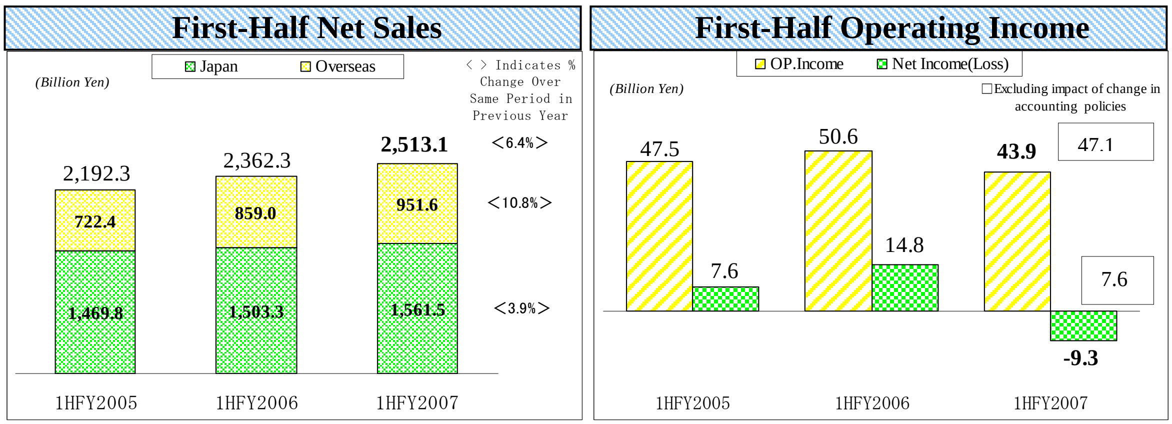
2. Profit and Loss

Note: In these explanatory materials, the yen figures for net sales, operating income, and net income are converted into US$ amounts for reference purposes, at a rate of $1 = 115 yen, the approximate Tokyo foreign exchange market rate on September 30, 2007.



Consolidated net sales for the first half were 2,513.1 billion yen (US$21,853 million), an increase of 6.4% compared to the first half of fiscal 2006. Sales increased in each of our business segments, with particularly strong performance in the Services sub-segment of our Technology Solutions segment. Overall, sales exceeded our previous first-half record, achieved in fiscal 2000.

Sales in Japan increased by 3.9%. Domestic sales declined in mobile phone base stations, where customers' capex cycles had already peaked, and in standard technology logic devices, but services sales increased as a result of growing demand for systems integration services, primarily in the financial services sector, and continued strength in outsourcing. Sales of mobile phones and 90nm advanced technology logic devices also increased.

Sales outside Japan increased by 10.8%. While sales of Flash memory chips for mobile phones declined, currency translations produced a positive effect and corporate acquisitions spurred growth, while sales of outsourcing services remained strong. Sales of UNIX servers, optical transmission systems, and hard disk drives (HDDs) also increased.

Consolidated operating income was 43.9 billion yen (US$382 million), a decline of 6.7 billion yen from the same period a year previous. Excluding the impact of changes in accounting policies that were implemented this fiscal year, operating income was 47.1 billion yen, a year-on-year first-half decline of 3.4 billion yen. Despite higher sales, particularly outside Japan, and a year-on-year increase of 16.2 billion yen in gross profit, our gross profit margin declined by 0.9 percentage point, to 25.2%. This decline was the result of such factors as the continuation of severe downward pricing pressures in HDDs for notebook PCs and, during the first quarter, delayed recovery in demand for standard technology logic devices. Selling, general, and administrative expenses increased by 23.0 billion yen over the same period in fiscal 2006 as a result of the expansion of our services business in the UK, Germany, and other European markets, currency translation effects, as well as higher upfront development expenditures in the areas of next-generation networks and advanced technology logic devices.

In other income and expenses, there was an improvement in equity earnings of affiliates since Spansion Inc. has not been treated as an equity-method affiliate since the third-quarter of fiscal 2006. Other expenses, however, increased due to the disposal of fixed assets and other factors.

In addition, we booked a gain of 11.6 billion yen from the sale of shares in affiliates and a 2.0 billion yen gain on change in interest linked to our increased capital investment in and the public listing of Chinese affiliate Nantong Fujitsu Microelectronics. A loss of 25.0 billion yen was recorded due to a revaluation loss on inventories, which was made at the beginning of the period in conjunction with the early adoption of a new accounting policy for the valuation of inventories introduced from this fiscal year.

As a result of these factors, we reported a consolidated net loss of 9.3 billion yen (US$81 million) for the first half. Excluding the impact of the change in accounting policies, there was a net profit of 7.6 billion yen. Net income was also affected by a higher tax liability resulting from an increase in dividends received from overseas subsidiaries, as well as an increased tax burden in the UK due to a write-down of deferred tax assets stemming from a reduction in local tax rates.

<Comparison with Revised Forecast Announced October 22, 2007>

The reported net income was approximately 700 million yen higher than the first-half forecast announced on October 22, 2007, largely due to the reclassification of accounting items.