Part II. Explanation of Financial Results

1. Overview of FY 2009 Full-Year Consolidated Financial Results

Business Environment

During fiscal 2009 (April 1, 2009 – March 31, 2010), the business environment in which the Fujitsu Group operated was characterized by a serious economic downturn in the first half of the fiscal year, and moderate signs of a recovery in the second half, driven by global progress in inventory adjustments and economic stimulus measures implemented by nations around the world. China's economy is recovering as a result of measures to stimulate domestic demand, and the US economy is showing improvement as a result of economic stimulus measures and progress in inventory adjustments. In Europe, however, the economy remains stagnated due to weak personal consumption resulting from the worsened employment conditions. In Japan, too, although the economy continues to recover as a result of higher exports, primarily to China and emerging economies, as well as the underlying support provided by the Japanese government's large economic stimulus measures, the recovery remains fragile, with weak personal income and employment conditions and prolonged deflationary pressures.

With respect to investment in information and communications technologies (ICT), though there are signs of recovery in demand for ICT hardware, spending on software and ICT services remains weak amid delayed recovery in demand.

(Billion Yen)

	FY 2009 *4/1/09-3/31/10*	FY 2008 *4/1/08-3/31/09*	Change	Change (%)
Net Sales	4,679.5	4,692.9	-13.4	-0.3
Cost of Sales	3,436.4	3,491.5	-55.1	-1.6
Gross Profit	1,243.1	1,201.4	41.6	3.5
Selling, General and Administrative Expenses	1,148.7	1,132.7	16.0	1.4
Operating Income [Operating income margin]	94.3 [2.0%]	68.7 [1.5%]	25.6 [0.5%]	37.2
Other Income and Expenses	18.3	-182.0	200.4	-
Net Income	93.0	-112.3	205.4	-

Notes:
1. Until this fiscal year, Fujitsu Technology Solutions (Holding) B.V. (the new corporate name, as of April 1, 2009, of Fujitsu Siemens Computers (Holding) B.V.) was an equity-method affiliate of Fujitsu. In accordance with the acquisition of shares in the company owned by Siemens AG of Germany, the company is a consolidated subsidiary starting with the first quarter of fiscal 2009. In the case of FDK Corporation, as well, as the result of Fujitsu subscribing to a private placement of its shares, the company has been converted from an equity-method affiliate to a consolidated subsidiary starting in the first quarter of fiscal 2009.
2. Fujitsu completed the transfer of its HDD media business to Showa Denko KK on July 1, 2009, and completed the transfer of its HDD drive business to Toshiba Corporation on October 1, 2009.

FY2009 Non-Operating Gains and Losses

(Billion Yen)

Item			FY2009	
Gains	Gain on Sale of Investment Securities		89.6	Gain on sale of shares in FANUC Ltd. and other securities.
Losses	Business Restructuring Expenses		-47.4	
		Business Outside Japan (Europe)	-26.3	Expenses for streamlining workforces in the UK and Ireland, the Netherlands, Germany and other European countries in accordance with restructuring of Fujitsu Technology Solutions and Fujitsu Services.
		Logic LSI Business	-21.1	Expenses for reassigning employees in relation to restructuring of wafer manufacturing facilities and streamlining administrative operations.

Breakdown in FY 2009 Operating Income

Billion Yen

	FY 2009 4/1/2009 - 3/31/2010	FY 2008 4/1/2008 - 3/31/2009	Change vs. FY 2008		Change vs. Jan. 2010 Forecast	
				Adjusted change basis	Jan. 2010 Forecast	Change
Consolidated	94.3	68.7	25.6	16.0	90.0	4.3

By Business Segment

Technology Solutions	152.4	188.7	-36.2	-24.0	155.0	-2.5
Services	131.1	163.3	-32.2	-34.0	145.0	-13.8
System Platforms	21.3	25.3	-4.0	10.0	10.0	11.3
Ubiquitous Product Solutions	22.9	0.5	22.4	-9.0	15.0	7.9
Device Solutions	-8.7	-71.9	63.1	72.0	-10.0	1.2

Notes:

1. Adjusted change excludes the impact of business restructuring and currency exchange fluctuation. Regarding the impact of business restructuring, Fujitsu Technology Solutions (Holding) B.V. (previously Fujitsu Siemens Computers (Holding) B.V.) and FDK Corporation were converted into consolidated subsidiaries, and the HDD business was transferred. The impact of the currency fluctuation was eliminated by using the US dollar, euro, British pound, Australian dollar and Korean won foreign exchange rates for fiscal 2008 to translate the net sales in foreign currencies into yen.
2. The main products and services of each segment are listed on page 7.
3. The financial information from Fujitsu Technology Solutions (Holding) B.V. and FDK Corporation has been incorporated into the business segments of the consolidated financial statements as follows:

Business Areas		Consolidated Segments	
			Sub-Segments
Fujitsu Technology Solutions (FTS)	Infrastructure Business Server Business	Technology Solutions	Services (Infrastructure Services) System Platforms (System Products)
	PC Business	Ubiquitous Product Solutions	PC/Mobile Phones
FDK	Electronic Parts Business	Device Solutions	Electronic Components, Others

Change vs. FY 2008

Billion Yen

	Net Sales	Operating Income	Op. income change vs. FY 2008 on adjusted basis (2) + (3)
Consolidation of FTS	470.0	-4.0	
(Amortization of goodwill, etc., one-time expense for R&D assets)	(-)	(-14.0)	
Consolidation of FDK	65.0	2.0	
Transfer of HDD business	-70.0	16.5	
Business restructuring	465.0	14.5	
Exchange rate fluctuation	-130.0	-5.0	
(1) Business restructuring and currency fluctuation	335.0	9.5	
(2) Increase in retirement obligation expense	-	-22.0	
Services	-127.0	-22.5	-34.0
System Platforms	-64.0	15.0	10.0
Technology Solutions	-191.0	-7.5	-24.0
Ubiquitous Product Solutions	-81.0	-7.0	-9.0
Device Solutions	-92.0	73.5	72.0
Others	-42.0	6.0	5.0
Corporate and elimination	58.0	-27.0	-28.0
(3) Other changes	-348.0	38.0	16.0
Total	-13.4	25.6	

Reference: Major Financial Indices

(Billion Yen, except for ratio and period items)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Net Sales	4,791.4	5,100.1	5,330.8	4,692.9	4,679.5
Sales Outside of Japan	1,591.5	1,825.2	1,923.6	1,499.8	1,748.3
[Ratio of Sales Outside of Japan to Total Sales]	[33.2%]	[35.8%]	[36.1%]	[32.0%]	[37.4%]
Operating Income Margin	3.8%	3.6%	3.8%	1.5%	2.0%
Return on Equity	7.7%	10.9%	5.0%	-13.2%	12.0%
Inventories	408.7	412.3	383.1	306.4	322.3
[Inventory Turnover Ratio]	[10.80]	[12.42]	[13.40]	[13.61]	[14.88]
[Monthly Inventory Turnover]	[0.88 times]	[0.93 times]	[1.03 times]	[0.98 times]	[1.04 times]
Total Assets	3,807.1	3,943.7	3,821.9	3,221.9	3,228.0
[Total Assets Turnover Ratio]	[1.29]	[1.32]	[1.37]	[1.33]	[1.45]
Shareholders' Equity	780.6	875.0	911.6	782.9	865.8
[Shareholders' Equity Ratio]	[20.5%]	[22.2%]	[23.9%]	[24.3%]	[26.8%]
Owners' Equity	917.0	969.5	948.2	748.9	798.6
[Owners' Equity Ratio]	[24.1%]	[24.6%]	[24.8%]	[23.2%]	[24.7]
Market Value-based Shareholders' Equity Ratio	53.9%	41.2%	35.3%	23.4%	39.1%
Interest-Bearing Loans	928.6	745.8	887.3	883.4	577.4
Net Interest-Bearing Loans	507.7	297.1	339.4	355.3	157.2
D/E Ratio	1.01	0.77	0.94	1.18	0.72
Net D/E Ratio	0.55	0.31	0.36	0.47	0.20
Cash Flows From Operating Activities	405.5	408.7	322.0	248.0	295.3
Free Cash Flow	170.8	257.6	38.1	23.4	296.4
(excluding special factors*1)	[148.5]	[30.9]	[92.2]	[7.8]	[111.6]
Loans / Cash Flows from Operating Activities	2.3 years	1.8 years	2.8 years	3.6 years	2.0 years
Interest Coverage Ratio	21.3	22.2	15.1	14.2	18.1

Note:

Owners' Equity:	*Net Assets – Share Warrants – Minority Interests*
Return on Equity:	*Net Income ÷ {(Owners' Equity at Start of Period + Owners' Equity at End of Period) ÷ 2}*
Inventory Turnover Ratio:	*Net Sales ÷ {(Beginning Balance of Inventories + Ending Balance of Inventories) ÷ 2}*
Monthly Inventory Turnover:	*Net Sales ÷ Average Inventories during Period(*2) ÷ 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 – Share Warrants - Minority Interests) ÷ Total Assets*
Market Value-based Shareholders' Equity Ratio:	*Market Capitalization ÷ Total Assets*
Net Interest-Bearing Loans:	*Interest-Bearing Loans – Cash Equivalents*
D/E Ratio:	*Interest-Bearing Loans ÷ Owners' Equity*
Net D/E Ratio:	*(Interest-bearing Loans - Cash Equivalents) ÷ Owners' Equity*
Loans / Cash Flows from Operating Activities:	*Interest-Bearing Loans ÷ Cash Flows from Operating Activities*
Interest Coverage Ratio:	*Cash Flows from Operating Activities ÷ Interest Expense*

*1: Free cash flow excluding special factors excludes the following:
- Proceeds from sales of investment securities
- Income from acquisition of subsidiaries' stock
- Proceeds from transfer of business
- Impact from holiday at end of period (changes in receivables or payables as a result of receipts or payments being extended to following period because the last day of the current period is a holiday)

*2: Average inventories during period are calculated as the average of the ending balance of inventories for each of the four quarters of the fiscal year.

Issues and Initiatives in FY 2009

In fiscal 2009, the Fujitsu Group announced a new medium-term management plan for fiscal years 2009–2011. The plan calls for transforming Fujitsu into a truly global ICT company by focusing on the customer's customers, global expansion, and environmental sustainability, by using products and technologies to support the services business, by integrating the company's business in Japan with its business outside Japan, and by leveraging the company's dominant position and earnings in Japan to support the company's global growth. By fiscal 2011, Fujitsu seeks to achieve a consolidated operating income margin of 5% or higher, generate over 40% of the company's overall sales outside Japan, have a monthly inventory turnover rate of over 2 times, and a debt/equity ratio of under 1.0 times, while achieving consolidated free cash flow of 150 billion yen and record operating income of 250 billion yen and net income of 130 billion yen.

The goals for the first year of the medium-term plan were sales of 4,800 billion yen, operating income of 80 billion yen, and net income of 20 billion yen. These goals took into consideration the weak global economic environment in the aftermath of the financial crisis in 2008, and the effects of the continued business restructuring measures the company began implementing the previous year.

Actual net sales in fiscal 2009 fell short of the original target, totaling 4,679.5 billion yen (decline of 0.3% from the previous year and decline of 7% on an adjusted basis, excluding the impact of currency fluctuations and business restructuring measures, with 37% of overall sales generated outside Japan). Operating income was 94.3 billion yen (an increase of 25.6 billion yen over the previous year), which exceeded the target. Though ICT spending remained weak, particularly in Japan and Europe, the company continued with structural transformation of its LSI device business and restructuring its European operations. In addition, even as the company made strategic investments for future growth, company-wide efforts to restrain costs and reduce expenses were successful. Fujitsu reported net income of 93.0 billion yen. The company's results were affected by a gain of 89.6 billion yen on sales of investment securities as a result of FANUC Ltd.'s solicitation to repurchase its own shares from Fujitsu, as well as 47.4 billion yen in restructuring charges.

In the Ubiquitous Product Solutions business segment, the company completed the sale of its hard disk drive (HDD) business on October 1, 2009. To strengthen its PC business, the company began standardizing its global design and procurement operations. In the Device Solutions business segment, last September the company began phased integration and consolidation of production lines for standard technology logic devices and the reassignment of affected staff members, and the initiative was completed by the end of fiscal 2009. For advanced technology logic devices, the company is outsourcing the production of 40nm devices and beyond to foundry Taiwan Semiconductor Manufacturing Company, and the two companies reached an agreement to co-develop 28nm devices. The Mie Plant's 90nm and 65nm production lines are producing CPUs for high-performance UNIX servers, and in fiscal 2010, volume production begins of CPUs that will be used for Japan's next-generation supercomputer project. The company also completed the sale of its communications device business, which produced devices for mobile phones, to Taiyo Yuden Co., Ltd. FDK Corporation, which was converted into a consolidated subsidiary after Fujitsu invested additional capital to eliminate its net capital deficit, acquired the nickel metal hydride battery business of Sanyo Electric Co., Ltd. as part of a policy to focus on core business. Compared to the previous fiscal year, the operating income of the Ubiquitous Product Solutions segment and the Device Solutions segment improved by 22.4 billion yen and 63.1 billion yen, respectively, significantly exceeding the improvement targets of 17.9 billion yen and 6.2 billion yen, which were set at the beginning of the fiscal year.

Operating income in the Technology Solutions business segment was 152.4 billion yen, a decline of 36.2 billion yen from the previous year and 22.5 billion yen lower than the target set at the beginning of the fiscal year. Results were negatively impacted by a number of factors, such as higher pension expenses in Japan resulting from lower pension asset performance in the previous year as well as by higher goodwill amortization costs and one-time expenses associated with the conversion of Fujitsu Technology Solutions into a consolidated subsidiary. In addition, there was a weak operating environment, with economic stagnation and a reduction in public-sector ICT spending in the UK and, lagging behind the downturn in the economy, lower ICT spending in Japan. In Europe, restructuring measures were implemented to eliminate redundancies between Fujitsu Services Holdings PLC and Fujitsu Technology Solutions (Holding) B.V., which became a wholly owned subsidiary of Fujitsu in April 2009, and to improve efficiency. In Japan, Fujitsu Business Systems Ltd. was converted into a wholly owned subsidiary in order to strengthen Fujitsu's position in the medium-sized business market, and the development and manufacturing of point-of-sale systems for the US market, as well as the retail and totalizator terminals business, were consolidated into Fujitsu Frontech Limited. Following the sale of the HDD business, two sales subsidiaries outside of Japan were transferred to PFU Limited, a global leader in the scanner business which was converted into a wholly owned subsidiary in April 2010. In November 2009, Fujitsu opened a new wing at the Tatebayashi System Center, equipped with the latest eco-friendly technologies, to serve as a core platform for its outsourcing services and next-generation cloud services business in Japan.

The monthly inventory turnover rate in fiscal 2009 was 1.04 times, an improvement of 0.06 times compared with the previous fiscal year and an improvement over fiscal 2007. The shareholders' equity ratio was 26.8%, an improvement of 2.5 percentage points over the previous year. Free cash flow was 296.4 billion yen. Even excluding the sale of investment securities, free cash flow was 111.6 billion yen. The company redeemed 300 billion yen in corporate bonds, bringing the balance of interest-bearing debt to 577.4 billion yen, resulting in a debt/equity ratio of 0.72 times, and net interest-bearing debt, after subtracting cash and cash equivalents, was 157.2 billion yen, all of which represent levels last achieved in the early 1980s. Moreover, the net debt/equity ratio is 0.20, the lowest it has ever been.