Fujitsu Limited
April 26, 2007

# FY 2006 Full-Year and Fourth-Quarter Financial Results

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# Part I: Financial Tables

## 1. Summary of FY 2006 Full-Year Consolidated Results

### a. Summary of Consolidated Statements of Operations

| | | Yen (millions) (except per share data) FY 2006 (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) | Change (%) |
|---|---|---|---|---|
| **Net sales** | **Y** | **5,100,163** | 4,791,416 | +6.4 |
| **Operating income** | | **182,088** | 181,488 | +0.3 |
| **Income before income taxes and minority interests** | | **214,495** | 118,084 | +81.6 |
| **Net income** | | **102,415** | 68,545 | +49.4 |
| **Earnings per share:** | | | | |
| **Basic** | | **49.54** | 32.83 | +16.71 |
| **Diluted** | | **44.95** | 29.54 | +15.41 |
| **Owners' equity per share** | **Y** | **469.02** | 443.20 | |
| **Average number of shares outstanding** | | **2,067,369** | 2,067,787 | |
| **Return on equity** | | **10.9%** | 7.7% | |

### b. Net Sales by Business Segment (including intersegment sales)

| | | Yen (millions) FY 2006 (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) | Change (%) |
|---|---|---|---|---|
| **Technology Solutions** | **Y** | **3,157,040** | 2,983,942 | +5.8 |
| **Ubiquitous Product Solutions** | | **1,118,323** | 1,059,923 | +5.5 |
| **Device Solutions** | | **762,675** | 707,537 | +7.8 |
| **Other Operations** | | **490,377** | 447,356 | +9.6 |
| **Elimination** | | **(428,252)** | (407,342) | - |
| **Total** | **Y** | **5,100,163** | 4,791,416 | +6.4 |

### c. Summary of Consolidated Financial Conditior

| | | Yen (millions) (except per share data) March 31 2007 | March 31 2006 |
|---|---|---|---|
| **Total assets** | **Y** | **3,943,724** | 3,807,131 |
| **Net assets** | | **1,160,719** | 917,045 |
| **Owners' equity ratio** | | **24.6** % | 24.1 % |
| **Net assets per share** | **Y** | **469.02** | 443.20 |
| **Number of shares issued** | | **2,070,018,213** | 2,070,018,213 |

Note:

The figures of the formerly classified shareholders' equity, shareholders' equity ratio, and shareholders' equity per share are stated in net assets, owners' equity ratio, and net assets per share, respectively, under the March 31, 2006 column.

### d. Summary of Consolidated Statements of Cash Flows

| | | Yen (millions) FY 2006 (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) |
|---|---|---|---|
| **Cash flows from operating activities** | **Y** | **408,765** | 405,579 |
| **Cash flows from investing activities** | | **(151,083)** | (234,684) |
| **Cash flows from financing activities** | | **(234,953)** | (207,840) |
| **Cash and cash equivalents at end of period** | **Y** | **448,705** | 420,894 |

## 2. Summary of FY 2006 Fourth-Quarter Consolidated Results

### a. Summary of Consolidated Statements of Operations

| | | Yen (millions) | | |
|---|---|---|---|---|
| | | **4Q FY 2006 (1/1/07-3/31/07)** | 4Q FY 2005 (1/1/06-3/31/06) | Change (%) |
| **Net sales** | **Y** | **1,540,223** | 1,477,642 | +4.2 |
| **Operating income** | | **124,330** | 121,322 | +2.5 |
| **Income before income taxes and minority interests** | | **165,142** | 93,263 | +77.1 |
| **Net income** | **Y** | **86,406** | 57,512 | +50.2 |

### b. Net Sales by Business Segment (including intersegment sales)

| | | Yen (millions) | | |
|---|---|---|---|---|
| | | **4Q FY 2006 (1/1/07-3/31/07)** | 4Q FY 2005 (1/1/06-3/31/06) | Change (%) |
| **Technology Solutions** | **Y** | **1,011,583** | 970,558 | +4.2 |
| **Ubiquitous Product Solutions** | | **316,271** | 306,519 | +3.2 |
| **Device Solutions** | | **198,101** | 188,856 | +4.9 |
| **Other Operations** | | **130,019** | 127,757 | +1.8 |
| **Elimination** | | **(115,751)** | (116,048) | - |
| **Total** | **Y** | **1,540,223** | 1,477,642 | +4.2 |

## 3. Consolidated Earnings Forecast for FY 2007
## (April 1, 2007 - March 31, 2008)

### a. First Half and Full Year

| | | | Yen (billions) (except per share data) | | |
|---|---|---|---|---|---|
| | | | **FY 2007 (Forecast)** | FY 2006 (Actual) | Change (%) (FY06 to FY07) |
| **First half** | Net sales | **Y** | **2,450.0** | 2,362.3 | +3.7 |
| | Operating income | | **20.0** | 50.6 | -60.5 |
| | Net income | | **0.0** | 14.8 | -100.0 |
| **Full year** | Net sales | | **5,400.0** | 5,100.1 | +5.9 |
| | Operating income | | **190.0** | 182.0 | +4.3 |
| | Net income | | **75.0** | 102.4 | -26.8 |
| **Net income per common share** | | **Y** | **36.28** | 49.54 | |

### b. First and Second Quarters

| | | | Yen (billions) | | |
|---|---|---|---|---|---|
| | | | **FY 2007 (Forecast)** | FY 2006 (Actual) | Change (%) FY06 to FY07 |
| **First quarter** | Net sales | **Y** | **1,150.0** | 1,102.8 | +4.3 |
| | Operating income | | **0.0** | 14.5 | -100.0 |
| **Second quarter** | Net sales | | **1,300.0** | 1,259.4 | +3.2 |
| | Operating income | **Y** | **20.0** | 36.0 | -44.5 |

## 4. Summary of FY 2006 Full-Year Unconsolidated Results

### a. Summary of Unconsolidated Statements of Operations

| | | Yen (millions) (except per share data) | | |
|---|---|---|---|---|
| | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) | Change (%) |
| **Net sales** | **Y** | **2,869,204** | 2,850,235 | +0.7 |
| **Operating income** | | **8,848** | 18,892 | -53.2 |
| **Income (Loss) before income taxes** | | **(213,439)** | 1,111 | - |
| **Net income (loss)** | | **(249,286)** | 17,462 | - |
| **Amounts per share of common stock:** | | | | |
| Net income (loss) | | **(120.58)** | 8.37 | - |
| Cash dividends | **Y** | **6.00** | 6.00 | - |

### b. Summary of Unconsolidated Financial Condition

| | | Yen (millions) (except per share data) | |
|---|---|---|---|
| | | **March 31 2007** | March 31 2006 |
| **Total assets** | **Y** | **2,512,801** | 2,837,076 |
| **Net assets** | | **620,891** | 939,585 |
| **Owners' equity ratio** | | **24.7%** | 33.1% |
| **Net assets per share** | **Y** | **300.37** | 454.35 |

Note:

The figures of the formerly classified shareholders' equity, shareholders' equity ratio, and shareholders' equity per share are stated in net assets, owners' equity ratio, and net assets per share, respectively, under the March 31, 2006 column.

## 5. Unconsolidated Earnings Forecast for FY 2007

**(April 1, 2007 - March 31, 2008)**

| | | | Yen (billions) (except per share data) | | |
|---|---|---|---|---|---|
| | | | **FY 2007 (Forecast)** | FY 2006 (Actual) | Change (%) (FY06 to FY07) |
| **a. First half** | Net sales | **Y** | **1,350.0** | 1,329.4 | +1.5 |
| | Net income | **Y** | **35.0** | 12.8 | +172.7 |
| **b. Full year** | Net sales | **Y** | **3,000.0** | 2,869.2 | +4.6 |
| | Net income | | **80.0** | (249.2) | - |
| | Net income per common share | **Y** | **38.70** | (120.58) | - |

## 6. Full-Year Consolidated Statements of Operations

| | | Yen (millions) | | |
|---|---|---|---|---|
| | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) | Change (%) |
| **Net sales** | Y | **5,100,163** | 4,791,416 | +6.4 |
| **Operating costs and expenses:** | | | | |
| Cost of sales | | **3,781,647** | 3,523,421 | +7.3 |
| Selling, general and administrative expenses | | **1,136,428** | 1,086,507 | +4.6 |
| | | **4,918,075** | 4,609,928 | +6.7 |
| **Operating income** | | **182,088** | 181,488 | +0.3 |
| **Other income (expenses):** | | | | |
| Net interest* | | **(4,244)** | (8,589) | |
| Equity in earnings of affiliated companies, net | | **6,996** | (1,478) | |
| Amortization of unrecognized obligation for retirement benefits | | **(3,146)** | (28,214) | |
| Gain on sales of marketable securities** | | **75,062** | - | |
| Gain (Loss) on change in interest*** | | **2,136** | (8,413) | |
| Settlement gain | | **-** | 15,957 | |
| Gain on business transfer | | **-** | 3,455 | |
| Devaluation loss**** | | **(9,991)** | - | |
| Restructuring charges | | **-** | (11,559) | |
| Provision for prior product warranties | | **-** | (7,413) | |
| Other, net | | **(34,406)** | (17,150) | |
| | | **32,407** | (63,404) | |
| **Income before income taxes and minority interests** | | **214,495** | 118,084 | +81.6 |
| **Income taxes** | | **96,243** | 37,027 | |
| **Minority interests** | | **15,837** | 12,512 | |
| **Net income** | Y | **102,415** | 68,545 | +49.4 |

Notes:

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

** Gain (net of loss) on sales of marketable securities refers principally to gain on sales of shares in Fanuc Ltd. in connection with with the issuer's own stock repurchase. It also includes loss of Y2,275 million on sales of shares in equity method afflilates such as Spansion Inc

*** Gain on change in interest refers to gain relating to allocation of new shares of subsidiary company (NIFTY Corporation) to third parties

**** Devaluation loss refers principally to devaluation loss on plant and equipment assets in the company's optical transmission systems business, primarily as a result of delays in business performance recovery due to rapid changes in the business environment in North America and Japan.

## 7. Full-Year Consolidated Business Segment Information

### a. Net Sales and Operating Income

| | | | Yen (millions) FY 2006 (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) | Change (%) |
|---|---|---|---|---|---|
| **Technology Solutions** | Japan | **Y** | **2,087,728** | 2,092,267 | -0.2 |
| | Overseas | | **1,069,312** | 891,675 | +19.9 |
| | Total | | **3,157,040** | 2,983,942 | +5.8 |
| | Operating Income | | **163,608** | 153,021 | +6.9 |
| | [Operating Income Margin] | | **[5.2%]** | [5.1%] | |
| | *System Platforms* | | | | |
| | Operating Income | | **7,501** | 24,578 | -69.5 |
| | [Operating Income Margin] | | **[1.1%]** | [3.4%] | |
| | *Services* | | | | |
| | Operating Income | | **156,107** | 128,443 | +21.5 |
| | [Operating Income Margin] | | **[6.4%]** | [5.7%] | |
| **Ubiquitous Product Solutions** | Japan | | **710,140** | 700,870 | +1.3 |
| | Overseas | | **408,183** | 359,053 | +13.7 |
| | Total | | **1,118,323** | 1,059,923 | +5.5 |
| | Operating Income | | **41,650** | 34,801 | +19.7 |
| | [Operating Income Margin] | | **[3.7%]** | [3.3%] | |
| **Device Solutions** | Japan | | **457,039** | 399,043 | +14.5 |
| | Overseas | | **305,636** | 308,494 | -0.9 |
| | Total | | **762,675** | 707,537 | +7.8 |
| | Operating Income | | **19,010** | 29,507 | -35.6 |
| | [Operating Income Margin] | | **[2.5%]** | [4.2%] | |
| **Other Operations** | Japan | | **349,950** | 336,538 | +4.0 |
| | Overseas | | **140,427** | 110,818 | +26.7 |
| | Total | | **490,377** | 447,356 | +9.6 |
| | Operating Income | | **10,563** | 7,678 | +37.6 |
| | [Operating Income Margin] | | **[2.2%]** | [1.7%] | |
| **Elimination** | Sales | | **(428,252)** | (407,342) | - |
| | Operating Income | | **(52,743)** | (43,519) | - |
| **Total** | Japan | | **3,274,908** | 3,199,842 | +2.3 |
| | Overseas | | **1,825,255** | 1,591,574 | +14.7 |
| | Total | | **5,100,163** | 4,791,416 | +6.4 |
| | Operating Income | **Y** | **182,088** | 181,488 | +0.3 |
| | [Operating Income Margin] | | **[3.6%]** | [3.8%] | |

Note:
Includes intersegment sales. Figures for fiscal 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year fiscal 2006.

## b. Net Sales by Principal Products and Services

| | | | Yen (millions) | | |
|---|---|---|---|---|---|
| | | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) | Change (%) |
| **Technology Solutions** | | | | | |
| | System Products | Y | **355,324** | 354,263 | +0.3 |
| | Network Products | | **348,456** | 363,425 | -4.1 |
| | *System Platforms* | | **703,780** | 717,688 | -1.9 |
| | Solutions / SI | | **1,091,060** | 1,020,487 | +6.9 |
| | Infrastructure Services | | **1,164,818** | 1,037,231 | +12.3 |
| | Others | | **197,382** | 208,536 | -5.3 |
| | *Services* | | **2,453,260** | 2,266,254 | +8.3 |
| | Total | | **3,157,040** | 2,983,942 | +5.8 |
| **Ubiquitous Product Solutions** | | | | | |
| | PCs / Mobile Phones | | **768,649** | 756,622 | +1.6 |
| | Hard Disk Drives | | **329,835** | 285,417 | +15.6 |
| | Others | | **19,839** | 17,884 | +10.9 |
| | Total | | **1,118,323** | 1,059,923 | +5.5 |
| **Device Solutions** | | | | | |
| | LSI Devices | | **473,500** | 460,100 | +2.9 |
| | Electronic Components, Others | | **289,175** | 247,437 | +16.9 |
| | Total | Y | **762,675** | 707,537 | +7.8 |

Note:

Includes intersegment sales.

## 8. Full-Year Consolidated Geographic Segment Information

### a. Net Sales and Operating Income

| | | | Yen (millions) FY 2006 (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) | Change (%) |
|---|---|---|---|---|---|
| **Japan** | Sales | **Y** | **4,077,148** | 3,944,401 | +3.4 |
| | Operating Income | | **191,864** | 171,153 | +12.1 |
| | [Operating Income Margin] | | **[4.7%]** | [4.3%] | |
| **EMEA** | Sales | | **736,360** | 632,542 | +16.4 |
| | Operating Income | | **24,131** | 22,950 | +5.1 |
| | [Operating Income Margin] | | **[3.3%]** | [3.6%] | |
| **The Americas** | Sales | | **442,326** | 363,476 | +21.7 |
| | Operating Income | | **8,465** | 13,575 | -37.6 |
| | [Operating Income Margin] | | **[1.9%]** | [3.7%] | |
| **APAC & China** | Sales | | **807,166** | 718,850 | +12.3 |
| | Operating Income | | **11,680** | 14,919 | -21.7 |
| | [Operating Income Margin] | | **[1.4%]** | [2.1%] | |
| **Elimination** | Sales | | **(962,837)** | (867,853) | - |
| | Operating Income | | **(54,052)** | (41,109) | - |
| **Total** | Sales | | **5,100,163** | 4,791,416 | +6.4 |
| | Operating Income | **Y** | **182,088** | 181,488 | +0.3 |
| | [Operating Income Margin] | | **[3.6%]** | [3.8%] | |

Notes:

* Includes intersegment sales.

** From mid-year fiscal 2006, certain overseas geographic segment categorizations have been changed; specifically, the former “Europe” segment has been changed to “EMEA” (EMEA = Europe, Middle East and Africa) and the former “Asia, Australasia & Others” has been changed to “APAC & China” (APAC = Asia-Pacific).

*** Figures for fiscal 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year fiscal 2006.

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

| | | Yen (millions) FY 2006 (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) | Change (%) |
|---|---|---|---|---|
| **EMEA** | **Y** | **795,877** | 689,774 | +15.4 |
| **The Americas** | | **472,975** | 388,131 | +21.9 |
| **APAC & China** | | **556,403** | 513,669 | +8.3 |
| **Total** | **Y** | **1,825,255** | 1,591,574 | +14.7 |

Notes:

* Sales to unaffiliated customers.

** From mid-year fiscal 2006, certain overseas geographic segment categorizations have been changed; specifically, the former “Europe” segment has been changed to “EMEA” (EMEA = Europe, Middle East and Africa) and the former “Asia, Australasia & Others” has been changed to “APAC & China” (APAC = Asia-Pacific).

## 9. Full-Year Consolidated Balance Sheets

| | | Yen (millions) March 31 2007 | March 31 2006 | Change (million yen) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents and short-term investments | Y | **449,425** | 423,263 | +26,162 |
| Receivables, trade | | **1,054,048** | 885,300 | +168,748 |
| Inventories | | **412,387** | 408,710 | +3,677 |
| Other current assets | | **216,163** | 215,475 | +688 |
| **Total current assets** | | **2,132,023** | 1,932,748 | +199,275 |
| **Investments and long-term loans** | | **734,272** | 861,503 | -127,231 |
| **Property, plant and equipment less accumulated depreciation** | | **842,489** | 776,976 | +65,513 |
| **Intangible assets** | | **234,940** | 235,904 | -964 |
| **Total assets** | Y | **3,943,724** | 3,807,131 | +136,593 |
| **Liabilities and net assets** | | | | |
| **Current liabilities:** | | | | |
| Short-term borrowings and current portion of long-term debt | Y | **226,250** | 234,848 | -8,598 |
| Payables, trade | | **824,825** | 757,006 | +67,819 |
| Other current liabilities | | **756,490** | 610,651 | +145,839 |
| **Total current liabilities:** | | **1,807,565** | 1,602,505 | +205,060 |
| **Long-term liabilities:** | | | | |
| Long-term debt | | **519,567** | 693,765 | -174,198 |
| Other long-term liabilities | | **455,873** | 420,786 | +35,087 |
| **Total long-term liabilities** | | **975,440** | 1,114,551 | -139,111 |
| **Total liabilities** | | **2,783,005** | 2,717,056 | +65,949 |
| **Net assets** | | | | |
| **Shareholders' equity:** | | | | |
| Common stock | | **324,625** | 324,625 | - |
| Capital surplus | | **498,029** | 498,019 | +10 |
| Retained earnings (Deficit) | | **54,319** | (40,485) | +94,804 |
| Treasury stock | | **(1,969)** | (1,465) | -504 |
| **Total shareholders' equity** | | **875,004** | 780,694 | +94,310 |
| **Valuation and translation adjustments:** | | | | |
| Valuation difference on available-for-sale securities** | | **125,383** | 182,218 | -56,835 |
| Foreign currency translation adjustments | | **(30,865)** | (45,867) | +15,002 |
| **Total valuation and translation adjustments** | | **94,518** | 136,351 | -41,833 |
| **Minority interests** | | **191,197** | 173,030 | +18,167 |
| **Total net assets** | | **1,160,719** | 1,090,075 | +70,644 |
| **Total liabilities and net assets** | | **3,943,724** | 3,807,131 | +136,593 |
| **Ending balance of interest-bearing loans** | | **745,817** | 928,613 | -182,796 |
| **Owners' equity*** ** | Y | **969,522** | 917,045 | +52,477 |
| **D/E ratio******** | | **0.77** | 1.01 | -024 |
| **Shareholders' equity ratio** | | **22.2%** | 20.5% | 1.7% |
| **Owners' equity ratio** | | **24.6%** | 24.1% | 0.5% |

Notes:

* Figures for March 31, 2006 have been restated to match new classifications for comparison purposes.

** Valuation difference on available-for-sale securities at March 31, 2007 includes deferred gain and loss from hedging.

*** Owners’ equity is total net assets - minority interests.

**** D/E ratio is ending balance of interest-bearing loans ÷ owners’ equity.

## 10. Full-Year Consolidated Statements of Cash Flows

| | | Yen (millions) | | |
|---|---|---|---|---|
| | | **FY 2006** | FY 2005 | Change |
| | | **(4/1/06-3/31/07)** | (4/1/05-3/31/06) | (Million Yen) |
| **1. Cash flows from operating activities:** | | | | |
| Income before income taxes and minority interests | **Y** | **214,495** | 118,084 | +96,411 |
| Depreciation and amortization | | **278,784** | 242,376 | +36,408 |
| Increase (decrease) in provisions | | **(20,686)** | 3,422 | -24,108 |
| Equity in earnings of affiliates, net | | **(6,996)** | 1,478 | -8,474 |
| Disposal of property, plant and equipment | | **27,879** | 28,625 | -746 |
| (Increase) decrease in receivables, trade | | **(116,659)** | 10,719 | -127,378 |
| (Increase) decrease in inventories | | **(7,445)** | 5,746 | -13,191 |
| Increase (decrease) in payables, trade | | **49,263** | 21,196 | +28,067 |
| Other, net | | **(9,870)** | (26,067) | +16,197 |
| Net cash provided by (used in) operating activities | | **408,765** | 405,579 | +3,186 |
| **2. Cash flows from investing activities:** | | | | |
| Purchase of property, plant and equipment | | **(258,631)** | (221,100) | -37,531 |
| (Increase) decrease in investments | | **94,308** | (48,628) | +142,936 |
| Other, net | | **13,240** | 35,044 | -21,804 |
| Net cash provided by (used in) investing activities | | **(151,083)** | (234,684) | +83,601 |
| **1+2 [ Free Cash Flow ]** | | **257,682** | 170,895 | +86,787 |
| **3. Cash flows from financing activities:** | | | | |
| Increase (decrease) in bonds, notes, short-term borrowings and long-term debt | | **(186,778)** | (156,654) | -30,124 |
| Dividends paid | | **(16,572)** | (12,408) | -4,164 |
| Other, net | | **(31,603)** | (38,778) | +7,175 |
| Net cash provided by (used in) financing activities | | **(234,953)** | (207,840) | -27,113 |
| **4. Effect of exchange rate changes on cash and cash equivalents** | | **4,424** | 3,323 | +1,101 |
| **5. Net increase (decrease) in cash and cash equivalents** | | **27,153** | (33,622) | +60,775 |
| **6. Cash and cash equivalents at beginning of period** | | **420,894** | 454,516 | -33,622 |
| **7. Cash and cash equivalents of consolidated subsidiaries** | | **658** | - | +658 |
| **8. Cash and cash equivalents at end of period** | **Y** | **448,705** | 420,894 | +27,811 |

# 11. Full-Year Consolidated Statements of Shareholders' Equity

(Millions of Yen)

| | **Shareholders' Equity** | | | | | **Valuation and Translation Adjustments** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings (Deficit) | Treasury stock | Total share-holders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustments | **Minority Interests** | **Total Net Assets** |
| 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 from retained earnings | | | (12,405) | | (12,405) | | | | (12,405) |
| Bonus to directors | | | (665) | | (665) | | | | (665) |
| Net income | | | 102,415 | | 102,415 | | | | 102,415 |
| Acquisition and sales of treasury stocks | | 10 | | (504) | (494) | | | | (494) |
| Decrease as a result of deconsolidation of equity method affiliates | | | (3,715) | | (3,715) | | | | (3,715) |
| Others | | | 9,174 | | 9,174 | | | | 9,174 |
| Net increase (decrease) during the term, except for items under shareholders' equity | | | | | - | (56,835) | 15,002 | 18,167 | (23,666) |
| Total | - | 10 | 94,804 | (504) | 94,310 | (56,835) | 15,002 | 18,167 | 70,644 |
| Balance at March 31, 2007 | 324,625 | 498,029 | 54,319 | (1,969) | 875,004 | 125,383 | (30,865) | 191,197 | 1,160,719 |

# 12. Fourth-Quarter Consolidated Statements of Operations

| | | Yen (millions) 4Q FY 2006 (1/1/07-3/31/07) | 4Q FY 2005 (1/1/06-3/31/06) | Change (%) |
|---|---|---|---|---|
| **Net sales** | **Y** | **1,540,223** | 1,477,642 | +4.2 |
| **Operating costs and expenses:** | | | | |
| Cost of sales | | **1,130,131** | 1,075,316 | +5.1 |
| Selling, general and administrative expenses | | **285,762** | 281,004 | +1.7 |
| | | **1,415,893** | 1,356,320 | |
| **Operating income** | | **124,330** | 121,322 | +2.5 |
| **Other income (expenses):** | | | | |
| Net interest* | | **(738)** | (2,561) | |
| Equity in earnings of affiliated companies, net | | **5,335** | 2,782 | |
| Amortization of unrecognized obligation for retirement benefits | | **(727)** | (4,872) | |
| Gain on sales of marketable securities | | **69,725** | - | |
| Devaluation loss | | **(9,991)** | - | |
| Provision for prior product warranties** | | **-** | (7,413) | |
| Restructuring charges*** | | **-** | (6,085) | |
| Other, net | | **(22,792)** | (9,910) | |
| | | **40,812** | (28,059) | |
| **Income before income taxes and minority interests** | | **165,142** | 93,263 | +77.1 |
| **Income taxes** | | **74,389** | 30,567 | |
| **Minority interests** | | **4,347** | 5,184 | |
| **Net income** | **Y** | **86,406** | 57,512 | +50.2 |

Notes:

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

** Gain on sales of marketable securities refers principally to gain on sales of shares in Fanuc Ltd. in connection with the issuer's own stock repurchase.

*** Devaluation loss refers principally to devaluation loss on plant and equipment assets in the company's optical transmission systems business, primarily as a result of delays in business performance recovery due to rapid changes in the business environment in North America and Japan.

## 13. Fourth-Quarter Consolidated Business Segment Information

### a. Net Sales and Operating Income

| | | | Yen (millions) 4Q FY 2006 (1/1/07-3/31/07) | 4Q FY 2005 (1/1/06-3/31/06) | Change (%) |
|---|---|---|---|---|---|
| **Technology Solutions** | Japan | **Y** | **701,184** | 699,089 | +0.3 |
| | Overseas | | **310,399** | 271,469 | +14.3 |
| | Total | | **1,011,583** | 970,558 | +4.2 |
| | Operating Income | | **112,590** | 109,830 | +2.5 |
| | [Operating Income Margin] | | **[11.1%]** | [11.3%] | |
| | *System Platforms* | | | | |
| | Operating Income | | **21,843** | 32,578 | -33.0 |
| | [Operating Income Margin] | | **[10.3%]** | [13.8%] | |
| | *Services* | | | | |
| | Operating Income | | **90,747** | 77,252 | +17.5 |
| | [Operating Income Margin] | | **[11.4%]** | [10.5%] | |
| **Ubiquitous Product Solutions** | Japan | | **213,410** | 212,601 | +0.4 |
| | Overseas | | **102,861** | 93,918 | +9.5 |
| | Total | | **316,271** | 306,519 | +3.2 |
| | Operating Income | | **20,550** | 12,194 | +68.5 |
| | [Operating Income Margin] | | **[6.5%]** | [4.0%] | |
| **Device Solutions** | Japan | | **127,282** | 107,952 | +17.9 |
| | Overseas | | **70,819** | 80,904 | -12.5 |
| | Total | | **198,101** | 188,856 | +4.9 |
| | Operating Income | | **2,474** | 8,475 | -70.8 |
| | [Operating Income Margin] | | **[1.2%]** | [4.5%] | |
| **Other Operations** | Japan | | **91,249** | 94,446 | -3.4 |
| | Overseas | | **38,770** | 33,311 | +16.4 |
| | Total | | **130,019** | 127,757 | +1.8 |
| | Operating Income | | **2,699** | 3,333 | -19.0 |
| | [Operating Income Margin] | | **[2.1%]** | [2.6%] | |
| **Elimination** | Sales | | **(115,751)** | (116,048) | - |
| | Operating Income | | **(13,983)** | (12,510) | - |
| **Total** | Japan | | **1,043,082** | 1,020,112 | +2.3 |
| | Overseas | | **497,141** | 457,530 | +8.7 |
| | Total | | **1,540,223** | 1,477,642 | +4.2 |
| | Operating Income | **Y** | **124,330** | 121,322 | +2.5 |
| | [Operating Income Margin] | | **[8.1%]** | [8.2%] | |

Note:
Includes intersegment sales. Figures for fiscal 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year fiscal 2006.

## b. Net Sales by Principal Products and Services

| | | Yen (millions) 4Q FY 2006 (1/1/07-3/31/07) | 4Q FY 2005 (1/1/06-3/31/06) | Change (%) |
|---|---|---|---|---|
| **Technology Solutions** | | | | |
| System Products | **Y** | **122,860** | 126,369 | -2.8 |
| Network Products | | **89,745** | 109,050 | -17.7 |
| *System Platforms* | | **212,605** | 235,419 | -9.7 |
| Solutions / SI | | **353,686** | 337,833 | +4.7 |
| Infrastructure Services | | **356,817** | 309,854 | +15.2 |
| Others | | **88,475** | 87,452 | +1.2 |
| *Services* | | **798,978** | 735,139 | +8.7 |
| Total | | **1,011,583** | 970,558 | +4.2 |
| **Ubiquitous Product Solutions** | | | | |
| PCs / Mobile Phones | | **228,224** | 225,897 | +1.0 |
| Hard Disk Drives | | **82,957** | 75,534 | +9.8 |
| Others | | **5,090** | 5,088 | +0.0 |
| Total | | **316,271** | 306,519 | +3.2 |
| **Device Solutions** | | | | |
| LSI Devices | | **125,000** | 123,800 | +1.0 |
| Electronic Components, Others | | **73,101** | 65,056 | +12.4 |
| Total | **Y** | **198,101** | 188,856 | +4.9 |

Note:

Includes intersegment sales.

## 14. Full-Year Unconsolidated Statements of Operations

| | | Yen (millions) | | |
|---|---|---|---|---|
| | | **FY 2006** (4/1/06-3/31/07) | FY 2005 (4/1/05-3/31/06) | Change (%) |
| **Net sales** | **Y** | **2,869,204** | 2,850,235 | +0.7 |
| **Operating costs and expenses:** | | | | |
| Cost of sales | | **2,220,540** | 2,212,308 | +0.4 |
| Selling, general and administrative expenses | | **639,815** | 619,034 | +3.4 |
| | | **2,860,355** | 2,831,342 | |
| **Operating income** | | **8,848** | 18,892 | -53.2 |
| **Other income (expenses):** | | | | |
| Net interest * | | **65,034** | 58,609 | |
| Amortization of unrecognized obligation for retirement benefits | | **4,490** | (11,169) | |
| Gain on sales of marketable securities ** | | **75,070** | - | |
| Settlement gain | | **-** | 15,956 | |
| Loss on devaluation of subsidiaries' and affiliates' stock *** | | **(344,516)** | (62,974) | |
| Devaluation loss **** | | **(6,626)** | - | |
| Provision for prior product warranties | | **-** | (7,413) | |
| Other, net | | **(15,739)** | (10,789) | |
| | | **(222,287)** | (17,780) | - |
| **Income before income taxes** | | **(213,439)** | 1,111 | - |
| **Income taxes** | | | | |
| Current | | **(14,653)** | (12,950) | |
| Deferred | | **50,500** | (3,400) | |
| | | **35,847** | (16,350) | |
| **Net income (loss)** | **Y** | **(249,286)** | 17,462 | - |

Note:

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

** Gain on sales of marketable securities refers principally to gain on sales of shares in Fanuc Ltd. in connection with the issuer’s own stock repurchase.

*** Loss on devaluation of subsidiaries’ and affiliates’ stock refers primarily to stock in overseas subsidiaries and affiliates. This includes a provision for loss on guarantees for insolvent subsidiaries in the amount of 27,267 million yen.

****Devaluation loss refers principally to devaluation loss on plant and equipment assets in the company’s optical transmission systems business, primarily as a result of delays in business performance recovery due to rapid changes in the business environment in North America and Japan.

## 15. Full-Year Unconsolidated Balance Sheets

| | Yen (millions) March 31 2007 | March 31 2006 | Change (million yen) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents and short-term investments | Y **281,021** | 188,292 | +92,728 |
| Receivables, trade | **506,218** | 495,825 | +10,393 |
| Inventories | **188,750** | 182,318 | +6,432 |
| Other current assets | **203,530** | 204,487 | -957 |
| **Total current assets** | **1,179,519** | 1,070,924 | +108,596 |
| **Investments and long-term loans** | **858,284** | 1,309,541 | -451,257 |
| **Property, plant and equipment less accumulated depreciation** | **390,056** | 373,328 | +16,727 |
| **Intangible assets** | **84,939** | 83,281 | +1,658 |
| **Total assets** | **1,333,280** | 1,766,151 | -432,870 |
| **Liabilities and net assets** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings and current portion of long-term debt | **184,228** | 196,228 | -12,000 |
| Payables, trade | **731,795** | 649,108 | +82,686 |
| Other current liabilities | **315,644** | 224,655 | +90,989 |
| **Total current liabilities:** | **1,231,667** | 1,069,992 | +161,674 |
| **Long-term liabilities:** | | | |
| Long-term debt | **512,838** | 690,066 | -177,228 |
| Other long-term liabilities | **147,404** | 137,431 | +9,972 |
| **Total long-term liabilities** | **660,242** | 827,497 | -167,255 |
| **Total liabilities** | **1,891,909** | 1,897,490 | -5,580 |
| **Net assets** | | | |
| **Shareholders' equity:** | | | |
| Common stock | **324,625** | 324,625 | - |
| Capital surplus | **418,175** | 418,166 | +10 |
| Retained earnings (Deficit) | **(240,464)** | 21,377 | -261,841 |
| Treasury stock | **(1,969)** | (1,465) | -504 |
| **Total shareholders' equity** | **500,367** | 762,703 | -262,336 |
| **Valuation and translation adjustments:** | | | |
| Valuation difference on available-for-sale securities** | **120,524** | 176,881 | -56,357 |
| **Total valuation and translation adjustments** | **120,524** | 176,881 | -56,357 |
| **Total net assets** | **620,891** | 939,585 | -318,693 |
| **Total liabilities and net assets** | **2,512,801** | 2,837,076 | -324,274 |
| **Ending balance of interest-bearing loans** | Y **697,066** | 886,294 | -189,228 |
| **Shareholders' equity ratio** | **19.9%** | 26.9% | -7.0% |
| **Owners' equity ratio** | **24.7%** | 33.1% | -8.4% |

Notes:

* Figures for March 31, 2006 have been restated to match new classifications for comparison purposes.

** Valuation difference on available-for-sale securities at March 31, 2007 includes deferred gain and loss from hedging.

# 16. Full-Year Unconsolidated Statements of Shareholders' Equity

(Millions of Yen)

| | **Shareholders' Equity** | | | | | **Valuation and Translation Adjustments** | | |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings (Deficit) | Treasury stock | Total share-holders' equity | Valuation difference on available-for-sale securities | Total translation adjustments | **Total Net Assets** |
| Balance at March 31, 2006 | 324,625 | 418,166 | 21,377 | (1,465) | 762,703 | 176,881 | 176,881 | 939,585 |
| Increase (decrease) during the term: | | | | | | | | |
| Cash dividends from retained earnings | | | (12,405) | | (12,405) | | - | (12,405) |
| Bonus to directors | | | (150) | | (150) | | - | (150) |
| Net income | | | (249,286) | | (249,286) | | - | (249,286) |
| Acquisition and sales of treasury stocks | | 10 | | (504) | (494) | | - | (494) |
| Net increase (decrease) during the term, except for items under shareholders' equity | | | | | - | (56,357) | (56,357) | (56,357) |
| Total | - | 10 | (261,841) | (504) | (262,336) | (56,357) | (56,357) | (318,693) |
| Balance at March 31, 2007 | 324,625 | 418,175 | (240,464) | (1,969) | 500,367 | 120,524 | 120,524 | 620,891 |

# Part II. Explanation of Financial Results

## 1. Overview of FY 2006 Consolidated Financial Results

**Business Environment**

During fiscal 2006, while soaring crude oil prices and higher prices for raw materials starting from the first half of the fiscal year were cause for concern, the overall business environment in which the Fujitsu Group operates was positive, supported by a global rise in stock prices and stable foreign exchange rates. In addition, while there were signs of a slight deceleration in growth in the second half of the fiscal year, global economic growth was mostly solid, boosted by strong growth in Asia, particularly China and India. Although overall economic growth in Japan was restrained by weak household spending and other factors, the corporate sector continued to exhibit steady growth.

With respect to investment in information technology, spending in overseas markets continued to be strong, particularly in the US and EMEA (Europe, Middle East, and Africa). Although IT investment in Japan was not as strong as in overseas markets, there was upward momentum as a result of strategic investments spurred by improvement in corporate earnings and increased demand driven by companies seeking to upgrade IT systems for enhancing internal control, security and business continuity. Both in Japan and overseas, our IT services business was strong, but in our product-related businesses we faced a growing shift to lower price points resulting from performance improvements for products like servers and storage systems, as well as price declines in our electronic devices business due to intensified competition in digital consumer electronic products.

In order to enhance our competitive position in an expanding IT market driven by IT services, we will work on a global basis to strengthen our relationships with customers and expand our services covering the entire life cycle of IT operations. In addition, in order to strengthen product businesses that add value to our IT services offerings, we will strive to enhance product competitiveness by stepping up collaboration between sales and product development units and eliminating excess product variations. As a reliable partner to our customers and a global corporation that is contributing to the creation of a prosperous and dynamic networked society, we will seek to continually improve our operations in order to deepen the trust we enjoy from customers and society as a whole.

**FY 2006 Full-Year Financial Results**

(Billion Yen)

| | **Full-Year FY 2006** *4/1/06-3/31/07* | Full-Year FY 2005 *4/1/05-3/31/06* | Change |
|---|---|---|---|
| Net Sales | 5,100.1 | 4,791.4 | 308.7 |
| (% Change vs. Prior Fiscal Year) | (6.4%) | (0.6%) | |
| Operating Income | 182.0 | 181.4 | 0.6 |
| (Operating Income Margin) | (3.6%) | (3.8%) | ( - 0.2%) |
| Net Income | 102.4 | 68.5 | 33.8 |

**Results by Business Segment**

(Billion Yen)

| | | **Full-Year FY 2006** *4/1/06-3/31/07* | Full-Year FY 2005 *4/1/05-3/31/06* | Change |
|---|---|---|---|---|
| Technology Solutions | Net Sales | 3,157.0 | 2,983.9 | 173.0 |
| | Operating Income | 163.6 | 153.0 | 10.5 |
| | (Operating Income Margin) | (5.2%) | (5.1%) | (0.1%) |
| Ubiquitous Product Solutions | Net Sales | 1,118.3 | 1,059.9 | 58.4 |
| | Operating Income | 41.6 | 34.8 | 6.8 |
| | (Operating Income Margin) | (3.7%) | (3.3%) | (0.4%) |
| Device Solutions | Net Sales | 762.6 | 707.5 | 55.1 |
| | Operating Income | 19.0 | 29.5 | - 10.4 |
| | (Operating Income Margin) | (2.5%) | (4.2%) | (- 1.7%) |

*Note: Net Sales includes intersegment sales. Business segment classification revised from fiscal 2005. Figures for FY 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year FY 2006.*

**Results by Geography**

(Billion Yen)

| | | **Full-Year FY 2006** *4/1/06-3/31/07* | Full-Year FY 2005 *4/1/05-3/31/06* | Change |
|---|---|---|---|---|
| Japan | Net Sales | 4,077.1 | 3,944.4 | 132.7 |
| | Operating Income | 191.8 | 171.1 | 20.7 |
| | (Operating Income Margin) | (4.7%) | (4.3%) | (0.4%) |
| Overseas | Net Sales | 1,985.8 | 1,714.8 | 270.9 |
| | Operating Income | 44.2 | 51.4 | - 7.1 |
| | (Operating Income Margin) | (2.2%) | (3.0%) | (- 0.8%) |

*Note: Net Sales includes intersegment sales. Business segment classification revised from fiscal 2005. Figures for FY 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year FY 2006.*

**Major Financial Indices**

(Billion Yen)

| | **FY 2006** | FY 2005 | Change |
|---|---|---|---|
| Shareholders' Equity | 875.0 | 780.6 | 94.3 |
| (Shareholders' Equity Ratio) | (22.2%) | (20.5%) | (1.7%) |
| Net Assets | 969.5 | 917.0 | 52.4 |
| (Owners' Equity Ratio) | (24.6%) | (24.1%) | (0.5%) |
| Interest-Bearing Loans | 745.8 | 928.6 | -182.7 |
| (Net Interest-Bearing Loans) | 300.8 | 507.2 | -206.4 |
| D/E Ratio | 0.77 | 1.01 | -0.24 |
| (Net D/E Ratio) | 0.31 | 0.55 | -0.24 |
| Free Cash Flow | 257.6 | 170.8 | 86.7 |
| (From Business Operations) | (152.8) | (170.8) | (-18.0) |

**Issues and Initiatives in FY 2006**

In order to increase sales and income, in fiscal 2006 we diligently continued to pursue four key challenges that we first articulated in fiscal 2004: to strengthen our existing businesses, to create and cultivate new businesses, to reform our organization and approach, and to reform our management systems.

Fiscal 2006 sales increased by 6.4% over the previous year, and while our operating income of 182.0 billion yen fell short of our initial target level of 190.0 billion yen, we nevertheless achieved year-on-year increases in sales and income, including higher net income. We expanded our manufacturing innovation initiatives throughout the Fujitsu Group, and monthly inventory turnover rate increased to 0.93 times, an improvement of 0.05 points compared to the previous year. Fiscal year-end inventories were 412.3 billion yen, falling short of our target of reducing them to below 400 billion yen, as higher inventory turnover was not able to fully offset the impact of higher sales. Gross profit margin was 25.9%, a deterioration of 0.6 percentage points. While we continued to make progress in our cost reduction initiatives, amid increasing global price competition we were not able to keep pace with higher-than-anticipated price reductions. We will strengthen collaboration between our sales and product development units in order to promote closer communication and awareness of customer needs among our frontline sales, production, and development operations. This will enable us to respond more quickly to customer needs and changes in the market, and thereby improve our earnings.

Our Technology Solutions segment recorded both higher sales and income. In our systems integration business in Japan, continuing efforts to raise project profitability resulted in improved earnings. To enhance our customer proposal capabilities, from April 2007 we have consolidated our consulting business in Japan with our subsidiary, Fujitsu Research Institute.

In order to strengthen our overseas business, in June 2006 we initiated a new organizational structure in which we designated senior executives as heads of business operations in four key regions: the Americas, EMEA (Europe, Middle East and Africa), China and Asia-Pacific. In EMEA, with UK-based Fujitsu Services at the core, we will work to expand our business across the European continent. As part of this effort, in January 2007 we acquired a majority stake in Germany's TDS AG. In the Americas, we posted higher sales, but income declined as a result of deterioration in the profitability of our optical transmission systems and retail solutions businesses. We posted higher sales in China and Asia-Pacific but had problems improving profitability.

In UNIX servers, for which we have been increasing sales worldwide, there was a delay in releasing the new line of servers jointly developed with Sun Microsystems, but the line was launched globally under the SPARC Enterprise brand name in April 2007. We will work to expand sales of these systems globally, as well as those of our PRIMEQUEST mission-critical IA servers running Linux and Windows and our ETERNUS open-standard storage systems.

In Ubiquitous Product Solutions, both sales and income increased. Amid intensified global price competition, we are working to further improve operational efficiency. In PCs, we are differentiating our products through higher quality and enhanced security and multimedia features. In hard disk drives (HDDs), we are pursuing higher profitability by maintaining our reputation for quality while quickly deploying next-generation technologies, such as perpendicular magnetic recording. In mobile phones, we are enhancing our growth strategy based on the anticipated convergence of PCs and mobile phones, positioning mobile phones as a key platform for the ubiquitous networking world ahead.

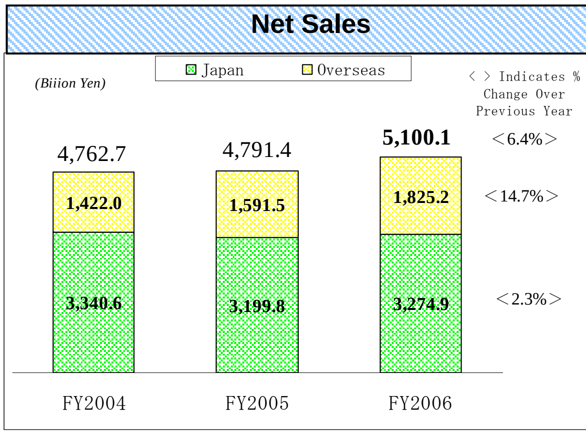
In Device Solutions, because of deterioration in market conditions for standard technology logic, we posted lower income despite higher sales. In fiscal 2006, in order to further concentrate our business on logic devices, we sold a portion of our shareholdings in Spansion Inc., which became a publicly listed company in the previous fiscal year. Our shareholding in Spansion is now less than 20%, and in April 2007 we utilized the sales proceeds to purchase some of Spansion Japan's fabrication facilities in order to expand our standard technology logic production capacity. In advanced technology logic, we invested in expanding the capacity of the 300mm Fab No. 1 at our Mie Plant and in April 2007 commenced operations at Fab No. 2, which employs 65nm process technology. In back-end assembly operations, in March 2007 we decided to consolidate the operations of our Gifu Plant at our Kyushu Plant.

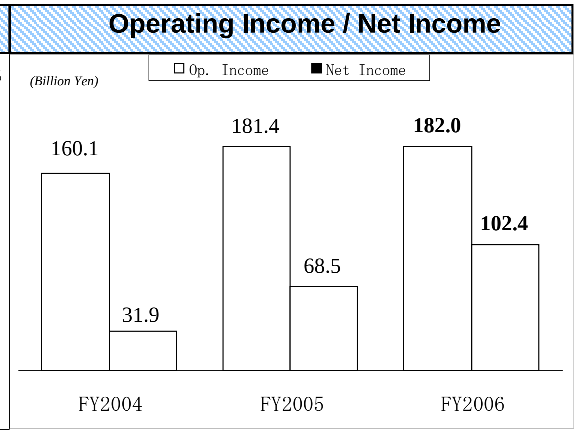
On a consolidated basis, we position each of our business units as independent business entities, and we have reorganized our business management structure to further clarify responsibilities for earning a return on investment and to appropriately allocate shared Group-wide expenses to each unit. Accordingly, we revised the method by which we allocate operating expenses. In addition, we established a new company that takes advantage of our expertise and technology in evaluating and analyzing the reliability of components and materials, and the company is now offering these services to customers.

We achieved a significant improvement in our financial position. Our shareholders' equity ratio increased to 22.2%, an improvement of 1.7 percentage points compared to the previous year. Interest-bearing loans were 745.8 billion yen at fiscal year-end, and net interest-bearing loans, calculated by subtracting cash and cash equivalents, declined to 300.8 billion yen. As a result, the D/E ratio declined to 0.77 times, well within our medium-term target of 1.0, and the net D/E ratio declined to 0.31 times. Free cash flow was 257.6 billion yen, or 152.8 billion yen if the sale of shareholdings is excluded. Because we were able to post net income in excess of 100 billion yen for fiscal 2006, consolidated retained earnings, which had been negative since fiscal 2002, achieved a balance of 54.3 billion yen, the first positive balance in five years.

## 2. 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 = 118 yen, which was the approximate Tokyo foreign exchange market rate at March 31, 2007.*




Consolidated net sales for fiscal 2006 were 5,100.1 billion yen (US$43,222 million), an increase of 6.4% over the previous fiscal year. All business segments posted higher sales. Overseas sales increased by 14.7% over the previous year. Although second-half sales of standard technology logic devices in Asia were sluggish, higher sales of IT services in North America and the UK, boosted by aggressive acquisitions, as well as HDDs and UNIX servers led to the double-digit increase in overseas sales. Sales in Japan increased by 2.3% over the previous year, the first year-on-year increase in domestic sales since fiscal 2003. Although sales of mobile phone base stations declined from the previous year, when there was strong demand, sales in our services business were strong, particularly in the financial services and manufacturing sectors, and sales of electronic components also increased.

Consolidated operating income was 182.0 billion yen (US$1,543 million), an increase of 0.6 billion yen over the previous fiscal year. As a result of higher sales in our services business, gross profit increased by 50.5 billion yen, but due to intensified global price competition in our product businesses, including HDDs, UNIX servers, optical transmission systems, and PCs, the gross profit margin narrowed by 0.6 percentage points, to 25.9%. Selling, general and administrative expenses increased by 49.9 billion yen. In addition to an expansion in the scale of our overseas services businesses due to aggressive acquisitions in North America and new large-scale business deals in the UK, in Japan we continued to actively invest in advanced technology logic and make upfront, strategic investments in the hardware as well as the software and services fields, particularly in Technology Solutions.

Other income (expenses) was positively impacted by a number of factors. As a result of revisions to our pension system in September 2005 and higher stock prices at the end of fiscal 2005, amortization of unrecognized obligation for retirement benefits in fiscal 2006 was only 3.1 billion yen, a dramatic reduction from the previous year's level of 28.2 billion yen. In addition, with the sale in the third quarter of a portion of our shareholdings in Spansion Inc., results from Spansion, which had recorded a loss in the previous year, are no longer accounted for under the equity method. As a result, there was an improvement of 8.4 billion yen in net equity in earnings of affiliated companies.

As a result of the sale of a portion of our shareholdings in Fanuc Ltd. in accordance with that company's share buyback, as well as the sale of a portion of our shareholdings in our consolidated subsidiary NIFTY Corporation in accordance with that company's initial public offering and the allocation of new shares to third parties, we posted a gain on the sale of marketable securities of 77.3 billion yen and a gain on change in interest of 2.1 billion yen.

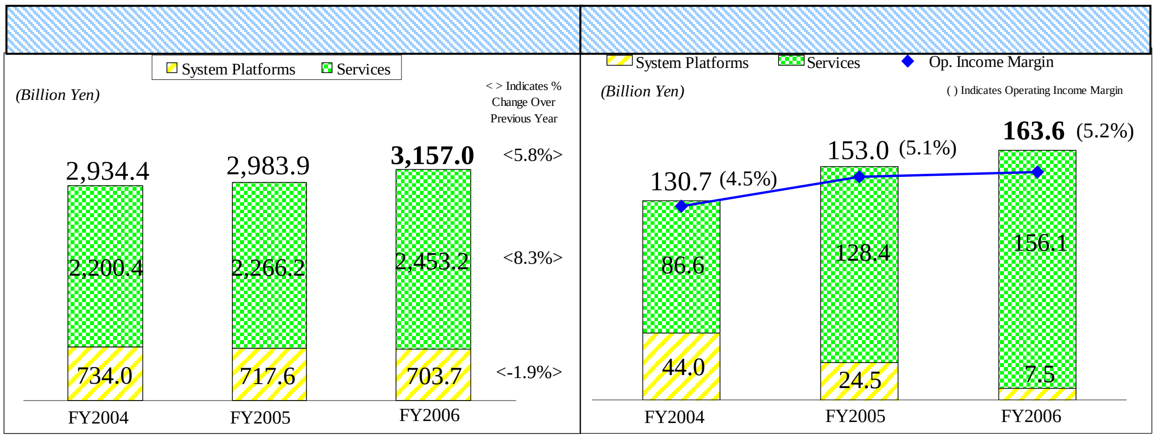
We posted a valuation loss of 9.9 billion yen primarily on plant and equipment assets in our optical transmission business and a 2.2 billion loss on sales of marketable securities from the sale of a portion of our shareholdings in Spansion Inc., which was publicly listed in December 2005.

As a result of the above factors, we reported fiscal 2006 consolidated net income of 102.4 billion yen (US$868 million), an increase of 33.8 billion yen over fiscal 2005 and surpassing by over 20 billion yen our initial projection of 80.0 billion yen. In addition to the improvement in other income (expenses), gains on the sales of shareholdings and other gains contributed to this record level of net income, which surpassed the previous record of 89.0 billion yen posted in fiscal 1984.

## 3. Results by Business Segment

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

### Technology Solutions




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

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

### (1) System Platforms

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

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

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

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

* Next Generation Network (NGN): Next generation networks are built entirely using Internet Protocol. The purpose of these networks is to integrate Internet and other services of the IP network with what currently are separate fixed line networks in order to provide integrated communication, broadcasting, authentication and other services.

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

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

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

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

## (2) Services

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

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

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

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

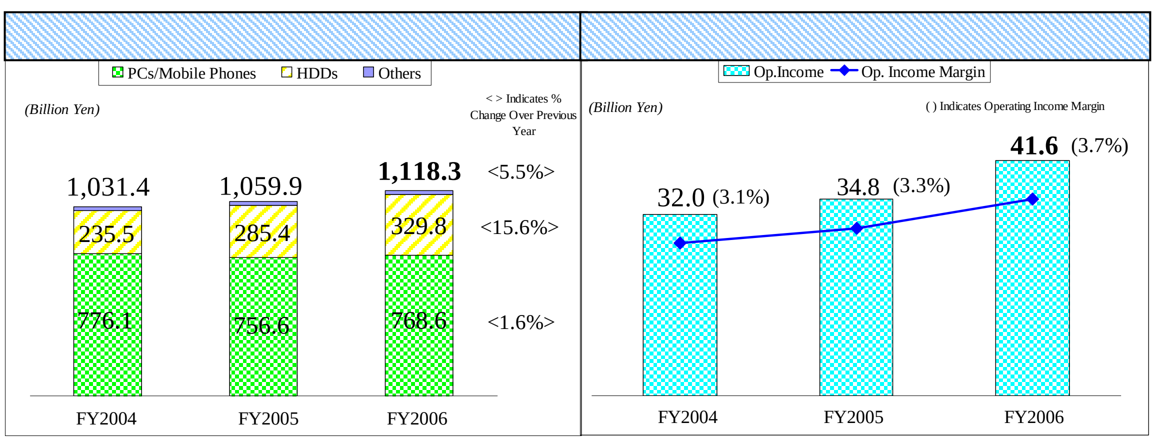
In October 2006, we signed an agreement with SAP AG of Germany to become a SAP Global Services Partner, becoming the first Japan-based company with that designation. The agreement strengthens our collaboration in the area of services. Going forward, we will offer SAP implementation solutions globally.

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

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

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

## Ubiquitous Product Solutions




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

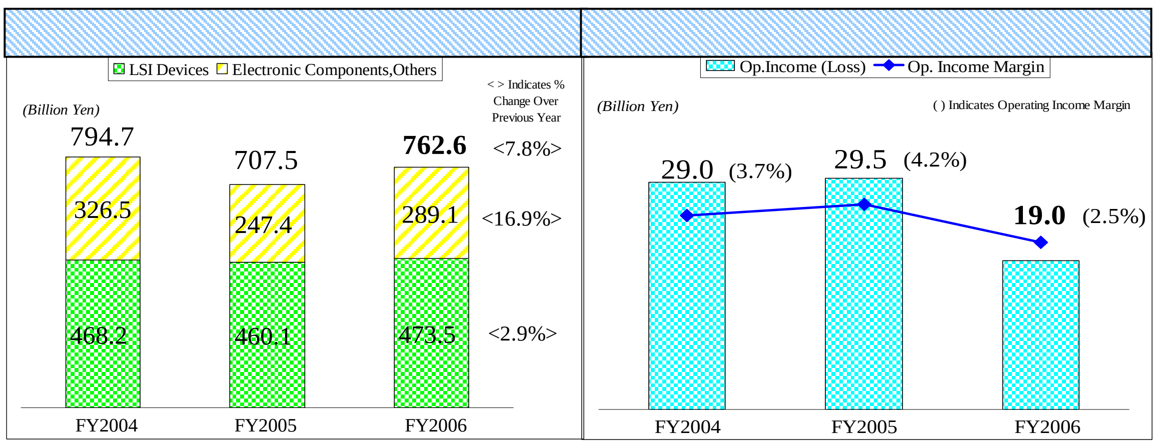
| | FY 2006 (Billion Yen) | Change from FY 2005 |
|---|---|---|
| Net Sales | 1,118.3 | 5.5% |
| Japan | 710.1 | 1.3% |
| Overseas | 408.1 | 13.7% |

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

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

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

## Device Solutions




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

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

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

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

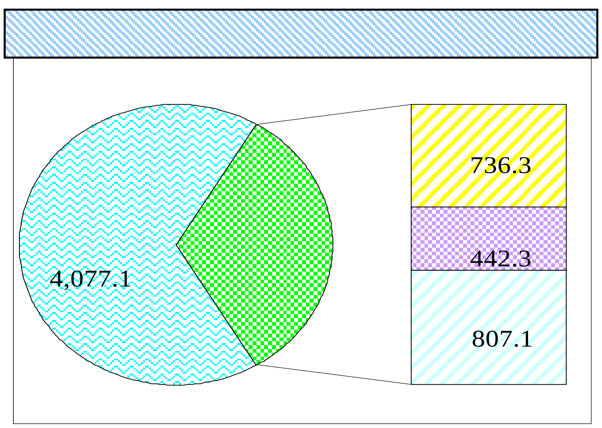
Technologies Ltd. The company is expanding production of Flash microcontrollers for use mainly in automobiles and digital appliances. In order to improve production efficiency and cost competitiveness, we are continuing to consolidate our back-end assembly operations.

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

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

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

## Results by Geographic Location




**Operating Income** (Billion Yen)

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

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

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

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

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

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

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

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

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

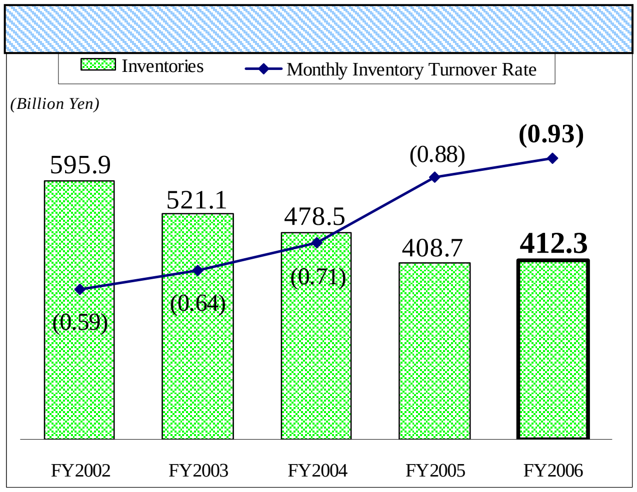
## 4. Financial Condition

### Assets, Liabilities and Net Assets

(Billion Yen, except for D/E Ratio)

| | FY 2006 | Change from FY 2005 |
|---|---|---|
| Total Assets<br>[Inventories] | 3,943.7<br>[412.3] | 136.5<br>[3.6] |
| Interest-Bearing Loans<br>[Net Interest-Bearing Loans] | 745.8<br>[300.8] | - 182.7<br>[- 206.4] |
| Net Assets<br>[Shareholders' Equity] | 1,160.7<br>[875.0] | 70.6<br>[94.3] |
| D/E Ratio<br>[Net D/E Ratio] | 0.77<br>[-0.31] | - 0.24<br>[ - 0.24] |

Total assets at the end of fiscal 2006 were 3,943.7 billion yen, an increase of 136.5 billion yen from the end of the previous fiscal year. This was due in large part to the increase in current assets, primarily trade receivables, resulting from increased sales. Although inventories totaled 412.3 billion yen, exceeding our target of reducing them to below 400 billion yen, the monthly inventory turnover rate rose to 0.93 times, an improvement of 0.05 times, as asset utilization efficiency continued to steadily improve. Although property, plant and equipment increased as a result of the investment in capacity expansion at the Mie Plant, there was a large decrease in marketable securities held for investment resulting from the sales of shares in Fanuc Ltd. and other companies.




Total liabilities were 2,783.0 billion yen, an increase of 65.9 billion yen compared to the end of the previous fiscal year. However, excluding the impact of the last day of the fiscal year being a business holiday, there was a decrease of 61.9 billion yen. Interest-bearing loans totaled 754.8 billion yen, a decrease of 182.7 billion yen compared to the end of the previous fiscal year. Subtracting cash and cash equivalents, net interest-bearing loans were 300.8 billion yen. As a result of bond redemptions and loan repayments, the debt equity ratio improved to 0.77 times, well within the target level of 1.0.

Net assets were 1,160.7 billion yen, up 70.6 billion yen compared to the end of the previous fiscal year. Consolidated retained earnings, which had been negative each year since fiscal 2002, achieved a positive balance. As a result, the shareholders' equity ratio rose to 22.2%, an increase of 1.7 percentage points compared to the end of the previous fiscal year.

## Summary of Cash Flows

(Billion Yen)

| | FY 2006 | Change from FY 2005 | *One-time benefit due to non-trading days* |
|---|---|---|---|
| Cash flows from operating activities | 408.7 | 3.1 | *Approx. 75.0* |
| Cash flows from investing activities | -151.0 | 83.6 | *Approx. 35.0* |
| Free cash flow | 257.6 | 86.7 | *Approx. 110.0* |
| [From business operations] | [152.8] | [-18.0] | |
| Cash flows from financing activities | - 234.9 | - 27.1 | |

Net cash flow provided by operating activities was 408.7 billion yen. However, as the last day of the fiscal year was a business holiday, this number includes 75 billion yen in trade payables, the payment of which slipped into the following fiscal year. Although there was an increase in trade receivables, this was offset by the increase in earnings from businesses operations, in addition to the impact of the last day of the fiscal year being a holiday, leaving overall net cash flow from operating activities roughly equivalent to the level of the prior fiscal year.

Net cash used in investing activities was 151.0 billion yen. Although outflows increased due to capital expenditures primarily for the increase in production capacity at the Mie Plant, as a result of the impact of the sales of shares in Fanuc Ltd., NIFTY Corporation and Spansion Inc., together with an impact of approximately 35.0 billion yen attributable to the last day of the fiscal year being a holiday, there was overall a decrease in cash outflows of 83.6 billion compared with the previous fiscal year.

Free cash flow, the sum of operating and investment cash flows, was positive 257.6 billion yen, an increase in free cash flow of 86.7 billion yen over fiscal 2005. Excluding the impact of sales of marketable securities, this represents an increase in free cash flow of 152.8 billion yen, falling short of the target of 170 billion yen.

Net cash used in financing activities was 234.9 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the fiscal year totaled 448.7 billion yen, an increase of 27.8 billion yen compared to end of the previous fiscal year.

**For Reference: Major Financial Indices**

(Billion Yen, except for ratio and period items)

| | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|---|---|---|---|---|---|
| Net Sales | 4,617.5 | 4,766.8 | 4,762.7 | 4,791.4 | 5,100.1 |
| Operating Income Margin | 2.2% | 3.2% | 3.4% | 3.8% | 3.6% |
| Inventories | 595.9 | 521.1 | 478.5 | 408.7 | 412.3 |
| (Inventory Turnover Rate) | (7.50) | (8.53) | (9.53) | (10.80) | (12.42) |
| (Monthly Inventory Turnover) | (0.59 times) | (0.64 times) | (0.71 times) | (0.88 times) | (0.93 times) |
| Total Assets | 4,225.3 | 3,865.5 | 3,640.1 | 3,807.1 | 3,943.7 |
| (Total Assets Turnover Ratio) | (1.05) | (1.18) | (1.27) | (1.29) | (1.32) |
| Shareholders' Equity | 782.8 | 743.9 | 813.4 | 780.6 | 875.0 |
| (Shareholders' Equity Ratio) | (18.5%) | (19.2%) | (22.3%) | (20.5%) | (22.2%) |
| Net Assets | 702.3 | 827.1 | 856.9 | 917.0 | 969.5 |
| (Owners' Equity Ratio) | (16.6%) | (21.4%) | (23.5%) | (24.1%) | (24.6%) |
| Market Value-based Shareholders' Equity Ratio | 15.2% | 34.4% | 36.6% | 53.9% | 41.2% |

| | | | | | |
|---|---|---|---|---|---|
| Interest-Bearing Loans | 1,763.7 | 1,277.1 | 1,082.7 | 928.6 | 745.8 |
| Net Interest-Bearing Loans | 1,500.5 | 861.2 | 628.0 | 507.2 | 300.8 |
| D/E Ratio | 2.51 | 1.54 | 1.26 | 1.01 | 0.77 |
| Net D/E Ratio | 2.14 | 1.04 | 0.73 | 0.55 | 0.31 |

| | | | | | |
|---|---|---|---|---|---|
| Cash Flows From Operating Activities | 117.7 | 304.0 | 277.2 | 405.5 | 408.7 |
| Free Cash Flow | 53.3 | 371.4 | 262.1 | 170.8 | 257.6 |

| | | | | | |
|---|---|---|---|---|---|
| Loans / Cash Flows from Operating Activities | 15.0 years | 4.2 years | 3.9 years | 2.3 years | 1.8 years |
| Interest Coverage Ratio | 3.9 | 13.0 | 15.2 | 21.3 | 22.2 |

*Note:*

| | |
|---|---|
| *Inventory Turnover Rate:* | *Net Sales ÷ {(Beginning Balance of Inventories + Ending Balance of Inventories) ÷ 2}* |
| *Monthly Inventory Turnover:* | *Net Sales ÷ Average Inventories during Period ÷ 12* |
| *Total Assets Turnover Ratio:* | *Net Sales ÷ {(Beginning Balance of Total Assets + Ending Balance of Total Assets) ÷ 2}* |
| *Shareholders' Equity Ratio:* | *Shareholders' Equity ÷ Total Assets* |
| *Owners' Equity Ratio:* | *(Net Assets – Minority Interests) ÷ Total Assets* |
| *Market Value-based Primary Capital Ratio:* | *Market Capitalization ÷ Total Assets* |
| *Net Interest-Bearing Loans:* | *Interest-Bearing Loans – Cash Equivalents* |
| *D/E Ratio:* | *Interest-Bearing Loans ÷(Net Assets – Minority Interests)* |
| *Net D/E Ratio:* | *(Interest-Bearing Loans – Cash Equivalents) ÷ (Net Assets – Minority Interests)* |
| *Loans / Cash Flows from Operating Activities* | *Interest-Bearing Loans ÷ Cash Flows from Operating Activities* |
| *Interest Coverage Ratio:* | *Cash Flows from Operating Activities ÷ Interest Expense* |

## Principal Changes in Basis of Presenting Consolidated Financial Statements

### 1) Change resulting from revisions in accounting standards

*1. Accounting Standard for Directors' Bonuses*

Beginning with fiscal 2006 we are applying the "Accounting Standard for Directors' Bonuses" (Financial Accounting Standard No. 4, November 29, 2005). The application of this standard had an insignificant impact on operating income and income before income taxes and minority interests. The impact of this change on segment information is also insignificant.

*2. Accounting Standard for Presentation of Net Assets in the Balance Sheet*

Beginning with fiscal 2006 we are applying the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Financial Accounting Standard No. 5, December 9, 2005) and the "Implementation Guidance for Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Financial Accounting Standard Implementation Guidance No. 8, December 9, 2005).

The total amount of shareholders' equity would be 969,396 million yen if the above accounting standard and accounting standard implementation guidance had not been applied.

### 2) Changes in the allocation of operating expenses

Beginning with fiscal 2006 we have changed the method of allocating operating expenses. Details are shown on page 28.

## Notes to Consolidated Financial Statements

1) Lease Transactions
   1. Finance Lease Transactions (Lessee)
      a) Lease Transaction Treatment Method
         Treated as a purchase and sales transaction.
      b) Content of Lease Transactions
         Primarily leases of logic LSI production equipment and equipment used in outsourcing services.
      c) Depreciation Method
         Calculated primarily by the declining balance method, based on useful life estimated by categorization, structure or function of applicable assets.

   2. Operating Lease Transactions (Lessee)
      Omitted due to lack of importance.

2) Marketable Securities

**Market Value of Marketable Securities**

(Billion Yen)

| TYPE | FY 2006 (End of March 2007) | | | FY 2005 (End of March 2006) | | |
|---|---|---|---|---|---|---|
| | Acquisition Price | Market Value (recorded on balance sheet) | Difference | Acquisition Price | Market Value (recorded on balance sheet) | Difference |
| Other Marketable Securities | | | | | | |
| Shareholdings | 82.1 | 290.0 | 207.9 | 53.9 | 357.5 | 303.6 |
| Bonds and Other | 8.3 | 8.6 | 0.2 | 11.3 | 11.4 | 0.0 |
| Total | 90.4 | 298.6 | 208.2 | 65.3 | 369.0 | 303.7 |

***Notes to Consolidated Financial Statements continue on next page.***

## 3) Consolidated Tax Effect Accounting

### Significant Components of Deferred Tax Assets and Liabilities

| | | Yen (billions) | |
|---|---|---|---|
| | | **March 31 2007** | March 31 2006 |
| **Deferred tax assets:** | | | |
| Tax loss carryforwards | **Y** | **204.7** | 231.7 |
| Accrued retirement benefits | | **155.0** | 169.9 |
| Accrued bonus | | **41.9** | 40.2 |
| Provision for loss on repurchase of computers | | **12.7** | 14.1 |
| Other | | **80.2** | 72.6 |
| **Gross deferred tax assets** | | **494.8** | 528.7 |
| Valuation allowance | | **(253.1)** | (243.4) |
| **Total deferred tax assets** | | **241.7** | 285.3 |
| **Deferred tax liabilities:** | | | |
| Gains from establishment of stock holding trust for retirement benefit plan | | **(110.6)** | (110.6) |
| Unrealized gains on securities | | **(84.6)** | (123.2) |
| Other | | **(7.5)** | (9.1) |
| **Total deferred tax liabilities** | | **(202.7)** | (242.9) |
| **Net deferred tax assets** | | **38.9** | 42.3 |

## 4) Retirement Benefit Plan

### a. Japan

(1) Itemization of Projected Benefit Obligation, etc.

| | Yen (billions) March 31 2006 (Actual) | Yen (billions) **March 31 2007 (Estimate)** | Change (Estimate) |
|---|---|---|---|
| i. Projected benefit obligation | (1,105.0) | **(1,054.0)** | -50.9 |
| ii. Plan assets | 1,125.0 | **1,122.7** | +2.2 |
| iii. Projected benefit obligation in excess of plan assets …(i)+(ii) | 20.0 | **68.6** | -48.6 |
| iv. Unrecognized net obligation at transition | 50.0 | **65.2** | -15.2 |
| v. Unrecognized actuarial loss | 105.0 | **47.5** | +57.4 |
| vi. Unrecognized prior service cost (reduced obligation)* | (160.0) | **(176.7)** | +16.7 |
| vii. Prepaid pension cost | (90.0) | **(89.8)** | -0.1 |
| viii. Accrued severance benefit …(iii)+(iv)+(v)+(vi)+(vii) | (75.0) | **(85.0)** | +10.0 |

(2) Basis for Tabulating Projected Benefit Obligation

| | |
|---|---|
| i. Discount rate | 2.5% (at March 31, 2006)<br>2.5% (at March 31, 2007) |
| ii. Amortization period for net obligation at transition | Straight-line method over 10 years<br>(one-time amortization for parent company) |
| iii. Method of allocating actuarial loss | Straight-line method over employees' average remaining employment period starting from next period |
| iv. Method of allocating prior service cost | Straight-line method over 10 years |

### b. Overseas

(1) Itemization of Projected Benefit Obligation, etc.

| | Yen (billions) March 31 2006 (Actual) | Yen (billions) **March 31 2007 (Estimate)** | Change (Estimate) |
|---|---|---|---|
| i. Projected benefit obligation | (680.0) | **(597.2)** | -82.7 |
| ii. Plan assets | 545.0 | **448.6** | +96.3 |
| iii. Projected benefit obligation in excess of plan assets …(i)+(ii) | (135.0) | **(148.6)** | +136.0 |
| iv. Unrecognized actuarial loss** | 15.0 | **31.9** | -16.9 |
| v. Accrued severance benefit …(iii)+(iv) | (120.0) | **(116.6)** | -3.3 |

(2) Basis for Tabulating Projected Benefit Obligation

| | |
|---|---|
| i. Discount rate | Mainly 5.1% (at March 31, 2006)<br>Mainly 5.5% (at March 31, 2007) |
| ii. Method of allocating actuarial loss | Straight-line method over employees' average remaining employment period starting from next period |

Notes:

* With respect to the Fujitsu Welfare Pension Plan in which Fujitsu and its consolidated domestic subsidiaries participate, due to a partial revision of the company's pension system in September 2005, prior service costs (reduction of obligation) have arisen.

** The major defined benefit plan outside Japan is the plan that Fujitsu Services Holdings PLC (FS) provides. FS has adopted the International Financial Reporting Standards, and accounted for retirement benefits in accordance with IAS 19"Employee Benefits." FS applied the "corridor" approach to amortization of acturial gain and loss.

## 5) Consolidated Per Share Data

| | | Yen | |
|---|---|---|---|
| | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) |
| **Earnings per share** | **Y** | **49.54** | 32.83 |
| **Diluted earnings per share** | | **44.95** | 29.54 |
| **Owners' equity per share** | **Y** | **469.02** | 443.20 |

**[Basis for calculation]**

**(1) Earnings Per Share and Diluted Earnings Per Share**

| | | Yen (millions) | |
|---|---|---|---|
| | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) |
| **Earnings per share** | | | |
| **Net income (loss)** | **Y** | **102,415** | 68,545 |
| **Deduction from net income** | | **-** | 658 |
| [Bonuses to directors and statutory auditors from retained earnings (deficit)] | | **[ - ]** | [658] |
| **Net income for common share** | | **102,415** | 67,887 |
| **Average number of shares outstanding (thousand shares)** | | **2,067,369** | 2,067,787 |
| **Diluted earnings per share** | | | |
| **Adjustment for net income** | | **(131)** | (648) |
| [Adjustment related to dilutive securities issued by subsidiaries and affiliates] | **Y** | **[(133)]** | [(649)] |
| **Increase in number of common shares (thousand shares)** | | **208,159** | 208,159 |
| [Share warrants (thousand shares)] | | **[208,159]** | [208,159] |

**(2) Book Value Per Share**

| | | Yen (millions) | |
|---|---|---|---|
| | | **March 31 2007** | March 31 2006 |
| **Net assets** | **Y** | **1,160,719** | 1,090,075 |
| **Deduction from net assets** | | **191,197** | 173,688 |
| [Minority interests] | | **[191,197]** | [173,030] |
| **Net assets for common shares** | **Y** | **969,522** | 916,387 |
| **Number of common shares issued (thousand shares)** | | **2,070,018** | 2,070,018 |
| **Treasury stock (thousand shares)** | | **2,913** | 2,380 |
| **Number of shares used to calculate Owners' equity per share (thousand shares)** | | **2,067,104** | 2,067,637 |

## 5. 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 the date of submission of these materials (April 26, 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, hard disk drives (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 nearly 750 billion yen, including items that are directly impacted by interest rate fluctuations. Consequently, rising interest rates could increase capital procurement 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, is 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 societal 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 researchers, 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 that 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 Trust in the Group**
In addition to having a major influence on capital procurement, 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 similar 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 declining balance method at rates based on the estimated useful lives of the respective assets, which vary according to their general classification, structure and function. In the future, in cases where equipment is 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 originally estimated. 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 a 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 preparing to adopt International Financial Reporting Standards (IFRS). There is the possibility of losses as a result of the application of the lower-of-cost-or-market method of inventories valuation or depreciation methods based on economic changes in business situations. In addition, when we disclose reports based on IFRS, there is a possibility that discrepancies may arise with reports based on Japanese financial reporting standards.

## 6. Basic Stance on the Company's Business

Along with the advance of ubiquitous networks, IT has come to permeate all aspects of society, providing unprecedented levels of convenience and utility while transforming everyday life. As the scope of IT utilization continues to expand, the role that IT systems play in both business and public sector infrastructure is becoming increasingly crucial—a new lifeline for companies and society as a whole.

Moreover, the continuing growth of networks promotes the further globalization not only of the businesses utilizing them but of the IT industry itself. In this environment, recognizing that global expansion of the Fujitsu Group's business is an essential factor for maintaining and increasing growth and competitiveness, we will even more aggressively work to expand our business on a global basis, striving to provide the integrated services and products required to meet customers' needs.

The scope of IT utilization in the business sector is broadening from a focus on upgrading management systems to encompass the innovation of frontline operations. We will propose frontline innovations to help customers continuously improve their processes and IT systems with an emphasis on the role of people, and in so doing expand the scope of IT by applying it to new spheres of business and daily life. We are dedicated to developing the leading-edge technologies and enhanced service offerings needed to bring about the innovations our customers are looking for in their businesses.

At the same time, we realize that the value of a system comes from the stability of its operation, and for this reason we will further concentrate our efforts on ensuring overall system reliability and providing on a global basis the outsourcing and other services that enable higher levels of systems operations.

The Fujitsu Group continually seeks to create new value by providing customers with comprehensive solutions comprising reliable, high-performance products and services based on advanced technologies. In this way, we aim to grow, realize profits, and foster mutually beneficial relationships in our communities worldwide. Striving to genuinely understand the business environments and challenges facing our customers, we are dedicated to enabling them to utilize IT in ways that will contribute to their growth and development.

In these ways, we seek to contribute to our customers' businesses—from their global business expansion to business development closely attuned to local needs—and to grow and prosper together with them as a trusted partner.

# 7. Medium-Term Business Strategy and Priority Tasks

Supported by overall growth in the world economy, the level of worldwide investment in IT continues to steadily expand, led by spending for IT services. While not at the same pace as seen in overseas markets, the market in Japan is also recovering. In order to ensure that we achieve results in keeping with the strong overall business climate and robust IT investment sentiment, we will continue to strive to accelerate the speed of our business and make further progress in globalization.

In product business areas, while unit sales volumes are increasing, we foresee continuing challenges in the business environment due to such factors as a demand shift toward lower-price products as performance levels improve in such products as servers and networking equipment, as well as downward pressure on pricing as competition intensifies in electronic devices and components such as HDDs.

In order to improve profitability in this type of environment, we will focus on achieving greater overall operational efficiency, promoting business in high-growth markets such as EMEA, Asia and the Americas, and further strengthening our high added-value services business.

## 1. Technology Solutions

We aim to increase growth by expanding our global service offerings based on a foundation of advanced technologies and high-quality products.

Beginning with the appointment of heads of regional operations for EMEA, the Americas, APAC and China at the start of fiscal 2006, we have been giving priority to developing the most efficient global structure for our business and putting in place a consistent support infrastructure for products and services.

In keeping with that strategy, we have broadened our lineup of products and services through a series of focused acquisitions in the US and Europe in order to improve our ability to expand our business globally. At the same time, we established a new base in India with the intent to strengthen our offshore capabilities.

In fiscal 2006 we signed a global service partnership agreement with SAP AG and are offering solutions on a worldwide basis to customers introducing SAP applications. We have also begun worldwide shipments of new UNIX servers developed jointly with Sun Microsystems.

In services, our strategy is to increase profitability by broadening and strengthening our outsourcing services, particularly system operations support, as well as our security services, thereby providing customers comprehensive support services encompassing the entire IT system lifecycle. In our solutions/systems integration business, we are implementing measures that include ongoing upgrading of our risk management capability, the strengthening of training and development for personnel involved in upstream processes, broader deployment of the Toyota Production System, and expansion of offshore capabilities. In Japan, we are bolstering our consulting capabilities and, with the aim of improving our relationships with customers and upgrading our capacity to provide them with compelling proposals, we have consolidated our consulting business divisions in Fujitsu Research Institute.

In our product businesses, along with strengthening collaboration between sales and product development units, we intend to eliminate excessive product variations and bolster marketability. We are also working to increase efficiencies in system products delivery through standardization and industrialization approaches, including automation.

## 2. Ubiquitous Product Solutions

Our strategy in the Ubiquitous Product Solutions segment is to pursue global business expansion as independent businesses. In PCs, along with advancing global business development, we aim to differentiate our products in terms of such factors as quality, security, and multimedia functionality. We see mobile phones as an area in which cutting-edge technologies, including wireless technology, will increasingly be concentrated and which will become key devices in the future ubiquitous networking world. We will pursue an enhanced growth strategy that leverages the anticipated convergence of mobile phones and PCs. In HDDs, we will work to maintain our image as a high-quality brand while speeding to market new technologies such as perpendicular magnetic recording in order to increase cost competitiveness and improve profitability.

## 3. Device Solutions

In Device Solutions, we will follow a strategy of business expansion through maintaining a balance of standard and advanced technology logic products. In order to achieve global expansion, we will be making special efforts to increase sales capabilities, particularly in the Asian market. For standard technology logic, we acquired production facilities from Spansion Japan in order to expand front-end fabrication capacity, and we are consolidating our back-end assembly operations in order to raise overall manufacturing efficiency. In advanced technology logic, to further strengthen our New-IDM model, we will step up efforts to reinforce our software development capability. In addition, we will look to enhance synergies with affiliate companies in order to provide not simply chips, but total solutions at the component level, including modules and boards. With respect to capital investment, we will periodically review investment decisions for advanced technology logic LSI production capacity, taking into account trends in demand.

## 4. Corporate Initiatives

In addition to the measures described above, in order to accelerate overall global business growth, we will continue to make selective acquisitions and appoint management personnel from outside Japan, as well as further strengthen business alliances with leading overseas vendors.

Together with continuing to promote the manufacturing innovation initiatives that we have been pursuing, we will initiate a new corporate-wide program aimed at eliminating waste, reducing costs and promoting environmental responsibility in every facet of corporate activity.

We will also strive to create new sources of revenue by offering as services assistance in internal process areas in which the Fujitsu Group has distinctive competencies. We have already established a new company to utilize superior Fujitsu technologies and know-how in such areas as rapid prototype production of logic LSI devices and reliability evaluation and analysis for components and materials, and it has begun providing these technical services to customers.

In regard to environmental protection, we have completed the details of the “Fujitsu Group Environmental Protection Program (Stage V),” which establishes the challenges and targets for our environment protection activities in the period spanning fiscal years 2007 through 2009. The program calls for strengthening initiatives aimed at increasing the environmental value of products and services through measures including increasing the number of “Super Green” products that we offer. Giving high priority to global warming countermeasures, the program expands upon the efforts made to date in addressing production infrastructure at factories by pursuing activities to establish similar evaluation standards for environmental protection at office locations, as well as by promoting the development and provision of products and solutions with reduced power consumption that contribute to lower $CO_2$ emissions on the part of customers.

Working with unceasing effort to meet the challenges discussed above, we will strive to become a global company that is trusted by our customers, contributes to the creation of a rich and vibrant network society, and which is relied upon by customers and society as a whole.

## 8. FY 2007 Consolidated Earnings Projections

We are pursuing business expansion centered on our Technology Solutions business, through which we offer services based on advanced technology and high-quality products to customers around the world. In fiscal 2006, sales in our services business expanded both in Japan and overseas, and this business is on track for continued growth in fiscal 2007. In our product businesses, however, global competition intensified, making it difficult to improve profitability. In fiscal 2007 we will continue to strengthen our business fundamentals through such measures as intensifying manufacturing innovation activities, enhancing collaboration between sales and product development units, and streamlining the number of products we produce, but we recognize that our product businesses will continue to face a very severe competitive landscape.

We project consolidated net sales of 5,400.0 billion yen in fiscal 2007, an increase of 5.9% compared to fiscal 2006. Particularly in our services business, we anticipate higher sales and income both in Japan and overseas. In our product businesses, however, while we project higher sales, we anticipate that it will be difficult to post higher income, primarily because of more intense price competition as well as the weight of increased forward-looking investment in our network business and in LSI devices. We are therefore projecting operating income of 190.0 billion yen for the fiscal year. Since net income in fiscal 2006 included gains on the sale of marketable securities, we are projecting net income of 75.0 billion yen in fiscal 2007.

We intend to implement a number of accounting changes in fiscal 2007. The major changes are outlined below:

- We will soon adopt the “Accounting Standard for Measurement of Inventories,” changing from the cost method to the lower-of-cost-or-market method.
- Primarily for depreciation of property, plant, and equipment, we will change from the declining balance method to the straight-line method.

We will also revise our estimates of the useful life of assets to reflect actual business conditions and the period of time required to return invested capital.

The effects of these accounting policy changes are now being calculated and are not reflected in the projections contained in the tables that follow. We believe that the effects on operating income will be slight, and we are in the process of determining the impact on net income. As soon as the precise effects are determined, revised earnings estimates will be announced.

(Billion Yen)

| | First-Half | | | Full-Year | | |
|---|---|---|---|---|---|---|
| | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change |
| Net Sales | 2,362.3 | 2,450.0 | 3.7% | 5,100.1 | 5,400.0 | 5.9% |
| Operating Income | 50.6 | 20.0 | -60.5% | 182.0 | 190.0 | 4.3% |
| Net Income | 14.8 | 0 | -100.0% | 102.4 | 75.0 | -26.8% |

**Quarterly Breakdown of Projected First-Half Net Sales and Operating Income**

(Billion Yen)

| | First-Quarter | | | Second-Quarter | | |
|---|---|---|---|---|---|---|
| | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change |
| Net Sales | 1,102.8 | 1,150.0 | 4.3% | 1,259.4 | 1,300.0 | 3.2% |
| Operating Income | 14.5 | 0 | -100.0% | 36.0 | 20.0 | -44.5% |

*※ 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, Europe and China)*
*- 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 2007 Consolidated Business Segment Information

(1) Net Sales and Operating Income

| | | Yen (billions) FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change vs. FY06 (%) |
|---|---|---|---|---|---|
| **Technology Solutions** | | | | | |
| Japan | Y | 2,092.2 | 2,087.7 | **2,150.0** | +3.0 |
| Overseas | | 891.6 | 1,069.3 | **1,150.0** | +7.5 |
| Total | | 2,983.9 | 3,157.0 | **3,300.0** | +4.5 |
| Operating Income | | 153.0 | 163.6 | **185.0** | +13.1 |
| [Operating Income Margin] | | [5.1%] | [5.2%] | **[5.6%]** | |
| *System Platforms* | | | | | |
| Operating Income | | 24.5 | 7.5 | **15.0** | +100.0 |
| [Operating Income Margin] | | [3.4%] | [1.1%] | **[2.1%]** | |
| *Services* | | | | | |
| Operating Income | | 128.4 | 156.1 | **170.0** | +8.9 |
| [Operating Income Margin] | | [5.7%] | [6.4%] | **[6.6%]** | |
| **Ubiquitous Product Solutions** | | | | | |
| Japan | | 700.8 | 710.1 | **740.0** | +4.2 |
| Overseas | | 359.0 | 408.1 | **460.0** | +12.7 |
| Total | | 1,059.9 | 1,118.3 | **1,200.0** | +7.3 |
| Operating Income | | 34.8 | 41.6 | **30.0** | -28.0 |
| [Operating Income Margin] | | [3.3%] | [3.7%] | **[2.5%]** | |
| **Device Solutions** | | | | | |
| Japan | | 399.0 | 457.0 | **500.0** | +9.4 |
| Overseas | | 308.4 | 305.6 | **320.0** | +4.7 |
| Total | | 707.5 | 762.6 | **820.0** | +7.5 |
| Operating Income | | 29.5 | 19.0 | **30.0** | +57.8 |
| [Operating Income Margin] | | [4.2%] | [2.5%] | **[3.7%]** | |
| **Other Operations** | | | | | |
| Japan | | 336.5 | 349.9 | **370.0** | +5.7 |
| Overseas | | 110.8 | 140.4 | **150.0** | +6.8 |
| Total | | 447.3 | 490.3 | **520.0** | +6.0 |
| Operating Income | | 7.6 | 10.5 | **10.0** | -5.3 |
| [Operating Income Margin] | | [1.7%] | [2.2%] | **[1.9%]** | |
| **Elimination** | | | | | |
| Sales | | (407.3) | (428.2) | **(440.0)** | - |
| Operating Income | | (43.5) | (52.7) | **(65.0)** | - |
| **Total** | | | | | |
| Japan | | 3,199.8 | 3,274.9 | **3,430.0** | +4.7 |
| Overseas | | 1,591.5 | 1,825.2 | **1,970.0** | +7.9 |
| Total | | 4,791.4 | 5,100.1 | **5,400.0** | +5.9 |
| Operating Income | Y | 181.4 | 182.0 | **190.0** | +4.3 |
| [Operating Income Margin] | | [3.8%] | [3.6%] | **[3.5%]** | |

Note:

Includes intersegment sales. Figures for fiscal 2005 have been restated for comparison purposes in accordance with the new method of allocating operating expenses that was introduced at mid-year fiscal 2006.

(2) Net Sales by Principal Products and Services

| | | Yen (billions) | | | |
|---|---|---|---|---|---|
| | | FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change vs. FY06 (%) |
| **Technology Solutions** | | | | | |
| System Products | **Y** | 354.2 | 355.3 | **370.0** | +4.1 |
| Network Products | | 363.4 | 348.4 | **360.0** | +3.3 |
| *System Platforms* | | 717.6 | 703.7 | **730.0** | +3.7 |
| Solutions / SI | | 1,020.4 | 1,091.0 | **1,240.0** | +13.7 |
| Infrastructure Services | | 1,037.2 | 1,164.8 | **1,240.0** | +6.5 |
| Others | | 208.5 | 197.3 | **90.0** | -54.4 |
| *Services* | | 2,266.2 | 2,453.2 | **2,570.0** | +4.8 |
| Total | | 2,983.9 | 3,157.0 | **3,300.0** | +4.5 |
| **Ubiquitous Product Solutions** | | | | | |
| PCs / Mobile Phones | | 756.6 | 768.6 | **800.0** | +4.1 |
| Hard Disk Drives | | 285.4 | 329.8 | **380.0** | +15.2 |
| Others | | 17.8 | 19.8 | **20.0** | +0.8 |
| Total | | 1,059.9 | 1,118.3 | **1,200.0** | 7.3 |
| **Device Solutions** | | | | | |
| LSI Devices | | 460.1 | 473.5 | **530.0** | +11.9 |
| Electronic Components, Others | | 247.4 | 289.1 | **290.0** | +0.3 |
| Total | **Y** | 707.5 | 762.6 | **820.0** | 7.5 |

Note:

Includes intersegment sales. To strengthen the collaboration between Sales and Product Development, we have revised our corporate structure, and ATM and POS businesses, which were included in "Others" under "Services", are reclassified in FY2007 under "Solutions/SI" which includes Financial solutions and Retail solutions.

## 9. Overview of FY 2006 Unconsolidated Financial Results

### Profit and Loss

(Billion Yen)

| | **Full-Year FY 2006** *4/1/06-3/31/07* | Full-Year FY 2005 *4/1/05-3/31/06* | Change |
|---|---|---|---|
| Net Sales<br>(% change from previous fiscal year) | 2,869.2<br>(0.7%) | 2,850.2<br>(0.1%) | 189.0 |
| Operating Income | 8.8 | 18.8 | - 10.0 |
| Net Income | - 249.2 | 17.4 | - 266.7 |

Unconsolidated net sales for fiscal 2006 were 2,869.2 billion yen (US$24,315 million), roughly even with the previous fiscal year. Sales of mobile phone base stations, which benefited from a high level of demand in the previous year, declined, but HDD sales increased worldwide.

Unconsolidated operating income was 8.8 billion yen (US$75 million), a decrease of 10.0 billion yen from the previous year. This was due to such factors as the decline in mobile phone base station sales and deterioration in the market for LSI devices, as well as an increase in strategic forward-looking investments and development expenses.

In other income (expenses), amortization of unrecognized obligation for retirement benefits improved by 15.6 billion yen, and net interest improved by 6.4 billion yen, primarily due to higher dividend income from affiliates.

In regard to extraordinary gains, in order to make efficient use of assets and strengthen our financial structure, we recorded a gain of 75.0 billion yen from the sale of marketable securities. This was the result of the sale of shares of Fanuc Ltd. in accordance with the issuer's own stock repurchase, the sale of shares in connection with the IPO of our consolidated subsidiary NIFTY Corporation, and the sale of shares of Spansion Inc.

In regard to extraordinary losses, we recorded a loss of 344.5 billion yen on devaluation of subsidiaries' and affiliates' stock. UK-based subsidiary Fujitsu Services has been delivering sustained favorable business performance for some time. However, in conjunction with a change in basic stance regarding our shareholding in the subsidiary, we recorded a loss of approximately 280.0 billion yen on devaluation of Fujitsu Services stock to match its net assets level. We also recorded valuation losses on the stock of our telecommunications system manufacturing and sales subsidiaries in North America and the UK, which were unable to achieved planned earnings, and we recorded a provision for losses related to capital deficits at our server and retail systems business sales subsidiaries in the Americas. Included in the stock devaluation loss was a 27.2 billion yen provision for loss on guarantees for insolvent subsidiaries. In addition, we recorded fixed asset devaluation losses amounting to 6.6 billion yen, primarily related to optical transmission systems.

As a result of the foregoing, we posted an unconsolidated net loss of 249.2 billion yen (US$2,113 million) in fiscal 2006.

**Regarding Change in Basic Stance on Shareholding in Fujitsu Services**

In 1990 we acquired ICL, the predecessor of Fujitsu Services, and planned to pursue an IPO for the company, but for many years it faced an extremely challenging business environment. Subsequently, we maintained a posture toward our shareholding in the company that sought to raise corporate value to a level that would enable a successful public listing, and each year since fiscal 2002 it has delivered successively higher profits. However, in fiscal 2005 Fujitsu Services moved to the International Financial Reporting Standards (IFRS) being adopted by publicly listed European companies, and due to the resulting impact on unrecognized obligation for retirement benefits, the value of its net assets was further reduced. In the second half of fiscal 2006, aiming to develop global service offerings and build the necessary customer support structure across the Fujitsu Group, and in light of Fujitsu Services' accumulated experience and expertise in providing leading-edge IT services in the UK and elsewhere, we positioned the company as the pillar of the Fujitsu Group's IT services business in the EMEA region. Accordingly, we changed our basic stance with respect to our shareholding in Fujitsu Services, believing that retaining 100% ownership in the subsidiary rather than considering an IPO was the best approach to enhancing the overall value of the Fujitsu Group. This led to Fujitsu Services' acquisition of Germany's TDS in January 2007, a move intended to augment Fujitsu Services' presence on the European continent, and in March 2007 the appointment of Richard Christou, Fujitsu Services executive chairman and a key contributor to the company's growth, as Fujitsu Limited corporate senior vice president and head of EMEA operations for the Fujitsu Group.

**Directors' Bonuses**

Due to the result of unconsolidated net income, no bonuses are to be paid to directors for fiscal 2006.

**Termination of Current System of Retirement Bonuses for Directors**

In conjunction with a review of our system for director compensation, it has been decided at a Board of Directors meeting held on April 26, 2007 to terminate the present system of retirement bonuses for directors, which is based largely on seniority and end-of-service lump-sum payments, and instead shift to a more flexible compensation system that is tied more closely to ongoing business performance. The termination of the system will become effective following the annual shareholders' meeting scheduled for June 22, 2007. With respect to retirement bonuses for current directors and statutory auditors, subject to approval at the annual shareholders' meeting, a payment covering the portion of the benefit accrued to date under the current system will be made to each director/auditor upon retirement.

**Net Assets**

(Billion Yen)

| | **FY 2006** *3/31/07* | FY 2005 *3/31/06* | Change |
|---|---|---|---|
| Total Assets | 620.8 | 939.5 | - 318.6 |
| Shareholders' equity | 500.3 | 762.7 | - 262.3 |
| Common stock | 324.6 | 324.6 | - |
| Capital surplus | 418.1 | 418.1 | 0 |
| [Capital legal reserve] | [118.2] | [118.2] | [-] |
| [Other capital surplus] | [299.8] | [299.8] | [0] |
| Retained earnings | - 240.4 | 21.3 | - 261.8 |
| [Reserve for special depreciation] | [3.5] | [4.9] | [- 1.4] |
| [Retained earnings carried forward] | [- 243.9] | [16.4] | [-260.4] |
| Treasury stock | - 19 | - 14 | - 5 |
| Valuation and translation adjustments | 120.5 | 176.8 | - 56.3 |

The amount of funds available for distribution at the end of fiscal 2006 was 57.4 billion yen. As a result of the large net loss recorded this fiscal year, retained earnings were negative 240.4 billion yen, so the anticipated year-end dividend payment of 3 yen per share will be a distribution from "other capital surplus." As stated in the description below regarding our policy on dividends, at a Financial Results Authorization Meeting of the Board of Directors scheduled for May, it is expected that a decision will be made to reduce "other capital surplus" by 243.9 billion yen and offset this amount by increasing the "earned surplus carried forward" by the same amount.

Please note that regulations regarding the distribution of consolidated retained earnings do not apply because there are no applicable amounts as of the end of fiscal 2006.

**Policy on Dividends**

Regarding our basic policy on the exercise of the authority of the Board of Directors with respect to the disposition of profits in accordance with Article 41 of the company's bylaws, Fujitsu believes that a portion should be paid to shareholders to offer a stable return, and that a portion should be retained by the company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance.

On an unconsolidated basis, we posted a net loss for fiscal 2006, resulting in a reduction in shareholders' equity. However, in light of the fact that future financial risks are reduced by posting the loss, that the loss is not associated with an actual outflow of cash, and that earnings are on a recovery path, in order to continue the policy of paying stable dividends on an ongoing basis, we plan to pay a year-end dividend of 3 yen per share, resulting in full-year dividends of 6 yen per share, as was the case in the previous year (of which 3 yen per share was paid as an interim dividend). In addition, in accordance with an expected resolution at a Financial Results Authorization Meeting of the Board of Directors scheduled for May, we anticipate increasing "retained earnings" and offsetting this amount by decreasing "other capital surplus" by the same amount.

Please note that, with respect to the disposition of profits, we intend to continue to pay dividends twice a year, at the end of the first half and the end of the fiscal year, as has been the case since the implementation of the Company Act.

## Notes to Unconsolidated Financial Statements

1) Leases

1. Finance Leases (lessee), excluding those in which ownership is transferred to the lessee
   a) Accounting treatment
      Same as for operating lease transactions
   b) Equivalent amounts of acquisition cost, accumulated depreciation, and book value of leased assets:

(Billion Yen)

| Equivalent amounts of | FY 2006 (End of March 2007) | FY 2005 (End of March 2006) |
|---|---|---|
| Acquisition cost | 108.9 | 70.5 |
| Accumulated depreciation | 28.9 | 24.2 |
| Book value | 80.0 | 46.2 |

*Note: Primarily related to LSI production equipment*

   c) Minimum lease payments required:

(Billion Yen)

| | | |
|---|---|---|
| Within one year | 23.4 | 13.4 |
| Over one year | 57.0 | 32.8 |
| Total | 80.4 | 46.3 |

*Note: Equivalent amounts of acquisition cost and minimum lease payments are calculated on an interest-inclusive basis.*

   d) Lease payments, equivalent amounts of depreciation, and equivalent amounts of interest:

(Billion Yen)

| | | |
|---|---|---|
| Lease payments | 18.9 | 12.3 |
| Equivalent amounts of depreciation | 18.4 | 12.1 |
| Equivalent amounts of interest | 0.7 | 0.3 |

   e) Method of calculating equivalent amounts of accumulated depreciation
      Straight-line method in which the useful life is assumed to be the lease period and there is no residual value.

   f) Method of calculating equivalent amounts of interest
      Equivalent amounts of interest are derived from the difference between the equivalent amounts of acquisition cost and total lease payments and are allocated to each accounting period in accordance with the interest method.

2. Operating Leases (lessee)
   Omitted due to lack of importance.

2) Marketable Securities

**Market Value of Stock in Subsidiaries and Affiliates**

(Billion Yen)

| TYPE | FY 2006 (End of March 2007) | | | FY 2005 (End of March 2006) | | |
|---|---|---|---|---|---|---|
| | Acquisition Price | Market Value (recorded on balance sheet) | Difference | Acquisition Price | Market Value (recorded on balance sheet) | Difference |
| Stock in Subsidiaries and Affiliates | | | | | | |
| Subsidiaries | 43.7 | 290.0 | 246.2 | 23.6 | 339.4 | 315.8 |
| Affiliates | 16.7 | 20.4 | 3.7 | 63.1 | 88.2 | 25.1 |
| Total | 60.4 | 310.4 | 250.0 | 86.7 | 427.7 | 340.9 |

***Notes to Unconsolidated Financial Statements continue on next page.***

# 3) Unconsolidated Tax Effect Accounting

## Significant Components of Deferred Tax Assets and Liabilities

| | | Yen (billions) | |
|---|---|---|---|
| | | **March 31 2007** | March 31 2006 |
| **Deferred tax assets:** | | | |
| Valuation loss on subsidiaries' and affiliates' stock | **Y** | **(217.3)** | 95.3 |
| Tax loss carryforwards | | **120.3** | 151.8 |
| Accrued retirement benefits | | **94.4** | 107.4 |
| Provision for loss on guarantees | | **14.2** | - |
| Provision for loss on repurchase of computers | | **12.7** | 14.1 |
| Other | | **52.0** | 45.0 |
| **Gross deferred tax assets** | | **511.2** | 413.9 |
| Valuation allowance | | **(390.1)** | (242.2) |
| **Total deferred tax assets** | | **121.1** | 171.7 |
| **Deferred tax liabilities:** | | | |
| Gains from establishment of stock holding trust for retirement benefit plan | | **(110.6)** | (110.6) |
| Unrealized gains on securities | | **(82.2)** | (120.9) |
| Other | | **(2.4)** | (2.3) |
| **Total deferred tax liabilities** | | **(195.2)** | (233.9) |
| **Net deferred tax assets** | **Y** | **(74.0)** | (62.1) |

## 4) Unconsolidated Per Share Data

| | | Yen | |
|---|---|---|---|
| | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) |
| **Earnings per share** | **Y** | **(120.58)** | 8.37 |
| **Diluted earnings per share** | | **-** | 7.61 |
| **Owners' equity per share** | **Y** | **300.37** | 454.35 |

**[Basis for calculation]**

**(1) Earnings Per Share and Diluted Earnings Per Share**

| | | Yen (millions) | |
|---|---|---|---|
| | | **FY 2006 (4/1/06-3/31/07)** | FY 2005 (4/1/05-3/31/06) |
| **Earnings per share** | | | |
| **Net income** | **Y** | **(249,286)** | 17,462 |
| **Deduction from net income** | | **-** | 150 |
| [Bonuses to directors and statutory auditors from retained earnings (deficit)] | | **[ - ]** | [150] |
| **Net income (loss) for common share** | | **(249,286)** | 17,312 |
| **Average number of shares outstanding (thousand shares)** | | **2,067,369** | **2,067,787** |
| **Diluted earnings per share** | | | |
| **Adjustment for net income** | **Y** | **-** | 1 |
| **Increase in number of common shares (thousand shares)** | | **-** | **208,159** |
| **[Share warrants (thousand shares)]** | | [ - ] | **[208,159]** |

**(2) Book Value Per Share**

| | | Yen (millions) | |
|---|---|---|---|
| | | **March 31 2007** | March 31 2006 |
| **Net assets** | **Y** | **620,891** | 939,585 |
| **Deduction from net assets** | | **-** | 150 |
| [Bonuses to directors and statutory auditors from retained earnings (deficit)] | | **[ - ]** | [150] |
| **Net assets for common share** | **Y** | **620,891** | 939,435 |
| **Number of common shares issued (thousand shares)** | | **2,070,018** | 2,070,018 |
| **Treasury stock (thousand shares)** | | **2,913** | 2,380 |
| **Number of shares used to calculate Owners' equity per share (thousand shares)** | | **2,067,104** | 2,067,637 |

## 10. FY 2007 Unconsolidated Earnings Projections

Unconsolidated earnings projections for the first-half and full-year fiscal 2007 are as follows:

(Billion Yen)

| | First-Half | | | Full-Year | | |
|---|---|---|---|---|---|---|
| | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change | FY 2006 (Actual) | **FY 2007 (Forecast)** | Change |
| Net Sales | 1,329.4 | 1,350.0 | 1.5% | 2,869.2 | 3,000.0 | 4.6% |
| Net Income (Loss) | 12.8 | 35.0 | 172.7% | (249.2) | 80.0 | - % |

*Note: Please refer to page 49 for information concerning the calculations of these forecasts*

# Part III: Supplementary Information

## 1. Employees

| | March 31 2006 | **March 31 2007** | change |
|---|---|---|---|
| | (Thousands) | | |
| Japan | 99 | **99** | -0 |
| [Parent Company] | [37] | **[37]** | [-0] |
| Overseas | 59 | **62** | +3 |
| Total | 158 | **161** | +2 |

## 2. Miscellaneous Forecasts for FY 2007

### a. R&D Expenses

| | FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|---|
| | Yen (billions) | | |
| | 241.5 | 254.0 | **260.0** |
| As % of sales | 5.0% | 5.0% | **4.8%** |

### b. Capital Expenditures, Depreciation

| | | FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|---|---|
| | | Yen (billions) | | |
| **Capital Expenditures** | | | | |
| Technology Solutions | **Y** | 93.1 | 91.3 | 110.0 |
| Ubiquitous Product Solutions | | 19.4 | 24.8 | 30.0 |
| Device Solutions | | 115.5 | 166.2 | 125.0 |
| Corporate and others | | 21.8 | 22.8 | 25.0 |
| Total | | 249.9 | 305.2 | 290.0 |
| Japan | | 190.6 | 254.6 | 225.0 |
| Overseas | | 59.3 | 50.6 | 65.0 |
| **Depreciation** | **Y** | 169.8 | 202.8 | 240.0 |

### c. Cash Flows

| | | FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|---|---|
| | | Yen (billions) | | |
| (A) Cash flows from operating activities | **Y** | 405.5 | 408.7 | 340.0 |
| [Net income] | | [68.5] | [102.4] | [75.0] |
| [Depreciation *] | | [242.3] | [278.7] | [320.0] |
| [Others] | | [94.6] | [27.5] | [(-55.0)] |
| (B) Cash flows from investing activities | | (234.6) | (151.0) | (320.0) |
| (C) Free cash flow (A)+(B) | | 170.8 | 257.6 | 20.0 |
| (D) Cash flows from financing activities | | (207.8) | (234.9) | (50.0) |
| (E) Total (C)+(D) | **Y** | (36.9) | 22.7 | (30.0) |

Note:

Including amortization of goodwill.

**d. Exchange Rates**

| | FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|---|
| Average rates for | $1=113 yen | $1= 117yen | **$1= 115yen** |
| | €1=138yen | €1=150yen | **€1=145yen** |
| | £1=202yen | £1=222yen | **£1=220yen** |

**e. PC Shipments**

(Million Units)

| FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|
| 8.25 | 8.45 | **9.30** |

**f. Mobile Phone Shipments**

(Million Units)

| FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|
| 3.62 | 4.05 | **4.50** |

**g. HDD Production**

(Million Units)

| FY 2005 (Actual) | FY 2006 (Actual) | **FY 2007 (Forecast)** |
|---|---|---|
| 25.21 | 30.98 | **37.00** |

# 3. Environmental Accounting

## a. Cost/Benefit Trends

(Billion Yen)

| | FY 2004 | | FY 2005 | | FY 2006 | | FY 2007 (Forecast) | |
|---|---|---|---|---|---|---|---|---|
| | Costs | Benefits | Costs | Benefits | Costs | Benefits | Costs | Benefits |
| Fujitsu Limited | 7.9 | 9.7 | 9.0 | 10.9 | 7.4 | 9.9 | 8.4 | 11.4 |
| Affiliated companies | 10.0 | 12.9 | 8.9 | 13.6 | 9.3 | 17.7 | 11.4 | 19.7 |
| Total | 17.9 | 22.6 | 17.9 | 24.5 | 16.7 | 27.5 | 19.8 | 31.1 |

## b. Itemization of Fiscal 2006 Results*

(Billion Yen)

| Costs | Item | Fujitsu Limited | Affiliated companies | Total |
|---|---|---|---|---|
| **Business area costs** | | | | |
| Pollution prevention costs | Costs incurred to prevent air pollution and water contamination (fees for water treatment facilities) and other activities | 3.1 | 2.1 | 5.3 |
| Global environmental conservation costs | Costs of energy-saving measures, as well as costs of global warming reduction measures | 1.0 | 1.0 | 2.0 |
| Resource circulation costs | Costs incurred for waste reduction and disposal, as well as for water conservation, rainwater usage and other measures aimed at efficient resources usage | 1.2 | 2.2 | 3.4 |
| **Upstream/downstream costs** | Costs of lowering the environmental burden imposed upstream and downstream by manufacturing and service activities (costs incurred for recycling /reuse of waste products and packaging, Green Procurement, etc.) | 0.1 | 1.0 | 1.1 |
| **Administration costs** | Environmental protection costs related to administrative activity, including personnel expenses for environmental promotion activities and costs associated with acquiring and maintaining ISO14001 certification, measuring environmental burden, greenification programs, environmental reporting and environmental publicity | 1.7 | 1.2 | 2.9 |
| **R&D costs** | Environmental protection costs for R&D activities (Super Green Products, Green Products/ /environmental technology design and development costs) | 0.2 | 1.8 | 2.0 |
| **Social activities costs** | Environmental protection costs stemming from participation in social activities, such as participation in/support for organizations concerned with environmental preservation | 0.0 | 0.0 | 0.0 |
| **Environmental remediation costs** | Costs of environmental restoration operations (remediating soil and groundwater contamination, environmental compensation, etc.) | 0.0 | 0.0 | 0.0 |
| **Total** | | 7.4 | 9.3 | 16.7 |

(Billion Yen)

| Benefits | Item | Fujitsu Limited | Affiliated companies | Total |
|---|---|---|---|---|
| **Business area benefits** | | | | |
| Pollution prevention benefits | Contribution of environmental protection activities to value added** in manufacturing. | 3.3 | 2.9 | 6.2 |
| | Savings from avoidance of operating losses*** stemming from failure to observe environmental laws and regulations. | 0.2 | 1.8 | 2.0 |
| Global environmental conservation benefits | Cost savings from reductions in electricity, oil and gas consumption**** | 1.8 | 0.7 | 2.5 |
| Resource circulation benefits | Cost savings from waste reduction and more effective resource utilization**** | 3.0 | 10.6 | 13.6 |
| **Upstream/downstream benefits** | Sales value of recycled and reused products**** | 0.0 | 0.7 | 0.7 |
| **Administration benefits** | Value of efficiency enhancement through ISO14001 system implementation, effects of employee training, corporate image enhancement from environment-related publicity | 0.2 | 0.4 | 0.6 |
| **R&D benefits** | Contribution to sales made by Super Green Products, Green Products, other eco-friendly products | 1.4 | 0.6 | 1.9 |
| **Environmental remediation benefits** | Savings of compensation payments to residents through policies preventing groundwater and soil contamination***** | 0.0 | 0.0 | 0.0 |
| **Total** | | 9.9 | 17.7 | 27.5 |

## c. Comment

In fiscal 2006, as a result of efforts to promote the use of reusable products, resource circulation costs and benefits increased. With the rise in the market price of metals, there was an increase in gains on sales of unnecessary resources with material value, and the Fujitsu Group as a whole recorded total benefits of 27.5 billion yen. In fiscal 2007, because of enhanced countermeasures against global warming and soil remediation measures, we anticipate consolidated costs of 19.8 billion yen and consolidated benefits of 31.1 billion yen.

Notes:

* Classification system is in accordance with "Environmental Accounting Guidelines 2005" issued by Japan's Ministry of the Environment.

** Contribution of environmental protection activities in relation to value added: value added x (maintenance and management costs for environmental facilities/total generated costs)

*** Avoidance of operating losses: (value added/days of operation) x days lost

**** Actual benefit

***** Estimate of risk avoidance assuming such events arise