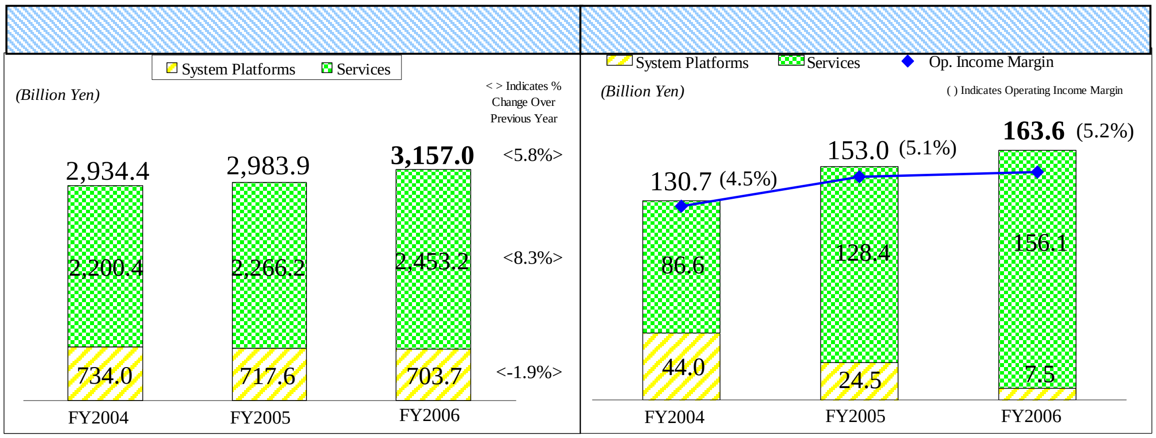
3. Results by Business Segment

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

Technology Solutions



Consolidated net sales in this segment, which includes the System Platforms and Services sub-segments, were 3,157.0.billion yen (US$26,754 million), up 5.8% over fiscal 2005. In Japan, despite strong sales in the Services sub-segment, sluggish sales of mobile phone base stations and server-related products led to a 0.2% decline for the segment as a whole. Overseas sales increased by 19.9% as a result of continued strength in outsourcing and other services as well as higher sales of UNIX servers and other products in Systems Platforms.

Operating income for the segment was 163.6 billion yen (US$1,386 million), an increase of 10.5 billion yen compared to the previous year. Although there was a decline in profitability in our optical transmission systems and retail solutions businesses in North America and our network business in the UK, higher Services earnings in Japan and overseas enabled us to post a more than 10.0 billion yen increase in overall operating income for Technology Solutions.

(1) System Platforms

Net sales in the System Platforms sub-segment were 703.7 billion yen (US$5,964 million), down 1.9% from fiscal 2005. In Japan, sales declined 4.5% compared to the previous year as a result of a decrease in sales of mobile phone base stations from their high level of the previous year and sluggish sales of servers and related products. Overseas, sales increased by 5.2% over the previous year, despite weak second-half sales of UNIX servers in the North American market in anticipation of new product launches and a deceleration in sales of optical transmission systems as telecommunications carriers shifted their investment priorities.

	FY 2006 (Billion Yen)	Change from FY 2005
Net Sales	703.7	-1.9%
Japan	502.9	-4.5%
Overseas	200.8	5.2%

System Platforms posted operating income of 7.5 billion yen (US$64 million), a decline of 17.0 billion yen from the previous fiscal year. Although we made progress in improving cost efficiency through stepped-up manufacturing innovation initiatives, these benefits were not enough to offset the impact of the decline in sales of mobile phone base stations in Japan from their high levels of the previous year or the impact of price competition and customer demand shifting to lower-price-point servers with higher-level performance.

In addition, in optical transmission systems, product and project development expenses increased as we sought to position ourselves for Next Generation Network* business in the US and UK markets, and in the second half we were unable to adequately respond to Japanese and US telecommunications carriers' shifting investment priorities, which produced disappointing results.

* 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.

Our ETERNUS 8000/4000 series open-standard storage systems received a "best Japan brand" award in recognition of their world-leading performance and high reliability. These storage systems have also received very high marks from our customers, and we plan to further strengthen global sales.

In servers, we launched a new line of our PRIMEQUEST mission-critical IA servers in July 2006 and in April 2007 carried out the global launch of the new SPARC Enterprise line of UNIX servers jointly developed with Sun Microsystems.

In addition, in December 2006 we launched a highly praised PC server that combined the world's smallest footprint with world-class levels of low-noise and low-power operation. Going forward we will continue to offer high-performance, highly reliable products that are environmentally friendly and take customer installation space requirements into consideration.

By leveraging core information technologies, such as processor technologies and system technologies that deliver mainframe-class levels of reliability, we will offer on a global basis highly reliable systems that are tailored to customer IT environments.

(2) Services

Net sales in the Services sub-segment were 2,453.2 billion yen (US$20,790 million), up 8.3% from the same period a year earlier. In Japan, sales increased by 1.2% over the previous year. Excluding the impact of the shift to the percentage of completion method implemented in fiscal 2005, which involved the aggregate recording at that time of sales from project work performed in previous years, sales in Japan increased by 2.4%. In addition to higher sales of system integration services, primarily to banks, insurance companies and securities companies in the financial services field and automobile manufacturers in the manufacturing sector, Services sales in Japan benefited from solid results in our outsourcing services business and other areas. Overseas sales increased by 23.9% over the previous year. An expansion of our services business in North America as a result of corporate acquisitions and continued strong sales growth in our outsourcing services business in the UK contributed to the robust sales performance.

	FY 2006 (Billion Yen)	Change from FY 2005
Net Sales	2,453.2	8.3%
Japan	1,584.7	1.2%
Overseas	868.4	23.9%

Operating income for Services was 156.1 billion yen (US$1,323 million), an increase of 27.6 billion yen over the same period last year. Although there was a delay in the recovery of our retail solutions business in North America and heavier strategic expenditures to revitalize major business proposal activities in our systems integration business in Japan, profits increased as a result of the impact of higher Services sales both in Japan and overseas, and because of improved profitability in systems integration projects resulting from continued improvements in system development risk management capabilities and enhanced initiatives to generate efficiencies in systems development.

In January 2007, Fujitsu Services, our UK-based subsidiary, acquired TDS AG, a German IT services company that specializes in IT operations outsourcing and consulting services. The acquisition raises our presence in the German market and positions Fujitsu for further growth in key European markets.

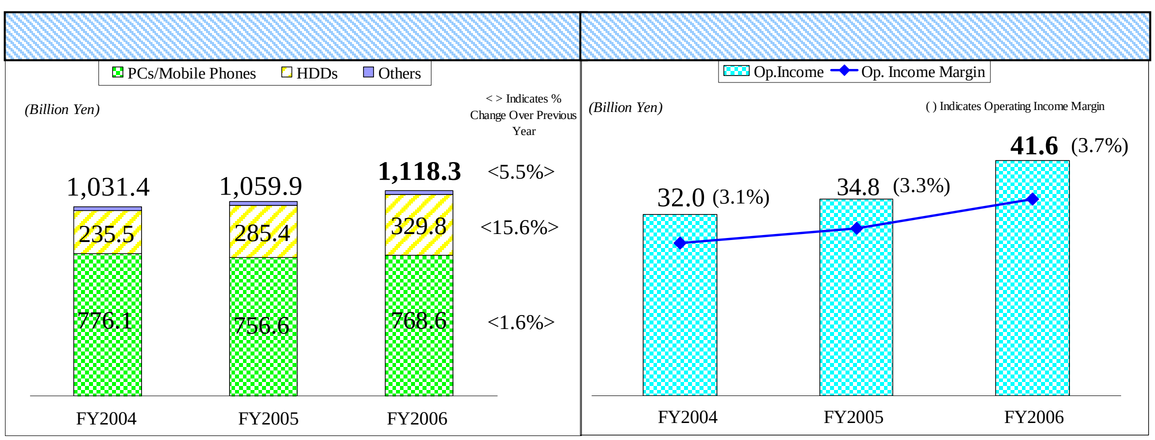
In October 2006, we signed an agreement with SAP AG of Germany to become a SAP Global Services Partner, becoming the first Japan-based company with that designation. The agreement strengthens our collaboration in the area of services. Going forward, we will offer SAP implementation solutions globally.

In April 2007, to strengthen our consulting business in Japan, we took our consulting business, which excels in internal control and other upstream consulting services, and consolidated its functions into Fujitsu Research Institute, which offers business and management consulting services that leverage synergies with its activities as a think tank division. As a valuable partner to our customers, we will promote the integration of IT and business management to accelerate front-line "field innovation" in a wide array of business situations.

Building on a strategic collaboration agreement signed with Cisco Systems in fiscal 2005, in May 2006 we began offering network solutions centering on next-generation high-end routers, which will be a key component in building Next Generation Networks.

In December 2006, NIFTY Corporation, our consolidated subsidiary engaged in the provision of Internet services, undertook an initial public offering. Moving forward, with greater managerial independence and latitude, NIFTY Corporation will provide customers with original value-added services and solutions that more precisely reflect customer needs and thereby help to raise the corporate value of the Fujitsu Group.

Ubiquitous Product Solutions



Net sales in the Ubiquitous Product Solutions segment were 1,118.3 billion yen (US$9,477 million), an increase of 5.5% over fiscal 2005. In Japan, sales increased by 1.3%. Sales of PCs were sluggish, as consumer sales were adversely affected by postponed purchases prior to the release of Windows Vista and corporate PC sales were impacted by intensified price competition. Overseas sales increased by 13.7%, bolstered by

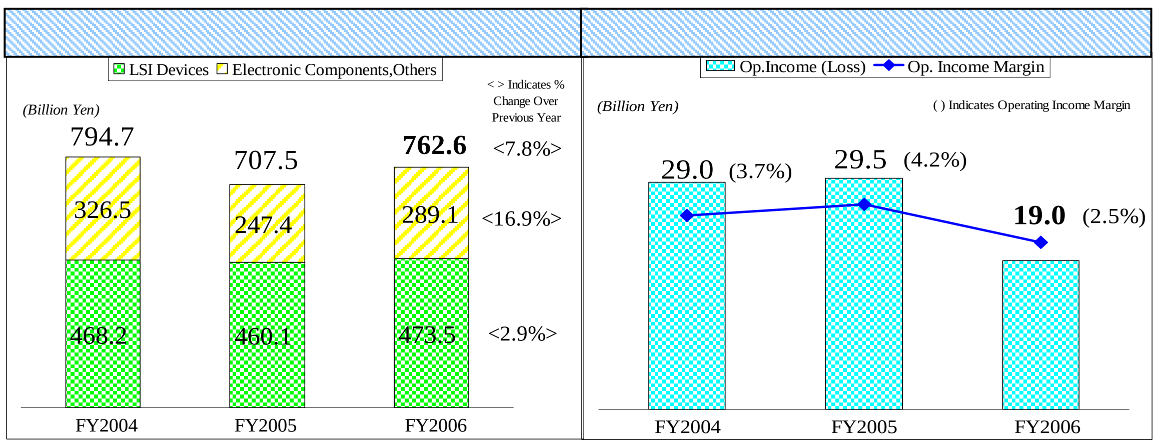
	FY 2006 (Billion Yen)	Change from FY 2005
Net Sales	1,118.3	5.5%
Japan	710.1	1.3%
Overseas	408.1	13.7%

record-high shipment volumes of HDDs for notebook PCs and servers.

Operating income for Ubiquitous Product Solutions was 41.6 billion yen (US$353 million), an increase of 6.8 billion yen compared to the previous fiscal year. Although PC prices fell as a result of intensified global competition and price declines for HDDs for notebook PCs were steeper than anticipated, overall income for the segment increased as a result of business development of non-PC markets for HDDs, the impact of higher sales of mobile phones, and cost efficiencies and quality improvements stemming from strengthened manufacturing innovation initiatives.

In recent years, for notebook PCs just as much as for desktop PCs, there has been strong demand for high-speed HDDs that deliver high-volume storage capacity and high reliability. In addition, there is a growing need for high-capacity HDDs for use in digital home electronics. To meet these needs, we will commence sales of new 2.5" HDDs that deliver the highest storage capacity in the industry while offering best-in-class levels of low-noise and low-power operation. We will also offer an enhanced line of high-quality, high-capacity HDDs employing perpendicular magnetic recording technology.

Device Solutions



Net sales in Device Solutions were 762.6 billion yen (US$6,463 million). There was a sudden deterioration in market conditions for digital home electronics in the second half and fluctuations in demand for advanced technology logic products. Full-scale operation of the 300mm facility (Fab No. 1) at our Mie Plant and improved sales of other electronic components, however, contributed to a 7.8% increase in sales over fiscal 2005.

	FY 2006 (Billion Yen)	Change from FY 2005
Net Sales	762.6	7.8%
Japan	457.0	14.5%
Overseas	305.6	- 0.9%

Operating income for Device Solutions was 19.0 billion yen (US$161 million), a decrease of 10.4 billion yen compared to the previous fiscal year. Despite the positive impact from higher sales of advanced technology logic devices, which benefited from an increase in production capacity at the Mie Plant, and other electronic components, sales of standard technology logic devices were sluggish, and there were also higher amortization costs and development expenses related to the Mie Plant's 300mm wafer lines, resulting in lower operating income.

The semiconductor production facilities acquired from Spansion Japan in April of 2007 to boost front-end production capacity of standard technology logic commenced operations as Fujitsu Semiconductor

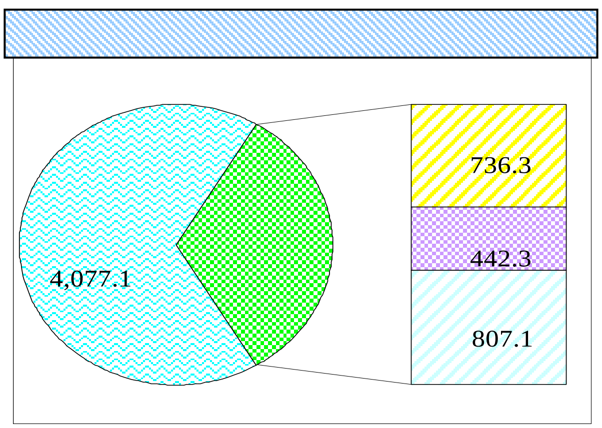
Technologies Ltd. The company is expanding production of Flash microcontrollers for use mainly in automobiles and digital appliances. In order to improve production efficiency and cost competitiveness, we are continuing to consolidate our back-end assembly operations.

Our 300mm wafer facility (Fab No. 2) employing 65nm technology at the Mie Plant became operational in April 2007 as scheduled, and it is currently on track to commence volume shipments in July. Moving forward, we will be investing in capacity expansion in step with market demand.

Concentrating resources on our logic business, we will continue to pursue business development and expansion while maintaining a balance between advanced and standard technology logic. Positioning advanced technology logic as an engine for growth, we will seek to expand sales of such products to customers requiring devices with high speed and low power consumption. At the same time, we will work even more aggressively to penetrate global markets and achieve higher volumes in standard technology logic.

Furthermore, we sold a portion of our shareholdings in Spansion Inc., our joint venture in Flash memory with Advanced Micro Devices, Inc., which underwent an initial public offering in December 2005. After the sale, our share of ownership was reduced to less than 20%, and so the company is no longer an equity-method affiliate.

Results by Geographic Location



Operating Income (Billion Yen)

	FY 2006	FY 2005	Change from FY 2005
Japan	191.8	171.1	20.7
Overseas	44.2	51.4	- 7.1
EMEA	24.1	22.9	1.1
The Americas	8.4	13.5	- 5.1
APAC & China	11.6	14.9	- 3.2

In Japan, net sales were 4,077.1 billion yen (US$34,552 million), an increase of 3.4% over fiscal 2005. Lower sales in System Platforms were offset by favorable performance in Services, as well as mobile phones, advanced technology logic devices and other electronic components, resulting in an overall increase in domestic sales. Operating income, principally from our services business, was 191.8 billion yen (US$1,626 million), up 20.7 billion yen over fiscal 2005.

Overseas, EMEA and the Americas recorded double-digit growth in sales, but combined operating income for the three overseas segments was 44.2 billion yen (US$375 million), a 7.1 billion yen decrease compared to the previous fiscal year.

In EMEA, net sales were 736.3 billion yen (US$6,240 million). Continued strong performance in outsourcing services in the UK and other favorable business trends resulted in a 16.4% increase in sales over fiscal 2005. Operating income was 24.1 billion yen (US$204 billion), up 1.1 billion yen compared to the previous fiscal year.

In the Americas, the expansion of our North American services business through aggressive acquisitions and the strong performance of UNIX servers and HDDs for servers contributed to net sales of 442.3 billion yen (US$3,748 million), up 21.7% over fiscal 2005. However, operating income was 8.4 billion yen (US$71 million), a 5.1 billion yen decrease compared with last fiscal year. In addition to the impact of intensified price competition for UNIX servers, sales were sluggish prior to the release of new products in the second half of the year. In addition, a delay in the recovery of our retail solutions and optical transmission systems businesses had an adverse effect on operating income for this region.

In APAC & China, favorable performance in HDDs and PCs contributed to net sales of 807.1 billion yen (US$6,840 million), a 12.3% increase over the same period last year. Due to intensified global price competition, operating income was 11.6 billion yen (US$99 million), a decline of 3.2 billion yen compared to fiscal 2005.

Change in Method of Allocating Operating Expenses
(from First-Half FY 2006 Explanation of Financial Results)

We are reforming our business performance management system to better reflect the positioning of our various business units as independent operating entities under the consolidated framework and to delineate the responsibility of each to earn a return on investment. Accordingly, at mid-year we changed the method by which we allocate operating expenses for each business unit in our consolidated accounts to more clearly reflect the actual business situation. Previously, certain expenses for business unit support were accounted for as unallocated administrative expenses under "Elimination & Corporate." Now, expenses for each business unit that would be incurred if it were operated independently are assessed to each respective business segment. Group-wide strategic expenses, such as basic research, which should provide a return to the entire Group, continue to be accounted for under "Elimination & Corporate." In addition, the method for allocating expenses in each business unit attributable to the sales activities of sales and system engineering units was changed to reflect the actual consolidated business situation.

Compared to the previous method, the impact of these changes on operating income for each segment was a decrease of 8.9 billion yen in Technology Solutions, a decrease of 1.2 billion yen in Ubiquitous Product Solutions and a decrease of 3.5 billion yen in Device Solutions, as well as increases of 0.1 billion yen in Other Operations and 13.5 billion yen in Elimination & Corporate. In reporting operating income broken out by geographic segment, in comparison to the previous allocation method, operating income for Japan was reduced by 13.5 billion yen, and Elimination & Corporate increased by 13.5 billion yen. There was no impact on any other geographic segment.