

7. Notes to Consolidated Financial Statements

(1) Changes in Accounting Policies, Practices and Presentation Methods in the Current Consolidated Reporting Period

- Changes in Accounting Standards

(Adoption of the Accounting Standards for Asset Retirement Obligations)

Starting the first quarter of the current consolidated reporting period, Fujitsu has adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Statement No. 18, issued March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Guidance No. 21, issued March 31, 2008).

In conjunction with the adoption of the above accounting standard, operating income in the first nine months of fiscal 2010 decreased by 385 million yen. The difference between the amount of the asset retirement obligation newly recognized as a liability at the start of the first fiscal year in which the standard was adopted and the amount of retirement expense recognized as an asset was recorded as other expenses of 4,113 million yen. As a result, income before income taxes and minority interests for the first nine months decreased by 4,498 million yen.

(Adoption of Accounting Standard for Business Combinations)

From the first quarter of fiscal 2010, Fujitsu has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan Statement No. 21, issued December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan Statement No. 22, issued December 26, 2008), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (Accounting Standards Board of Japan Guidance No. 10, revision issued December 26, 2008).

- Change in Presentation Methods

(Change in presentation of quarterly income statement)

In accordance with “Cabinet Office Ordinance Partially Revising Ordinance on Financial Statements” (Cabinet Office Ordinance No. 5, issued March 24, 2009), which was based on “Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan Statement No. 22, issued December 26, 2008), the company has included the item “Income before minority interests” in its consolidated income statement for the first nine months and the third quarter of fiscal 2010.

As reference, for the first nine months and the third quarter of fiscal 2009, income before minority interests totaled 47,775 million yen and 6,500 million yen, respectively.

(2) Consolidated Per Share Data

1. Net Assets Per Share (Yen)

	End of 3Q FY 2010 (December 31, 2010)	End of FY 2009 (March 31, 2010)
Net assets per share	383.02	386.79

2. Earnings Per Share (Yen)

	First Nine Months FY 2010 4/1/10-12/31/10	First Nine Months FY 2009 4/1/09-12/31/09
Earnings per share	17.22	23.03
Diluted earnings per share	16.69	21.79

Note: The calculations basis for earnings per share and diluted earnings per share are as follows.

(Million Yen)

	First Nine Months FY 2010 4/1/10-12/31/10	First Nine Months FY 2009 4/1/09-12/31/09
(1) Earnings per share		
Net income	35,638	47,370
Deduction from net income	-	-
Net income for common share	35,638	47,370
Average number of common shares outstanding (thousand shares)	2,069,762	2,056,576
(2) Diluted earnings per share		
Adjustment for net income	1,116	2,291
[Adjustment related to dilutive securities issued by subsidiaries and affiliates]	[-147]	[-43]
[Adjustment for bond-related and other costs (after deduction of amount equal to taxes)]	[1,263]	[2,334]
Increase in number of common shares (thousand shares)	132,929	222,222

(Yen)

	Third Quarter FY 2010 10/1/10-12/31/10	3Q FY 2009 10/1/09-12/31/09
Earnings per share	8.00	1.99
Diluted earnings per share	7.65	1.98

Note: The calculations basis for earnings per share and diluted earnings per share are as follows.

(Million Yen)

	Third Quarter FY 2010 10/1/10-12/31/10	3Q FY 2009 10/1/09-12/31/09
(1) Earnings per share		
Net income	16,549	4,115
Deduction from net income	-	-
Net income for common share	16,549	4,115
Average number of common shares outstanding (thousand shares)	2,069,711	2,065,741

(2) Diluted earnings per share		
Adjustment for net income		
[Adjustment related to dilutive securities issued by subsidiaries and affiliates]	144	-26
	[-169]	[-26]
[Adjustment for bond-related and other costs (after deduction of amount equal to taxes)]	[313]	[-]
Increase in number of common shares (thousand shares)	111,111	-

(3) Segment and Other Information

Information by Business Segment

Third Quarter of Fiscal 2009 (October 1, 2009 to December 31, 2009) (Million Yen)

	Technology Solutions	Ubiquitous Product Solutions	Device Solutions	Other	Sub-Total	Elimination and Corporate	Total
Net Sales							
Sales to customers outside							
Fujitsu Group	732,803	196,591	127,858	89,533	1,146,785	-	1,146,785
Intersegment sales	13,156	22,407	13,286	16,444	65,293	-65,293	-
Total net sales	745,959	218,998	141,144	105,977	1,212,078	-65,293	1,146,785
Operating Income (Loss)	28,281	11,655	2,918	5,102	47,956	-14,315	33,641

First Nine Months of Fiscal 2009 (April 1, 2009 to December 31, 2009) (Million Yen)

	Technology Solutions	Ubiquitous Product Solutions	Device Solutions	Other	Sub-Total	Elimination and Corporate	Total
Net Sales							
Sales to customers outside							
Fujitsu Group	2,117,465	629,930	361,623	224,389	3,333,407	-	3,333,407
Intersegment sales	50,939	62,765	35,643	61,212	210,559	-210,559	-
Total net sales	2,168,404	692,695	397,266	285,601	3,543,966	-210,559	3,333,407
Operating Income (Loss)	50,629	14,725	-14,249	5,756	56,861	-41,466	15,395

Notes:

- Business segments are classified based on the similarity of products and services, sales methods and other factors.
- The main products and services of each segment are listed below.
 - Technology Solutions
Systems integration services (system construction), consulting, front-end technologies (ATMs, POS systems, etc.), outsourcing services (datacenter, IT operations management, SaaS, application operations and management, business process outsourcing, etc.), network services (business network, Internet/mobile content delivery, etc.), system support services (information system and network maintenance and monitoring services), security solutions (information systems infrastructure construction and network construction), servers (mainframes, UNIX servers, mission-critical and other x86 servers), storage systems, software (OS, middleware), network management systems, optical transmission systems, and mobile phone base stations.
 - Ubiquitous Product Solutions
Personal computers, mobile phones, hard disk drives, and optical modules.
 - Device Solutions
LSI devices, electronic components (semiconductor packages, SAW devices, etc.), electromechanical parts (relays and connectors, etc.).
 - Other Operations
Car audio and navigation systems, mobile communications equipment, and automotive electronics.
- The sale of the hard disk drive business included in the Ubiquitous Product Solutions segment was completed on October 1, 2009. From the third quarter of fiscal 2009, this business is not included in the segment.

Segment Information

1. Segment Overview

Fujitsu's business segments reflect financial information that is able to be disaggregated from the structural entities comprising Fujitsu and its consolidated subsidiaries (herein referred to as the Fujitsu Group). Periodic revisions are made to the reporting segments to facilitate performance evaluation and decisions about the allocation of management resources on the part of Fujitsu's executive decision-making body.

In the field of information and communication technology (ICT), while delivering a wide variety of services, the Fujitsu Group offers comprehensive solutions, from the development, manufacturing, and sales, to the maintenance and operations of advanced, high-performance and high-quality products, and electronic devices that support services. The Fujitsu Group's business is organized into three reporting segments—Technology Solutions, Ubiquitous Solutions, and Device Solutions—based on the Group's managerial structure, characteristics of the products and services, and the similarities of the sales market within each segment.

To optimally deliver to customers comprehensive services that integrate products, software, and services, the Technology Solutions segment is organized in a matrix management structure comprised of business groups that are organized by product and service type, and that manage costs and devise global business strategies, and business groups that are organized along industry and geographic lines, integrating sales groups with systems engineers covering specific customers. This reporting segment consists of Solutions / Systems Integration, which are services for the construction of information and communication systems, Infrastructure Services, which are primarily outsourcing and maintenance services, System Products, which covers mainly the servers and storage systems that comprise ICT platforms, and Network Products, which are used to build communications infrastructure, such as mobile phone base stations and optical transmission systems.

The Ubiquitous Solutions segment is organized into independent business management units along product lines and includes the sales groups. This segment contains ubiquitous terminals—including personal computers and mobile phones, as well as car audio and navigation systems, mobile communication equipment, and automotive electronics—that collect various information and knowledge generated from the behavioral patterns of people and organizations needed to achieve Fujitsu Group's vision of a "Human Centric Intelligent Society" (a society that enjoys the benefits of the value generated by information and communication technologies without requiring anyone to be conscious of the technological complexities involved).

The Device Solutions segment contains the latest advanced technologies, including LSI devices used in digital home appliances, automobiles, mobile phones and servers, as well as electronic components, such as semiconductor packages, and is organized by product in independent business management units which include the respective sales groups.

2. Net Sales and Profit or Loss by Reporting Segment

First Nine Months of Fiscal 2010 (April 1, 2010 to December 31, 2010) (Million Yen)

	Segments				Other (*)	Total
	Technology Solutions	Ubiquitous Solutions	Device Solutions	Sub-Total		
Net Sales						
Sales to customers outside	2,063,254	744,674	414,726	3,222,654	14,031	3,236,685
Fujitsu Group						
Intersegment sales	55,694	86,104	60,288	202,086	36,656	238,742
Total net sales	2,118,948	830,778	475,014	3,424,740	50,687	3,475,427
Segment Income (Loss)	81,315	18,801	19,753	119,869	-4,373	115,496

Third Quarter of Fiscal 2010 (October 1, 2010 to December 31, 2010) (Million Yen)

	Segments				Other (*)	Total
	Technology Solutions	Ubiquitous Solutions	Device Solutions	Sub-Total		
Net Sales						
Sales to customers outside Fujitsu Group	693,086	261,075	131,825	1,085,986	8,141	1,094,127
Intersegment sales	25,057	28,495	23,542	77,094	12,013	89,107
Total net sales	718,143	289,570	155,367	1,163,080	20,154	1,183,234
Segment Income (Loss)	24,952	3,693	8,441	37,086	953	38,039

Note: The "Other" category includes activities not included in the reporting segments, such as Japan's Next-Generation Supercomputer project, facility services and the development of information systems for Fujitsu Group companies, and retirement and healthcare benefits for Fujitsu Group employees.

3. Reconciliation of Reported Consolidated Net Sales and Operating Income with the Net Sales and Operating Income or Loss of Reporting Segments

First Nine Months of Fiscal 2010 (April 1, 2010 to December 31, 2010) (Million Yen)

Reconciliation of Net Sales	Amount
Total of Reporting Segments	3,424,740
Net Sales of "Other" Category	50,687
Elimination of Intersegment Transactions	-231,535
Consolidated Quarterly Net Sales	3,243,892

(Million Yen)

Reconciliation of Operating Income/Loss	Amount
Total of Reporting Segments	119,869
Operating Income/Loss of "Other" Category	-4,373
Corporate Expenses *	-47,732
Elimination of Intersegment Transactions	695
Consolidated Quarterly Operating Income	68,459

Third Quarter of Fiscal 2010 (October 1, 2010 to December 31, 2010) (Million Yen)

Reconciliation of Net Sales	Amount
Total of Reporting Segments	1,163,080
Net Sales of "Other" Category	20,154
Elimination of Intersegment Transactions	-86,794
Consolidated Quarterly Net Sales	1,096,440

(Million Yen)

Reconciliation of Operating Income/Loss	Amount
Total of Reporting Segments	37,086
Operating Income/Loss of "Other" Category	953
Corporate Expenses *	-17,256
Elimination of Intersegment Transactions	516
Consolidated Quarterly Operating Income	21,299

Note: "Corporate Expenses" include strategic expenses for areas such as basic experimental research that, on the whole, cannot be attributed to any reporting segment, as well as shared expenses for Group management at the parent-company level.

(Additional Information)

1. Geographical Information

Net Sales

First Nine Months of Fiscal 2009 (April 1, 2009 to December 31, 2009) (Million Yen)

Japan	Outside Japan				Total
	EMEA	Americas	APAC/China	Sub-total	
2,032,276 (61.0%)	733,385 (22.0%)	237,024 (7.1%)	330,722 (9.9%)	1,301,131 (39.0%)	3,333,407 (100.0%)

First Nine Months of Fiscal 2010 (April 1, 2010 to December 31, 2010) (Million Yen)

Japan	Outside Japan				Total
	EMEA	Americas	APAC/China	Sub-total	
2,065,331 (63.7%)	621,162 (19.1%)	241,814 (7.5%)	315,585 (9.7%)	1,178,561 (36.3%)	3,243,892 (100.0%)

Third Quarter of Fiscal 2009 (October 1, 2009 to December 31, 2009) (Million Yen)

Japan	Outside Japan				Total
	EMEA	Americas	APAC/China	Sub-total	
704,803 (61.5%)	256,147 (22.3%)	75,651 (6.6%)	110,184 (9.6%)	441,982 (38.5%)	1,146,785 (100.0%)

Third Quarter of Fiscal 2010 (October 1, 2010 to December 31, 2010) (Million Yen)

Japan	Outside Japan				Total
	EMEA	Americas	APAC/China	Sub-total	
693,590 (63.3%)	225,577 (20.6%)	75,379 (6.8%)	101,894 (9.3%)	402,850 (36.7%)	1,096,440 (100.0%)

Notes:

- Geographical segments are defined based on customer location and interconnectedness of business activities.
- Principal countries and regions comprising the segments other than Japan:
 - EMEA (Europe, Middle East, Africa): UK, Germany, Spain, Finland, Sweden
 - Americas: US, Canada
 - APAC (Asia-Pacific) & China: Australia, Singapore, Thailand, Taiwan, Korea, Vietnam, Philippines, China
- Figures in parentheses represent percentage of segment sales to consolidated net sales.

Starting with the first quarter of fiscal 2010, the company has implemented "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Account Standards Board of Japan Statement No. 17, issued March 27, 2009)

and “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, issued March 21, 2008).

If these accounting standards were applied to figures for the third quarter and the first nine months of fiscal 2009, the consolidated quarterly segment information would be as indicated below.

2. Net Sales and Profit or Loss by Reporting Segment

First Nine Months of Fiscal 2009 (April 1, 2009 to December 31, 2009) (Million Yen)

	Segments				Other (*)	Total
	Technology Solutions	Ubiquitous Solutions	Device Solutions	Sub-Total		
Net Sales						
Sales to customers outside Fujitsu Group	2,136,443	729,001	371,844	3,237,288	90,940	3,328,228
Intersegment sales	52,819	79,164	57,972	189,955	40,916	230,871
Total net sales	2,189,262	808,165	429,816	3,427,243	131,856	3,559,099
Segment Income (Loss)	62,868	29,374	-14,751	77,491	-18,926	58,565

Third Quarter of Fiscal 2009 (October 1, 2009 to December 31, 2009) (Million Yen)

	Segments				Other (*)	Total
	Technology Solutions	Ubiquitous Solutions	Device Solutions	Sub-Total		
Net Sales						
Sales to customers outside Fujitsu Group	740,864	265,158	135,195	1,141,217	3,171	1,144,388
Intersegment sales	13,944	31,569	16,678	62,191	11,876	74,067
Total net sales	754,808	296,727	151,873	1,203,408	15,047	1,218,455
Segment Income (Loss)	31,570	16,282	3,304	51,156	-2,982	48,174

Note: The “Other” category includes activities not included in the reporting segments, such as Japan's next-generation supercomputer project, facility services and the development of information systems for Fujitsu Group companies, retirement and healthcare benefits for Fujitsu Group employees, along with the hard disk drive (HDD) business, which was transferred on October 1, 2009.

3. Reconciliation of Reported Consolidated Quarterly Net Sales and Operating Income with the Net Sales and Operating Income or Loss of Reporting Segments

First Nine Months of Fiscal 2009 (April 1, 2009 to December 31, 2009) (Million Yen)

Reconciliation of Net Sales	Amount
Total of Reporting Segments	3,427,243
Net Sales of "Other" Category	131,856
Elimination of Intersegment Transactions	-225,692
Consolidated Quarterly Net Sales	3,333,407

(Million Yen)

Reconciliation of Operating Income/Loss	Amount
Total of Reporting Segments	77,491
Operating Income/Loss of "Other" Category	-18,926
Corporate Expenses *	-42,609
Elimination of Intersegment Transactions	-561
Consolidated Quarterly Operating Income	15,395

Third Quarter of Fiscal 2009 (October 1, 2009 to December 31, 2009) (Million Yen)

Reconciliation of Net Sales	Amount
Total of Reporting Segments	1,203,408
Net Sales of "Other" Category	15,047
Elimination of Intersegment Transactions	-71,670
Consolidated Quarterly Net Sales	1,146,785

(Million Yen)

Reconciliation of Operating Income/Loss	Amount
Total of Reporting Segments	51,156
Operating Income/Loss of "Other" Category	-2,982
Corporate Expenses *	-14,686
Elimination of Intersegment Transactions	153
Consolidated Quarterly Operating Income	33,641

Note: "Corporate Expenses" include strategic expenses for areas such as basic experimental research that, on the whole, cannot be attributed to any reporting segment, as well as shared expenses for Group management at the parent-company level.

(4) Significant Changes to Subsidiaries in the Current Reporting Period (changes to specified subsidiaries resulting from changes in scope of consolidation)

There are none.

(5) Cautionary Note Regarding Assumptions of a Going Concern

There are none.

(6) Significant Changes in Shareholders' Equity

There are none.

(7) Precautions on Usage of Earnings Projections

These materials may contain forward-looking statements that are based on management's current information, 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 listed below.

For information regarding the assumptions used to prepare these projections, please refer to “FY2010 Consolidated Earnings Projections” on page 28.

- General economic and market conditions in key markets (particularly in Japan, North America, Europe, and Asia, including 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
- Risks related to product or services defects
- Potential emergence of unprofitable projects
- Risks related to R&D investments, capital expenditures, business acquisitions, business restructuring, etc.
- Risks related to natural disasters and unforeseen events
- Changes in accounting policies