

Part II. Explanation of Financial Results

1. Overview of FY 2007 First-Half Consolidated Financial Results

Business Environment

During the first half of fiscal 2007 (April 1 – September 30, 2007), the business environment in which the Fujitsu Group operates was characterized by a continuation of firm economic trends. In the US, economic uncertainty grew on account of fears of a credit squeeze in financial and capital markets stemming from the sub-prime mortgage crisis, as well as a correction in the housing market. In Europe, however, economic growth continued, while economies in Asia—and China in particular—showed strong expansion. In Japan, in spite of concern about rapidly rising prices for raw materials, consumer spending made a modest recovery and exports were also buoyant, resulting in a solid pace of growth overall.

With respect to global IT investment, signs of weakness appeared early in the period, including inventory adjustments in semiconductors and concerns of an economic slowdown in the US. Overall, however, demand has continued to expand at a healthy pace, driven largely by strong demand for digital consumer electronic products. There are also signs of a recovery in the semiconductor market as inventory adjustments run their course. Moreover, capital expenditures remain firm, supported by the growth in corporate earnings. Overall, therefore, the underlying trend in IT investment has been solid.

The Fujitsu Group has positioned fiscal 2007 as a transformational year in which we aim to expand growth and profits. Based on our “Field Innovation” concept, we will broaden our offerings from “IT solutions” to “business solutions” designed to optimize our customers’ businesses. We will also accelerate the collaboration between sales and product development operations, structural reforms, and the expansion of our global business. The pursuit of Field Innovation within the Fujitsu Group will enable us to reform our own operations and enhance our ability to respond to customer needs. Through these activities, we aim to contribute to the creation of a prosperous and dynamic networking world, thereby increasing the trust placed in us by our customers and society as a whole.

FY 2007 Consolidated First-Half Results

(Billion Yen)

	First Half FY 2006 <i>4/1/06-9/30/06</i>	First Half FY 2007 <i>4/1/07-9/30/07</i>	Change
Net Sales [% Change vs. Same Period in prior Fiscal Year]	2,362.3 [7.8%]	2,513.1 [6.4%]	150.7
Operating Income [Operating Income Margin]	50.6 [2.1%]	43.9 [1.7%]	-6.7 [-0.4%]
Gain on Sales of Marketable Securities	-	11.6	11.6
Gain on Change in Interest	-	2.0	2.0
Revaluation Loss on Inventories	-	-25.0	-25.0
Impairment Loss	-	-0.2	-0.2
Income before Income Taxes and Minority Interests	37.6	18.2	-19.4
Income Taxes	15.8	21.1	5.3
Minority Interests	6.9	6.3	-0.6
Net Income (Loss)	14.8	-9.3	-24.1

(Billion Yen)

<i>Breakdown of First-Half Results</i>	
<i>Impact of Accounting Policy Changes</i>	<i>Excluding Impact of Accounting Policy Changes</i>
-4.2	2,517.3
-3.2	47.1
-	11.6
-	2.0
-25.0	-
-	-0.2
-24.3	42.5
-6.6	27.8
-0.6	6.9
-17.0	7.6

FY 2007 Consolidated Second-Quarter Results

(Billion Yen)

	Second Quarter FY 2007 <i>7/1/07-9/30/07</i>	Change vs. 2Q FY06
Net Sales [% Change vs. Same Period in prior Fiscal Year]	1,346.3 [6.9%]	86.8
Operating Income [Operating Income Margin]	40.9 [3.0%]	4.9 [0.1%]
Gain on Sales of Marketable Securities	1.7	1.7
Gain on Change in Interest	2.0	2.0
Revaluation Loss on Inventories	-0.0	-0.0
Impairment Loss	-0.2	-0.2
Income (loss) before Income Taxes and Minority Interests	29.9	-1.4
Net Income (Loss)	5.4	-8.7

(Billion Yen)

First Quarter FY 2007 <i>4/1/07-6/30/07</i>	Change vs. 1Q FY06
1,166.8 [5.8%]	63.9
2.9	-11.6
[0.3%]	[-1.0%]
9.8	9.8
-	-
-25.0	-25.0
-	-
-11.7	-18.0
-14.7	-15.4