

10. FY 2007 Second-Quarter Consolidated Results

Profit and Loss

	Second Quarter FY 2007 (Billion Yen)	Change from 2Q FY 2006
Net Sales	1,346.3	6.9%
Japan	842.6	3.5%
Overseas	503.6	13.2%

	Second Quarter FY 2007 (Billion Yen)	Change from 2Q FY 2006 (Billion Yen)
Operating Income	40.9	4.9

Second-quarter consolidated net sales were 1,346.3 billion yen (US\$11,707 million), a year-on-year increase of 6.9%. In Japan, sales rose 3.5% compared to the second quarter of fiscal 2006. Sales fell for mobile phone base stations and standard technology logic devices, demand for which has been slow to recover, but these negative factors were offset by higher sales of IT services, mobile phones, and 90nm advanced technology logic devices. Sales outside Japan rose 13.2% over the same period in the previous year. In addition to the positive effects of currency translations and growth through acquisitions, sales of outsourcing services, optical transmission systems, UNIX servers, HDDs and other products climbed.

Consolidated operating income in the second quarter was 40.9 billion yen (US\$356 million), an increase of 4.9 billion yen over the second quarter of fiscal 2006. Despite the impact of lower sales of mobile phone base stations and continuing pricing pressure in HDDs, operating income increased due higher sales, progress in reducing costs, especially in our server-related business, and improved profitability in our LSI devices business resulting from higher sales.

In other income and expenses, we posted a 2.0 billion yen gain on change in interest linked to our increased capital investment in and the public listing of Chinese affiliate Nantong Fujitsu Microelectronics Co., Ltd., and a gain of 1.7 billion yen from the sale of shares in an Indian affiliate. We also posted an impairment loss of 0.3 billion yen on property, plant, and equipment in our electronic components business.

Net income for the second quarter was 5.4 billion yen (US\$47 million), a decrease of 8.7 billion yen compared to the second quarter of fiscal 2006. The decline in net income was attributable to a higher tax liability resulting from an increase in dividends received from overseas subsidiaries as well as a higher tax burden in the UK stemming from tax rate changes.

