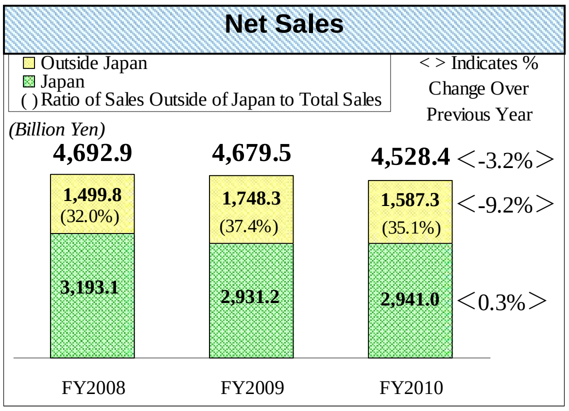
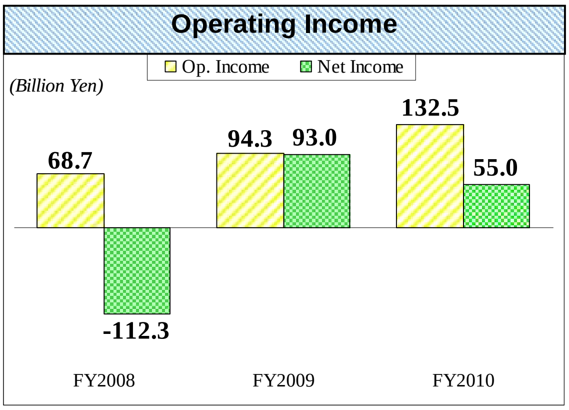
2. Profit and Loss

Note: In these explanatory materials, the yen figures for net sales, operating income, and other figures are converted into US$ amounts, for reference purposes, at a rate of $1=83 yen, the approximate Tokyo foreign exchange market rate on March 31, 2011. Figures for and comparisons to prior reporting periods are provided only for reference. The impact of foreign exchange fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for fiscal 2009 to translate the current period's net sales outside Japan into yen.





Consolidated net sales for fiscal 2010 were 4,528.4 billion yen (US$54,559 million), a decline of 3.2% from fiscal 2009. Excluding the impact of foreign exchange fluctuations, however, sales were on par with the prior fiscal year.

Sales in Japan were essentially unchanged from the previous fiscal year. Although sales of LSI devices and electronic components were strong as a result of the continued market recovery since the previous year, there was a decline in sales of car audio and navigation systems, as fewer new cars were sold after the government's subsidy program for eco-friendly car purchases ended at the end of the first half of the fiscal year. In addition, sales of PCs and other products were adversely affected by temporary production stoppages and shipment delays resulting from the Tohoku earthquake.

Sales outside of Japan decreased 9.2%. Excluding the impact of exchange rate fluctuations, however, sales were essentially unchanged from the previous fiscal year. Particularly in the first half of the fiscal year, there were higher sales of x86 servers in Europe, LSI devices and electronic components for markets in Asia, and optical transmission systems in North America. The transfer of the HDD business, however, which occurred in October 2009, affects comparisons with the prior fiscal year, resulting in overall sales outside Japan remaining essentially unchanged.

Although there were signs that the trend of yen appreciation leveled off during the third quarter, for fiscal 2010 the average yen exchange rates against major currencies were 86 yen for the US dollar (representing yen appreciation of 7 yen), 113 yen for the euro (18 yen), and 133 yen for the British pound (15 yen) in comparison with fiscal 2009. As a result, the impact of foreign exchange fluctuations for fiscal 2010 was to reduce net sales by approximately 160.0 billion yen compared to fiscal 2009. Sales generated outside Japan as a percentage of total sales were 35.1%, a decrease of 2.3 percentage points compared to the previous fiscal year.

Gross profit increased by 14.3 billion yen compared to fiscal 2009. Despite the adverse effects of the earthquake and yen appreciation, gross profit increased as a result of the increased sales of LSI devices and electronic components, lower depreciation and other fixed costs in the company's LSI device business as a result of structural reforms, in addition to the completion, in the previous fiscal year, of the amortization of unrecognized obligation for retirement benefits in accordance with a change in accounting standards implemented in fiscal 2000. The gross profit margin improved by 1.2 percentage points compared to fiscal 2009, to 27.8%.

Despite an increase in upfront investments in cloud services and other areas, selling, general and administrative expenses declined by 23.8 billion yen compared to fiscal 2009. This was primarily due to the appreciation of the yen and the transfer of the HDD business, in addition to the one-time expenses incurred in the previous year as a result of the conversion of Fujitsu Technology Solutions (Holding) B.V. into a wholly-owned subsidiary.

As a result, operating income was 132.5 billion yen (US$1,596 million), an increase of 38.2 billion yen compared to fiscal 2009.

Income before income taxes was 102.2 billion yen, a decrease of 10.4 billion yen from the previous fiscal year. Although there was an increase in operating income, the company recorded an 11.6 billion yen loss on damage, primarily representing the costs of restoring plant and equipment damaged in Japan's Tohoku earthquake. Comparisons with the previous year were further affected by the gain of 89.6 billion yen on sales of shares in FANUC Ltd. and other investment securities recognized in fiscal 2009.

The company reported consolidated net income of 55.0 billion yen (US$663 million), representing a decrease of 37.9 billion yen from fiscal 2009. In addition to lower income before income taxes, the decline in net income was a result of a lower tax burden in fiscal 2009, as the sale of shares in fiscal 2009 increased the amount of recoverable deferred tax assets, leading to a reversal of the valuation reserve.

Comprehensive income was 38.7 billion yen (US$466 million), with a 15.2 billion yen loss recorded in other comprehensive income, primarily as a result of an 11.9 billion yen foreign currency translation adjustment loss stemming from the ongoing appreciation of the yen.

Statement of Comprehensive Income (Billion Yen)

	FY 2010	FY 2009
Income before minority interests	54.0	96.9
Other comprehensive income	-15.2	-34.3
Unrealized gain and loss on securities, net of taxes	-2.4	-35.7
Deferred hedge gain and loss	0	-2.9
Foreign currency translation adjustments	-11.9	4.1
Share of other comprehensive income of associates accounted for using equity method	-0.8	0.2
Comprehensive income	38.7	62.5

Because the Fujitsu Group's global business development primarily revolves around service businesses, foreign currency fluctuations in the value of the net assets of subsidiaries outside Japan are recorded in other comprehensive income. Moreover, as a result of the fiscal 2009 sale of shares in FANUC Ltd., the impact of stock price fluctuations on the unrealized gain and loss on securities, net of taxes, was limited.

Comparison to Consolidated Earnings Projections Announced in January 2011

In comparison to the consolidated earnings projections for fiscal 2010 announced in January 2011, net sales and operating income both fell short, by 41.5 billion yen and 12.4 billion yen, respectively. These shortfalls were the result of the production and shipment delays stemming from the temporary production stoppages at Fujitsu Group production facilities, as well as the disruption to freight transport, all caused by the Tohoku earthquake.

In addition, net income was 19.9 billion yen less than projected on account of an 11.6 billion yen extraordinary loss, primarily associated with the cost of restoring plant and equipment damaged in the Tohoku earthquake.