

FY 2006 First-Quarter Financial Results

Contents

Part I: Financial Tables

1. Summary of FY 2006 First-Quarter Consolidated Results	p.1
2. Consolidated Earnings Forecast for FY 2006	p.2
3. First-Quarter Consolidated Statements of Operations	p.3
4. First-Quarter Consolidated Business Segment Information	p.4
5. First-Quarter Consolidated Balance Sheets	p.6
6. First-Quarter Consolidated Statements of Cash Flows	p.7
7. First-Quarter Consolidated Statements of Shareholders' Equity	p.8

Part II: Explanation of Financial Results

1. Overview	p. 9
2. Results by Business Segment	p. 12
3. Financial Condition	p. 16
4. FY 2006 Earnings Projections	p. 18

Part III: Supplementary Information	p. S1
-------------------------------------	-------

Part I: Financial Tables

1. Summary of FY 2006 First-Quarter Consolidated Results

a. Summary of Consolidated Statements of Operations

	Yen (millions) (except per share data)			
	1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	Change (%)	
Net sales	Y 1,102,870	1,026,339	+7.5	
Operating income	14,574	14,811	-1.6	
Income before income taxes and minority interests	6,338	16,435	-61.4	
Net income	664	2,498	-73.4	
Net income per common share	Y 0.32	1.21	-	
Net income per diluted common share	0.23	1.08	-	

b. Net Sales by Business Segment (including intersegment)

	Yen (millions)			
	1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	Change (%)	
Technology Solutions	Y 649,616	613,415	+5.9	
Ubiquitous Product Solutions	252,383	241,366	+4.6	
Device Solutions	179,806	159,172	+13.0	
Other Operations	116,043	102,188	+13.6	
Elimination	(94,978)	(89,802)	-	
Total	Y 1,102,870	1,026,339	+7.5	

c. Summary of Consolidated Financial Condition

	Yen (millions) (except per share data)			
	June 30 2006	March 31 2006	June 30 2005	
Total assets	Y 3,670,481	3,807,131	3,536,272	
Net assets	1,063,843	917,045	775,131	
Owners' equity ratio	24.3 %	24.1 %	21.9 %	
Owners' equity per share	Y 431.17	443.20	374.86	

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

Owners' equity is shown on first-quarter consolidated balance sheets as "total shareholders' equity, valuation and translation adjustments."

d. Summary of Consolidated Statements of Cash Flows

	Yen (millions)			
	1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	FY 2005	
Cash flows from operating activities	Y (76,817)	(43,642)	405,579	
Cash flows from investing activities	(48,294)	(46,347)	(234,684)	
Cash flows from financing activities	31,400	22,899	(207,840)	
Cash and cash equivalents at end of period	328,961	387,347	420,894	

2. Consolidated Earnings Forecast for FY 2006

		Yen	
		(billions)	
		(except per share data)	
		First Half	Full Year
		ending Sep. 30, 2006	ending Mar. 31, 2007
		(Forecast)	(Forecast)
Net sales	Y	2,350.0	Y 5,200.0
Operating income		35.0	190.0
Net income		5.0	80.0
Net income			
per common share	Y	2.42	Y 38.69

3. First-Quarter Consolidated Statements of Operations

	Yen (millions)		Change (%)
	1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	
Net sales	Y1,102,870	Y1,026,339	+7.5
Operating costs and expenses:			
Cost of sales	815,068	751,171	+8.5
Selling, general and administrative expenses	273,228	260,357	+4.9
	1,088,296	1,011,528	
Operating income	14,574	14,811	-1.6
Other income (expenses):			
Net interest*	470	(254)	
Equity in earnings of affiliated companies, net	(3,883)	(4,214)	
Amortization of unrecognized obligation for retirement benefits	(814)	(9,815)	
Settlement gain**	-	15,957	
Other, net	(4,009)	(50)	
	(8,236)	1,624	-
Income before income taxes and minority interests	6,338	16,435	-61.4
Income taxes	3,517	12,712	
Minority interests	(2,157)	(1,225)	
Net income	Y664	Y2,498	-73.4

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

** Settlement gain is related to reconciliation of HDD litigation.

4. First-Quarter Consolidated Business Segment Information

a. Net Sales* and Operating Income

		Yen (millions)			
		1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	Change (%)	
Technology Solutions	Japan	Y 415,398	425,836	-2.5	
	Overseas	234,218	187,579	+24.9	
	Total	649,616	613,415	+5.9	
	Operating Income	5,030	7,369	-31.7	
	[Operating Income Margin]	[0.8%]	[1.2%]		
	<i>System Platforms</i>				
	Operating Income	(5,268)	(657)	-	
	[Operating Income Margin]	[-3.3%]	[-0.4%]		
	<i>Services</i>				
	Operating Income	10,298	8,026	+28.3	
[Operating Income Margin]	[2.1%]	[1.8%]			
Ubiquitous Product Solutions	Japan	162,067	160,069	+1.2	
	Overseas	90,316	81,297	+11.1	
	Total	252,383	241,366	+4.6	
	Operating Income	10,350	11,410	-9.3	
[Operating Income Margin]	[4.1%]	[4.7%]			
Device Solutions	Japan	98,649	91,818	+7.4	
	Overseas	81,157	67,354	+20.5	
	Total	179,806	159,172	+13.0	
	Operating Income	12,421	7,251	+71.3	
[Operating Income Margin]	[6.9%]	[4.6%]			
Other Operations	Japan	84,288	78,715	+7.1	
	Overseas	31,755	23,473	+35.3	
	Total	116,043	102,188	+13.6	
	Operating Income	2,154	1,617	+33.2	
[Operating Income Margin]	[1.9%]	[1.6%]			
Elimination	Sales	(94,978)	(89,802)	-	
	Operating Income	(15,381)	(12,836)	-	
Total	Japan	Y 688,870	682,012	+1.0	
	Overseas	414,000	344,327	+20.2	
	Total	1,102,870	1,026,339	+7.5	
	Operating Income	14,574	14,811	-1.6	
[Operating Income Margin]	[1.3%]	[1.4%]			

* Includes intersegment sales

b. Net Sales* by Principal Products and Services

		Yen		Change (%)
		(millions)		
		1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	
Technology Solutions				
	System Products	Y 69,297	61,187	+13.3
	Network Products	90,889	93,685	-3.0
	<i>System Platforms</i>	160,186	154,872	+3.4
	Solutions / SI	213,741	205,098	+4.2
	Infrastructure Services	248,289	221,452	+12.1
	Others	27,400	31,993	-14.4
	<i>Services</i>	489,430	458,543	+6.7
	Total	649,616	613,415	+5.9
Ubiquitous Product Solutions				
	PCs / Mobile Phones	174,677	170,076	+2.7
	Hard Disk Drives	73,511	66,995	+9.7
	Others	4,195	4,295	-2.3
	Total	252,383	241,366	+4.6
Device Solutions				
	LSI Devices	112,600	101,600	+10.8
	Electronic Components, Others	67,206	57,572	+16.7
	Total	Y 179,806	159,172	+13.0

* Includes intersegment sales

5. First-Quarter Consolidated Balance Sheets

	Yen (millions)		Change
	June 30 2006	March 31 2006	
Assets			
Current assets:			
Cash and cash equivalents and short-term investments	Y 330,711	423,263	-92,552
Receivables, trade	789,534	885,300	-95,766
Inventories	457,802	408,710	+49,092
Other current assets	217,313	215,475	+1,838
Total current assets	1,795,360	1,932,748	-137,388
Investments and long-term loans	823,861	861,503	-37,642
Property, plant and equipment less accumulated depreciation	810,956	776,976	+33,980
Intangible assets	240,304	235,904	+4,400
Total assets	Y 3,670,481	3,807,131	-136,650
Liabilities, minority interests and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	Y 282,611	234,848	+47,763
Payables, trade	641,579	757,006	-115,427
Other current liabilities	600,455	610,651	-10,196
Total current liabilities	1,524,645	1,602,505	-77,860
Long-term liabilities:			
Long-term debt	693,172	693,765	-593
Other long-term liabilities	388,821	420,786	-31,965
Total long-term liabilities	1,081,993	1,114,551	-32,558
Total liabilities	2,606,638	2,717,056	-110,418
Net assets			
Shareholders' equity			
Common stock	324,625	324,625	-
Capital surplus	498,021	498,019	+2
Retained earnings (Deficit)	(46,285)	(40,485)	-5,800
Treasury stock	(1,526)	(1,465)	-61
Total shareholders' equity	774,835	780,694	-5,859
Valuation and translation adjustments			
Valuation difference on available-for-sales securities	162,660	182,218	-19,558
Foreign currency translation adjustments	(46,020)	(45,867)	-153
Total valuation and translation adjustments	116,640	136,351	-19,711
Total shareholders' equity, valuation and translation adjustments	891,475	917,045	-25,570
Minority interests	172,368	173,030	-662
Total net assets	Y 1,063,843	1,090,075	-26,232
Total liabilities and net assets	Y 3,670,481	3,807,131	-136,650
Ending balance of interest-bearing loans	Y 975,783	928,613	+47,170
D/E ratio	1.09	1.01	+0.08

Note: 1. Figures for Mar. 31, 2006 have been restated to match new classifications.

2. Valuation difference on available-for-sales securities includes revaluation surplus on land and deferred gain and loss from hedging.

3. D/E ratio is ending balance of interest-bearing loans/(net assets - minority interests).

6. First-Quarter Consolidated Statements of Cash Flows

	Yen (millions)		
	1Q FY 2006 (4/1/06~6/30/06)	1Q FY 2005 (4/1/05~6/30/05)	Change
1. Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	Y 6,338	16,435	-10,097
Depreciation and amortization	57,811	54,144	+3,667
Increase (decrease) in provisions	(11,129)	(3,067)	-8,062
Equity in earnings of affiliates, net	3,883	4,214	-331
Disposal of property, plant and equipment	3,853	2,697	+1,156
(Increase) decrease in receivables, trade	99,678	150,877	-51,199
(Increase) decrease in inventories	(51,163)	(57,964)	+6,801
Increase (decrease) in payables, trade	(116,058)	(133,594)	+17,536
Other, net	(70,030)	(77,384)	+7,354
Net cash provided by (used in) operating activities	<u>(76,817)</u>	<u>(43,642)</u>	<u>+33,175</u>
2. Cash flows from investing activities:			
Purchase of property, plant and equipment	(42,454)	(35,681)	-6,773
(Increase) decrease in investments	(84)	(24,481)	+24,397
Other, net	(5,756)	13,815	-19,571
Net cash provided by (used in) investing activities	<u>(48,294)</u>	<u>(46,347)</u>	<u>-1,947</u>
1+2 [Free Cash Flow]	<u>(125,111)</u>	<u>(89,989)</u>	<u>-35,122</u>
3. Cash flows from financing activities:			
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt	46,914	36,006	+10,908
Dividends paid	(8,579)	(6,204)	-2,375
Other, net	(6,935)	(6,903)	-32
Net cash provided by (used in) financing activities	<u>31,400</u>	<u>22,899</u>	<u>+8,501</u>
4. Effect of exchange rate changes on cash and cash equivalents	<u>1,120</u>	<u>(79)</u>	<u>+1,199</u>
5. Net increase (decrease) in cash and cash equivalents	<u>(92,591)</u>	<u>(67,169)</u>	<u>-25,422</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	658	-	+658
8. Cash and cash equivalents at end of period	Y <u>328,961</u>	<u>387,347</u>	<u>-58,386</u>

7. First-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	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			664		664				664
Acquisition and sales of treasury stocks		2		(61)	(59)				(59)
Others			404		404				404
Net increase (decrease) during the term, except for items under shareholders' equity						(19,558)	(153)	(662)	(20,373)
Total		2	(5,800)	(61)	(5,859)	(19,558)	(153)	(662)	(26,232)
Balance at June 30, 2006	324,625	498,021	(46,285)	(1,526)	774,835	162,660	(46,020)	172,368	1,063,843

Part II. Explanation of Financial Results

1. Overview

Business Environment

During the first quarter of fiscal 2006 (April 1 – June 30, 2006), the business environment in which the Fujitsu Group operates was characterized by a continuation of the relatively stable conditions that characterized the previous fiscal year. Rapidly rising crude oil prices and higher materials prices persisted, and the combination of higher interest rates in the US and consideration by Japan of ending its ultra-low interest rate policy appeared to cause a temporary disruption in the financial markets. Nevertheless, overall economic conditions, notably in the US and China, developed favorably on a global basis. In Japan, as well, personal consumption continued to expand and, with corporate investment sentiment remaining strong, growth continued at a steady pace.

With respect to IT investment, in addition to continued robust investment overseas, strategic investment began to take place in Japan, where there has been a shift in corporate thinking from a focus primarily on improving efficiency to one promoting growth. This mindset has been particularly evident in the financial services industry, as well as in the manufacturing and retail sectors, and it appears to have broadened from the main centers of economic activity to outlying regions.

In order to maintain a firm, detailed grasp of global market trends and rapidly respond to them, in June we designated four 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.

In addition, in line with the increasing integration of management and IT, in order to speed up decision making and make our operations more efficient, we are accelerating efforts to pursue innovation in our own in-house IT systems and improve our business processes, thus seeking to make Fujitsu an example of cutting-edge IT utilization. We intend to utilize the practical know-how we gain through this process to provide our customers with compelling proposals and thereby expand our business on a global basis.

FY 2006 First-Quarter Results

	First Quarter FY 2006 <i>4/1/06-6/30/06</i>	First Quarter FY 2005 <i>4/1/05-6/30/05</i>	Change	<i>(Billion Yen)</i> Change vs. April Forecast*
Net Sales	1,102.8	1,026.3	76.5	2.8
[% Change vs. Same Period in Prior Fiscal Year]	[7.5%]	[1.8%]		
Operating Income	14.5	14.8	-0.2	14.5
[Operating Income Margin]	[1.3%]	[1.4%]	[-0.1%]	[1.3%]
Extraordinary Gains**	-	15.9	-15.9	
Net Income	0.6	2.4	-1.8	

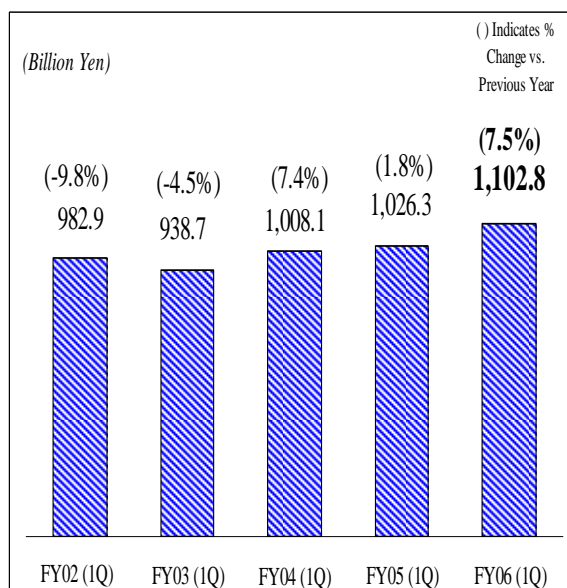
*April forecast as of April 27, 2006.

** Settlement gain related to reconciliation of litigation

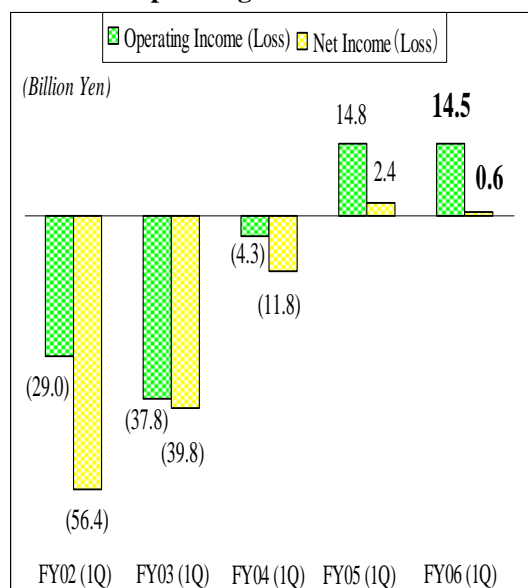
Profit and Loss

Note: In various places throughout these explanatory materials, yen figures for net sales, operating income and net income are converted to U.S. dollars, for convenience only, at a uniform rate of \$1 = 114 yen, which was the approximate Tokyo foreign exchange market rate at June 30, 2006.

Trend in Net Sales



Trend in Operating Income & Net Income



First-quarter consolidated net sales were 1,102.8 billion yen (US\$9,674 million), a year-on-year increase of 7.5%. Excluding the impact of the shift to the adoption of the percentage of completion method in the previous fiscal year, this represented a nearly 10% increase in sales compared to the same quarter of fiscal 2005.

In Japan, sales were roughly even with the first quarter of fiscal 2005. Sales of logic LSI devices and other electronic components were strong. In addition, domestic sales of server-related products and solutions and systems integration services increased, particularly in financial services as well as in the manufacturing and retail sectors. However, although sales of mobile phone base stations were favorable, because demand had been especially strong during the same quarter of the preceding fiscal year, revenue in that sector showed a year-on-year decrease. Despite overall sluggish growth in the consumer market for PCs, sales of new models capable of handling digital terrestrial broadcast reception fared relatively well.

Outside Japan, first-quarter sales increased by more than 20% on a year-on-year basis. Sales of optical transmission systems, outsourcing services and logic LSI devices increased significantly, while there were also higher sales of PCs and HDDs. Revenue increased in all three principal business segments.

Consolidated operating income was 14.5 billion yen (US\$128 million), roughly the same level as in the corresponding quarter of fiscal 2005 but significantly exceeding the forecast figure announced at the start of the fiscal year. In addition to strong performance in our outsourcing services business both inside and outside of Japan, due to such factors as a comparative decrease in start-up costs for the new 300mm-wafer LSI production line at our Mie Plant and progress in increasing cost efficiencies, particularly in the production of mobile phones, we were able to increase the underlying profitability of our business operations. However, selling, general and administrative expenses increased by 12.8 billion yen over the same period in fiscal 2005 due to such factors as the growth in our outsourcing services business in the UK, the increase in business

scale resulting from corporate acquisitions made in North America, and aggressive up-front strategic investments, primarily in the Technology Solutions segment. As a result, operating income was roughly on par with the first quarter of fiscal 2005.

In other income (expenses), net interest was positive 0.4 billion yen, and there was a reduction in the amortization of unrecognized obligation for retirement benefits to 0.8 billion yen, representing a significant decrease of 9.0 billion yen from the level of almost 10.0 billion yen in the first quarter of fiscal 2005. This was due to the pension system revisions that took place in September of 2005, as well as the effect of the rise in stock market prices at the end of the fiscal year.

No extraordinary gains or losses were posted in the first quarter, as opposed to the first quarter of fiscal 2005 when there was a settlement gain of 15.9 billion yen related to reconciliation of litigation, and net income was 0.6 billion yen (US\$6 million). Thus, consistent with the preceding fiscal year, we were able once again to report a net profit for the first quarter.

Comparison with April 2006 Forecast

Actual consolidated net sales in the first quarter were very close to the forecast figure announced in April at the beginning of the fiscal year. In Ubiquitous Product Solutions, although sales of HDDs and other products fell short of projections, sales of LSI devices and of outsourcing services both inside and outside of Japan exceeded forecast.

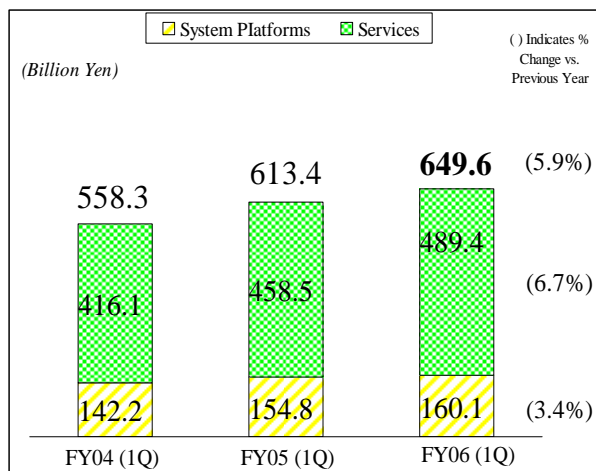
Operating income exceeded our initial forecast by 14.5 billion yen. In addition to better than expected performance in logic LSI devices and in outsourcing services both inside and outside of Japan, improved cost efficiencies in nearly all our business units enabled us to cover the impact of declining sales prices and other market volatility risks.

2. Results by Business Segment

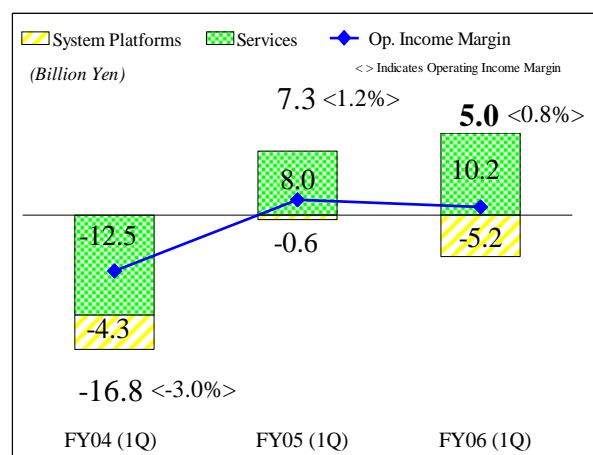
Information on net sales (including intersegment sales) and operating income for the first quarter broken out by business segment is presented below.

Technology Solutions

Net Sales



Operating Income



Consolidated net sales in this segment, which includes the System Platforms and Services sub-segments, were 649.6 billion yen (US\$ \$5,698 million), up 5.9% over the first quarter of fiscal 2005.

Sales in Japan declined by 2.5% over the same period in fiscal 2005. However, excluding the impact of the shift to the adoption of the percentage of completion method in the first quarter of the previous fiscal year, sales increased by 1.7%. Due to the especially high level of demand experienced last year, sales of mobile phone base stations in Japan, though strong, decreased over the comparable period in fiscal 2005. Overseas sales for the segment were robust, recording a 24.9% increase thanks to strong performance in UNIX servers, optical transmission systems, and outsourcing services, as well as the effect of corporate acquisitions in North America.

Operating income for the segment was 5.0 billion yen (US\$44 million), a decrease of 2.3 billion yen in comparison with the same period in the previous fiscal year. In Services, strong performance by our outsourcing services business, both in and outside Japan, led to an increase in income. However, due to the impact of lower sales in our mobile phone base stations business, overall income for the segment decreased.

(1) System Platforms

(Billion Yen)

	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	160.1	3.4%
Japan	109.2	-2.9%
Overseas	50.9	20.2%

Net Sales in the System Platforms sub-segment were 160.1 billion yen (US\$1,405 million), up 3.4% from the first quarter a year earlier. In Japan, System Products sales increased. In Network Products, although sales of mobile phone base stations continued to be strong, revenue decreased compared to the first quarter of fiscal 2005, when there was an especially high level of demand for such equipment. Overseas, buoyed by such factors as significantly higher sales of UNIX servers

and continued strength in optical transmission systems in North America, the sub-segment posted a 20.2% increase in sales compared to the same period a year earlier.

System Platforms posted an operating loss for the quarter of 5.2 billion yen (US\$46 million), representing a deterioration of 4.6 billion yen over the first quarter of fiscal 2005. Even areas that showed growth in sales, such as server-related and optical transmission systems businesses, were affected by intensified global price competition and the weight of continuing up-front strategic investments. In addition, the especially high level of demand for mobile phone base stations in the same period last year also contributed to the comparative decline in income for this quarter.

We expanded our network of system verification centers, where we provide customers with comprehensive pre-verification and evaluation for platform products and system construction support in open-standard system environments. To address the rapid expansion of the Chinese IT market and promote sales of our platform products, we opened Platform Solution Centers in Shanghai and Hong Kong, complementing existing facilities in Japan, Europe, the US, Singapore and Korea.

(2) Services

<i>(Billion Yen)</i>		
	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	489.4	6.7%
Japan	306.1	-2.3%
Overseas	183.2	26.2%

Net sales in the Services sub-segment were 489.4 billion yen (US\$4,293 million), up 6.7% from the same period a year earlier. In Japan, sales for the sub-segment decreased 2.3%. However, excluding the impact of the shift to the percentage of completion method implemented during the first quarter last year, which involved the aggregate recording then of sales from project work performed in previous years, sales for the sub-segment increased by 3.5%.

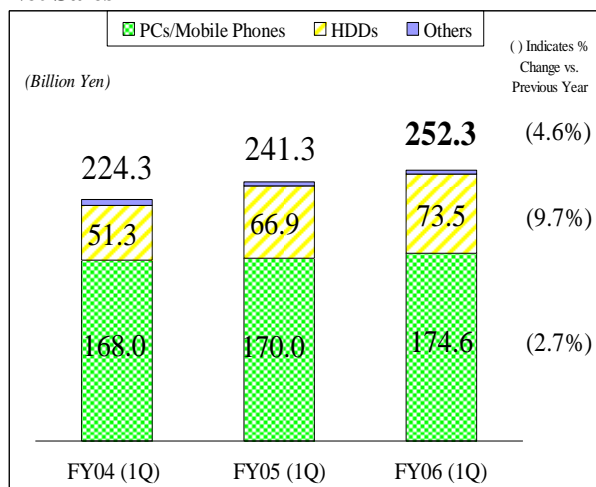
In Japan, in addition to strong performance in our outsourcing services business, we broadened our base for recovery in Solutions/SI, focusing in particular on the financial services, manufacturing and retail sectors, and sales in this sub-segment increased. Outside Japan, buoyed by the strong performance of our outsourcing and other services businesses in the UK, as well as in the US, where revenue was affected by corporate acquisitions, sales recorded a 26.2% increase over the same period a year earlier.

Operating income for the Services sub-segment was 10.2 billion yen (US\$90 million), an improvement of 2.2 billion yen over the same period last year. In order to further improve the profitability of projects in our solutions/SI business in Japan—an area in which we have already significantly stabilized profitability—we increased investments aimed at creating a more efficient development system and promoting business proposals from system engineers. In addition to continued favorable performance by our outsourcing services business in the UK, expansion of our services business in North America through corporate acquisitions contributed to the overall increase in income.

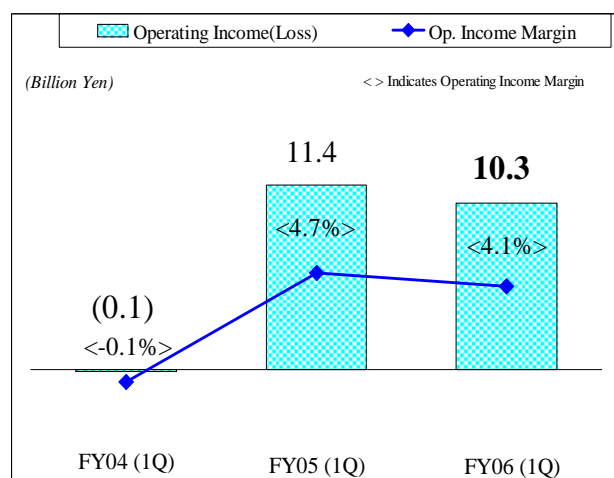
In May 2006, based on our strategic alliance with Cisco Systems, we commenced sales of next-generation high-end routers for constructing next-generation networks. In addition to carrying out joint marketing in Japan to provide solutions that meet our customers' needs, we will continue to work together with Cisco to further strengthen quality assurance activities and rapid incident response, and thereby strive to increase sales.

Ubiquitous Product Solutions

Net Sales



Operating Income



First-quarter net sales in Ubiquitous Product Solutions were 252.3 billion yen (US\$2,214 million), an increase of 4.6% over the same period last year. Sales in Japan were on par with the first quarter of fiscal 2005. While PC sales in Japan were hurt by sluggish consumer demand and intensified competition for corporate sales, our mobile phone business showed favorable results. Overseas, our PC and HDD businesses continued to perform favorably, and sales achieved double-digit growth.

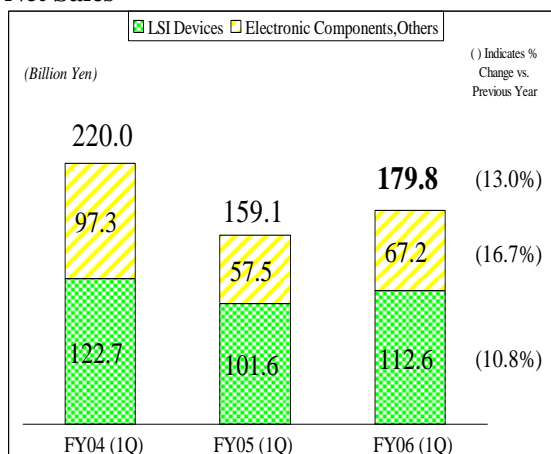
(Billion Yen)

	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	252.3	4.6%
Japan	162.0	1.2%
Overseas	90.3	11.1%

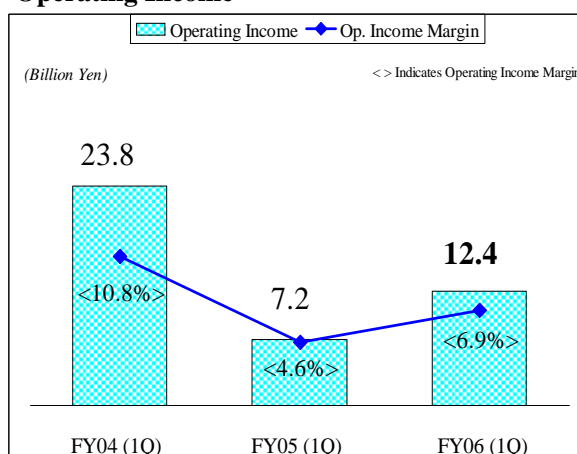
Operating income for Ubiquitous Product Solutions was 10.3 billion yen (US\$91 million), a slight decline from the comparable period last year. Improved quality and cost efficiencies generated by manufacturing innovation initiatives contributed to an increase in earnings from our mobile phones business, but increased price competition negatively impacted PC and HDD results in Japan and overseas.

Device Solutions

Net Sales



Operating Income



Net sales in Device Solutions were 179.8 billion yen (US\$1,577 million), an increase of 13.0% compared to the first quarter of fiscal 2005. Steady demand for logic LSI devices, primarily for digital consumer electronics and automotive-related applications, and full-scale volume production at the Mie Plant's 300mm-wafer line (Fab No. 1) contributed to an increase in sales both in Japan and overseas. There was a particularly large (20.5%) increase in overseas sales, centered in Asia.

(Billion Yen)

	First Quarter FY 2006	% Change vs. 1Q FY 2005
Net Sales	179.8	13.0%
Japan	98.6	7.4%
Overseas	81.1	20.5%

Operating income for Device Solutions was 12.4 billion yen (US\$109 million), an increase of 5.1 billion yen compared to the same period last year. In addition to the impact of higher sales of logic LSI devices, this reflected a reduction in the burden of start-up costs associated with the 300mm-wafer line at the Mie Plant's Fab No. 1, which was in full-scale operation in the first quarter of this fiscal year. The Electronic Components, Others sub-segment also continued to perform favorably.

To meet increasing demand for advanced technology products, in April 2006 we commenced construction of an earlier-announced second 300mm-wafer line (Fab No. 2) at the Mie Plant. Construction is proceeding according to plan, and the new facility is scheduled to commence operations in April of 2007.

3. Financial Condition

Assets, Liabilities and Net Assets

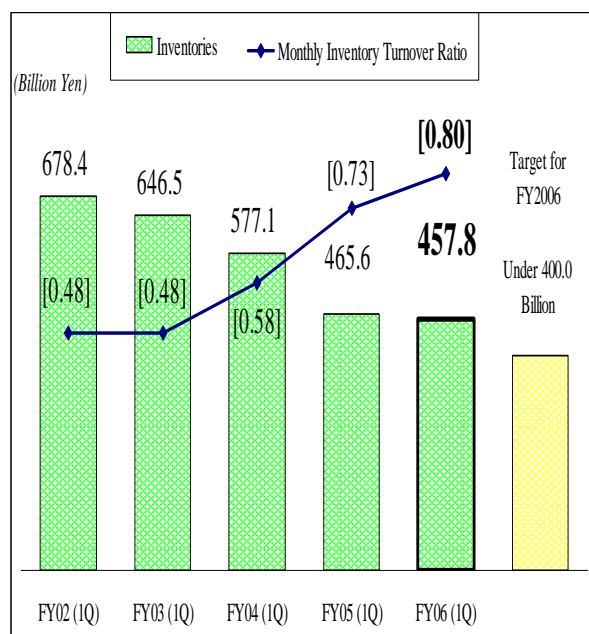
	First Quarter FY 2006	Change vs. FY 2005 Year-End	(Billion Yen) Change vs. 1Q FY 2005
Total Assets	3,670.4	-136.6	134.2
[Inventories]	[457.8]	[49.0]	[-7.8]
Interest-Bearing Loans	975.7	47.1	-143.8
[Net Interest-Bearing Loans]	[648.4]	[141.1]	[-82.3]
Net Assets	1,063.8	-26.2	125.9
D/E Ratio	1.09	0.08	-0.35
[Net D/E Ratio]	[0.73]	[0.18]	[-0.21]

Total assets at the end of the first quarter were 3,670.4 billion yen, down 136.6 billion yen from the end of fiscal 2005. Total current assets were 1,795.3 billion yen, down 137.3 billion yen from the end of fiscal 2005. This was due mainly to the collection of trade receivables. Inventories stood at 457.8 billion yen, an increase of 49.0 billion yen compared to the end of fiscal 2005. This was due to preparations for future sales. However, compared to the end of the first quarter of fiscal 2005, this represented a decrease of 7.8 billion yen. The monthly inventory turnover ratio also improved by 0.07, to 0.80 times, clearly demonstrating the positive effect of the initiatives that we have taken to improve asset efficiency.

Monthly Inventory Turnover Ratio

Total fixed assets at the end of the first quarter were 1,875.1 billion yen, about the same level as at the end of fiscal 2005. Although there was an increase in property, plant and equipment less accumulated depreciation relating to investment in raising 300mm-wafer production capacity at the Mie Plant (Fab No. 1), the market value of available-for-sale securities fell due to the decline in stock market prices.

Total liabilities were 2,606.6 billion yen, a decrease of 110.4 billion yen compared to the end of fiscal 2005, as a result of factors including payment of trade payables relating to sales at the end of the preceding fiscal year. Interest-bearing loans totaled 975.7 billion yen, an increase of 47.1 billion yen compared to the end of fiscal 2005. This was primarily the result of an increase in short-term borrowings to cover a portion of an increase in working capital needs. The D/E ratio was 1.09.



Net assets totaled 1,063.8 billion yen, a decrease of 26.2 billion yen compared to the end of fiscal 2005 due to the decrease in the market value of available-for-sale securities. The shareholders' equity ratio was 21.1%, and the ratio of owners' equity, including valuation and translation adjustments, to total assets was 24.3%, marking improvements over the end of fiscal 2005 in both areas.

Summary of Cash Flows

(Billion Yen)

	First Quarter FY 2006	Change vs. 1Q FY 2005
Cash Flows from Operating Activities	-76.8	-33.1
Cash Flows from Investing Activities	-48.2	-1.9
Free Cash Flow	-125.1	-35.1

Net cash used in operating activities in the first quarter was 76.8 billion yen. This represents an increase of 33.1 billion yen over the same period in the preceding fiscal year. This was due to the fact that there was a one-time receipt of settlement payment during the same quarter last year, as well as an increase in outflows to cover operating expenses.

Net cash used in investment activities totaled 48.2 billion yen, about the same as in the first quarter of the preceding fiscal year. This was primarily attributable to capital expenditure for capacity expansion of the 300mm-wafer line (Fab No. 1) at the Mie Plant.

Free cash flow, the sum of the operating and investment cash flows, was negative 125.1 billion yen, an increase in outflow of 35.1 billion yen over the same period in the preceding fiscal year. Net cash provided by financing activities was 31.4 billion yen, and the balance of cash and cash equivalents at the end of the quarter was 328.9 billion yen, a decrease of 91.9 billion yen from the end of the prior fiscal year.

4. FY 2006 Earnings Projections

In the first quarter of fiscal 2006 both consolidated net sales and operating income exceeded the forecast announced in April. Our services business performed well in Japan as well as overseas, and, along with the recovery trend in IT markets, demand for logic LSI devices and network products remained firm. In addition to the improvement in operating income, there was a dramatic improvement in other income (expenses) due to the sharp decrease in the amortization of unrecognized obligation for retirement benefits resulting from pension system revisions that took place in September of 2005 and the rise in stock prices that occurred at the end of the fiscal year.

All of our business segments face severe price competition and other challenges in the global markets in which we compete. In Technology Solutions and Ubiquitous Product Solutions, in order to provide customers with high-value IT solutions, we continue to strive for cost reductions and increased efficiencies throughout our entire supply chain, from the upstream processes of development and design through manufacturing. In the Device Solutions segment, where we have concentrated our resources on logic LSI devices, in addition to also seeking cost reductions and increased efficiencies, we are moving forward to increase production capacity while carefully assessing market trends and profitability.

We have revised upward the forecast we announced in April for first-half earnings. Our outsourcing and other services businesses are performing well both in Japan and in overseas markets. In addition, demand remains firm for logic LSI devices for digital consumer electronics. However, even with this revision to first-half earnings projections, our forecast operating and net income for the half-year period are still below the results of the corresponding period in fiscal 2005. Moreover, uncertainties remain regarding certain product-related and solutions/SI businesses for which sales and profits tend to be highly concentrated toward the end of the fiscal year. Even in respect to logic LSI devices, which are performing well, it would be premature to change our perspective on prospective market conditions and profitability. Therefore, we are leaving unchanged our earnings forecast for the full fiscal year that we announced in April.

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

(Billion Yen)

	First Half (Apr. 1 – Sep. 30)			Full Year (Apr. 1 – Mar. 31)		
	FY 2005 (Actual)	FY 2006 (Forecast)	Difference vs. April Forecast	FY 2005 (Actual)	FY 2006 (Forecast)	Difference vs. April Forecast
Net Sales	2,192.3	2,350.0	-	4,791.4	5,200.0	-
Operating Income	47.5	35.0	15.0	181.4	190.0	-
Net Income	7.6	5.0	5.0	68.5	80.0	-

※ These materials may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- General economic and market conditions in key markets (particularly in Japan, North America and Europe)
- Rapid changes in the high-technology market (particularly semiconductors, PCs, etc.)
- Fluctuations in exchange rates or interest rates

- *Fluctuations in capital markets*
- *Intensifying price competition*
- *Changes in market positioning due to competition in R&D*
- *Changes in the environment for the procurement of parts and components*
- *Changes in competitive relationships relating to collaborations, alliances and technical provisions*
- *Potential emergence of unprofitable projects*
- *Changes in accounting policies*

Forecast for FY 2006 Consolidated Business Segment Information

(1) Net Sales* and Operating Income

		Yen (billions)			Change (%)		
		FY 2006 (Forecast)		Change	FY 2005 (Actual)	FY 05 to Revised FY 06	
		Previous**	Revised***				
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	185.0	185.0	-	164.2	+12.7	
	[Operating Income Margin]	[5.8%]	[5.8%]	-	[5.5%]		
	<i>System Platforms</i>						
	Operating Income	25.0	25.0	-	26.2	-4.9	
	[Operating Income Margin]	[3.3%]	[3.3%]	-	[3.7%]		
	<i>Services</i>						
	Operating Income	160.0	160.0	-	137.9	+16.0	
[Operating Income Margin]	[6.6%]	[6.6%]	-	[6.1%]			
Ubiquitous Product Solutions	Japan	730.0	730.0	-	700.8	+4.2	
	Overseas	430.0	430.0	-	359.0	+19.8	
	Total	1,160.0	1,160.0	-	1,059.9	+9.4	
	Operating Income	30.0	30.0	-	34.4	-12.9	
[Operating Income Margin]	[2.6%]	[2.6%]	-	[3.3%]			
Device Solutions	Japan	460.0	460.0	-	399.0	+15.3	
	Overseas	350.0	350.0	-	308.4	+13.5	
	Total	810.0	810.0	-	707.5	+14.5	
	Operating Income	35.0	35.0	-	33.3	+5.1	
[Operating Income Margin]	[4.3%]	[4.3%]	-	[4.7%]			
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	-	7.7	+29.7	
[Operating Income Margin]	[2.1%]	[2.1%]	-	[1.7%]			
Elimination	Sales	(420.0)	(420.0)	-	(407.3)	-	
	Operating Income	(70.0)	(70.0)	-	(58.2)	-	
Total	Japan	3,360.0	3,360.0	-	3,199.8	+5.0	
	Overseas	1,840.0	1,840.0	-	1,591.5	+15.6	
	Total	5,200.0	5,200.0	-	4,791.4	+8.5	
	Operating Income	Y 190.0	190.0	-	181.4	+4.7	
[Operating Income Margin]	[3.7%]	[3.7%]	-	[3.8%]			

Note: * Includes intersegment sales

** Previous forecast as of April 27, 2006 *** Revised forecast as of July 27, 2006

(2) Net Sales* by Principal Products and Services

	Yen (billions)			Change	FY 2005 (Actual)	Change (%) FY 05 to Revised FY 06
	FY 2006 (Forecast)		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	Y 3,180.0	3,180.0	-	2,983.9	+6.6	
Ubiquitous Product Solutions						
PCs / Mobile Phones	800.0	800.0	-	756.6	+5.7	
Hard Disk Drives	340.0	340.0	-	285.4	+19.1	
Others	20.0	20.0	-	17.8	+11.8	
Total	1,160.0	1,160.0	-	1,059.9	+9.4	
Device Solutions						
LSI Devices	Y 510.0	510.0	-	460.1	+10.8	
Electronic Components, Others	300.0	300.0	-	247.4	+21.2	
Total	Y 810.0	810.0	-	707.5	+14.5	

Note: * Includes intersegment sales

** Previous forecast as of April 27, 2006 *** Revised forecast as of July 27, 2006

Part III: Supplementary Information

a. R&D Expenses

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

b. Capital Expenditures, Depreciation

		FY 2006 (Forecast)			(Billion Yen)
		Previous*	Revised**	Change	FY 2005 (Actual)
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	Y	350.0	350.0	-	249.9
Japan		290.0	290.0	-	190.6
Overseas		60.0	60.0	-	59.3
Depreciation		220.0	220.0	-	169.8

c. Cash Flows

		FY 2006 (Forecast)			(Billion Yen)
		Previous*	Revised**	Change	FY 2005 (Actual)
(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	-	(36.9)

d. Exchange Rates

Average Rates

	FY 2006 (Forecast)		
	Previous*	Revised**	Change
\$1=115 yen		\$1=115 yen	-

Note: *Previous forecast as of April 27, 2006 **Revised forecast as of July 27, 2006

***Including amortization of goodwill

e. PC Shipments

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

f. Mobile Phone Shipments

FY 2006 (Forecast)			(Million Units)
Previous*	Revised**	Change	FY 2005 (Actual)
3.50	3.50	-	3.62

g. HDD Production

FY 2006 (Forecast)			(Million Units)
Previous*	Revised**	Change	FY 2005 (Actual)
33.50	33.50	-	25.21

Note: *Previous forecast as of April 27, 2006 **Revised forecast as of July 27, 2006