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 (% change from previous fiscal year)	2,869.2 (0.7%)	2,850.2 (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