FUJITSU THE POSSIBILITIES ARE INFINITE

Interim Report
On
First-Half FY 2007 Financial Results

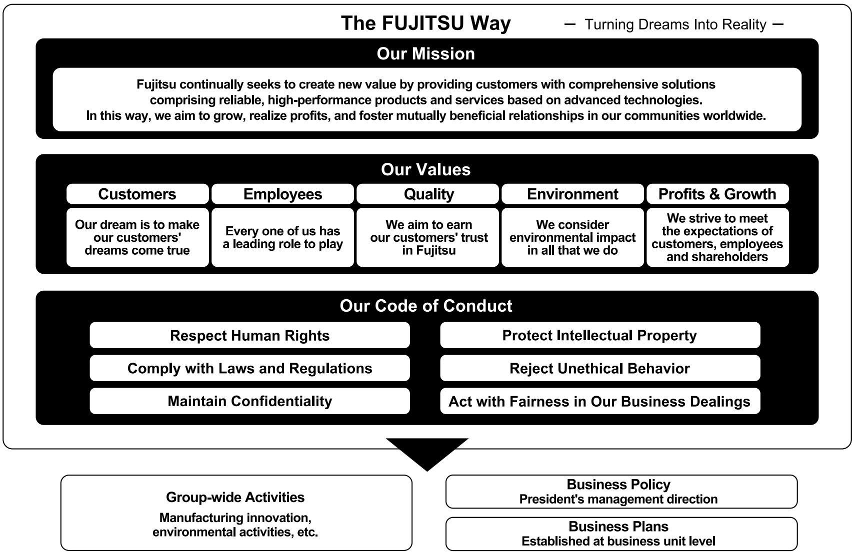
(Six months ended September 30, 2007)

FUJITSU LIMITED

The FUJITSU Way

Introduced in 2002, *The FUJITSU Way* is the core set of principles guiding the corporate and individual actions of the Fujitsu Group and our continuing development as good global corporate citizens. A common understanding of Fujitsu's mission, values and code of conduct serves as the standard governing individual employees' business activities.

As the core set of principles guiding our socially responsible corporate behavior, *The FUJITSU Way* is the inspiration for all business policies, plans and Group-wide activities.



To Our Shareholders

It is with great pleasure that we present this interim report for our 108th business period. The report covers financial results for the first half of fiscal 2007, ending September 30, 2007.

During the first half of fiscal 2007, the business environment in which the Fujitsu Group operates was characterized by a continuation of firm economic trends. In the US, economic uncertainty grew on account of fears of a credit squeeze in financial and capital markets stemming from the sub-prime mortgage crisis. In Europe, however, economic growth continued, while economies in Asia—and China in particular—showed strong expansion. In Japan, in spite of concern about rapidly rising prices for raw materials, consumer spending made a modest recovery and exports were also buoyant, resulting in a solid pace of growth overall.

Against this backdrop, on a consolidated basis, the Fujitsu Group recorded net sales of ¥2,513.1 billion, operating income of ¥43.9 billion, ordinary income of ¥29.9 billion and net loss of ¥9.3 billion for the half-year period. On an unconsolidated basis, we had net sales of ¥1,400.1 billion, an operating loss of ¥18.7 billion, ordinary income of ¥41.8 billion and net income of ¥29.8 billion.

On an unconsolidated basis, Fujitsu posted a net loss in the fiscal year ended March 31, 2007, resulting in a deterioration of shareholders' equity. We believe, however, that our earnings are on a recovery path and anticipate being able to generate stable earnings and cash flow going forward. Therefore, a dividend in the amount of ¥3 per share will be issued to shareholders on December 25, 2007.

We ask you, our valued shareholders, for your continued support and guidance in our business going forward.

December 2007

Naoyuki Akikusa, Chairman
Hiroaki Kurokawa, President

Fiscal 2007 Initiatives

Building on Our Strengths

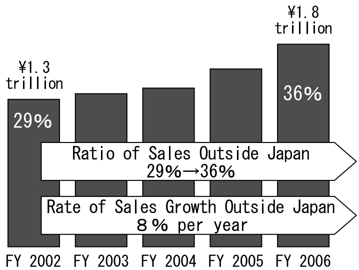
Expanding Business Globally

The global IT market continues to grow steadily, especially for IT services. In order to ensure that the Fujitsu Group participates in and benefits from this growth, we are working to accelerate the globalization of our Technology Solutions business.

More specifically, we are implementing measures consistent with the particular requirements in each of our regional markets of EMEA (Europe, the Middle East and Africa), the Americas, APAC (Asia-Pacific) and China, and the business conditions of our affiliates in those markets.

In Europe, we have achieved a strong track record in providing outsourcing services to the UK public sector and are now striving to expand more deeply into the private sector, as well. As a result of these efforts, in the first half we won a large contract from Reuters UK, among other major awards. In order to strengthen our business on the European continent, we are taking initiatives to expand our base of operations in services, including through possible acquisitions.

In North America, as we build consulting capabilities in such areas as risk management, we are also expanding into new areas, such as SaaS*, and looking at possible new acquisitions in order to increase the scale of our consulting business. In Asia, our business has been geared toward Japanese companies operating in China. Looking ahead, however, we will be focusing on expanding business with local Chinese corporate customers, as well. In addition, we are enhancing capabilities in India and China as offshore centers for software development and services.



Trends in Sales Outside Japan

* SaaS (Software as a Service): A software delivery model in which software functions are available via an online network without having to install them on local computers.

Pursuing the Development of Strong Products

In our product businesses, we aim to deliver added value to our customers through powerful technologies.

In the consumer products segment, we are launching PCs and other electronics with better security and enhanced AV features, such as the ability to receive digital broadcasting.

In the server business segment, we have launched a new series of high-performance, high-reliability UNIX servers developed jointly with Sun Microsystems Inc. and PC servers that feature whisper-quiet operation.

Opening Up New Areas of Business

<u>Enriching Life through IT</u>

The Fujitsu Group provides a broad range of new IT products and services for frontline corporate operations, such as development, manufacturing, procurement, sales and logistics, as well as for social and private needs, such as medicine and nursing, education and recreation.

As an example of this, in August of this year we introduced the Raku Raku Phone IV, a mobile phone that features superior user-friendliness, ease-of-use, an easy-viewing display, and improved security. The handsets have proved popular among a broad range of customers.

Our palm vein authentication devices, which provide a high level of security, are being adopted by medical facilities and other private and public entities.

<u>Shifting Focus to Business Solutions</u>

Today, customers expect IT systems to "improve business and management," and not simply "improve systems and performance." To meet these customer requirements, the Fujitsu Group is accelerating a change in the focus of its business toward business solutions which go beyond IT solutions and provide added value to customers.

A key element of these initiatives is the concept of Field Innovation, which is based on exploiting IT to identify the challenges facing customers and then using IT to formulate and implement the solution.

Beginning in our 2007 fiscal year, we have aggressively promoted Field Innovation by developing the human resources we need to help our customers define and solve their business issues.

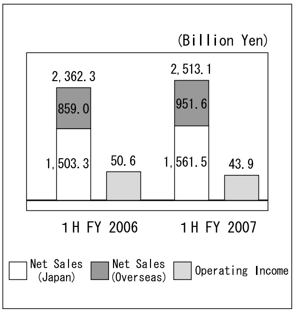
Operating Condition of the Fujitsu Group

Overall Situation

Year-on-Year Comparison of First-Half Results

(Billion Yen)

[Consolidated]	*1H FY06*	***1H FY07***	*Changes*
Net Sales	2,362.3	**2,513.1**	+150.7 [+6.4%]
Operating Income	50.6	**43.9**	-6.7
Ordinary Income	37.6	**29.9**	-7.7
Net Income	14.8	*** -9.3**	-24.1



Note:
* Excluding the impact of the change in accounting policies, there was a net profit of 7.6 billion yen.
(For detailed information about the impact of the change in accounting policies, please refer to the pp.14 -17)

Consolidated net sales for the first half were 2,513.1 billion yen, an increase of 6.4% compared to the first half of fiscal 2006. Sales increased in each of our business segments, with particularly strong performance in the Services sub-segment of our Technology Solutions segment.

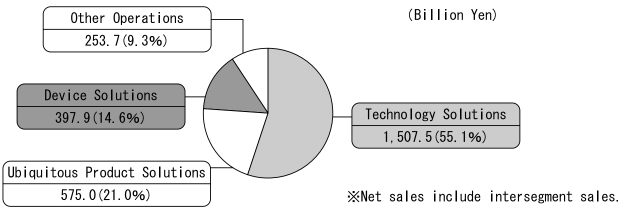
Operating income for the first half was 43.9 billion yen, a decline of 6.7 billion yen compared to the first half of fiscal 2006. In addition to continued price declines in HDDs for notebook PCs and in the standard technology logic products , the decline in operating income was attributable to higher selling, general and administrative expenses due to the expansion in the scale of our services business in Europe and higher development costs for next generation networks and advanced technology logic products.

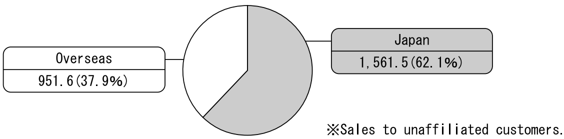
Because Spansion Inc. is no longer consolidated under the equity method as of the third quarter of last fiscal year due to the sale of its shares, there was an improvement in equity in earnings of affiliates. Other expenses, however, increased, resulting from the disposal of fixed assets and other factors. As a result, ordinary income was 29.9 billion yen, a decrease of 7.7 billion yen compared to the same period last year.

We recognized a special gain of 11.6 billion yen on the sale of shares in affiliated companies and a 2.0 billion yen gain on change in interest related to public listing of and capital increase in an affiliate in China. In conjunction with the early adoption of a new accounting policy for the valuation of inventories, however, we recognized a special loss of 25.0 billion yen relating to the revaluation of inventories held at the beginning of the period. As a result of all of these factors, the consolidated net loss for the first half was 9.3 billion yen. (Net income in the first half of fiscal 2006 was 14.8 billion.)

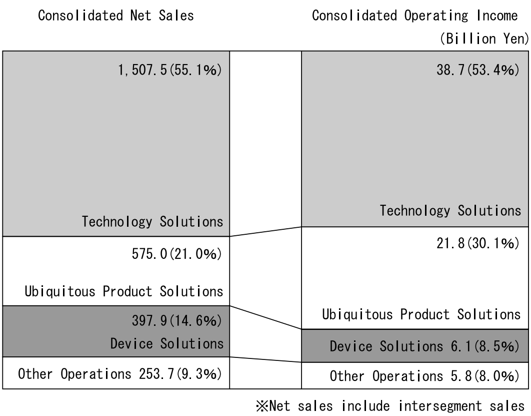
Review by Business Segment

Consolidated Net Sales

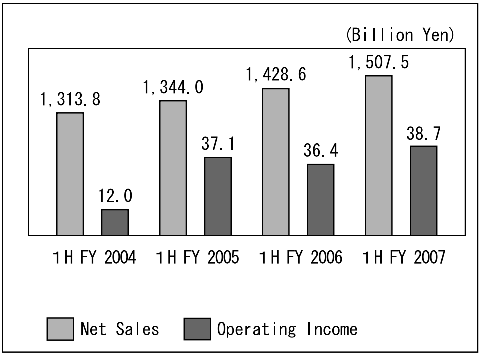


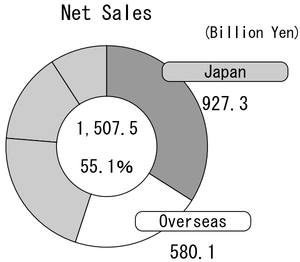


Ratio of Net Sales and Operating Income



Technology Solutions





※1:Net Sales include intersegment sales
※2:For purposes of comparison,figures for 1H FY 2004 and 1H FY 2005 have been restated with new method of allocating operating expenses, which has been introduced FY 2006.

Technology Solutions segment consists of System Platforms, our high-performance, high-reliability IT platforms based on cutting-edge technologies, and Services, which includes systems integration and outsourcing services that utilize these platforms.

In Technology Solutions we provide our customers with total solutions throughout the entire system lifecycle based on a long-term partnership with the customer. This is a core business area of the Fujitsu Group from which we expect high earnings and growth.

Consolidated net sales in this segment for the first half were 1,507.5 billion yen, an increase of 5.5% compared to the same period last year. While sales of mobile phone base stations were sluggish, we posted higher sales of servers and optical transmission systems, particularly outside of Japan, and the services business was also strong globally.

Operating income was 38.7 billion yen, an increase of 2.2 billion yen compared to the same period last year. Despite the impact of lower sales of mobile phone base stations and continuing high investment in the development of optical transmission systems in the UK, operating income increased as a result of higher sales of services and server-related equipment as well as an improvement in the profitability of the systems integration business in Japan.

(1) System Platforms

In the System Platforms sub-segment, besides endeavoring to expand sales of products on a global basis, we have worked to increase product competitiveness by strengthening the links between manufacturing and sales operations. In April 2007, we launched the new SPARC Enterprise UNIX server models codeveloped with Sun Microsystems Inc.

Net sales of System Platforms for the first half were 317.3 billion yen, a 6.3% decrease compared to the same period last year. Although we posted higher sales of server-related equipment, including both SPARC Enterprise models and PC servers, as well as higher sales of optical transmission systems, we posted lower sales of mobile phone base stations, as customer investment cycles had already peaked and spending patterns shifted.

We posted an operating loss of 9.3 billion yen in the sub-segment. (Operating loss in the first half of fiscal 2006 was 5.1 billion.) Despite the benefit of higher sales of servers and related products and greater cost efficiencies, results in the sub-segment were dragged down by the impact of lower sales of mobile phone base stations, the weight of upfront development expenditures in Super 3G wireless base station equipment, and the continued burden of development costs associated with next-generation networks in our optical transmission systems business in the UK.

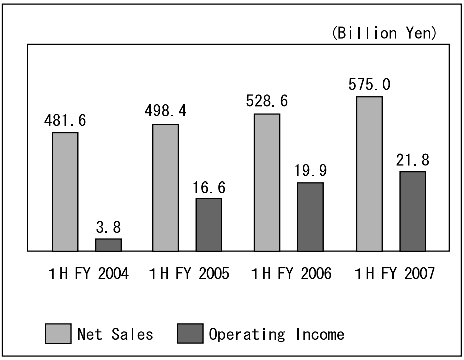
(2) Services

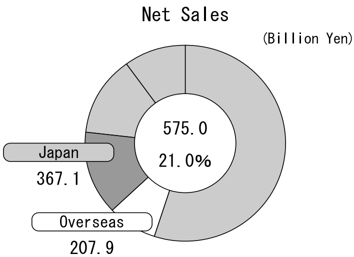
In the Services sub-segment, in order to build our global business capability, we have moved ahead with corporate acquisitions in the US and Europe and expanded our offshore centers in India and China. In addition, in providing systems to customers, we have been working to raise quality, reduce delivery times, and lower costs through the standardization and streamlining of system development methods. Moreover, in our systems integration business, we have continued our focus on managing project risk in order to improve profitability.

Net sales in the Services sub-segment for the first half were 1,190.1 billion yen, up 9.2% from the same period last year. In Japan, we posted higher sales of systems integration services, primarily in the insurance and securities industries. Moreover, in addition to continued strength in our outsourcing business globally, sales were bolstered by the positive effects of foreign currency translations and business expansion through acquisitions in Europe.

Operating income for the Services sub-segment was 48.1 billion yen, an increase of 6.4 billion yen from the same period last year. Although selling, general and administrative expenses increased due to the growth of our overseas services business and the effect of currency translations, operating income in the sub-segment increased as a result of higher sales worldwide as well as from improvements in project profitability in our systems integration business in Japan.

Ubiquitous Product Solutions





※1:Net Sales include intersegment sales
※2:For purposes of comparison, figures for 1H FY 2004 and 1H FY 2005 have been restated with new method of allocating operating expenses, which has been introduced FY 2006.

The Ubiquitous Product Solutions segment comprises products such as PCs and mobile phones primarily for individual customers, and HDDs.

In the Ubiquitous Product Solutions segment, we continued to strive to achieve stringent cost containment and higher profitability. In PCs, we launched a series of new high value-added products, embodying ease-of-use and high quality, with the aim of expanding sales on a global basis. In mobile phones, while expanding our line of products, we have also worked to develop products that integrate some of the features of PCs into mobile phones.

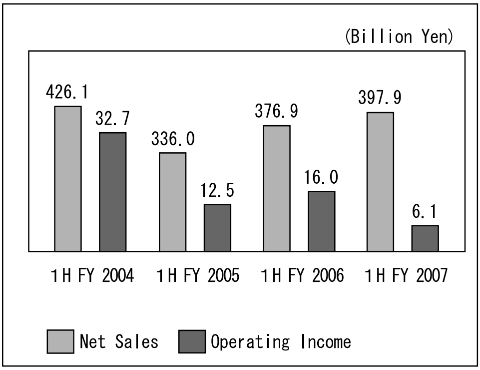
In HDDs, we worked to enhance our competitiveness through sales of high value-added products, such as perpendicular magnetic recording models, and through further efforts to reduce costs.

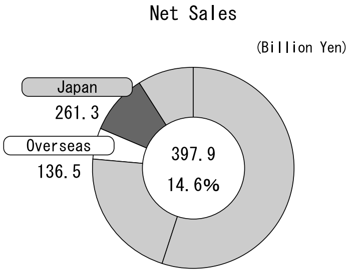
Net sales in the Ubiquitous Product Solutions segment for the first half were 575.0 billion yen, an increase of 8.8% compared to the same period last year.

In PCs, although sales of notebook PCs outside Japan remained strong, sales in Japan were weak as a result of intensified price competition. Sales of mobile phones increased, spurred by overall market expansion. Sales of HDDs outside Japan remained strong as a result of the introduction of competitive new products.

Operating income for the Ubiquitous Product Solutions segment was 21.8 billion yen, an increase of 1.8 billion yen compared to the same period last year. Despite the impact of severe price declines in HDDs for notebook PCs, operating income for the segment rose as a result of higher sales for PCs in overseas markets, higher sales of mobile phones, progress in reducing component costs and greater cost efficiencies.

Device Solutions





※1:Net Sales include intersegment sales
※2:For purposes of comparison, figures for 1H FY 2004 and 1H FY 2005 have been restated with new method of allocating operating expenses, which has been introduced FY 2006.

The Device Solutions segment comprises logic LSI devices and related electronic components and other products that are used in customers' digital consumer electronics products, automobiles and mobile phones, as well as in our own servers and other products.

In Device Solutions, we have positioned our advanced technology logic business, utilizing 90nm and beyond process technology, as the engine of our growth. We are working to expand our earnings by enhancing our sales capabilities and striking a balance between our advanced and standard technology logic businesses.

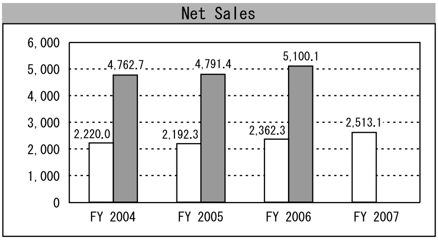
Net sales of Device Solutions in the first half were 397.9 billion yen, an increase of 5.6% compared to the first half of fiscal 2006. In Japan, sales of advanced technology logic products increased as a result of the higher production volumes enabled by the capacity expansion completed at the 300mm LSI production facility (Mie Fab No. 1.). In addition, we began contract production of Flash memory at the production facilities acquired from Spansion Japan Limited. In standard technology logic products, although sales in the second quarter increased after a first quarter downturn, overall sales for the first half were weak. Outside of Japan, sales of Flash memory chips used in mobile phones declined because of a reduction in the sales volumes handled by our overseas sales subsidiaries.

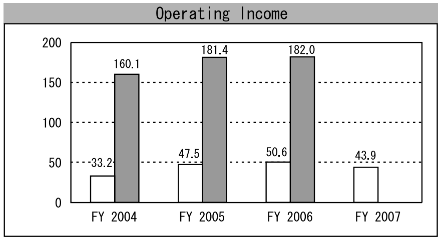
Operating income for the Device Solutions segment was 6.1 billion yen, a decline of 9.8 billion yen compared to the same period in the previous fiscal year. Despite the positive contribution from higher sales of advanced technology logic products, operating income was adversely affected by a delay in the rebound of demand for standard technology logic products as well as higher depreciation and development costs in our advanced technology logic business.

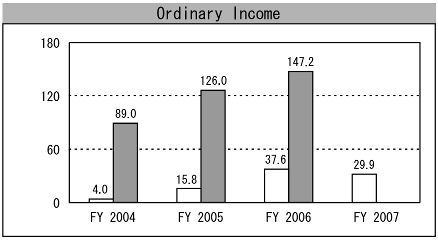
Summary of Financial Results

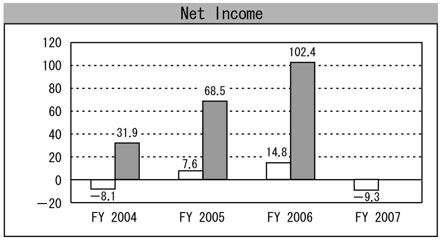
Consolidated Financial Results

(Billion Yen)





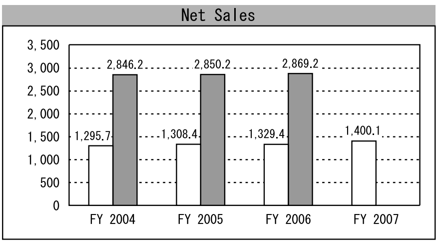


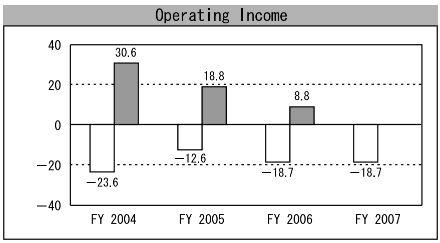


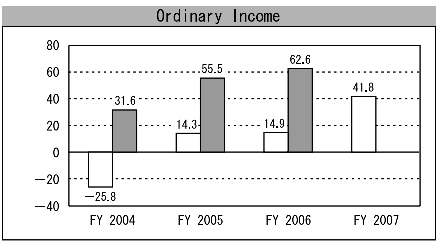
First-Half Results Full-Year Results

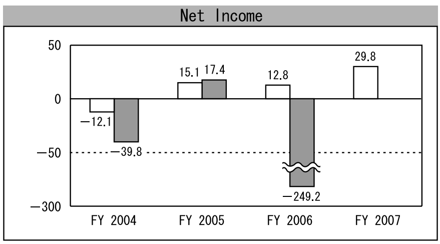
Unconsolidated Financial Results

(Billion Yen)









First-Half Results Full-Year Results

Corporate Restructuring

In aiming for a business structure that enables us to quickly meet the variety of needs of our customers, we have been pursuing organizational reforms, including to our group companies, in order to enhance our organization's customer-focused orientation.

As part of this effort, at a Board of Directors meeting held on May 24, 2007, it was decided to convert three consolidated subsidiaries, Fujitsu Access Limited, Fujitsu Devices Inc. (now named Fujitsu Electronics Inc.), and Fujitsu Wireless Systems Limited, into wholly owned subsidiaries through exchanges of shares. Based on agreements signed that day, the share exchanges were executed on August 1, 2007. In conjunction with these changes, on July 26, 2007, Fujitsu Access Limited (which had been listed on the First Section of the Tokyo Stock Exchange) and Fujitsu Devices Inc. (which had been listed on the Second Section of the Tokyo Stock Exchange) were delisted.

Financing Activities

(1) **Issue of Euro-yen Convertible Bonds due 2010 and 2011**

With the aim of distributing the financing burden associated with the potential redemption of convertible bonds maturing in 2009, in accordance with a resolution by the Board of Directors on August 6, 2007, Fujitsu issued a total of 200 billion yen in convertible bonds on August 31, 2007 through a private placement, comprised of 100 billion yen in Euro-yen Convertible Bonds due 2010 and 100 billion yen in Euro-yen Convertible Bonds due 2011.

The conversion option on these newly issued convertible bonds cannot be exercised prior to May 27, 2009, which is the maturity date of Fujitsu's existing convertible bonds. Moreover, because the newly issued convertible bonds can be redeemed in advance by Fujitsu at any time up until that date, Fujitsu has flexibility in the amount it chooses to redeem, depending on the future conversion or maturity of its existing convertible bonds.

(2) **Issue of Unsecured Straight Bonds**

In order to secure a portion of the funds required to redeem corporate bonds that will mature this fiscal year, in accordance with a resolution of the Board of Directors issued on August 30, 2007, Fujitsu raised 100 billion yen through the issuance of corporate bonds (60 billion yen in the Twenty-Fourth Series Unsecured Straight Bonds and 40 billion yen in the Twenty-Fifth Series Unsecured Straight Bonds) on September 25, 2007.

Stock (As of September 30, 2007)

- Number of Authorized Shares: 5,000,000,000
- Number of Outstanding Shares: 2,070,018,213
- Stated Capital: ¥324,625,075,685
- Shares Issued (from Apr. 1, 2007 to Sept. 30, 2007) : There was no issuance of shares during the current interim period.
- Acquisition, disposition and holdings of treasury stock

Shares acquired	32,322,342 ordinary shares	Total amount: ¥27,036,465 thousand
Acquisition of own shares in the repurchase of odd-lot shares	285,342 ordinary shares	¥236,470thousand
Acquisition of own shares for share exchanges*	32,037,000 ordinary shares	¥26,799,995thousand
Shares disposed	34,349,118 ordinary shares	Total amount: ¥28,295,195thousand
Selling in response to requests from the shareholders of odd-lot shares	29,691 ordinary shares	¥22,851 thousand
Paying out of own shares in share exchanges*	34,319,427 ordinary shares	¥28,272,343 thousand
Shares held as of Sept. 30, 2007	887,027 ordinary shares	

Note:

* Fujitsu executed share exchanges with Fujitsu Access Limited, Fujitsu Devices Inc. (now named Fujitsu Electronics Inc.), and Fujitsu Wireless Systems Limited effective as of August 1, 2007.

- Number of Shareholders: 220,185 (increase of 2,599 from end of fiscal 2006)
- Principal Shareholders

Name	*Number of shares held (thousands)*	*Percentage of shares held (%)*
The Master Trust Bank of Japan, Ltd. (for trust)	127,626	6.17 %
Fuji Electric Holdings Co., Ltd.	94,663	4.57
State Street Bank and Trust Company	79,800	3.86
Japan Trustee Services Bank, Ltd. (for trust)	77,500	3.74
Fuji Electric Systems Co., Ltd.	60,978	2.95
Asahi Mutual Life Insurance Company	40,743	1.97
Fuji Electric FA Components & Systems Co., Ltd.	36,886	1.78
State Street Bank and Trust Company 505103	35,995	1.74
Mizuho Corporate Bank, Ltd.	32,654	1.58
Japan Trustee Services Bank, Ltd. (for trust4)	23,144	1.12

Notes:

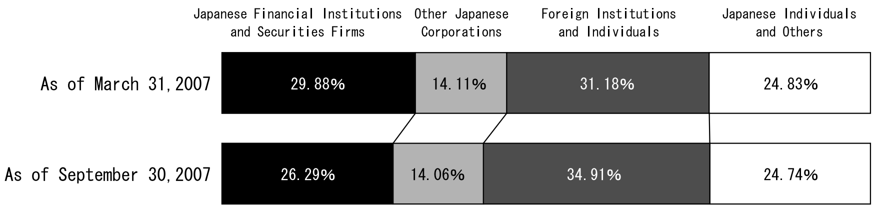
1. On September 21, 2007, Alliance Bernstein L.P. and two of its affiliates submitted a report ("*Tairyō Hoyū Hōkokusho*") on changes to its holdings of Fujitsu Limited shares to the Kanto Local Finance Bureau, but because Fujitsu has not been able to confirm the actual number of shares held as of September 30, 2007, we have not included them in the above list of

major shareholders. According to the report, Alliance Bernstein L.P. owns 155,798,000 shares, AXA Rosenberg Investment Management Ltd. owns 20,052,080 shares, and Alliance Bernstein Japan Ltd. owns 4,482,000 shares, for a total of 180,332,080 shares.

In addition, on October 18, 2007, Alliance Bernstein L.P. and two of its affiliates submitted a report ("*Tairyō Hoyū Hōkokusho*") on changes to its holdings of Fujitsu Limited shares to the Kanto Local Finance Bureau, but Fujitsu has not been able to confirm the actual number of shares held as of September 30, 2007. According to the report, Alliance Bernstein L.P. owns 206,214,000 shares, AXA Rosenberg Investment Management Ltd. owns 19,981,080 shares, and Alliance Bernstein Japan Ltd. owns 4,902,000 shares, for a total of 231,097,080 shares.

2. The Shares held by The Master Trust Bank of Japan, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust4) pertain to the trust business by the institutions.
3. Of the shares held by Fuji Electric Holdings Co., Ltd., Fuji Electric Systems Co., Ltd., and Fuji Electric FA Components & Systems Co., Ltd., 1,412 thousand shares, 52,857 thousand shares and 29,556 thousand shares, respectively, are trust assets that are trusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights involved in these shares are set forth to be exercised upon order of the respective companies. The Company's shares held by the overall Fuji Electric Group, including the shares above explained, in the form of retirement benefit trust assets are 123,042 thousand shares in total (which accounts for 5.94% of the number of outstanding shares).
4. Of the Company's shared held by the Mizuho Corporate Bank, Ltd., 212 thousand shares are trust properties that are trusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights involved in these shares are set forth to be exercised upon order of Mizuho Corporate Bank, Ltd.

• Equity Shareholdings by Type of Shareholder



※ The 123,042,000 shares of Fujitsu Limited stock held in trust with a trust bank as the employee pension trust of group companies in the Fuji Electric Group are listed as being held by "Other Japanese Corporations".

Board of Directors (As of September 30, 2007)

Position	Name	Assignment / Title
Chairman of the Board, Representative Director	Naoyuki Akikusa	
President, Representative Director	Hiroaki Kurokawa	
Corporate Senior Executive Vice President, Representative Director	Masamichi Ogura	Chief Financial Officer; Principally responsible for administrative divisions
	Toshihiko Ono	Principally responsible for product and electronic devices businesses
	Chiaki Ito	Principally responsible for next-generation technology strategy and R&D
	Michiyoshi Mazuka	Principally responsible for services business and Japan business
Outside Board Member	Hiroshi Oura	Senior Executive Advisor, Advantest Corporation
	Ikujiro Nonaka	Professor Emeritus, Hitotsubashi University
	Haruo Ito	President and Representative Director, Fuji Electric Holdings Co., Ltd.
Corporate First Senior Vice President, Director	Haruki Okada	Head of Group Management
Standing Auditor	Hirohisa Yabuuchi	
	Akira Kato	
Outside Auditor	Yoshiharu Inaba	President and CEO, Fanuc Ltd.
	Tamiki Ishihara	Corporate Adviser, Seiwa Sogo Tatemono Co., Ltd.
	Megumi Yamamuro	Professor , University of Tokyo Graduate Schools for Law and Politics

Notes:

1. Mr. Ikujiro Nonaka and Mr. Haruo Ito are outside board members under Item 15, Article 2 of the Company Law.
2. Mr. Yoshiharu Inaba, Mr. Tamiki Ishihara, Mr. Megumi Yamamuro are outside auditors under Item 16, Article 2 of the Company Law.

Change in Accounting Policies in the Current Consolidated Reporting Period

The European stock exchanges on which Fujitsu's shares are listed require that companies from outside of the European Union present their financial statements in accordance with International Financial Reporting Standards (IFRS) starting from the 2009 fiscal year. In view of the increasing convergence of Japanese Generally Accepted Accounting Principles (GAAP) with IFRS, the Fujitsu Group has already made progress aligning its financial accounting with IFRS to the extent permitted under Japanese accounting standards, such as by applying the percentage of completion method for software development contracts. Continuing this initiative, in the current fiscal year, together with implementing improvements in our management control systems, we have also implemented changes in our accounting policies as outlined below. We will continue to adjust our policies as needed, as further convergence between Japanese GAAP and IFRS occurs in the future.

(1) Change of Accounting Standard for Measurement of Inventories

Starting this fiscal year the Fujitsu Group has implemented early adoption of the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9), and has accordingly changed the method for valuing inventories from the cost method to the lower of cost or market method.

Previously, parts held for maintenance and related services were recorded on our books at acquisition cost and were expensed when used, with losses on any unused parts recognized upon disposal. In order to more strictly tie these expenses to income, however, starting this fiscal year we have changed our method of recognizing expenses for these parts to regular write-downs over the period for which maintenance and services are provided. As a result of the implementation of this change, we recorded a one-time loss of 16.2 billion yen on write-downs of inventories held at the start of the period.

In addition to previous initiatives implemented to minimize the risk associated with obsolescence through effective inventory utilization, we are now, through the establishment of systems to evaluate the risk of reduced profitability, comparing the net selling value with the acquisition cost and, for inventories that fall outside the normal operating cycle, recognizing valuation mark-downs that take into account the risk of future disposal. As a result of implementing these monitoring procedures and valuation standards, we recorded a one-time loss of 8.8 billion yen on mark-downs of inventories held at the start of the period.

As a result of these changes, operating income in first half was reduced by 2.1 billion yen, and it is anticipated that the impact on full-year operating income will be a reduction of 2.0 billion yen.

(2) Change in the Method of Depreciation for Property, Plant and Equipment and Revisions to Useful Life and Residual Value

In prior periods, the company and its subsidiaries in Japan depreciated property, plant and equipment in accordance with the declining balance method, while overseas subsidiaries most often adopted the straight-line depreciation method. Starting this fiscal year, we have, on the whole, uniformly adopted straight-line depreciation over the useful life of the assets, which will be determined in accordance with what is judged to be the likely period over which the value of the asset can be realized under actual business conditions, and with the actual residual value for the asset deemed, as a general principle, to be zero. As a result of these changes, the calculated useful life of major assets is now shorter than it previously had been. These changes and revisions have been implemented in view of the changes in the business reality of the Fujitsu Group's major businesses, such as the global expansion of the outsourcing business and the focus in the Device Solutions segment on logic business, along with the initiation of operations at new facilities. As a result of these changes, the actual performance of each business is more accurately reflected by more closely linking depreciation after investment to a stable stream of earnings.

With respect to our core business of Technology Solutions, in the IT services business in general, and, more specifically in the IT outsourcing business, providing operational services to customers over a long period of time is becoming increasingly important. The pattern of earnings generated in the outsourcing business is, as a general principle, a fixed amount per period.

In the Device Solutions segment, as a result of our staged exit from the memory business, which is prone to both severe downward pricing pressure and wide fluctuations in demand, we have positioned the logic business, which is based on long-term and close relationships with customers, as our core business. At our Mie Plant, during the second half of fiscal 2006 we completed capital expenditures to increase the production capacity of Fab No. 1 and have commenced full production. Fab No. 2 has become operational this fiscal year. In the area of advanced technology logic products, with increasing miniaturization, very large upfront investments are required, and it may take over a year to gear up to mass production and delivery. Afterwards, however, in accordance with the production capacity of the facility, stable earnings can be expected for a certain period of time.

As a result of these changes and revisions, operating income in the first half increased by 3.7 billion yen, and it is anticipated that the impact on operating income for the full fiscal year will be an increase of 14.0 billion yen. These amounts include an increase in depreciation expense of 4.0 billion yen for the first half and 8.0 billion yen for the full fiscal year as a result of restarting depreciation of facilities (with a total book value of approximately 40.0 billion yen) over a five-year period with a residual value of zero, for which depreciation of the facilities had already been depreciated to 5% of the acquisition cost as of the end of last fiscal year.

For finance leases which do not stipulate that lessee will obtain ownership of the leases, we had already adopted the practice of recording them as assets on our consolidated balance sheets. We, however, had treated them not to record as assets on our unconsolidated balance sheets and the related lease and rental expenses had been charged to income as incurred in our unconsolidated statements of operation. Together with the increase in the amount of lease assets on the unconsolidated financial statements and present change in the method of depreciation, we have implemented early adoption of the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Statement No.13) which requires us to capitalize leased assets on the unconsolidated balance sheets. This adoption of the accounting standard did not have a material impact on unconsolidated results and had no impact on consolidated results.

These depreciation and other changes will provide increased visibility regarding the return on investments and support the effective management of the expected returns.

(3) Change in the Basis of Revenue Recognition

We previously recorded sales of personal computers, peripheral equipment, and electronic devices at the time of shipment, but starting this fiscal year we are recording sales upon customer receipt. The market for PCs, peripherals, and electronic devices is expanding on a global scale due to their importance to a ubiquitous networking society. The accounting policy change reflects the increased materiality of these businesses as the Group’s sales volumes grow, while also clarifying the Group’s responsibility for delivering these products to the end customer amid customer demands for faster delivery and other changes in the business environment.

For other system products, revenue is recognized at time of acceptance by the customer, and revenue from software development contracts is recognized on a percentage-of-completion basis.

As a result of these changes, first-half net sales decreased by 4.2 billion yen and operating income decreased by 1.0 billion yen. The impact on results for the full fiscal year is expected to be insignificant.

(4) Change in Classification of Amortization of Unrecognized Obligation for Retirement Benefits

We previously treated the amortization of unrecognized obligation for retirement benefits as a non-operating expense, but starting this fiscal year we are including it in cost of sales or selling, general and administrative expenses. In the past, Fujitsu Limited and consolidated subsidiaries in Japan using defined benefit retirement plans had very large unfunded retirement benefit obligations. From fiscal 2003 on, however, as a result of the implementation of such measures as the transfer of the substitutional portion of employees' pension plan to the government, the reform of the pension system, and the reallocation of investment assets, together with improved investment returns on pension assets, the unfunded obligation has significantly decreased. Due to a decrease in the price volatility of investment assets, it is no longer necessary to treat this item as a non-operating expense. In addition, there has also been a decrease in the materiality of the amounts involved, and we have accordingly changed our accounting policies.

The application of this change has no impact on net income, but it resulted in a reduction in operating income of 3.7 billion yen in the first half and is expected to reduce operating income by 7.0 billion yen for the full fiscal year.

Effect of Specific Changes in Accounting Policies on Income/Segments (Consolidated)

(Billion Yen)

	First- Half FY2007 **(Actual)**	Inventory Measurement Standard	Depreciation Method	Retirement Benefit Amortization and Other
Operating Income	-3.2	-2.1	3.7	-4.8
Other Losses	-25.0	-25.0	-	-

Impact on Segments

Technology Solutions	-4.8	-1.3	-0.5	-2.9
System Platforms	-1.2	-0.1	-0.5	-0.5
Services	-3.5	-1.2	-	-2.3
Ubiquitous Product Solutions	-0.9	0.2	-0.4	-0.7
Device Solutions	3.2	-0.9	5.1	-0.8

(Billion Yen)

	Full-Year FY2007 **(Forecast)**	Inventory Measurement Standard	Depreciation Method	Retirement Benefit Amortization and Other
Operating Income	5.0	-2.0	14.0	-7.0
Other Losses	-25.0	-25.0	-	-

Impact on Segments

Technology Solutions	-6.0	-1.0	1.0	-6.0
System Platforms	-	-	-	-
Services	-6.0	-1.0	1.0	-6.0
Ubiquitous Product Solutions	-	-	-	-
Device Solutions	11.0	-1.0	13.0	-1.0

For reference: FY 2007 Consolidated First-Half Results without Impact of Accounting Policy Changes

(Billion Yen)

	First- Half FY2007 (Actual)	Breakdown of First-Half Results	
		Impact of Accounting Policy Changes	Excluding Impact of Accounting Policy Changes
Net Sales	2,513.1	-4.2	2,517.3
Operating Income	43.9	-3.2	47.1
Gain on Sales of Marketable Securities	11.6	-	11.6
Gain on Change in Interest	2.0	-	2.0
Revaluation Loss on Inventories	-25.0	-25.0	-
Impairment Loss	-0.2	-	-0.2
Income before Income Taxes and Minority Interests	18.2	-24.3	42.5
Income Taxes	21.1	-6.6	27.8
Minority Interests	6.3	-0.6	6.9
Net Income (Loss)	-9.3	-17.0	7.6

Business and Other Risks

Listed below are the principal business and other risks affecting the Fujitsu Group (Fujitsu Limited and its consolidated subsidiaries) that we believe may influence investors' decisions. With a view to proactively disclosing information to investors, we have also included items that may not necessarily have significant bearing on such decisions. We are aware of these risks and are making efforts to prevent them from arising, avoid potential risks altogether and immediately confront risks should they occur. Among the risks listed below are some items related to future developments, but the list only includes items that the Group deems necessary to publicly disclose as of December 21, 2007.

1. Economic and Financial Market Trends

Economic and financial market trends have an impact on the Group's business results, financial base and other aspects of its operations. Examples of such risks are listed below.

1) Economic Trends in Key Markets

The Fujitsu Group provides IT products and services, telecommunications infrastructure equipment, as well as semiconductors, HDDs and other components, to corporate and institutional clients and consumers in every region of the globe. Hence, sales and income generated from these operations are greatly affected by economic conditions in each respective market. This is particularly true of Japan, North America, Europe, and Asia (including China), key markets where economic trends can significantly impact Fujitsu Group operations.

2) High-tech Market Volatility

The IT sector is periodically subject to dramatic changes in the balance of supply and demand that exceed the scope of normal cyclical market variations. This tendency is particularly evident with regard to semiconductors, PCs, and other general-purpose products. The Fujitsu Group gives ample consideration to market cycles and volatility when deciding to launch new products, initiate volume production, or scale back production, among other actions. Nonetheless, we may fail to accurately forecast market changes, or changes in market conditions could exceed our forecasts. Accordingly, there is a risk that we may be unable to recoup investment costs, as well as the risk of opportunity losses. Further, the Group continuously implements structural reforms in a bid to respond to market changes. However, drastic market changes could force us to enact structural reforms on a far greater scale than initially expected, resulting in a temporary increase in related expenses.

3) Exchange Rates

The Fujitsu Group imports a substantial amount of components and materials and exports various products. While import and export costs tend to roughly balance out over the course of a given year, sudden fluctuations in exchange rates and other factors could force the Group to incur losses on foreign currency translation. In addition, with respect to overseas assets held by the Group, as well as liabilities, there is the possibility that exchange rate fluctuations could lead to depreciation of assets and/or appreciation of liabilities.

4) Interest Rates

The Fujitsu Group has interest-bearing loans with a balance of about 1,117.0 billion yen as of September 30, 2007, including items that are directly impacted by interest rate fluctuations. Consequently, rising interest rates could increase borrowing costs.

5) Capital Markets

Stock market trends in Japan and overseas have a substantial effect on the value of Group stockholdings in other companies and the management of pension assets. Weak stock market performance could thus force us to incur losses on the devaluation of marketable securities held or a reduction in pension assets, exposing the Group to the risk of higher losses.

2. Customers

Fujitsu Group operations are highly influenced by the business trends of strategic key customers. Examples of potential risks are described below.

1) Changes in Customers' IT Investment Trends

A large proportion of our IT systems and services, as well as communications infrastructure and other business, are with telecommunications carriers, financial institutions, and large manufacturers. The business environment within these industries, including shifting market trends and structural reforms, could lead to changes in customers' IT investment trends, having a significant impact on Group sales and profitability. In semiconductors, HDDs and other operations where the Group provides components and other products, both demand and prices are impacted to a large extent by customers' sales and inventory adjustments of PCs, digital home electronics, mobile phones, automobiles and other products in which these parts are used. Accordingly, soft demand and falling prices for customers' products, or a decline in customers' market share, could negatively impact Group sales and earnings.

Alongside corporate clients, national and local governments represent another important customer base for the Fujitsu Group. In the UK, for example, government-related projects are an especially important part of our business. Accordingly, changes in the approach to e-Government and other national-level IT utilization policies being promoted in Japan and elsewhere could impact sales and profitability.

2) Ability to Maintain Lasting Ties with Customers

The Fujitsu Group is committed to bolstering ties with customers, striving to serve as a business partner and provide solutions across the full IT system lifecycle. For semiconductors, HDDs and other operations where the Group provides components and other products, business stability hinges on maintaining lasting ties with customers that represent key sources of demand for our products. An inability to secure repeat business and retain contract relationships with such customers could therefore affect sales and profitability.

3. Competitors/Industry

The IT sector is characterized by intense competition and fast-paced technological innovation. Events within the industry or actions by competitors could therefore have a substantial impact on our business results. Examples of such potential risks are listed below.

1) Price Competition

Intensifying competition is directly linked to declining prices for products and services. Anticipating such technology- and competition-driven price erosion, we are pursuing a variety of measures to reduce costs, including the introduction of Toyota Production System reforms, standardization of system development methodologies, and software modularization, as well as efforts to expand sales of new products and services. Despite these steps, the Group still faces the risk of larger-than-expected declines in prices, as well as the risk of being unable to achieve sufficient cost reductions and sales growth due to fluctuations in the price of semiconductors and other components, either of which could negatively impact Group sales and profitability.

2) Competition from New Market Entrants and Others

In addition to challenges posed by existing industry peers, competition from new market entrants continues to intensify in the IT sector. Today, new entrants continue to emerge in market areas where the Fujitsu Group wields a competitive advantage, thus entailing the risk that we may lose our competitive edge, or fail to secure a clear competitive advantage in future business operations.

3) Competition in Technology Development

Technological advancement in the IT sector occurs at an extremely fast pace, leading to rapid turnover in new products and technologies. In this context, remaining competitive requires the continuous development of state-of-the-art technology. While the Fujitsu Group does its utmost to maintain highly competitive technologies, a loss in competitiveness versus other companies in the race to develop innovative technologies could lead to a decline in the Group's market share and profitability, which would negatively impact sales and earnings. Further, sales and profitability could be affected by the development of groundbreaking technologies and other actions by competitors that would severely compromise the value of the Group's products and services. Additionally, there is also the risk of an adverse effect on sales and profitability as a result of the time it takes to implement mass-production chip technologies for semiconductors, such as in solving technological issues concerning cutting-edge process development technology.

4. Suppliers, Alliances, etc.

In the course of its operations, the Fujitsu Group conducts business with a range of different companies, including suppliers and alliance partners. Accordingly, any significant changes in relationships with these and other business partners could affect the Group's business.

1) Procurement

The Fujitsu Group utilizes sophisticated technologies to provide a range of products and services. There is therefore a risk that we may encounter difficulties in procuring a stable supply of certain key components or, in cases where regular supply channels are unavailable, that we may be unable to secure alternative procurement sources. There is also the risk that the Group may be unable to sufficiently procure certain parts in the large volumes required. Moreover, natural disasters, accidents and other events, as well as any deterioration in business conditions at suppliers, could hinder the ability of business partners to provide the Group with a stable supply of required components. These and other events could cause delays in the provision of products and services, resulting in postponement of deliveries to customers and opportunity losses, among other problems. In respect to component procurement, foreign exchange rate fluctuations, tight supply and demand conditions, and other pressures could drive procurement costs higher than initial estimates, leading to diminished returns on products and services, as well as lower sales due to the need to raise prices. Additionally, while we make every effort to ensure the quality of procured components, we cannot guarantee that all components purchased will be free of defects. The discovery of such issues could result in processing delays, as well as defective products, opportunity losses, repair costs, and disposal costs for defective goods, plus the potential obligation to pay damages to customers.

2) Collaborations, Alliances and Technology Licensing

To enhance competitiveness, the Fujitsu Group works with a large number of companies through technology collaborations, joint ventures and other means, a practice that we intend to continue for the foreseeable future. If, however, as a result of managerial, financial, or other causes, it becomes difficult to establish or maintain such collaborative ties or to gain sufficient results from them, the Group's business could be adversely affected. Moreover, many of our products and services employ other companies' patents, technologies, software, and trademarks with the consent of their owners. However, there is no guarantee that other companies will continue to grant or license the right to use their property under terms acceptable to the Fujitsu Group.

5. Public Regulations, Public Policy, and Tax Matters

The business operations of the Fujitsu Group are impacted by a variety of public regulations and trends in public policy, as well as laws pertaining to taxation. Specifically, wherever it operates, the Group must comply with a variety of regulations, such as authorizations for business or investment, import/export regulations and restrictions, as well as laws pertaining to antimonopoly policies, intellectual property rights, consumers, the environment and recycling, labor conditions, and taxation.

Earnings might be affected by increased compliance costs associated with measures to make stricter or otherwise revise such laws and regulations. We also provide solutions in certain fields and business domains such as healthcare and communications that are subject to other public regulations, meaning that regulatory trends in these sectors may potentially impact the Group's business.

6. Other Operational Risks

The Fujitsu Group makes every effort to eliminate known risks but can offer no guarantee of its ability to always achieve every desired outcome in the course of executing business operations. Some of the specific risks faced in this respect are detailed below.

1) Deficiencies or Flaws in Products and Services

Quality is a core value of the Fujitsu Group. We are committed to improving quality at the design and development stages as well as in manufacturing. We are also promoting stricter quality control when purchasing components from external suppliers. These efforts notwithstanding, it is impossible to totally eliminate the possibility of deficiencies or flaws occurring in products, including software. While the Group is also promoting software modularization, standardization of development work, and enhanced security measures in order to improve the quality of system development and other services, the possibility of defects arising cannot be excluded. With respect to systems that play a critical role in supporting social infrastructure, following the incidents involving system troubles at the Tokyo Stock Exchange, we initiated comprehensive inspections of customer systems in November 2005. In cooperation with our customers, we have been checking for any potential problems in these systems, including the operating environment, software and hardware. We cannot, however, entirely eliminate the possibility of deficiencies or flaws. In the event that such deficiencies or flaws occur, the Group may have to initiate product recalls or repairs, engage in system recovery work, pay damages to customers or suffer opportunity losses, all of which would negatively impact Group sales and profitability.

2) Project Management

Due to such factors as the increasing scale of systems and more rigorous demands from customers, as well as the advance of open system environments, system development work is becoming increasingly complex. At the same time, greater competition is leading to increasingly intense pricing pressures. In fiscal 2003, the emergence of certain loss-generating projects prompted the Group to implement extensive risk management measures, including standardized guidelines for projects of a set scale and above, the introduction of the percentage-of-completion method, and other measures to help prevent the occurrence and enhance the early identification of such projects. In fiscal 2004, we strengthened these efforts by establishing a new organization to screen projects at the contract negotiation phase and curtail the occurrence of projects with deteriorating profitability. Additionally, in April 2005 we established the Systems Integration Assurance Unit, a body with enhanced powers that reports directly to the president. In this way, along with revising our approach to making contracts with customers, and advancing the standardization of sales and system engineering business processes, we are working to manage risk from the business negotiation stage through actual project implementation and thereby prevent new incidences of loss-generating projects. Along with these measures, the Group continues to maintain reserves for losses as necessary. Nevertheless, in spite of these measures, there is a possibility that we may be unable to completely prevent the occurrence of loss-generating projects.

3) Investment Decisions

In the IT industry, large investments in R&D, capital expenditure, and business acquisitions are necessary to maintain competitiveness. Accordingly, the success or failure of investment choices has a profound effect on the business results of the Fujitsu Group. When making such investment decisions, we give ample consideration to a range of factors such as market trends, customer needs, the superiority of Group technologies, the financial performance of acquisition candidates and our business portfolio. There is, however, the risk that markets and technologies, as well as acquisition candidates deemed attractive by the Group may fail to grow as anticipated, or that supply and demand imbalances or price erosion may be more severe than expected. Investment in semiconductor facilities and equipment represents one such area with a high degree of risk. In addition to substantial funding requirements, this field is characterized in particular by short product cycles, major changes in the market landscape and stiff competition from other companies. The Group takes a number of steps to mitigate this risk, including responding to these inherent fluctuations by dividing investment into multiple phases and forging agreements with customers prior to investment. Nonetheless, there is no guarantee that the Group can generate sufficient returns on such investments.

4) Intellectual Property Rights
The Fujitsu Group has accumulated technologies and expertise that help distinguish its products from those of other companies. Legal restrictions in certain regions, however, may impair our ability to fully protect some of the Group's proprietary technologies, with the result that we could be unable to effectively prevent the manufacture and sale of similar products developed by third parties using the Group's own intellectual property. Moreover, the creation of comparable or superior technologies by other companies could erode the value of the Group's intellectual property. The Group has instituted internal policies, including stringent clearance procedures prior to launching new products and services, to ensure that no infringement of other companies' intellectual property occurs. However, there is the possibility that the Group's products or technologies may be found to infringe on other companies' intellectual property, and that earnings may be impacted by such consequences as the need to pay for usage rights or cover costs associated with having to modify designs. In addition, the Group has previously instituted a program to compensate employees for innovations that they make in the course of their work, and will continue to implement this program in the future in accordance with the revision of Japan's patent laws. Nevertheless, the Group faces potential risk from lawsuits initiated by employees in regard to compensation for innovation created in the workplace.

5) Human Resources
The growth and profitability of the Fujitsu Group depends heavily on human resources. As such, a major issue for the Group is the ability to recruit and foster talented technical experts, system engineers, managers and other key personnel; the inability to do so could negatively impact the Group's growth and profitability.

6) Environmental Pollution
While committed to minimizing environmental burden in accordance with *The FUJITSU Way* and the Fujitsu Group Environmental Policy, the Group cannot guarantee that environmental pollution will not occur as a result of its operations. Moreover, although we monitor soil and wastewater as well as engage in clean-up activities at former factory sites, this does not mean that pollution will not be found at such sites in the future. In the event that environmental pollution were to occur or be identified, clean up and other costs could be incurred, which would adversely affect the Group's earnings.

7) Information Management
In order to safeguard the personal and confidential information of customers and business partners, the Group has taken such measures as establishing strict regulations, instituting training programs for employees, and providing consultation to business subcontractors. Nevertheless, the Group cannot absolutely guarantee that information will not be leaked. In the unlikely event that this should occur, trust in the Fujitsu Group could decline and the Group may be obligated to pay damages to customers.

8) Credit Ratings and Other Factors that Affect the Group's Credit
In addition to having a major influence on financing, credit ratings by outside institutions serve as reliable sources of information when conducting transactions with business partners. Lower credit ratings caused by failure to meet earnings targets, deteriorating financial conditions and other reasons could influence our ability to procure needed funds and place the Group at a disadvantage in bidding for projects and in other business dealings.

7. Natural Disasters and Unforeseen Incidents
Natural disasters and other unforeseen situations could have a major impact on the business results and financial standing of the Fujitsu Group. Examples of the potential risks posed are found below.

1) Damage from Earthquakes, Other Natural Disasters and Accidents
The Group has taken measures to make its business sites more resistant to earthquakes and conducts regular inspections and disaster readiness drills. Nevertheless, there is a possibility that the Group may be prevented from continuing operations due to damage to facilities and equipment or interruptions in the supply of electricity or water as a result of earthquakes or other natural disasters and accidents. Such occurrences could interrupt shipments to customers or disrupt shipments of parts for the Group's internal use, thereby affecting factory production at other Group business sites. Semiconductor fabs and other plants where high-precision processing is carried out are particularly susceptible to the effects of earthquakes and other events. In the wake of such incidents, some time may be required to resume normal operations due to the array of highly specialized equipment and devices used at these sites. Damage caused by natural disasters may also hinder our ability to provide information system

support for Group customers, which could interrupt their business activities.

We have a well-developed system in place to ensure the integrity and stable operation of critical in-house networks, which are a key element of our business infrastructure. However, the Group cannot guarantee its ability to prevent invasive computer viruses and other disruptions from impeding network operations.

2) Geopolitical Risk

Conflicts, political instability, currency crises, natural disasters, epidemics or other events in nations or regions where the Fujitsu Group operates could have a significant impact on its businesses.

8. Financial Statements

In addition to business and other risks described above, the Group may also be impacted by the following risks related to its Financial Statements.

1) Property, Plant and Equipment

Depreciation of property, plant and equipment is mainly calculated by the straight-line method based on the estimated useful lives of the respective assets, which vary according to the circumstances of each business. In the future, in cases where assets are no longer in use owing to obsolescence from technological advances, or due to the exiting of a business, useful life may end up being shorter than current estimates. As such, there is a risk that incidental losses may occur.

In addition, there is a risk of asset impairment losses if anticipated cash flow from assets declines as a result of sudden changes in the operating environment that lead to higher rates of idle equipment or lower rates of capacity utilization.

2) Intangible Assets (Software)

For the depreciation of software intended for commercial sale, we have adopted a method based on projected sales volume over the estimated life of the product. While projected sales volume is calculated based upon reasonable sales plans, one-time losses may occur if unit sales fall short of the original sales plan.

For software used in-house, we utilize the straight-line method based on the estimated useful life of the software. Should actual useful life in the future be less than the original estimate, there is a risk of incidental losses.

3) Goodwill

In terms of goodwill, incidental losses may occur if the profitability of an acquired business declines or we sell or exit from an acquired business.

4) Marketable Securities

In regard to other marketable securities that have market value, the value of such securities may change due to fluctuations in market value and, as a result, net assets may increase or decrease. In addition, when the fair value of other marketable securities decreases significantly, and excepting those cases in which the value is deemed to be recoverable, an impairment loss is posted. In future, should there be a significant decrease in fair value, and such value is not deemed to be recoverable, there is a possibility of impairment losses.

5) Retirement Benefit Obligations

Expenses and obligations for employee retirement benefits are calculated according to a variety of actuarial assumptions (discount rate, retirement rate, mortality rate, expected income rate, etc.). If actual experience differs from these underlying assumptions, or if the underlying assumptions themselves change, there is a possibility that it will affect the amount of the expense or obligation for retirement benefits.

In addition, in the event of a change in accounting standards in the countries in which our overseas subsidiaries are located or in Japan, there may be an impact on the amount of the expense or obligation for retirement benefits or shareholders' equity.

6) Deferred Tax Assets

The amount of deferred tax assets is posted appropriately on our balance sheet taking into account the balance of losses carried forward and other temporary differences. In the event that projected taxable income is higher or lower because of variations in future financial performance, there is a risk that the balance of deferred tax assets may increase or decrease. In addition, in the event that future revisions to tax regulations cause a change in the effective tax rate, there is a risk that the balance of deferred tax assets may increase or decrease.

7) Provision for Loss on Repurchase of Computers

A portion of the computers manufactured by the Fujitsu Group are sold to Japan Electronic Computer Co., Ltd. (JECC) and other leasing companies, which lease them to end users. Fujitsu enters into a contract with the leasing companies to repurchase the computers in the future, and at the time of sale a provision is recorded reflecting the expected loss that will be incurred at the time of repurchase. In the event there are changes in usage trends among customers, additions or reductions to the provision may be needed.

8) Provision for Product Warranties

To prepare for expenses to cover costs relating to the free repair and exchange of products covered under contracted warranty periods, we record at the time of sales a provision, based on past experience, to cover future estimated product repair and exchange costs. The Fujitsu Group is pursuing vigorous quality control measures at the manufacturing, development and procurement stages. However, should product defects exceed estimated levels, there is the possibility that additional expenses may arise.

9) Preparation for International Financial Reporting Standards

The Fujitsu Group is making progress in preparing for the adoption of International Financial Reporting Standards (IFRS). Specifically, the Group is revising its accounting policies in conjunction with the convergence of IFRS and Japanese Generally Accepted Accounting Principles. There is the possibility of losses as a result of changes the Group makes to its accounting standards and policies.

Consolidated Interim Financial Statements (Unaudited)

Consolidated Balance Sheet

		Yen (Millions)		
		September 30 2007	*September 30 2006*	*Change (Million Yen)*
Assets				
Current assets:				
Cash and cash equivalents and short-term investments	¥	**787,359**	417,580	+369,779
Receivables, trade		**944,735**	791,464	+153,271
Inventories		**431,921**	466,517	-34,596
Other current assets		**233,369**	213,379	+19,990
Total current assets		**2,397,384**	1,888,940	+508,444
Non-current assets:				
Property, plant and equipment less accumulated depreciation		**884,956**	848,699	+36,257
Intangible assets		**231,236**	232,566	-1,330
Investments and long-term loans		**686,536**	798,014	-111,478
Total non-current assets		**1,802,728**	1,879,279	-76,551
Total assets		**4,200,112**	3,768,219	+431,893
Liabilities and net assets				
Liabilities				
Current liabilities:				
Payables, trade		**776,075**	749,327	+26,748
Short-term borrowings and current portion of long-term debt		**342,382**	215,940	+126,442
Other current liabilities		**734,635**	653,310	+81,325
Total current liabilities		**1,853,092**	1,618,577	+234,515
Long-term liabilities:				
Long-term debt		**774,697**	666,427	+108,270
Other long-term liabilities		**446,426**	406,029	+40,397
Total long-term liabilities		**1,221,123**	1,072,456	+148,667
Total liabilities		**3,074,215**	2,691,033	+383,182
Net assets				
Shareholders' equity:				
Common stock		**324,625**	324,625	-
Capital surplus		**249,041**	498,024	-248,983
Retained earnings (deficit)		**285,509**	(31,875)	+317,384
Treasury stock		**(722)**	(1,676)	+954
Total shareholders' equity		**858,453**	789,098	+69,355
Valuation and translation adjustments:				
Valuation difference on available-for-sale securities		**118,919**	151,292	-32,373
Foreign currency translation adjustments		**(25,903)**	(40,979)	+15,076
Total valuation and translation adjustments		**93,016**	110,313	-17,297
Minority interests		**174,428**	177,775	-3,347
Total net assets		**1,125,897**	1,077,186	+48,711
Total liabilities and net assets	¥	**4,200,112**	3,768,219	+431,893

Consolidated Statements of Operations

		Yen (Millions) 1st Half FY2007	1st Half FY2006	Change (%)
Net sales	¥	**2,513,113**	2,362,333	+6.4
Cost of sales		**1,879,405**	1,744,922	+7.7
Gross profit		**633,708**	617,411	+2.6
Selling, general and administrative expenses		**589,776**	566,770	+4.1
Operating income		**43,932**	50,641	-13.2
Other income:				
Interest and dividend income		**9,705**	6,475	
Equity in earnings of affiliates, net		**2,363**	-	
Gain on foreign exchange, net		**-**	846	
Gain on sales of investment securities*		**11,606**	-	
Gain on change in interest**		**2,002**	-	
Others		**8,692**	11,100	
Total other income		**34,368**	18,421	
Other expenses:				
Interest expense		**10,131**	8,943	
Equity in losses of affiliates, net		**-**	1,638	
Amortization of unrecognized obligation for retirement benefits		**-**	1,610	
Loss on foreign exchange, net		**367**	-	
Revaluation loss on inventories***		**25,045**	-	
Impairment loss****		**289**	-	
Loss on sales of investment securities		**-**	-	
Others		**24,259**	19,194	
Total other expenses		**60,091**	31,385	
Income before income taxes and minority interests		**18,209**	37,677	-51.7
Income taxes		**21,199**	15,871	
Minority interests		**6,348**	6,959	
Net income (loss)	¥	**(9,338)**	14,847	-

Notes:

* Gain on sales of investment securities refers principally to gain on sale of shares in affiliate Japan Cablenet Holdings Limited.

** Gain on change in interest refers to listing of and capital increase in a Chinese affiliate (Nantong Fujitsu Microelectronics Co., Ltd.).

*** Revaluation loss on inventories refers to write-downs on book value of inventories at the beginning of period in conjunction with early adoption of new accounting standard for the valuation of inventories this fiscal year.

**** Impairment loss refers to the electronic components business.

Consolidated Statements of Changes in Net Assets

(Million Yen)

		Shareholders' Equity				
		Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	**Total share-holders' equity (A)**
Balance at March 31,2007	¥	324,625	498,029	54,319	(1,969)	**875,004**
Increase(decrease) during the term:						
Transfer of capital surplus to retained earnings*			(240,464)	240,464		-
Cash dividends			(6,201)			**(6,201)**
Net income(loss)				(9,338)		**(9,338)**
Purchase of treasury stock**					(27,036)	**(27,036)**
Sales of treasury stock***			(2,323)		28,283	**25,960**
Others				64		**64**
Net increase (decrease) during the term, except for items under shareholders' equity						
Total		-	(248,988)	231,190	1,247	**(16,551)**
Balance at September 30,2007	¥	324,625	249,041	285,509	(722)	**858,453**

		Valuation and Translation Adjustments (B)			
		Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Minority interests (C)	**Total net assets (A+B+C)**
Balance at March 31,2007	¥	125,383	(30,865)	191,197	**1,160,719**
Increase(decrease) during the term:					
Transfer of capital surplus to retained earnings*					-
Cash dividends					**(6,201)**
Net income(loss)					**(9,338)**
Purchase of treasury stock**					**(27,036)**
Sales of treasury stock***					**25,960**
Others					**64**
Net increase (decrease) during the term, except for items under shareholders' equity		(6,464)	4,962	(16,769)	**(18,271)**
Total		(6,464)	4,962	(16,769)	**(34,822)**
Balance at September 30,2007	¥	118,919	(25,903)	174,428	**1,125,897**

Notes:

* Transfer of capital surplus to retained earnings is an appropriation from the Company's other capital surplus for the elimination of the Company's accumulated deficit recorded in its unconsolidated retained earnings, as resolved by the Board of Directors on May 24, 2007.

** Purchase of treasury stock represents stock purchases made to convert subsidiaries Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited into wholly owned subsidiaries by distributing shares of Fujitsu Limited in exchange for shares in the subsidiaries.

*** Sales of treasury stock represents stock sales made to convert subsidiaries Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited into wholly owned subsidiaries by exchanging shares with the subsidiaries' shareholders.

Unconsolidated Interim Financial Statements (Unaudited)

Unconsolidated Balance Sheet

		Yen (Millions)		
		September 30 2007	*September 30 2006*	*Change (Million Yen)*
Assets				
Current assets:				
Cash and cash equivalents and short-term investments	¥	**661,632**	263,049	+398,583
Receivables, trade		**426,727**	379,296	+47,430
Inventories		**183,885**	212,722	-28,836
Other current assets		**205,886**	175,458	+30,428
Total current assets		**1,478,132**	1,030,526	+447,606
Non-current assets:				
Property, plant and equipment less accumulated depreciation		**484,334**	398,940	+85,394
Intangible assets		**83,712**	81,889	+1,822
Investments and long-term loans		**855,617**	1,242,378	-386,761
Total non-current assets		**1,423,664**	1,723,209	-299,544
Total assets		**2,901,797**	2,753,735	+148,061
Liabilities and net assets				
Liabilities				
Current liabilities:				
Payables, trade		**695,287**	643,318	+51,968
Short-term borrowings and current portion of long-term debt		**270,059**	157,599	+112,459
Other current liabilities		**330,637**	262,972	+67,665
Total current liabilities		**1,295,983**	1,063,889	+232,093
Long-term liabilities:				
Long-term debt		**768,413**	663,207	+105,206
Other long-term liabilities		**200,101**	111,086	+89,014
Total long-term liabilities		**968,514**	774,293	+194,220
Total liabilities		**2,264,498**	1,838,183	+426,314
Net assets				
Shareholders' equity:				
Common stock		**324,625**	324,625	-
Capital surplus:				
Capital reserves		-	118,297	-118,297
Other capital surplus		**169,182**	299,874	-130,691
Total capital surplus		**169,182**	418,171	-248,988
Retained earnings:				
Other retained earnings				
Reserves for special depreciation		**3,503**	3,603	-100
Others		**26,319**	24,255	+2,063
Total other retained earnings		**29,822**	27,858	+1,963
Total retained earnings		**29,822**	27,858	+1,963
Treasury stock		**(709)**	(1,676)	+967
Total shareholders' equity		**522,920**	768,978	-246,057
Valuation and translation adjustments:				
Valuation difference on available-for-sale securities		**114,378**	146,573	-32,195
Total valuation and translation adjustments		**114,378**	146,573	-32,195
Total net assets		**637,298**	915,551	-278,253
Total liabilities and net assets	¥	**2,901,797**	2,753,735	+148,061

Unconsolidated Statements of Operations

		Yen (Millions)		
		1st Half FY2007	*1st Half FY2006*	*Change (%)*
Net sales	¥	**1,400,103**	1,329,452	+5.3
Cost of sales		**1,101,745**	1,025,248	+7.5
Gross profit		**298,357**	304,204	-1.9
Selling, general and administrative expenses		**317,129**	322,939	-1.8
Operating income		**(18,771)**	(18,734)	-
Other income:				
Interest and dividend income		**75,968**	38,370	
Amortization of unrecognized obligation for retirement benefits		**-**	2,255	
Gain on sales of investment securities*		**7,052**	-	
Gain on reversal of provision for loss on guarantees**		**2,204**	-	
Others		**8,372**	8,565	
Total other income		**93,597**	49,190	
Other expenses:				
Interest expense		**5,597**	5,724	
Revaluation loss on inventories***		**24,236**	-	
Loss on devaluation of subsidiaries' and affiliates' stock****		**5,689**	9,307	
Increase in provision for loss on obligations*****		**351**	-	
Impairment loss		**-**	-	
Others		**18,136**	9,787	
Total other expenses		**54,011**	24,819	
Income before income taxes		**20,814**	5,636	+269.3
Income taxes:				
Current		**(6,007)**	(5,197)	
Deferred		**(3,000)**	(2,000)	
Net income	¥	**29,822**	12,834	+132.4

Notes:

* Gain on sales of investment securities refers principally to gain on sale of shares in affiliate Japan Cablenet Holdings Limited.

** Refers to provision for loss on guarantees.

*** Refers to a valuation loss on inventories at the beginning of the first-half period in conjunction with introduction of a new accounting standard for the valuation of inventories adopted from this fiscal year.

**** Refers to valuation loss on stock of affiliates and subsidiaries.

***** Refers to subsidiary whose liabilities exceed assets.

Unconsolidated Statements of Changes in Net Assets

(Million Yen)

		Shareholders' Equity								
			Capital surplus			Retained earnings (Deficit)				
						Other retained earnings				
		Common stock	Capital reserves	Other capital surplus	Total capital surplus	Reserves for special depreciation	Surplus at the beginning of the period	**Total retained earnings (Deficit)**	**Treasury stock**	**Total share-holders' equity (A)**
Balance at March 31,2007	¥	324,625	118,297	299,878	418,175	3,503	(243,967)	(240,464)	(1,969)	**500,367**
Increase (decrease) during the term:										
Transfer of capital reserves to other capital surplus			(118,297)	118,297	-			-		-
Transfer of other capital surplus to surplus at the beginning of the period				(240,464)	(240,464)		240,464	240,464		-
Cash dividends				(6,201)	(6,201)			-		**(6,201)**
Net income					-		29,822	29,822		**29,822**
Purchase of treasury stock					-			-	(27,036)	**(27,036)**
Sales of treasury stock				(2,327)	(2,327)			-	28,296	**25,968**
Net increase (decrease) during the term, except for items under shareholders' equity										
Total		-	(118,297)	(130,696)	(248,993)	-	270,286	270,286	1,259	**22,553**
Balance at September 30, 2007	¥	324,625	-	169,182	169,182	3,503	26,319	29,822	(709)	**522,920**

		Valuation and Translation Adjustments		**Total Net Assets (A+B)**
		Valuation difference on available-for-sale securities	**Total valuation and translation adjustments (B)**	
Balance at March 31,2007	¥	120,524	**120,524**	**620,891**
Increase (decrease) during the term:				
Transfer of capital reserves to other capital surplus				**-**
Transfer of other capital surplus to surplus at the beginning of the period				**-**
Cash dividends				**(6,201)**
Net income				**29,822**
Purchase of treasury stock				**(27,036)**
Sales of treasury stock				**25,968**
Net increase (decrease) during the term, except for items under shareholders' equity		(6,146)	**(6,146)**	**(6,146)**
Total		(6,146)	**(6,146)**	**16,407**
Balance at September 30, 2007	¥	114,378	**114,378**	**637,298**

Note:

The transfer of capital reserves to other capital surplus is based on a resolution at the Annual Shareholders' Meeting on June22, 2007 to decrease capital reserves and increase other capital surplus.

Transfer of capital surplus to retained earnings is an appropriation from the Company's other capital surplus for the elimination of the Company's accumulated deficit recorded in its unconsolidated retained earnings as resolved by the Board of Directors on May 24, 2007.

Purchase of treasury stock represents stock purchases made to convert subsidiaries Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited into wholly owned subsidiaries by distributing shares of Fujitsu Limited in exchange for shares in the subsidiaries.

Sales of treasury stock represents stock sales made to convert subsidiaries Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited into wholly owned subsidiaries by exchanging shares with the subsidiaries' shareholders.

Related Party Transactions

(Million Yen)

<table>
<tr><th rowspan="2">Attribute</th><th rowspan="2">Name</th><th rowspan="2">Address</th><th rowspan="2">Common stock</th><th rowspan="2">Business</th><th rowspan="2">Percentage of voting rights</th><th colspan="2">Relationship with the related party</th><th rowspan="2" colspan="2">Transactions</th><th rowspan="2">Transactions Amount</th><th rowspan="2">Account title</th><th rowspan="2">Ending balance</th></tr>
<tr><th>Interlocking directors, etc.</th><th>Business relationship</th></tr>
<tr><td rowspan="3">Affiliate</td><td rowspan="3">Fujitsu Leasing Co., Ltd.</td><td rowspan="3">Shinjuku-ku, Tokyo</td><td rowspan="3">1,000</td><td rowspan="3">Sales and leasing of information processing and other equipment</td><td rowspan="3">Ownership
Direct 22.5%
Indirect 5.0%</td><td rowspan="3">2 inter-locking directors, etc.
/
6 directors, etc. are transferred from Fujitsu Limited</td><td rowspan="3">Leasing transaction and interlocking of directors</td><td>Sale of fixed Assets</td><td>Amount</td><td>316</td><td>Receivables</td><td>53</td></tr>
<tr><td rowspan="2">Leasing Transaction</td><td rowspan="2">Payment</td><td rowspan="2">6,955</td><td>Leases obligations (short-term)</td><td>13,328</td></tr>
<tr><td>Leases obligations (long-term)</td><td>26,924</td></tr>
</table>

Notes:

1. Transactions listed above generally have terms of business based on the fair value.
2. Consumption taxes are not included in the transaction amount. Consumption taxes are included in the ending balance.
3. Transactions with Fujitsu Leasing Co., Ltd. are mainly selling our purchased fixed assets to lesser for starting leasing transaction.

(Million Yen)

<table>
<tr><th rowspan="2">Attribute</th><th rowspan="2">Name</th><th rowspan="2">Address</th><th rowspan="2">Common stock</th><th rowspan="2">Business</th><th rowspan="2">Percentage of voting rights</th><th colspan="2">Relationship with the related party</th><th rowspan="2">Transactions</th><th rowspan="2">Transactions Amount</th><th rowspan="2">Account title</th><th rowspan="2">Ending balance</th></tr>
<tr><th>Interlocking directors, etc.</th><th>Business relationship</th></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Yoshiharu Inaba</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">Outside board member, President and CEO, Fanuc Ltd.</td><td rowspan="2">(Owned) 0.0%</td><td rowspan="2">-</td><td rowspan="2">-</td><td>Sale of Fujitsu's products and services</td><td>1,230</td><td>Accounts payable</td><td>485</td></tr>
<tr><td>Purchase of manufacturing equipment</td><td>0.9</td><td>Accounts receivable</td><td>0</td></tr>
</table>

Notes:

1. Transactions listed above generally have terms of business based on the fair value.
2. Consumption taxes are not included in the transaction amount. Consumption taxes are included in the ending balance.
3. The transactions listed above are considered arms-length transactions.

Responsibility Statement

"I, Hiroaki Kurokawa, being Representative Director of Fujitsu Limited confirm, to the best of my knowledge, that the condensed set of financial statements have been prepared in accordance with Japanese accounting standard relating to interim reporting and that the interim management report includes a fair review of the information required by Disclosure Rules and Transparency Rules 4.2.7 and 4.2.8 of the Financial Services Authority in the United Kingdom."

Hiroaki Kurokawa

21 December 2007

Corporate Data

Corporate Name:	FUJITSU LIMITED
Registered at:	4-1-1 Kamikodanaka, Nakahara-ku, Kawasaki-shi, Kanagawa 211-8588, Japan
Corporate Headquarters:	Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7123, Japan
Established and Registered on:	June 20, 1935
Stock Exchange Listings:	Tokyo, Osaka, Nagoya, London, Frankfurt, and Swiss
Home Page Address:	www.fujitsu.com

Fujitsu's web site offers not only this report but also the latest annual report and financial results.

English	http://www.fujitsu.com/global/about/ir/
Japanese	http://pr.fujitsu.com/jp/ir/