stock sales, cash outflows in effect increased by 37.5 billion yen (11.1 billion yen in cash flow from operating activities, 26.4 billion yen in cash flow from investing activities) compared to the previous year.

Net cash used in financing activities was 41.2 billion yen, primarily resulting from 50.0 billion yen in corporate bond debt repayments.

The balance of cash and cash equivalents at the end of the quarter was 243.4 billion yen, a decrease of 172.1 billion yen compared to the end of the first half of the fiscal year.

4. Financial Results for the First Nine Months of Fiscal 2006

Profit and Loss

	First 9 Months of FY 2006 (Billion Yen)	% Change from First 9 Months of FY 2005
Net Sales	3,559.9	7.4%
Japan	2,231.8	2.4%
Overseas	1,328.1	17.1%

	First 9 Months of FY 2006	Change from First 9 Months of FY 2005 (Billion Yen)
Operating Income	57.7	-2.4

Consolidated net sales for the first nine months of fiscal 2006 were 3,559.9 billion yen (US\$29,915 million), an increase of 7.4% over the comparable period last year. Sales in Japan increased 2.4% over the previous year, as lower sales of mobile phone base stations and PCs were offset by solid sales trends in the services business as well as higher sales of logic LSI devices and electronic components. Overseas sales increased by 17.1%, driven by higher sales of services in the UK and North America as well as higher sales of HDDs, optical transmission systems, UNIX servers, and electronic components.

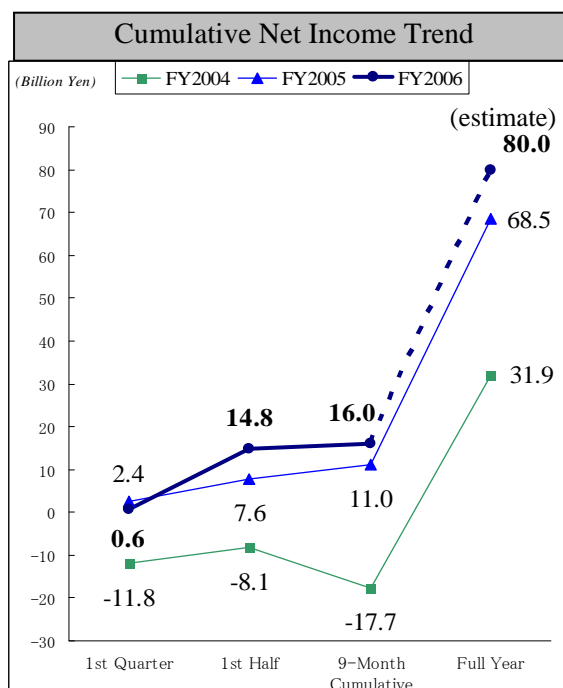
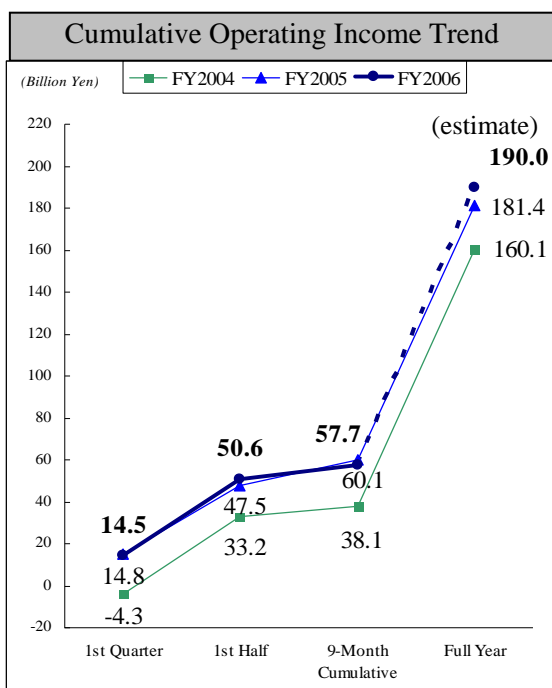
Consolidated operating income was 57.7 billion yen (US\$485 million), a decrease of 2.4 billion yen from the same period in fiscal 2005. While gross profit increased by 42.7 billion yen, selling, general and administrative expenses increased by 45.1 billion yen.

Higher sales in our services business and other areas had a positive impact on profitability. However, consumers postponed purchases prior to the launch of Windows Vista, and there was deterioration in market conditions for logic LSI devices, resulting from intensified price competition in the field of digital home appliances. Moreover, there was intensified price competition globally in such areas as HDDs and optical transmission systems. On the other hand, we made continued progress in generating cost efficiencies through our manufacturing innovation efforts, as well as initiatives to improve systems development efficiency. Selling, general and administrative expenses increased as a result of the expanded scale of our business overseas and strategic upfront investments.

In other income (expenses), in addition to a reduction in the amortization of unrecognized obligation for retirement benefits, there was an increase in investment gains under net equity in earnings of affiliated companies and, as a result of a reduction in interest-bearing loans, an improvement in net interest expenses.

In conjunction with the initial public offering of consolidated subsidiary NIFTY Corporation, we posted a gain on the sale of marketable securities and a gain on the change in interest, and we also posted a loss on the sale of marketable securities from the sale of a portion of our shareholdings in Spansion Inc.

Consolidated net income for the first nine months of fiscal 2006 was 16.0 billion yen (US\$135 million), an increase of 4.9 billion yen over the comparable period in the previous year.



Summary of Cash Flows

(Billion Yen)

	FY 2006			Change from FY 2005		
	First Half	Third Quarter	First 9 Months	First Half	Third Quarter	First 9 Months
Cash flows from operating activities	184.0	-79.7	104.2	41.0	-86.3	-45.3
Cash flows from investing activities	-119.0	-52.9	-171.9	-14.8	-14.2	-29.0
Free cash flow	65.0	-132.7	-67.6	26.2	-100.6	-74.4
Cash flows from financing activities	-73.5	-41.2	-114.7	-58.3	31.7	-26.6

Regarding the Impact of Non-Trading Days at the End of the First Half of Fiscal 2006

Impact
(Billion Yen)

Cash flows from operating activities	75.2
Cash flows from investing activities	21.4
Free cash flow	96.7

In the first-half fiscal 2006 financial results announcement on October 26, 2006, it was stated that payments on trade and other payables would be pushed into the third quarter because there were non-trading days that coincided with the end of the first-half period. This would result in an impact of approximately 80.0 billion yen, approximately 60.0 billion yen in relation to cash flows from operating activities and a further 20.0 billion yen in relation to cash flows from investing activities. After a careful examination of all debts and credits, however, it was determined that the total impact was 96.7 billion yen, 75.2 billion yen on operating cash flows and 21.4 billion yen on investing cash flows.

First-half fiscal 2006 cash flows from operating activities increased by 41.0 billion yen compared with the first half of fiscal 2005. Outflows during the period effectively increased by 18.2 billion yen if the 75.2 billion yen impact on operating cash flows resulting from the non-trading days at the end of the first half and the gain of 15.9 billion yen from settlement of litigation are excluded.

5. FY 2006 Earnings Projections

At the end of the third quarter, supported by solid trends in our services business both in Japan and overseas, performance in Technology Solutions, our leading business segment, is on a favorable course. However, year-end sales campaigns for digital consumer electronics and other products brought intensified price competition, and consumers postponed personal computer purchases in advance of the introduction of Windows Vista, which did not ship until January. Stiffening price competition in the digital consumer electronics field has also impacted our logic LSI devices business. Moreover, amid the shift to Next-Generation Networks (NGN) by telecommunications carriers worldwide, our upfront investments are resulting in heavier outlays.

Regarding full-year consolidated earnings for fiscal 2006, we are now projecting net sales to be 100.0 billion yen less than the amount projected at the time of our first-half financial results in October 2006. This revision takes into account the rapid deterioration of market conditions in LSI devices in the third quarter as well as the effect on sales of postponed personal computer purchases. While we will make every effort to increase PC sales through the introduction of new products in the fourth quarter, at this point in time prospects for recovery in the LSI devices market remain unclear. In Technology Solutions, which is performing well, particularly in our services business, there is also uncertainty, especially with regard to the investment plans of overseas telecommunications carriers. Finally, there is some uncertainty relating to our system products and systems integration businesses, where sales and income are generally concentrated at the end of the fiscal year.

Based on the expectation that the deterioration of the LSI devices market will continue for some time, we have lowered operating income projections for the Device Solutions segment by 10.0 billion yen. We are, however, implementing company-wide cost cutting and expense reduction measures and are maintaining the previously announced 190.0 billion yen overall operating income projection for the full year.

We will continue to make every effort to achieve the profit targets we set at the beginning of the year, and to marshal the full capabilities of the entire Fujitsu Group to provide outstanding products and services that contribute to our customers' management and business.

	FY 2006 (Forecast)	Change from October 2006 Projections	(Billion Yen) FY 2005 (Actual Results)
Net Sales	5,100.0	-100.0	4,791.4
Operating Income	190.0	-	181.4
Net Income	80.0	-	68.5

Note: 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, etc.)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships relating to collaborations, alliances and technical provisions
- Potential emergence of unprofitable projects
- Changes in accounting policies

Part III: Supplementary Information

1. Consolidated Business Segment Information

(1) Net Sales* and Operating Income

		Yen (billions)		Change (Billion Yen)	Yen (billions)		Change (%) FY05 to Revised FY06
		FY 2006 (Forecast)			FY 2005		
		Previous**	Revised		(Actual)		
Technology Solutions							
Japan	Y	2,150.0	2,150.0	-	2,092.2	+2.8	
Overseas		1,030.0	1,030.0	-	891.6	+15.5	
Total		3,180.0	3,180.0	-	2,983.9	+6.6	
Operating Income		175.0	175.0	-	153.0	+14.4	
[Operating Income Margin]		[5.5%]	[5.5%]		[5.1%]		
<i>System Platforms</i>							
Operating Income		20.0	20.0	-	24.5	-18.6	
[Operating Income Margin]		[2.7%]	[2.7%]		[3.4%]		
<i>Services</i>							
Operating Income		155.0	155.0	-	128.4	+20.7	
[Operating Income Margin]		[6.4%]	[6.4%]		[5.7%]		
Ubiquitous Product Solutions							
Japan		730.0	700.0	-30.0	700.8	-0.1	
Overseas		430.0	410.0	-20.0	359.0	+14.2	
Total		1,160.0	1,110.0	-50.0	1,059.9	+4.7	
Operating Income		30.0	30.0	-	34.8	-13.8	
[Operating Income Margin]		[2.6%]	[2.7%]		[3.3%]		
Device Solutions							
Japan		460.0	440.0	-20.0	399.0	+10.3	
Overseas		350.0	320.0	-30.0	308.4	+3.7	
Total		810.0	760.0	-50.0	707.5	+7.4	
Operating Income		30.0	20.0	-10.0	29.5	-32.2	
[Operating Income Margin]		[3.7%]	[2.6%]		[4.2%]		
Other Operations							
Japan		350.0	350.0	-	336.5	+4.0	
Overseas		120.0	120.0	-	110.8	+8.3	
Total		470.0	470.0	-	447.3	+5.1	
Operating Income		10.0	10.0	-	7.6	+30.2	
[Operating Income Margin]		[2.1%]	[2.1%]		[1.7%]		
Elimination							
Sales		(420.0)	(420.0)	-	(407.3)	-	
Operating Income		(55.0)	(45.0)	+10.0	(43.5)	-	
Total							
Japan		3,360.0	3,310.0	-50.0	3,199.8	+3.4	
Overseas		1,840.0	1,790.0	-50.0	1,591.5	+12.5	
Total		5,200.0	5,100.0	-100.0	4,791.4	+6.4	
Operating Income	Y	190.0	190.0	-	181.4	+4.7	
[Operating Income Margin]		[3.7%]	[3.7%]		[3.8%]		

Notes:

* Includes intersegment sales.

** Previous forecast as of October 26, 2006.

*** Operating income figures for FY 2005 have been restated for comparison purposes with new method of allocating operating expenses, which has been introduced this fiscal year.

(2) Net Sales* by Principal Products and Services

	Yen (billions)			Yen (billions)	
	FY 2006 (Forecast)		Change (Billion Yen)	FY 2005 (Actual)	Change (%)
	Previous**	Revised			
Technology Solutions					
System Products	Y 380.0	380.0	-	354.2	+7.3
Network Products	370.0	370.0	-	363.4	+1.8
<i>System Platforms</i>	750.0	750.0	-	717.6	+4.5
Solutions / SI	1,090.0	1,090.0	-	1,020.4	+6.8
Infrastructure Services	1,120.0	1,120.0	-	1,037.2	+8.0
Others	220.0	220.0	-	208.5	+5.5
<i>Services</i>	2,430.0	2,430.0	-	2,266.2	+7.2
Total	3,180.0	3,180.0	-	2,983.9	+6.6
Ubiquitous Product Solutions					
PCs / Mobile Phones	800.0	760.0	-40.0	756.6	+0.4
Hard Disk Drives	340.0	330.0	-10.0	285.4	+15.6
Others	20.0	20.0	-	17.8	+11.8
Total	1,160.0	1,110.0	-50.0	1,059.9	+4.7
Device Solutions					
LSI Devices	510.0	460.0	-50.0	460.1	-0.0
Electronic Components, Others	300.0	300.0	-	247.4	+21.2
Total	Y 810.0	760.0	-50.0	707.5	+7.4

Notes:

* Includes intersegment sales.

** Previous forecast as of October 26, 2006.

2. R&D Expenses

	Yen (billions)			Change (Billion Yen)	Yen (billions)
	FY 2006 (Forecast)		FY 2005 (Actual)		
	Previous*	Revised			
Y	255.0	255.0	-	241.5	
As % of sales	4.9%	5.0%	+0.1%	5.0%	

3. Capital Expenditures, Depreciation

	Yen (billions)			Change (Billion Yen)	Yen (billions)
	FY 2006 (Forecast)		FY 2005 (Actual)		
	Previous*	Revised			
Capital Expenditures					
Technology Solutions	Y	120.0	120.0	-	93.1
Ubiquitous Product Solutions		30.0	30.0	-	19.4
Device Solutions		180.0	180.0	-	115.5
Corporate and others		20.0	20.0	-	21.8
Total		350.0	350.0	-	249.9
Japan		290.0	290.0	-	190.6
Overseas		60.0	60.0	-	59.3
Depreciation	Y	220.0	220.0	-	169.8

4. Cash Flows

	Yen (billions)			Change (Billion Yen)	Yen (billions)
	FY 2006 (Forecast)		FY 2005 (Actual)		
	Previous*	Revised			
(A) Cash flows from operating activities	Y	530.0	530.0	-	405.5
[Net income]		[80.0]	[80.0]	-	[68.5]
[Depreciation **]		[300.0]	[300.0]	-	[242.3]
[Others]		[150.0]	[150.0]	-	[94.6]
(B) Cash flows from investing activities		(360.0)	(360.0)	-	(234.6)
(C) Free cash flow (A)+(B)		170.0	170.0	-	170.8
(D) Cash flows from financing activities		(170.0)	(170.0)	-	(207.8)
(E) Total (C)+(D)	Y	0.0	0.0	-	(36.9)

5. Exchange Rates

Forecast Average Rates for

4th Quarter of FY 2006			Change
Previous*	Revised		
\$1=115 yen	\$1=115 yen		-
€1=135yen	€1=145yen		+10 yen
£1=200yen	£1=220yen		+20 yen

6. PC Shipments

FY 2006 (Forecast)			Change	(Million Units)
Previous*	Revised			FY 2005
9.00	8.80	-0.20	8.25	

7. Mobile Phone Shipments

FY 2006 (Forecast)			Change	(Million Units)
Previous*	Revised			FY 2005
3.50	3.90	+0.40	3.62	

8. HDD Production

FY 2006 (Forecast)			Change	(Million Units)
Previous*	Revised			FY 2005
33.00	31.00	-2.00	25.21	

Notes:

* Previous forecast as of October 26, 2006.

** Including amortization of goodwill.