

Part II. Explanation of Financial Results

1. Overview

Business Environment

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

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

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

Third-Quarter Summary

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

Nine-Month Cumulative Summary

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