

Part II. Explanation of Financial Results

1. Overview

Business Environment

During the first quarter of fiscal 2007 (April 1 - June 30, 2007), the business environment in which the Fujitsu Group operates was characterized by a continuation of firm economic trends. Adjustments in the housing sector and the persistence of high prices for raw materials prompted concerns about their potential to slow the pace of economic growth in the US, but there was continued economic growth in Europe and strong economic growth in Asia, especially China. In Japan, although the tempo of the economic recovery moderated as a result of weakness in consumer spending and other factors, growth in the corporate sector remained firm, especially for export-related businesses, resulting in a solid pace of growth overall.

With respect to IT investment, with inventory adjustments in semiconductors and other short-term production adjustments, as well as concerns of an economic slowdown in the US, there was a higher level of uncertainty, resulting in some temporary caution, but capital investment remained solid, bolstered by higher corporate earnings. Overall, therefore, the underlying trend in IT investment remained solid.

This fiscal year the Fujitsu Group begins a new medium-term business plan aimed at expanding growth and profits. With the aim of achieving “a leap forward” in our IT services business, centered on the theme of “field innovation,” we will expand the scope of our solutions offerings from “IT solutions” to “business solutions” that are intimately tied to our customers’ businesses. We will also strengthen our product businesses, which serve as a platform for our services offerings and differentiate Fujitsu in the marketplace, by enhancing global collaboration between sales and product development functions and accelerating structural reforms. In addition, in order to enhance our ability to offer compelling proposals to our customers, we will pursue field innovation within the Fujitsu Group, further reforming our own operations to enhance the trust placed in us by our customers and society as a whole, as a global company contributing to the creation of a prosperous and dynamic networked world.

FY 2007 First-Quarter Results

(Billion Yen)				(Billion Yen)		
	First Quarter FY 2006	First Quarter FY 2007	Change	Change vs. April Forecast*	Breakdown of First-Quarter Results	
	4/1/06-6/30/06	4/1/07-6/30/07			Impact of Accounting Policy Changes	Excluding Impact of Accounting Policy Changes
Net Sales	1,102.8	1,166.8	63.9	16.8	-	1,166.8
[% Change vs. Same Period in Prior Fiscal Year]	[7.5%]	[5.8%]			-	[5.8%]
Operating Income	14.5	2.9	-11.6	2.9	-2.7	5.6
[Operating Income Margin]	[1.3%]	[0.3%]	[-1.0%]	[0.3%]	-	[0.5%]
Gain on sale of investment securities	-	9.8	9.8		-	9.8
Valuation loss on inventories	-	-25.0	-25.0		-25.0	-
Net Income (Loss)	0.6	(14.7)	-15.4		-15.4	0.6

* April forecast as of April 26, 2007