

Part II. Explanation of Financial Results

1. Overview

Business Environment

There was an overall trend toward stability in the business environment in which we operated in the third quarter. Although impacted by soaring crude oil prices worldwide, there was stable growth in the global economy, driven by robust expansion in the United States and China. In the Japanese economy as well, increased corporate earnings and a recovery in consumer spending have supported gradual, though not buoyant, growth.

IT investment outside Japan has continued to show strength, led primarily by global corporations. While such investment has lacked vigor in Japan, there has been increasing IT investment activity on the part of some corporations seeking to maintain their future competitiveness. Particularly in fields such as telecommunications and finance, where IT supports mission-critical operations, there has been a marked inclination toward greater IT investment. Moreover, with respect to system requirements, in addition to stability and reliability there has been increasing demand for higher levels of system scalability and, along with this, a rapid expansion of security-related needs. At the same time, with intensifying global competition in the IT market, the business environment in which the Fujitsu Group operates remains severe.

Today, with IT playing an increasingly vital role as basic infrastructure for society and corporations, stable system operation is a greater concern than ever before. We have a renewed awareness of the great responsibility that Fujitsu bears in supporting the important infrastructure of our customers. Based on this common awareness, all Fujitsu employees are striving to ensure that our customers' systems are operating on a stable basis and to further solidify their trust in us. Committed to earning our customers' trust as a true partner in the management and operation of their businesses, we will unceasingly strive to provide more efficient solutions based on top-caliber technology and high-level services.

Third-Quarter Summary

(Billion Yen)

	Third Quarter FY 2005 <i>10/1/05-12/31/05</i>	Third Quarter FY 2004 <i>10/1/04-12/31/04</i>	Change
Net Sales (% change vs. same period in prior fiscal year)	1,121.4 (7.5%)	1,043.6 (-2.3%)	77.7
Operating Income (Operating Income Margin)	12.5 (1.1%)	4.8 (0.5%)	7.7 (0.6%)
Net Income	3.3	-9.5	12.9

*Change excluding
impact of change in
accounting policies
and restructuring*

(7.0%)

Nine-Month Cumulative Summary

(Billion Yen)

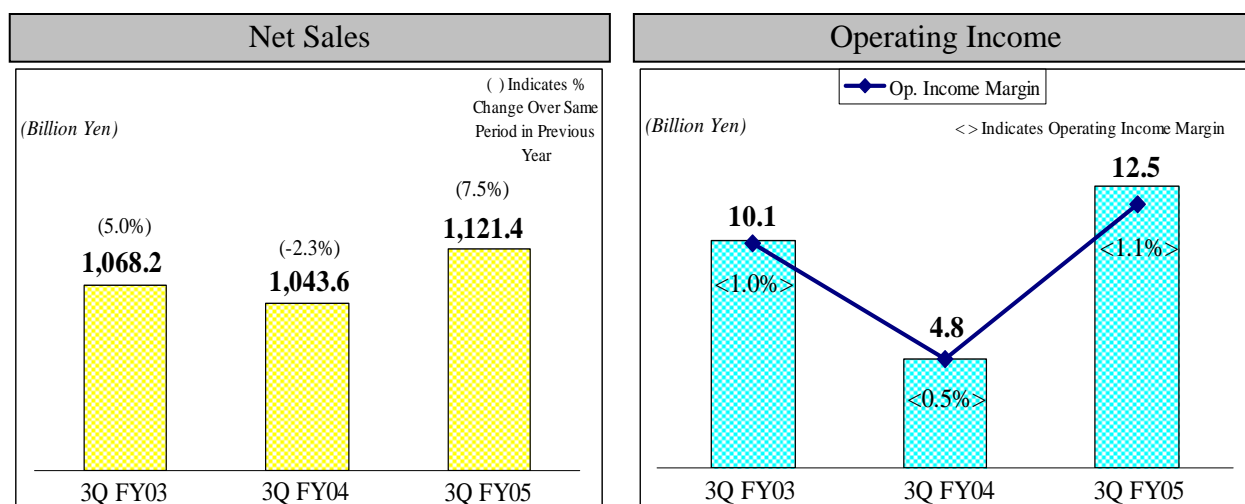
	First 9 Months FY 2005 4/1/05-12/31/05	First 9 Months FY 2004 4/1/04-12/31/04	Change
Net Sales	3,313.7	3,263.7	50.0
(% change vs. same period in prior fiscal year)	(1.5%)	(1.7%)	
Operating Income	60.1	38.1	22.0
(Operating Income Margin)	(1.8%)	(1.2%)	(0.6%)
Net Income	11.0	-17.7	28.7

Change excluding impact of change in accounting policies and restructuring

(2.2%)

2. FY 2005 Third-Quarter Financial Results

Profit and Loss



Note: Throughout these explanatory materials, yen figures 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 December 31, 2005.

Consolidated net sales for the third quarter were 1,121.4 billion yen (US\$9,504 million), up 7.5% compared to the third quarter of fiscal 2004. Excluding the impact of the change in accounting policies from this fiscal year and last year's transfer of our flat panel display businesses, net sales increased by 7.0%. In Japan, excluding the impact of the change in accounting policies, sales of solutions and systems integration services were approximately the same as in last year's third quarter. Although continued strong demand boosted sales of network products, servers and other system products posted lower sales. Outside Japan, however, sales of outsourcing services in the UK remained strong, and there were significantly higher sales of UNIX servers, PCs, hard disk drives (HDDs), and LSI devices.

Consolidated operating income was 12.5 billion yen (US\$107 million), an improvement of 7.7 billion yen over the third quarter of the previous fiscal year. The operating income margin for the quarter was 1.1%, a 0.6 percentage point improvement over the previous year. Excluding the impact of the change in accounting policies, results were roughly even with the prior year. The