

FY 2006 First-Half Financial Results

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Part I: Financial Tables

1. Summary of FY 2006 First-Half Consolidated Results

a. Summary of Consolidated Statements of Operations

		Yen (millions) (except per share data)		
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	Change (%)
Net sales	Y	2,362,333	2,192,332	+7.8
Operating income		50,641	47,575	+6.4
Income before income taxes and minority interests		37,677	29,834	+26.3
Net income		14,847	7,666	+93.7
Net income per common share:				
Basic	Y	7.18	3.71	+93.5
Diluted		6.46	3.35	+92.8
Average number of shares outstanding		2,067,527,210	2,067,828,542	

b. Net Sales by Business Segment (including intersegment)

		Yen (millions)		
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	Change (%)
Technology Solutions	Y	1,428,633	1,344,080	+6.3
Ubiquitous Product Solutions		528,615	498,455	+6.1
Device Solutions		376,966	336,047	+12.2
Other Operations		235,099	210,813	+11.5
Elimination		(206,980)	(197,063)	-
Total	Y	2,362,333	2,192,332	+7.8

c. Summary of Consolidated Financial Condition

		Yen (millions) (except per share data)		
		September 30 2006	March 31 2006	September 30 2005
Total assets	Y	3,768,219	3,807,131	3,611,917
Net assets		1,077,186	917,045	819,062
Owners' equity ratio		23.9 %	24.1 %	22.7 %
Owners' equity per share	Y	435.04	443.20	396.08
Number of shares issued		2,067,410,802	2,067,637,475	2,067,936,649

Note: Figures for "net assets," "owners' equity ratio," and "owners' equity per share" under the March 31, 2006 and September 30, 2005 columns have been re-classified from their former classifications as "shareholders' equity," "shareholders' equity ratio," and "shareholders' equity per share," respectively.

d. Summary of Consolidated Statements of Cash Flows

		Yen (millions)		
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	FY 2005 (4/1/05~3/31/06)
Cash flows from operating activities	Y	184,083	143,039	405,579
Cash flows from investing activities		(119,031)	(104,193)	(234,684)
Cash flows from financing activities		(73,540)	(15,179)	(207,840)
Cash and cash equivalents at end of period		415,553	478,719	420,894

2. Summary of FY 2006 Second-Quarter Consolidated Results

a. Summary of Consolidated Statements of Operations

		Yen (millions)		
		2Q FY 2006 (7/1/06~9/30/06)	2Q FY 2005 (7/1/05~9/30/05)	Change (%)
Net sales	Y	1,259,463	1,165,993	+8.0
Operating income		36,067	32,764	+10.1
Income before income taxes and minority interests		31,339	13,399	+133.9
Net income	Y	14,183	5,168	+174.4

b. Net Sales by Business Segment (including intersegment)

		Yen (millions)		
		2Q FY 2006 (7/1/06~9/30/06)	2Q FY 2005 (7/1/05~9/30/05)	Change (%)
Technology Solutions	Y	779,017	730,665	+6.6
Ubiquitous Product Solutions		276,232	257,089	+7.4
Device Solutions		197,160	176,875	+11.5
Other Operations		119,056	108,625	+9.6
Elimination		(112,002)	(107,261)	-
Total	Y	1,259,463	1,165,993	+8.0

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 5,200.0	+8.5
Operating income		190.0	+4.7
Net income		80.0	+16.7
Net income per common share		Y 38.70	+17.9

4. Summary of FY 2006 First-Half Unconsolidated Results

a. Summary of Unconsolidated Statements of Operations

		Yen (millions) (except per share data)		
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	Change (%)
Net sales	Y	1,329,452	1,308,410	+1.6
Operating income (loss)		(18,734)	(12,648)	-
Income before income taxes		5,636	13,231	-57.4
Net income	Y	12,834	15,119	-15.1
Amounts per share of common stock:				
Net income	Y	6.21	7.31	
Interim cash dividends	Y	3.00	3.00	

b. Summary of Unconsolidated Financial Condition

		Yen (millions) (except per share data)		
		September 30 2006	March 31 2006	September 30 2005
Total assets	Y	2,753,735	2,837,076	2,745,128
Net assets		915,551	939,585	905,704
Owners' equity ratio		33.2%	33.1%	33.0%
Owners' equity per share		442.85	454.35	437.97

Note: Figures for "net assets," "owners' equity ratio," and "owners' equity per share" under the March 31, 2006 and September 30, 2005 columns have been re-classified from their former classifications as "shareholders' equity," "shareholders' equity ratio," and "shareholders' equity per share," respectively.

5. Unconsolidated 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 2,950.0	+3.5
Net income		55.0	+215.0
Net income per common share		Y 26.60	+217.8

6. First-Half Consolidated Statements of Operations

	Yen (millions)		Change (%)
	1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	
Net sales	Y 2,362,333	2,192,332	+7.8
Operating costs and expenses:			
Cost of sales	1,744,922	1,607,142	+8.6
Selling, general and administrative expenses	<u>566,770</u>	<u>537,615</u>	+5.4
	<u>2,311,692</u>	<u>2,144,757</u>	
Operating income	50,641	47,575	+6.4
Other income (expenses):			
Net interest*	(2,468)	(3,561)	
Equity in earnings of affiliated companies, net	(1,638)	(4,812)	
Amortization of unrecognized obligation for retirement benefits	(1,610)	(18,082)	
Settlement gain	-	15,957	
Gain on business transfer	-	3,455	
Restructuring charges	-	(5,474)	
Other, net	<u>(7,248)</u>	<u>(5,224)</u>	
	<u>(12,964)</u>	<u>(17,741)</u>	-
Income before income taxes and minority interests	37,677	29,834	+26.3
Income taxes	15,871	17,412	
Minority interests	(6,959)	(4,756)	
Net income	Y <u><u>14,847</u></u>	<u><u>7,666</u></u>	+93.7

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

7. First-Half Consolidated Business Segment Information

a. Net Sales* and Operating Income

		Yen (millions)			
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	Change (%)	
Technology Solutions	Japan	Y 942,902	950,052	-0.8	
	Overseas	485,731	394,028	+23.3	
	Total	<u>1,428,633</u>	<u>1,344,080</u>	+6.3	
	Operating Income	36,445	37,124	-1.8	
	[Operating Income Margin]	[2.6%]	[2.8%]		
	<i>System Platforms</i>				
	Operating Income(Loss)	(5,174)	2,698	-	
	[Operating Income Margin]	[-1.5%]	[0.8%]		
	<i>Services</i>				
	Operating Income	41,619	34,426	+20.9	
[Operating Income Margin]	[3.8%]	[3.4%]			
Ubiquitous Product Solutions	Japan	335,039	328,943	+1.9	
	Overseas	193,576	169,512	+14.2	
	Total	<u>528,615</u>	<u>498,455</u>	+6.1	
	Operating Income	19,993	16,685	+19.8	
[Operating Income Margin]	[3.8%]	[3.3%]			
Device Solutions	Japan	215,662	190,767	+13.0	
	Overseas	161,304	145,280	+11.0	
	Total	<u>376,966</u>	<u>336,047</u>	+12.2	
	Operating Income	16,043	12,534	+28.0	
[Operating Income Margin]	[4.3%]	[3.7%]			
Other Operations	Japan	170,361	161,378	+5.6	
	Overseas	64,738	49,435	+31.0	
	Total	<u>235,099</u>	<u>210,813</u>	+11.5	
	Operating Income	4,924	2,090	+135.6	
[Operating Income Margin]	[2.1%]	[1.0%]			
Elimination	Sales	(206,980)	(197,063)	-	
	Operating Income	(26,764)	(20,858)	-	
Total	Japan	Y 1,503,331	1,469,890	+2.3	
	Overseas	859,002	722,442	+18.9	
	Total	<u>2,362,333</u>	<u>2,192,332</u>	+7.8	
	Operating Income	50,641	47,575	+6.4	
[Operating Income Margin]	[2.1%]	[2.2%]			

Note: * Includes intersegment sales.

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. See page 22 for further details.

b. Net Sales* by Principal Products and Services

		Yen (millions)		
		1H FY2006	1H FY2005	
		(4/1/06~9/30/06)	(4/1/05~9/30/05)	Change (%)
Technology Solutions				
	System Products	Y 161,764	156,150	+3.6
	Network Products	176,981	176,507	+0.3
	<i>System Platforms</i>	338,745	332,657	+1.8
	Solutions / SI	494,151	457,553	+8.0
	Infrastructure Services	525,653	472,593	+11.2
	Others	70,084	81,277	-13.8
	<i>Services</i>	1,089,888	1,011,423	+7.8
	Total	1,428,633	1,344,080	+6.3
Ubiquitous Product Solutions				
	PCs / Mobile Phones	363,726	352,170	+3.3
	Hard Disk Drives	155,499	136,864	+13.6
	Others	9,390	9,421	-0.3
	Total	528,615	498,455	+6.1
Device Solutions				
	LSI Devices	236,200	219,300	+7.7
	Electronic Components, Others	140,766	116,747	+20.6
	Total	Y 376,966	336,047	+12.2

Note: * Includes intersegment sales.

8. First-Half Consolidated Geographic Segment Information

a. Net Sales* and Operating Income

		Yen (millions)		
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	Change (%)
Japan	Sales	Y 1,896,948	1,816,658	+4.4
	Operating Income	55,382	48,507	+14.2
	[Operating Income Margin]	[2.9%]	[2.7%]	
EMEA	Sales	332,307	278,212	+19.4
	Operating Income	9,283	6,352	+46.1
	[Operating Income Margin]	[2.8%]	[2.3%]	
The Americas	Sales	213,027	168,886	+26.1
	Operating Income	5,368	5,190	+3.4
	[Operating Income Margin]	[2.5%]	[3.1%]	
APAC & China	Sales	388,850	341,538	+13.9
	Operating Income	7,040	6,693	+5.2
	[Operating Income Margin]	[1.8%]	[2.0%]	
Elimination	Sales	(468,799)	(412,962)	-
	Operating Income	(26,432)	(19,167)	-
Total	Sales	Y 2,362,333	2,192,332	+7.8
	Operating Income	50,641	47,575	+6.4
	[Operating Income Margin]	[2.1%]	[2.2%]	

Note: * Includes intersegment sales.

From this fiscal year, certain overseas geographic segment categorizations have been changed; specifically, the former “Europe” segment has been changed to “EMEA” (EMEA = Europe, Middle East and Africa) and the former “Asia, Australasia & Others” has been changed to “APAC & China” (APAC = Asia-Pacific). See page 21 for details.

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. See page 22 for further details.

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

		Yen (millions)		
		1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	Change (%)
EMEA	Y	362,153	300,359	+20.6
The Americas		227,284	186,397	+21.9
APAC & China		269,565	235,686	+14.4
Total	Y	859,002	722,442	+18.9

Note: * Sales to unaffiliated customers.

From this fiscal year, certain overseas geographic segment categorizations have been changed; specifically, the former “Europe” segment has been changed to “EMEA” (EMEA = Europe, Middle East and Africa) and the former “Asia, Australasia & Others” has been changed to “APAC & China” (APAC = Asia-Pacific). See page 21 for details.

9. First-Half Consolidated Balance Sheets

	Yen (millions)		Change
	September 30 2006	March 31 2006	
Assets			
Current assets:			
Cash and cash equivalents and short-term investments	Y 417,580	423,263	-5,683
Receivables, trade	791,464	885,300	-93,836
Inventories	466,517	408,710	+57,807
Other current assets	213,379	215,475	-2,096
Total current assets	1,888,940	1,932,748	-43,808
Investments and long-term loans	798,014	861,503	-63,489
Property, plant and equipment less accumulated depreciation	848,699	776,976	+71,723
Intangible assets	232,566	235,904	-3,338
Total assets	Y 3,768,219	3,807,131	-38,912
Liabilities, minority interests and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	Y 215,940	234,848	-18,908
Payables, trade	749,327	757,006	-7,679
Other current liabilities	653,310	610,651	+42,659
Total current liabilities	1,618,577	1,602,505	+16,072
Long-term liabilities:			
Long-term debt	666,427	693,765	-27,338
Other long-term liabilities	406,029	420,786	-14,757
Total long-term liabilities	1,072,456	1,114,551	-42,095
Total liabilities	2,691,033	2,717,056	-26,023
Net assets			
Shareholders' equity			
Common stock	324,625	324,625	-
Capital surplus	498,024	498,019	+5
Retained earnings (Deficit)	(31,875)	(40,485)	+8,610
Treasury stock	(1,676)	(1,465)	-211
Total shareholders' equity	789,098	780,694	+8,404
Valuation and translation adjustments			
Valuation difference on available-for-sales securities	151,292	182,218	-30,926
Foreign currency translation adjustments	(40,979)	(45,867)	+4,888
Total valuation and translation adjustments	110,313	136,351	-26,038
Minority interests	177,775	173,030	+4,745
Total net assets	Y 1,077,186	1,090,075	-12,889
Total liabilities and net assets	Y 3,768,219	3,807,131	-38,912
Ending balance of interest-bearing loans	Y 882,367	928,613	-46,246
Owners' equity	Y 899,411	917,045	-17,634
D/E ratio	0.98	1.01	-0.03
Shareholders' equity ratio	20.9%	20.5%	+0.4%
Owners' equity ratio	23.9%	24.1%	-0.2%

Note: Figures for Mar. 31, 2006 have been restated to match new classifications for comparison purposes.

Valuation difference on available-or-sales securities at Sep. 30, 2006 includes revaluation surplus on land and 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.

10. First-Half Consolidated Statements of Cash Flows

	Yen (millions)		Change (Million Yen)
	1H FY2006 (4/1/06~9/30/06)	1H FY2005 (4/1/05~9/30/05)	
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	Y 37,677	29,834	+7,843
Depreciation and amortization	125,260	112,594	+12,666
Increase (decrease) in provisions	(12,925)	(12,940)	+15
Equity in earnings of affiliates, net	1,638	4,812	-3,174
Disposal of property, plant and equipment	6,085	9,934	-3,849
(Increase) decrease in receivables, trade	110,057	193,543	-83,486
(Increase) decrease in inventories	(55,119)	(39,052)	-16,067
Increase (decrease) in payables, trade	(16,717)	(114,655)	+97,938
Other, net	(11,873)	(41,031)	+29,158
Net cash provided by (used in) operating activities	<u>184,083</u>	<u>143,039</u>	<u>+41,044</u>
2. Cash flows from investing activities:			
Purchase of property, plant and equipment	(127,161)	(127,704)	+543
(Increase) decrease in investments and long-term loans	3,345	(24,837)	+28,182
Other, net	4,785	48,348	-43,563
Net cash provided by (used in) investing activities	<u>(119,031)</u>	<u>(104,193)</u>	<u>-14,838</u>
1+2 [Free Cash Flow]	<u>65,052</u>	<u>38,846</u>	<u>+26,206</u>
3. Cash flows from financing activities:			
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt	(47,565)	4,992	-52,557
Dividends paid	(8,579)	(6,204)	-2,375
Other, net	(17,396)	(13,967)	-3,429
Net cash provided by (used in) financing activities	<u>(73,540)</u>	<u>(15,179)</u>	<u>-58,361</u>
4. Effect of exchange rate changes on cash and cash equivalents	<u>2,489</u>	<u>536</u>	<u>+1,953</u>
5. Net increase (decrease) in cash and cash equivalents	<u>(5,999)</u>	<u>24,203</u>	<u>-30,202</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 newly consolidated subsidiaries	<u>658</u>	<u>-</u>	<u>+658</u>
8. Cash and cash equivalents at end of period	Y <u>415,553</u>	<u>478,719</u>	<u>-63,166</u>

11. First-Half 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	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			(6,203)		(6,203)				(6,203)
Bonus to directors			(665)		(665)				(665)
Net income			14,847		14,847				14,847
Acquisition and sales of treasury stocks		5		(211)	(206)				(206)
Others			631		631				631
Net increase (decrease) during the term, except for items under shareholders' equity						(30,926)	4,888	4,745	(21,293)
Total		5	8,610	(211)	8,404	(30,926)	4,888	4,745	(12,889)
Balance at September 30, 2006	324,625	498,024	(31,875)	(1,676)	789,098	151,292	(40,979)	177,775	1,077,186

12. Marketable Securities at Fair Value

	Yen (millions)			Yen (millions)		
	September 30, 2006			March 31, 2006		
	Cost	Carrying Value (Fair Value)	Net Unrealized Gains(Losses)	Cost	Carrying Value (Fair Value)	Net Unrealized Gains (Losses)
Available-for-sale:						
Equity securities	Y 53,515	305,087	251,572	Y 53,961	357,594	303,633
Debt securities and others	12,205	12,150	(55)	11,362	11,445	83
Total	Y 65,720	317,237	251,517	Y 65,323	369,039	303,716

13. Second-Quarter Consolidated Statements of Operations

		Yen (millions)		
		<u>2Q FY 2006</u> (7/1/06~9/30/06)	<u>2Q FY 2005</u> (7/1/05~9/30/05)	Change (%)
Net sales	Y	1,259,463	1,165,993	+8.0
Operating costs and expenses:				
Cost of sales		929,854	855,971	+8.6
Selling, general and administrative expenses		<u>293,542</u>	<u>277,258</u>	+5.9
		<u>1,223,396</u>	<u>1,133,229</u>	+8.0
Operating income		36,067	32,764	+10.1
Other income (expenses):				
Net interest*		(2,938)	(3,307)	
Equity in earnings of affiliated companies, net		2,245	(598)	
Amortization of unrecognized obligation for retirement benefits		(796)	(8,267)	
Gain on business transfer		-	3,455	
Restructuring charges		-	(5,474)	
Other, net		<u>(3,239)</u>	<u>(5,174)</u>	
		<u>(4,728)</u>	<u>(19,365)</u>	-
Income before income taxes and minority interests		31,339	13,399	+133.9
Income taxes		12,354	4,700	
Minority interests		4,802	3,531	
Net income	Y	<u>14,183</u>	<u>5,168</u>	+174.4

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

14. Second-Quarter Consolidated Business Segment Information

a. Net Sales* and Operating Income

		Yen (millions)			
		2Q FY 2006 (7/1/06~9/30/06)	2Q FY 2005 (7/1/05~9/30/05)	Change (%)	
Technology Solutions	Japan	Y 527,504	524,216	+0.6	
	Overseas	251,513	206,449	+21.8	
	Total	<u>779,017</u>	730,665	+6.6	
	Operating Income	34,100	32,563	+4.7	
	[Operating Income Margin]	[4.4%]	[4.5%]		
	<i>System Platforms</i>				
	Operating Income	620	3,764	-83.5	
	[Operating Income Margin]	[0.3%]	[2.1%]		
	<i>Services</i>				
	Operating Income	33,480	28,799	+16.3	
[Operating Income Margin]	[5.6%]	[5.2%]			
Ubiquitous Product Solutions	Japan	172,972	168,874	+2.4	
	Overseas	103,260	88,215	+17.1	
	Total	<u>276,232</u>	257,089	+7.4	
	Operating Income	9,848	5,327	+84.9	
[Operating Income Margin]	[3.6%]	[2.1%]			
Device Solutions	Japan	117,013	98,949	+18.3	
	Overseas	80,147	77,926	+2.9	
	Total	<u>197,160</u>	176,875	+11.5	
	Operating Income	4,572	6,256	-26.9	
[Operating Income Margin]	[2.3%]	[3.5%]			
Other Operations	Japan	86,073	82,663	+4.1	
	Overseas	32,983	25,962	+27.0	
	Total	<u>119,056</u>	108,625	+9.6	
	Operating Income	2,729	469	+481.9	
[Operating Income Margin]	[2.3%]	[0.4%]			
Elimination	Sales	(112,002)	(107,261)	-	
	Operating Income	(15,182)	(11,851)	-	
Total	Japan	Y 814,461	787,878	+3.4	
	Overseas	445,002	378,115	+17.7	
	Total	<u>1,259,463</u>	1,165,993	+8.0	
	Operating Income	36,067	32,764	+10.1	
[Operating Income Margin]	[2.9%]	[2.8%]			

Note: * Includes intersegment sales.

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. See page 22 for further details.

b. Net Sales* by Principal Products and Services

		Yen (millions)		
		2Q FY 2006 (7/1/06~9/30/06)	2Q FY 2005 (7/1/05~9/30/05)	Change (%)
Technology Solutions				
	System Products	Y 92,467	94,963	-2.6
	Network Products	86,092	82,822	+3.9
	<i>System Platforms</i>	178,559	177,785	+0.4
	Solutions / SI	280,410	252,455	+11.1
	Infrastructure Services	277,364	251,141	+10.4
	Others	42,684	49,284	-13.4
	<i>Services</i>	600,458	552,880	+8.6
	Total	779,017	730,665	+6.6
Ubiquitous Product Solutions				
	PCs / Mobile Phones	189,049	182,094	+3.8
	Hard Disk Drives	81,988	69,869	+17.3
	Others	5,195	5,126	+1.3
	Total	276,232	257,089	+7.4
Device Solutions				
	LSI Devices	123,600	117,700	+5.0
	Electronic Components, Others	73,560	59,175	+24.3
	Total	Y 197,160	176,875	+11.5

Note: * Includes intersegment sales

Part II. Explanation of Financial Results

1. Overview of FY 2006 First-Half Financial Results

Business Environment

During the first half of fiscal 2006 (April 1 – September 30, 2006), the business environment in which the Fujitsu Group operates was characterized by a continuation of the relatively stable conditions that prevailed during the previous fiscal year. The earlier rapid rise in crude oil prices and increases in interest rates in the US subsided, and their influence on the global economy appeared to be limited. Bolstered by increased capital investment that reflected favorable corporate performance and by buoyant personal consumption, the Japanese economy continued to grow at a steady pace.

IT investment continued at a robust pace overseas, while in Japan an increasing strategic focus on growth on the part of business leaders has started to result in more active investment, and companies are also beginning to step up investment in response to reform measures such as the Financial Instruments and Exchange Law (Japan's version of Sarbanes-Oxley legislation). On an industry basis, increased vitality is particularly evident in financial services and also in the manufacturing and retail sectors, and IT investment is gradually increasing in Japan's regional markets which, with some exceptions, are experiencing economic recovery.

In order to maintain a firm, detailed grasp of global market trends and rapidly respond to them, in June we designated senior executives as heads of Fujitsu Group business operations in four major regions: the Americas, EMEA (Europe, Middle East and Africa), China and Asia-Pacific. This organizational change represents an important step toward strengthening our business outside Japan, and we intend to make still further efforts to expand our business on a global basis.

As we move from an era focused on making IT to one that emphasizes its utilization, we will respond to the changing needs of our customers by further expanding and enhancing our operations-oriented offerings, including IT outsourcing, business process outsourcing (BPO) and security services, thereby further adding to the value that IT generates for our customers.

First Half Summary

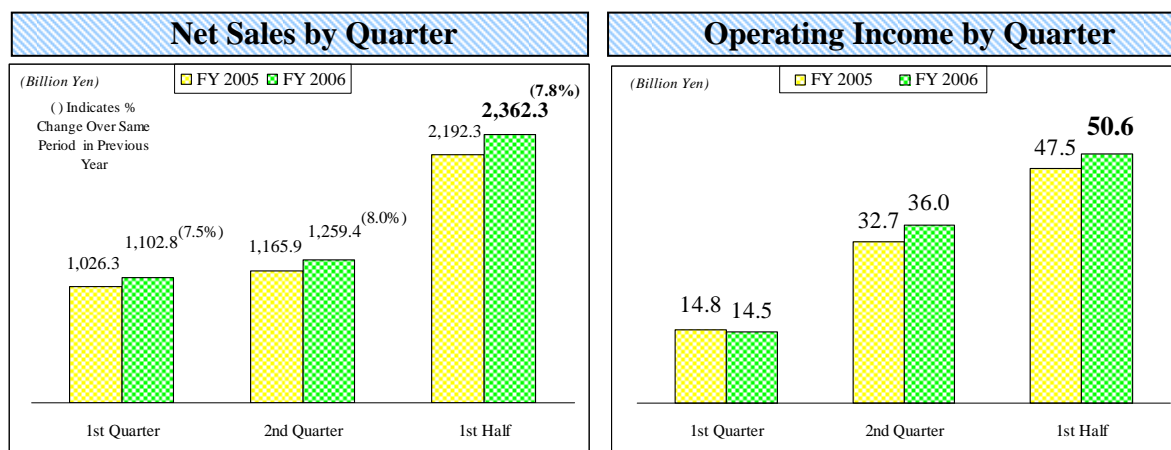
	(Billion Yen)			
	First Half FY 2006 (4/1/06-9/30/06)	First Half FY 2005 (4/1/05-9/30/05)	Change	Change vs. July 27 Projection
Net Sales [% Change vs. Same Period in Prior Fiscal Year]	2,362.3 [7.8%]	2,192.3 [-1.2%]	170.0	12.3
Operating Income [Operating Income Margin]	50.6 [2.1%]	47.5 [2.2%]	3.0 [-0.1%]	15.6 [0.6%]
Net Income	14.8	7.6	7.1	9.8

Second Quarter Summary

	(Billion Yen)		
	2Q FY 2006 (7/1/06-9/30/06)	2Q FY 2005 (7/1/05-9/30/05)	Change
Net Sales [% Change vs. Same Period in Prior Fiscal Year]	1,259.4 [8.0%]	1,165.9 [-3.8%]	93.4
Operating Income [Operating Income Margin]	36.0 [2.9%]	32.7 [2.8%]	3.3 [0.1%]
Net Income	14.1	5.1	9.0

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 September 30, 2006.

Profit and Loss



Consolidated net sales for the first half were 2,362.3 billion yen (US\$20,020 million), an increase of 7.8% compared to the first half of fiscal 2005. Following the 7.5% sales growth posted in the first quarter, solid growth continued in the second quarter, rising 8.0%.

Overseas sales increased by 18.9% compared to the first half of fiscal 2005. Sales of IT services continued their strong growth trend, boosted by continued strength in sales of outsourcing services in the UK and the impact of acquisitions in North America, and optical transmission systems, hard disk drives (HDDs), and electronic components also posted higher sales, resulting in double-digit overseas sales growth in all three major business segments.

Sales in Japan increased by 2.3% compared to the first half of fiscal 2005. There was a sharp drop in investment in mobile phone base stations compared to the first half of fiscal 2005, and sales of PCs were sluggish as a result of lackluster consumer demand. In the solutions/systems integration business, there were signs that the recovery in IT spending is spreading, particularly in the financial services, manufacturing, and retail sectors. In addition, mobile phones, LSI devices, and electronic components all posted higher sales.

Consolidated operating income was 50.6 billion yen (US\$429 million), an increase of 3.0 billion yen over the first half of fiscal 2005. Selling, general and administrative expenses increased by 29.1 billion yen over the same period in the previous year, primarily due to the growth in our outsourcing services business in the UK, the increased scale of our operations in North America as a result of acquisitions and other factors, and aggressive up-front strategic investments, particularly in the Technology Solutions segment. Although first-half sales of mobile phone base stations decreased year-on-year, we achieved solid results in our outsourcing business, especially overseas, and made progress in improving cost efficiencies, particularly in HDDs and mobile phones, resulting in higher overall operating income.

In other income (expenses), as a result of pension system revisions that took place in September of 2005 and the effect of the rise in stock prices that occurred at the end of fiscal 2005, there was a substantial reduction in the amortization of unrecognized obligation for retirement benefits, which fell from 18.0 billion yen in the first half of fiscal 2005 to only 1.6 billion yen in the first half of fiscal 2006. Moreover, net interest expenses decreased as a result of a reduction in the balance of

interest-bearing loans, and there was a reduction in investment losses under net equity in earnings of affiliated companies.

Consolidated net income was 14.8 billion yen (US\$126 million) in the first half. Although there were no extraordinary gains such as the gain on settlement of litigation last year, we were still able to achieve an increase of 7.1 billion yen over the first half of fiscal 2005.

Comparison with First Half Projections Announced in July

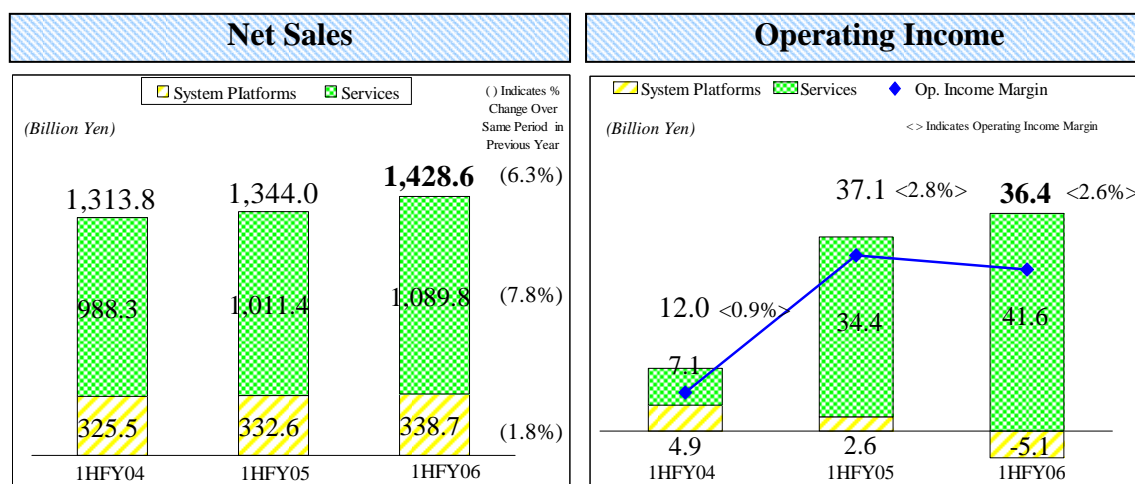
Although actual first-half sales of PCs were lower than the level we had projected in July, higher-than-anticipated sales in the domestic solutions/systems integration business, electronic components business, and outsourcing and other IT services businesses overseas, as well as earlier-than-expected pickup in demand for mobile phone base stations, resulted in overall sales that exceeded the projections we made in July.

Operating income exceeded the level projected in July by 15.6 billion yen. In addition to higher sales, the impact of manufacturing innovation initiatives and progress in reducing costs enabled us to absorb the negative effects of sales price reductions and other market fluctuation risks.

2. Results by Business Segment

Information on net sales (including intersegment sales) and operating income for the first half broken out by business segment is presented below. In accordance with the change in the method of allocating operating expenses initiated in this fiscal year, to facilitate comparisons with earlier periods, results for previous years have been restated on a comparable basis. (For further details, refer to page 22.)

Technology Solutions



Total first-half consolidated net sales in this segment were 1,428.6 billion yen (US\$12,107 million), up 6.3% over the first half of fiscal 2005. In Japan, although mobile phone base station sales decreased, sales in our solutions/systems integration business increased, and overall sales in Japan for the segment were on par with the first half of fiscal 2005. Overseas sales, however, posted a substantial increase of 23.3% compared to the same period in the previous year as a result of strong sales in outsourcing and other services businesses and higher sales of optical transmission systems and UNIX servers.

Operating income for the segment was 36.4 billion yen (US\$309 million), roughly the same level as for the first half of fiscal 2005. Higher operating profits in outsourcing and other services businesses, particularly overseas, were offset by the effect of lower year-on-year revenue for mobile phone base stations.

(1) System Platforms

Net sales in the System Platforms sub-segment were 338.7 billion yen (US\$2,871 million), up 1.8% from the first half of fiscal 2005. In Japan, sales of mobile phone base stations decreased in comparison with the first half of fiscal 2005, when demand was especially high. Overseas sales for the sub-segment increased by 14.5% compared to the same period in the previous fiscal year, boosted by continued strong sales of optical transmission systems and a significant increase in sales of UNIX servers.

	First Half FY 2006 (Billion Yen)	% Change from 1H FY 2005
Net Sales	338.7	1.8%
Japan	237.5	-2.8%
Overseas	101.1	14.5%

System Platforms posted an operating loss for the first half of 5.1 billion yen (US\$44 million), representing a deterioration of 7.8 billion yen in comparison to the first half of fiscal 2005. We continued manufacturing innovation efforts and made further progress in generating cost efficiencies. However, due to lower sales of mobile phone base stations compared to the first half of fiscal 2005, when demand was especially high, as well as intensified price competition worldwide and higher expenses associated with continued upfront strategic investments, our

server-related products business leveled off and, despite higher sales, profits declined for optical transmission systems.

We have established a worldwide network of system verification centers, where we provide customers with comprehensive pre-verification and evaluation services for platform products and system construction support in open-standard system environments. Adding to existing centers in Japan, Europe, the US, Singapore, and Korea, in this fiscal year we have established new Platform Solution Centers in Shanghai and Hong Kong in order to promote sales of platform products in China, where the IT market continues to expand rapidly.

(2) Services

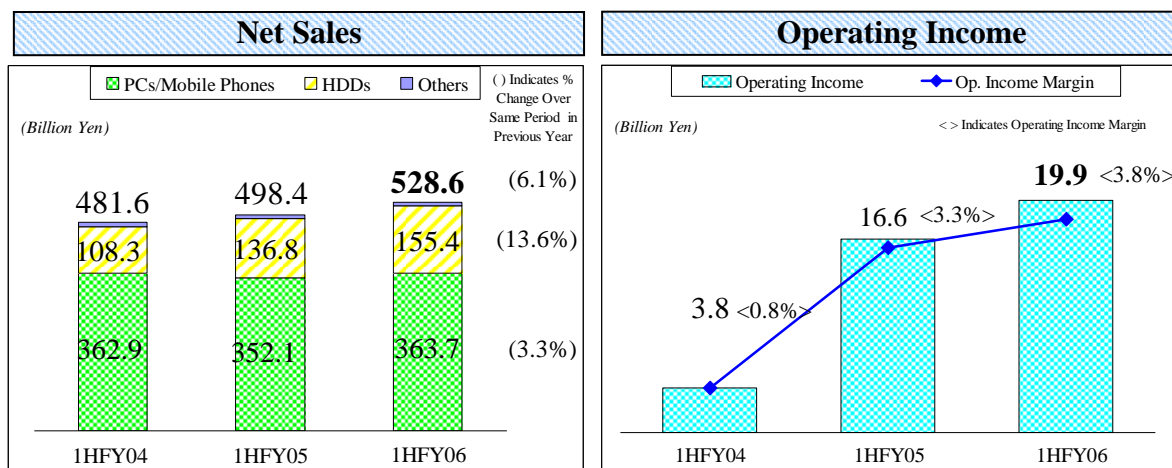
Net sales in the Services sub-segment were 1,089.8 billion yen (US\$9,236 million), up 7.8% from the same period a year earlier. Sales in Japan were roughly at the same level as in the first half of last year. However, excluding the impact of the shift to the percentage of completion method implemented in the first half of fiscal 2005, which involved the aggregate recording at that time of sales from project work performed in previous years, sales in Japan increased by 2.5%. In our solutions/systems integration business, there were signs of a clear recovery centered on the financial services, manufacturing, and retail sectors. Overseas, Services sales remained strong in the UK, as well as in North America, where our business expanded as a result of acquisitions. Overseas sales for this sub-segment registered a 25.8% increase over the first half of fiscal 2005.

	First Half FY 2006 (Billion Yen)	% Change from 1H FY 2005
Net Sales	1,089.8	7.8%
Japan	705.3	-0.1%
Overseas	384.5	25.8%

Operating income was 41.6 billion yen (US\$353 million), an improvement of 7.1 billion yen over the same period last year. The higher operating income was primarily attributable to the continued strength of our outsourcing services business in the UK and the expansion of our services business in North America as a result of acquisitions and other factors. In our solutions/systems integration business in Japan, expenses increased as a result of strategic investment in business proposal activities and other measures to expand our business, but we were able to maintain profitability as a result of higher sales and improved earnings.

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 extends our longstanding partnership in the platforms area to include collaboration in the area of services. Going forward, through joint marketing activities worldwide with SAP, we will leverage our strength in industry know-how and service capability with SAP's strength in enterprise applications to help customers optimize their overall operations and boost their competitiveness.

Ubiquitous Product Solutions



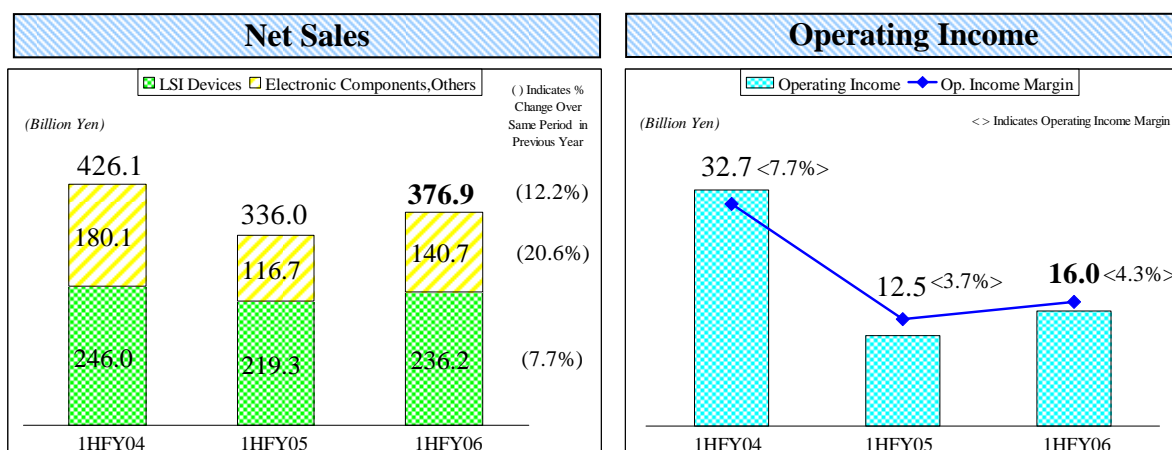
Net sales in the Ubiquitous Product Solutions segment were 528.6 billion yen (US\$4,480 million), an increase of 6.1% over the same period last year. In Japan, sales increased by 1.9%. PC sales were sluggish as a result of weak consumer demand, but sales of mobile phones were firm. Overseas sales in the segment increased by 14.2%, driven by significantly higher sales of PCs and HDDs.

	First Half FY 2006 (Billion Yen)	% Change from 1H FY 2005
Net Sales	528.6	6.1 %
Japan	335.0	1.9 %
Overseas	193.5	14.2 %

Operating income for Ubiquitous Product Solutions was 19.9 billion yen (US\$169 million), an improvement of 3.3 billion yen over the comparable period last year. Our PC and HDD businesses were strongly impacted by severe price competition both in Japan and overseas markets. However, thanks to increased sales of HDDs and mobile phones, as well as improved quality and cost efficiencies generated by our manufacturing innovation initiatives, overall income for the segment increased.

We commenced sales of new 2.5-inch HDDs with perpendicular magnetic recording technology. Looking ahead, we expect growth in the market for large-capacity HDDs for use in AV-compatible PCs, consumer electronics and other products, and we are working to steadily expand our lineup of high-quality products incorporating the newest technology.

Device Solutions



Net Sales of Device Solutions were 376.9 billion yen (US\$ 3,195 million), an increase of 12.2% compared to the first half of fiscal 2005. Steady demand for logic LSI devices, primarily for automotive and digital appliance applications, and the effect of full-scale volume shipment from the Mie Plant's 300mm-wafer line since last September contributed to double-digit increases in sales both in Japan and overseas.

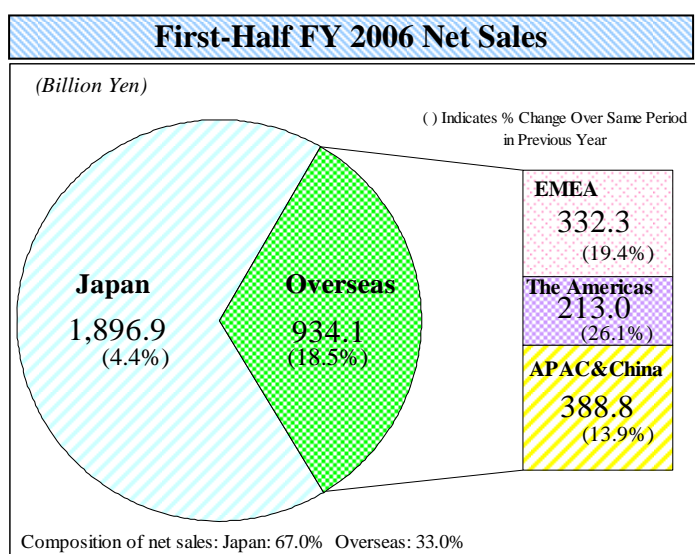
	First Half FY 2006 (Billion Yen)	% Change from 1H FY 2005
Net Sales	376.9	12.2 %
Japan	215.6	13.0 %
Overseas	161.3	11.0 %

Operating income for Device Solutions was 16.0 billion yen (US\$ 136 million), an increase of 3.5 billion yen over the same period last year. The positive impact of higher logic LSI device revenue was offset by the weight of increased development costs, resulting in income roughly on par with the first half of fiscal 2005 for the LSI Devices sub-segment. Other electronic components continued to perform favorably.

We have recently finalized a contract to purchase semiconductor fabrication facilities in Japan from Spansion Japan. These facilities will enable us to expand the production of standard technology logic LSI devices with a focus on flash memory-embedded microcontrollers for automotive systems and consumer electronics, which are expected to experience further market growth. In line with our strategy of focusing our resources on logic LSI devices, we will strive to strike a balance in strengthening both our standard technology logic LSI devices business and our advanced technology logic devices business, the latter centering on devices produced at the Mie Plant's 300mm-wafer fab.

Results by Geographic Segment

In order to strengthen our overseas business, we have designated senior executives as heads of regional operations in each of the following four areas: the Americas, EMEA (Europe, Middle East and Africa), China, and Asia-Pacific. Along with this change, we have renamed the Europe and Asia, Australasia & Others geographic segments as EMEA and APAC & China, respectively.



Operating Income

(Billion Yen)

	1H FY 2006	1H FY 2005	Change
Japan	55.3	48.5	6.8
Overseas	21.6	18.2	3.4
EMEA	9.2	6.3	2.9
The Americas	5.3	5.1	0.1
APAC & China	7.0	6.6	0.3

First-half fiscal 2006 net sales and operating income registered year-on-year increases in each geographic segment.

In Japan, net sales were 1,896.9 billion yen (US\$16,076 million), an increase of 4.4% over the first half of fiscal 2005, due in part to strong sales of mobile phones and electronic components. Operating income was 55.3 billion yen (US\$469 million), an increase of 6.8 billion yen over the same period last year.

Overseas, EMEA and the Americas recorded strong, double-digit sales growth. Combined operating income for the three overseas segments was 21.6 billion yen (US\$184 million), up 3.4 billion yen over the first half of fiscal 2005.

Net sales for EMEA were 332.3 billion yen (US\$2,816 million), an increase of 19.4% over the same period last year, bolstered by continued favorable performance of outsourcing services in the UK. Operating income was 9.2 billion yen (US\$79 million), a 2.9 billion yen increase over the first half of 2005.

In the Americas, the expansion of our North American services business through acquisitions and the strong performance of our optical transmission systems and UNIX server businesses contributed to net sales of 213.0 billion yen (US\$1,805 million), a 26.1% increase over the same period last year. Due in part to intensified price competition and an increase in development costs for optical transmission systems, operating income was 5.3 billion yen (US\$45 million), roughly on par with last year.

In APAC & China, favorable performance in HDDs and logic LSI devices contributed to net sales of 388.8 billion yen (US\$ 3,295 million), a 13.9% increase over the same period last year. Operating income was 7.0 billion yen (US\$60 million), roughly even with the first half of fiscal 2005.

Change in Method of Allocating Operating Expenses

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, we have 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.” Beginning this fiscal year, expenses for each business unit that would be incurred if it were operated independently will be assessed to each respective business segment. Group-wide strategic expenses, such as basic research, which should provide a return to the entire Group, will 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 has been changed to reflect the actual consolidated business situation.

The impact of these changes on the operating income of each business segments is as follows:

	First Half (Actual)			(Billion Yen) Full Year (Projected)		
	Before Change	Impact of Change	After Change	Before Change	Impact of Change	After Change
Technology Solutions	41.3	-4.8	36.4	185.0	-10.0	175.0
Ubiquitous Product Solutions	20.5	-0.5	19.9	30.0	-	30.0
Device Solutions	17.8	-1.8	16.0	35.0	-5.0	30.0
Other Operations	4.8	-	4.9	10.0	-	10.0
Elimination & Corporate	-33.8	7.1	-26.7	-70.0	15.0	-55.0
Total	50.6	-	50.6	190.0	-	190.0

In reporting operating income for the first half of fiscal 2006 broken out by geographic segment, in comparison to the previous allocation method, these changes have reduced operating income for Japan by 7.1 billion yen, and this amount has been added to “elimination & corporate.” There is no impact on any other geographic segment.

3. Financial Condition

Summary of Cash Flows

			(Billion Yen)
	First Half FY 2006	Change from 1H FY 2005	
Cash Flows from Operating Activities	184.0	41.0	<i>One-time benefit due to non-trading days</i>
Cash Flows from Investing Activities	-119.0	-14.8	About 60.0 bil. yen
Free Cash Flow	65.0	26.2	About 20.0 bil. yen
			About 80.0 bil. yen
Cash Flows from Financing Activities	-73.5	-58.3	

Net cash provided by operating activities in the first half of fiscal 2006 was 184.0 billion yen, reflecting depreciation expenses from logic LSI device investments, higher profits and other factors. This represents an increase of 41.0 billion yen compared to the same period in fiscal 2005. However, taking into account last year's 15.9 billion yen gain on settlement of litigation, and excluding the 60.0 billion yen one-time cash benefit, due to the effect of non-trading days at end of period on trade payables, the results were roughly even with the first half of fiscal 2005.

Net cash used in investing activities was 119.0 billion yen, an increase of 14.8 billion yen in outflow compared to the same period in the prior fiscal year. This was primarily attributable to capital expenditure for capacity expansion at the Mie Plant's Fab No. 1 300mm-wafer fabrication facility.

Free cash flow, the sum of operating and investment cash flows, was 65.0 billion yen, which reflects, in part, the impact stemming from the last day of the period falling on a Saturday.

As a result of applying free cash flow to cover a portion of the 100.0 billion yen in bond redemptions, among other factors, net cash used in financing activities was 73.5 billion yen. The balance of cash and cash equivalents at the end of the first half was 415.5 billion yen, a decrease of 5.3 billion yen compared to the end of fiscal 2005.

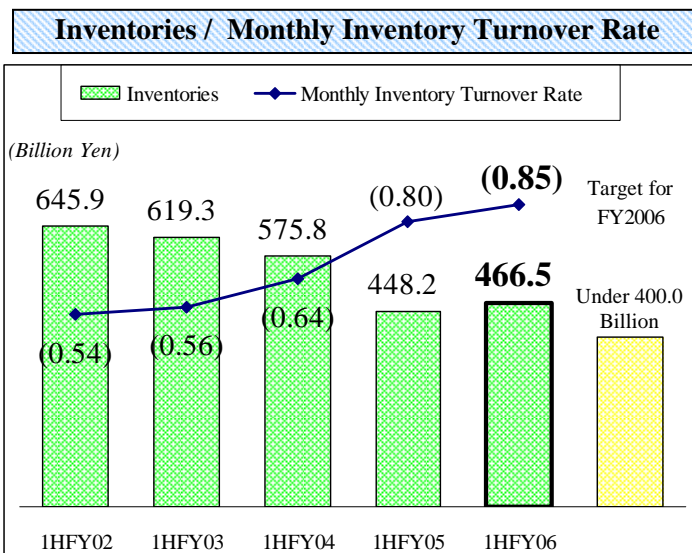
Assets, Liabilities, and Net Assets

			(Billion Yen)
	End of First Half FY 2006	Change from First Half FY 2005	Change From End of FY 2005
Total Assets	3,768.2	156.3	-38.9
Inventories	466.5	18.2	57.8
Interest-Bearing Loans	882.3	-206.1	-46.2
Net Interest-Bearing Loans	468.5	-139.7	-38.7
Net Assets	1,077.1	92.3	-12.8
Shareholders' Equity	789.0	59.9	8.4
D/E Ratio	0.98	-0.35	-0.03
Net D/E Ratio	0.52	-0.22	-0.03

Total assets at the end of the first half were 3,768.2 billion yen, up 156.3 billion yen from the end of the same period in the prior fiscal year. This was due in large part to an increase in trade receivables resulting from higher revenue and an increase in property, plant and equipment less accumulated depreciation relating to the investment in capacity expansion at the Mie Plant. Inventories stood at 466.5 billion yen, an increase of 18.2 billion yen over the end of the same period in the preceding fiscal year. The increase in inventories was in preparation for sales anticipated in the third quarter. The monthly inventory turnover rate, which is an indication of the efficiency of asset utilization, improved by 0.05, to 0.85 times.

Total liabilities were 2,691.0 billion yen, an increase of 63.9 billion yen over the end of the same period of the prior fiscal year. Trade payables increased in preparation for the higher sales anticipated in the third quarter and due to the effect of non-trading days at end of period. As a result of the redemption of bonds and the repayment of loans, the balance of interest-bearing loans totaled 882.3 billion yen at the end of the first half, a decrease of 206.1 billion yen from the end of the same period in the prior fiscal year.

Net assets were 1,077.1 billion yen, an increase of 92.3 billion yen compared to the end of the same period in the prior fiscal year. This was due primarily to the increase in shareholders' equity of 59.9 billion yen, resulting from higher profits and other factors. The D/E ratio of 0.98 was within the target of 1.0 set at the end of fiscal 2004.



4. Basic Stance on the Group'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.

5. 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, a gradually more active posture on IT spending has become apparent. In line with economic recovery, the services business is expected to see modest growth. On the other hand, we foresee downward pressure on prices for servers, network equipment and other products as attention shifts to lower-priced models, suggesting that our operating environment will remain difficult going forward. Despite these challenges, we will continue to strive for the earnings capacity that will enable us to achieve steady profitable 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 culminate our efforts to meet these challenges 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. Since November of last year we have been performing comprehensive inspections of our customers' systems in order to improve operational reliability. In addition, we have enhanced our quality assurance activities in contract software development projects so as to control the incidence of loss-generating projects, and we are continuing efforts to make the development process even more efficient. In manufacturing as well, we are advancing manufacturing innovation initiatives across our entire supply chain.

In our services business, we are strengthening our operational and packaged services businesses, which we expect to provide a stable flow of earnings, in order to enhance earnings capacity. Moreover, we are actively pursuing product-specific sales promotion efforts to expand sales of our server, storage, network, middleware and other products, and we are continuing to establish facilities in Japan and overseas for the verification of customers' systems. In our electronic devices business, construction has begun on a new large-scale production facility that will utilize our

leading-edge 65nm technology and is scheduled to come online in April 2007. In addition, we are purchasing semiconductor fabrication facilities from Spansion Japan to help reinforce earnings in our standard logic products business.

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. To help strengthen our system platforms business, last fiscal year we opened system verification facilities in Singapore, Korea, and California in the US, and this fiscal year we have added new facilities in Shanghai and Hong Kong. Moreover, we are leveraging our strategic alliance with EDS to expand sales of our servers. In services, meanwhile, we are strengthening our collaboration with SAP and developing joint sales promotion programs with them.

In Japan, we are concentrating on markets where high growth is anticipated through efforts that include providing a systematic framework of interoperable business process and industry-specific applications for small- and medium-sized enterprises.

Understanding that the real growth of IT in the future will be on the front lines of business, we are continuing to promote 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. For example, we are seeking to further open up new business areas with 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 throughout the Fujitsu Group to provide speedier service to customers and one-stop support over the entire IT system lifecycle.

In Japan, we have been continuing to reform our sales processes, for example, by reinforcing pipeline management to get a better grasp of the progress of business deals and optimizing proposals to better meet the needs of customers. Furthermore, in June of this year we reorganized our overseas business promotion structure, dividing overseas markets into four principal regions and appointing a head of regional operations in each. Under the new structure, we are working to expand our overseas business by forging closer ties in each of these regional markets and utilizing our local operational bases to provide speedier and more nuanced response.

4. Reforming Our Management Systems

Based on the mission, values and code of conduct set forth in *The FUJITSU Way*, we will in our actions and principles continue to emphasize sustainability in the management of our business. Moreover, in order to pursue management efficiency and at the same time control risk arising from our business activities, we will continue to strengthen our corporate governance.

We are currently undertaking Group-wide projects designed to improve our internal business processes and strengthen internal control functions. This will enable us to continue to promote a business execution structure for the Group that is not only efficient but also law-abiding and proper. In addition, believing that our people are our greatest asset, we are continuing to bolster efforts to train, utilize and strengthen our human resources.

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

6. Second-Quarter Financial Results

Profit and Loss

	Second Quarter FY 2006 (Billion Yen)	% Change from 2Q FY 2005
Net Sales	1,259.4	8.0%
Japan	814.4	3.4%
Overseas	445.0	17.7%

(Billion Yen)

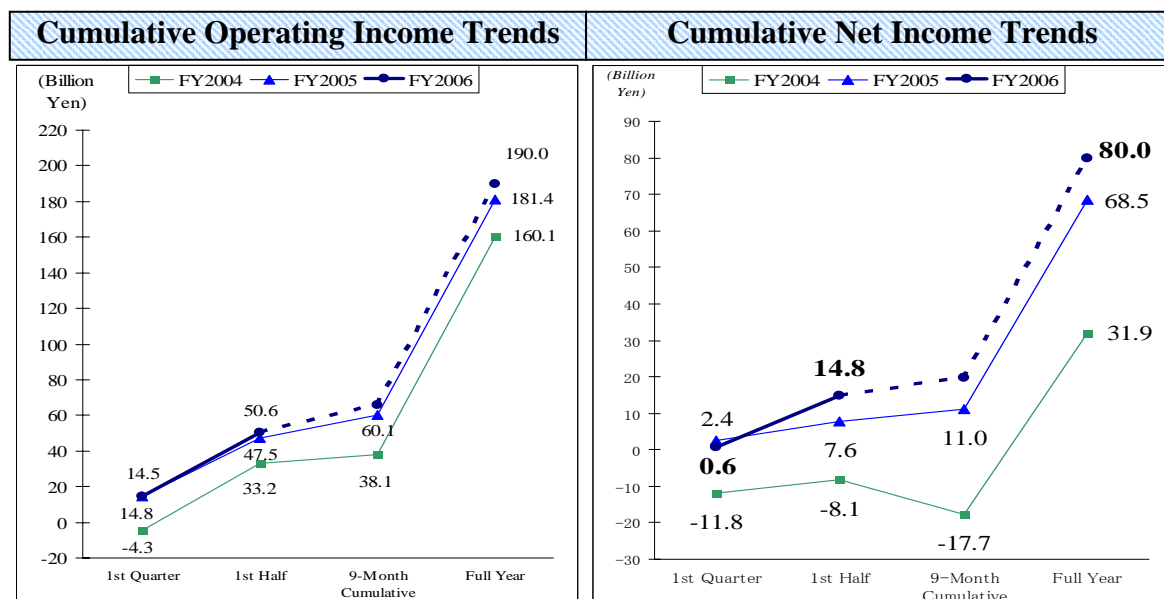
	Second Quarter FY 2006	Change from 2Q FY 2005
Operating Income	36.0	3.3

Second-quarter consolidated net sales were 1,259.4 billion yen (US\$10,673 million), a year-on-year increase of 8%. This represents the largest year-on-year rate of increase in net sales since reporting of quarterly results was introduced in fiscal 2001. Thanks to the favorable performance of our outsourcing and other services-related businesses, as well as growth in sales of HDDs, optical transmission systems and UNIX servers, overseas sales increased by 17.7%. In Japan, sales of solutions/systems integration services increased, particularly in the financial services sector as well as in the manufacturing and retail sectors, and sales of LSI devices as well as electronic components and mobile phones also expanded.

Consolidated operating income in the second quarter was 36.0 billion yen (US\$306 million), an increase of 3.3 billion yen over the corresponding quarter of fiscal 2005. Intense price competition continued to affect our optical transmission systems, server-related and other businesses, which we have been expanding in global markets. Positive factors, however, such as the continued strong performance of our outsourcing and other services businesses, particularly overseas, the effects of higher sales of solutions/systems integration services, HDDs, mobile phones and other products, and our success in reducing costs, enabled us to record an overall increase in operating income compared to the second quarter of fiscal 2005.

In other income (expenses), there was a reduction in the amortization of unrecognized obligation for retirement benefits of 0.7 billion yen, representing a significant decrease from the amount of 8.2 billion yen reported in the second quarter of fiscal 2005. This was due to the pension system revisions that took place in September 2005, as well as the effect of the rise in stock market prices at the end of fiscal 2005. In addition, there was an improvement in investment losses under net equity in earnings of affiliated companies.

Net income for the second quarter was 14.1 billion yen (US\$120 million), an increase of 9.0 billion yen over the corresponding period in the previous fiscal year.



7. FY 2006 Earnings Projections

In the first half of fiscal 2006, our consolidated net sales and operating income exceeded the projected levels we announced in July. We were able to achieve these results because of the strong performance of our services business, particularly overseas, and solid results in network equipment, HDDs, electronic components, and other products. We were also able to achieve a higher level of profitability this period, as reflected by a year-on-year increase in first-half net income that was even greater than the increase in operating income. This was the result of a significant improvement in non-operating items, including a substantial reduction in the amortization of unrecognized obligation for retirement benefits as a result of pension system revisions that took place in September of 2005 and the effect of the rise in stock prices that occurred at the end of fiscal 2005, as well as lower net interest expenses and improvement in investment losses under net equity in earnings of affiliated companies.

For the third quarter, we expect market demand both in Japan and overseas to remain favorable as we enter the year-end holiday shopping season, and we are projecting net sales of 1,250.0 billion yen, a substantial increase of 11.5% over the third quarter of fiscal 2005. Despite this projected sales growth, however, because we expect expenses associated with upfront investments, primarily in our logic LSI device and server businesses, to remain high and, because we expect global price competition to further intensify, we project operating income to be slightly above the level of last year's third quarter.

Regarding projections for fiscal 2006 full-year consolidated earnings, we have not changed the forecast we issued in July. Although first-half operating income was higher than projected, it only slightly exceeded the level reported in the first half of fiscal 2005, and uncertainties remain regarding the current fiscal year's fourth quarter, in which both sales and operating income tend to be concentrated for our system products and solutions/systems integration businesses. There are also uncertainties regarding market trends for HDDs, logic LSI devices, and other products. In addition, while demand in global markets is increasing in IT services, hardware and components, price competition is also intensifying.

We will continue to make every effort to meet the earnings targets set at the start of the fiscal year.

Fiscal 2006 Full-Year Earnings Forecast

	FY 2006 (Forecast)	Change vs. July Projection	(Billion Yen) FY 2005 (Actual)
Net Sales	5,200.0	-	4,791.4
Operating Income	190.0	-	181.4
Net Income	80.0	-	68.5

Quarterly Breakdown of Net Sales and Operating Income for Fiscal 2006

(Billion Yen)

	1Q (Actual)	2Q (Actual)	3Q (Forecast)	4Q (Forecast)
Net Sales	1,102.8	1,259.4	1,250.0	1,587.6
Operating Income	14.5	36.0	15.0	124.3

Quarterly Breakdown of Net Sales and Operating Income for Fiscal 2005

(Billion Yen)

	1Q (Actual)	2Q (Actual)	3Q (Actual)	4Q (Actual)
Net Sales	1,026.3	1,165.9	1,121.4	1,477.6
Operating Income	14.8	32.7	12.5	121.3

※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 (Including Forecasts for FY2006)

a. Consolidated Business Segment Information

(1) Net Sales* and Operating Income

	Yen (billions)		Yen (billions)					
	FY 2005		FY 2006					
	1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Change vs. 1H FY05 (%)	Full Year (Forecast)	Change vs. FY05 (%)	Change vs. previous forecast** (Bil. Yen)	
Technology Solutions								
Japan	Y 950.0	2,092.2	942.9	-0.8	2,150.0	+2.8	-	
Overseas	394.0	891.6	485.7	+23.3	1,030.0	+15.5	-	
Total	1,344.0	2,983.9	1,428.6	+6.3	3,180.0	+6.6	-	
Operating Income	37.1	153.0	36.4	-1.8	175.0	+14.4	-10.0	
[Operating Income Margin]	[2.8%]	[5.1%]	[2.6%]		[5.5%]		[-0.3%]	
<i>System Platforms</i>								
Operating Income	2.6	24.5	-5.1	-	20.0	-18.6	-5.0	
[Operating Income Margin]	[0.8%]	[3.4%]	[-1.5%]		[2.7%]		[-0.6%]	
<i>Services</i>								
Operating Income	34.4	128.4	41.6	+20.9	155.0	+20.7	-5.0	
[Operating Income Margin]	[3.4%]	[5.7%]	[3.8%]		[6.4%]		[-0.2%]	
Ubiquitous Product Solutions								
Japan	328.9	700.8	335.0	+1.9	730.0	+4.2	-	
Overseas	169.5	359.0	193.5	+14.2	430.0	+19.8	-	
Total	498.4	1,059.9	528.6	+6.1	1,160.0	+9.4	-	
Operating Income	16.6	34.8	19.9	+19.8	30.0	-13.8	-	
[Operating Income Margin]	[3.3%]	[3.3%]	[3.8%]		[2.6%]		-	
Device Solutions								
Japan	190.7	399.0	215.6	+13.0	460.0	+15.3	-	
Overseas	145.2	308.4	161.3	+11.0	350.0	+13.5	-	
Total	336.0	707.5	376.9	+12.2	810.0	+14.5	-	
Operating Income	12.5	29.5	16.0	+28.0	30.0	+1.7	-5.0	
[Operating Income Margin]	[3.7%]	[4.2%]	[4.3%]		[3.7%]		[-0.6%]	
Other Operations								
Japan	161.3	336.5	170.3	+5.6	350.0	+4.0	-	
Overseas	49.4	110.8	64.7	+31.0	120.0	+8.3	-	
Total	210.8	447.3	235.0	+11.5	470.0	+5.1	-	
Operating Income	2.0	7.6	4.9	+135.6	10.0	+30.2	-	
[Operating Income Margin]	[1.0%]	[1.7%]	[2.1%]		[2.1%]		-	
Elimination								
Sales	(197.0)	(407.3)	(206.9)	-	(420.0)	-	-	
Operating Income	(20.8)	(43.5)	(26.7)	-	(55.0)	-	+15.0	
Total								
Japan	1,469.8	3,199.8	1,503.3	+2.3	3,360.0	+5.0	-	
Overseas	722.4	1,591.5	859.0	+18.9	1,840.0	+15.6	-	
Total	2,192.3	4,791.4	2,362.3	+7.8	5,200.0	+8.5	-	
Operating Income	Y 47.5	181.4	50.6	+6.4	190.0	+4.7	-	
[Operating Income Margin]	[2.2%]	[3.8%]	[2.1%]		[3.7%]		-	

Note: * Includes intersegment sales.

** Previous forecast as of July 27, 2006.

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. See page 22 for further details.

(2) Net Sales* by Principal Products and Services

	Yen (billions)		Yen (billions)				
	FY 2005		FY 2006				
	1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Change vs. 1H FY05 (%)	Full Year (Forecast)	Change vs. FY05 (%)	Change vs. previous forecast** (Bil. Yen)
Technology Solutions							
System Products	Y 156.1	354.2	161.7	+3.6	380.0	+7.3	-
Network Products	176.5	363.4	176.9	+0.3	370.0	+1.8	-
<i>System Platforms</i>	332.6	717.6	338.7	+1.8	750.0	+4.5	-
Solutions / SI	457.5	1,020.4	494.1	+8.0	1,090.0	+6.8	-
Infrastructure Services	472.5	1,037.2	525.6	+11.2	1,120.0	+8.0	-
Others	81.2	208.5	70.0	-13.8	220.0	+5.5	-
<i>Services</i>	1,011.4	2,266.2	1,089.8	+7.8	2,430.0	+7.2	-
Total	1,344.0	2,983.9	1,428.6	+6.3	3,180.0	+6.6	-
Ubiquitous Product Solutions							
PCs / Mobile Phones	352.1	756.6	363.7	+3.3	800.0	+5.7	-
Hard Disk Drives	136.8	285.4	155.4	+13.6	340.0	+19.1	-
Others	9.4	17.8	9.3	-0.3	20.0	+11.8	-
Total	498.4	1,059.9	528.6	+6.1	1,160.0	+9.4	-
Device Solutions							
LSI Devices	219.3	460.1	236.2	+7.7	510.0	+10.8	-
Electronic Components, Others	Y 116.7	247.4	140.7	+20.6	300.0	+21.2	-
Total	336.0	707.5	376.9	+12.2	810.0	+14.5	-

Note: * Includes intersegment sales.

** Previous forecast as of July 27, 2006.

b. R&D Expenses

	Yen (billions)		Yen (billions)				
	FY 2005		FY 2006		FY 2006		
	1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Change vs. 1H FY05 (%)	Full Year (Forecast)	Change vs. FY05 (%)	Change vs. previous forecast* (Bil. Yen)
As % of sales	121.0	241.5	127.3	+5.2	255.0	+5.6	-
	5.5%	5.0%	5.4%		4.9%		

c. Capital Expenditures, Depreciation

		Yen (billions)		Yen (billions)				
		FY 2005		FY 2006		FY 2006		
		1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Change vs. 1H FY05 (%)	Full Year (Forecast)	Change vs. FY05 (%)	Change vs. previous forecast* (Bil. Yen)
Capital Expenditures								
Technology Solutions	Y	40.6	93.1	48.9	+20.5	120.0	+28.8	-
Ubiquitous Product Solutions		9.4	19.4	13.4	+42.0	30.0	+54.4	-
Device Solutions		70.4	115.5	89.0	+26.4	180.0	+55.7	-
Corporate and others		9.1	21.8	9.8	+7.3	20.0	-8.3	-
Total	Y	129.6	249.9	161.2	+24.3	350.0	+40.0	-
Japan		104.3	190.6	133.4	+27.8	290.0	+52.1	-
Overseas		25.3	59.3	27.7	+9.8	60.0	+1.2	-
Depreciation		77.5	169.8	89.4	+15.4	220.0	+29.5	-

d. Cash Flows

		(Billion Yen)					
		FY 2005		FY 2006		FY 2006	
		1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Full Year (Forecast)	Change vs. previous forecast*	
(A) Cash flows from operating activities	Y	143.0	405.5	184.0	530.0	-	
[Net income]		[7.6]	[68.5]	[14.8]	[80.0]	-	
[Depreciation **]		[112.5]	[242.3]	[125.2]	[300.0]	-	
[Others]		[22.7]	[94.6]	[43.9]	[150.0]	-	
(B) Cash flows from investing activities		(104.1)	(234.6)	(119.0)	(360.0)	-	
(C) Free cash flow (A)+(B)		38.8	170.8	65.0	170.0	-	
(D) Cash flows from financing activities		(15.1)	(207.8)	(73.5)	(170.0)	-	
(E) Total (C)+(D)	Y	23.6	(36.9)	(8.4)	0.0	-	

Note: * Previous forecast as of July 27, 2006.

** Including amortization of goodwill.

e. Exchange Rates

Average Rates for

FY 2005		FY 2006	
1st Half (Actual)	2nd half (Actual)	1st Half (Actual)	2nd Half (Forecast)
\$1=109 yen	\$1=117 yen	\$1=115 yen	\$1=115 yen
€1=136 yen	€1=140 yen	€1=146 yen	€1=135 yen
£1=199 yen	£1=205 yen	£1=214 yen	£1=200 yen

f. PC Shipments

(Million Units)

FY 2005		FY 2006		Change vs. previous forecast*
1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Full Year (Forecast)	
3.67	8.25	3.70	9.00	-

g. Mobile Phone Shipments

(Million Units)

FY 2005		FY 2006		Change vs. previous forecast*
1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Full Year (Forecast)	
1.68	3.62	1.85	3.50	-

h. HDD Production

(Million Units)

FY 2005		FY 2006		Change vs. previous forecast*
1st Half (Actual)	Full Year (Actual)	1st Half (Actual)	Full Year (Forecast)	
12.18	25.21	14.49	33.00	-0.500

i. Employees

(Thousands)

	2005/3/31	2005/9/30	2006/3/31	2006/9/30
Japan	101	100	99	100
[Parent Company]	[34]	[37]	[37]	[37]
Overseas	50	53	59	61
Total	151	153	158	161

Note: * Previous forecast as of July 27, 2006.