Fujitsu Limited
July 26, 2007

FY 2007 First-Quarter Financial Results

Contents

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a. Summary of Consolidated Statements of Operations

		Yen (Millions) (Except per share data)		
		1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2006 (4/1/06~6/30/06)	Change (%)
Net sales	**Y**	**1,166,800**	1,102,870	+5.8
Operating income		**2,947**	14,574	-79.8
Income (Loss) before income taxes and minority interests		**(11,711)**	6,338	-
Net income (loss)		**(14,780)**	664	-
Net income (loss) per common share:				
Basic		**(7.22)**	0.32	-
Diluted	**Y**	**-**	0.23	-

b. Net Sales by Business Segment (including intersegment)

		Yen (Millions)		
		1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2006 (4/1/06~6/30/06)	Change (%)
Technology Solutions	**Y**	**683,171**	649,616	+5.2
Ubiquitous Product Solutions		**274,639**	252,383	+8.8
Device Solutions		**189,023**	179,806	+5.1
Other Operations		**122,485**	116,043	+5.6
Elimination		**(102,518)**	(94,978)	-
Total	**Y**	**1,166,800**	1,102,870	+5.8

c. Summary of Consolidated Financial Condition

		Yen (Millions) (Except per share data)		
		June 30 2007	March 31 2007	June 30 2006
Total assets	**Y**	**3,909,379**	3,943,724	3,670,481
Net assets		**1,145,080**	1,160,719	1,063,843
Net assets per share	**Y**	**467.84**	469.02	431.17
Owners' equity ratio		**24.4%**	24.6%	24.3%

d. Summary of Consolidated Statements of Cash Flows

		Yen (Millions)		
		1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2006 (4/1/06~6/30/06)	FY 2006 (4/1/06~3/31/07)
Cash flows from operating activities	**Y**	**(53,734)**	(76,817)	408,765
Cash flows from investing activities		**(67,019)**	(48,294)	(151,083)
Cash flows from financing activities		**57,306**	31,400	(234,953)
Cash and cash equivalents at end of period	**Y**	**388,652**	328,961	448,705

2. Consolidated Earnings Forecast for FY 2007

		Yen (Billions) (Except per share data)	
		First Half ending Sep. 30, 2007 (Forecast)	Full Year ending Mar. 31, 2008 (Forecast)
Net sales	**Y**	**2,450.0**	5,400.0
Operating income		**20.0**	195.0
Net income (loss)		**(20.0)**	65.0
Net income (loss) per common share	**Y**	**(9.83)**	31.94

3. First-Quarter Consolidated Statements of Operations

	Yen (Millions)			(For reference)
	1Q FY 2007 **(4/1/07~6/30/07)**	1Q FY 2006 (4/1/06~6/30/06)	Change (%)	FY 2006 (4/1/06~3/31/07)
Net sales	Y **1,166,800**	1,102,870	+5.8	5,100,163
Cost of sales	**877,078**	815,068	+7.6	3,781,647
Gross profit	**289,722**	287,802	+0.7	1,318,516
Selling, general and administrative expenses	**286,775**	273,228	+5.0	1,136,428
Operating income	**2,947**	14,574	-79.8	182,088
Other income:				
Interest and dividend income	**6,758**	4,753		14,185
Equity in earnings of affiliates, net	-	-		6,996
Gain on foreign exchange, net	**3,224**	-		2,132
Gain on sales of marketable securities*	**9,830**	-		77,337
Gain on change in interest	-	-		2,136
Others	**3,648**	3,153		21,840
Total other income	**23,460**	7,906		124,626
Other expenses:				
Interest expense	**4,851**	4,283		18,429
Equity in losses of affiliates, net	**427**	3,883		-
Amortization of unrecognized obligation for retirement benefits	-	814		3,146
Loss on foreign exchange, net	-	298		-
Revaluation loss on inventories**	**25,019**	-		-
Impairment loss	-	-		9,991
Loss on sales of marketable securities	-	-		2,275
Others	**7,821**	6,864		58,378
Total other expenses	**38,118**	16,142		92,219
Income (Loss) before income taxes and minority interests	**(11,711)**	6,338	-	214,495
Income taxes	**(62)**	3,517		96,243
Minority interests	**3,131**	2,157		15,837
Net income (loss)	Y **(14,780)**	664	-	102,415

Notes:

* Gain on sales of marketable securities refers principally to gain on sale of shares in affiliate Japan Cablenet Holdings Limited.

** Loss on revaluation of inventories refers to valuation loss on inventories at the beginning of period in conjunction with introduction of new accounting standard for the valuation of inventories adopted from this fiscal year.

4. First-Quarter Consolidated Business Segment Information

a. Net Sales and Operating Income

		Yen (Millions)			(For reference)
		1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2006 (4/1/06~6/30/06)	Change (%)	FY 2006 (4/1/06~3/31/07)
Technology Solutions					
Japan	**Y**	**407,958**	415,398	-1.8	2,087,728
Overseas		**275,213**	234,218	+17.5	1,069,312
Total		**683,171**	649,616	+5.2	3,157,040
Operating income (loss):					
System Platforms		**(11,142)**	(5,794)	-	7,501
[Operating income margin]		**[-7.9%]**	[-3.6%]		[1.1%]
Services		**15,042**	8,139	+84.8	156,107
[Operating income margin]		**[2.8%]**	[1.7%]		[6.4%]
Total operating income		**3,900**	2,345	+66.3	163,608
[Operating income margin]		**[0.6%]**	[0.4%]		[5.2%]
Ubiquitous Product Solutions					
Japan		**174,955**	162,067	+8.0	710,140
Overseas		**99,684**	90,316	+10.4	408,183
Total		**274,639**	252,383	+8.8	1,118,323
Operating income		**12,395**	10,145	+22.2	41,650
[Operating income margin]		**[4.5%]**	[4.0%]		[3.7%]
Device Solutions					
Japan		**124,190**	98,649	+25.9	457,039
Overseas		**64,833**	81,157	-20.1	305,636
Total		**189,023**	179,806	+5.1	762,675
Operating income (loss)		**(3,611)**	11,471	-	19,010
[Operating income margin]		**[-1.9%]**	[6.4%]		[2.5%]
Other Operations					
Japan		**82,878**	84,288	-1.7	349,950
Overseas		**39,607**	31,755	+24.7	140,427
Total		**122,485**	116,043	+5.6	490,377
Operating income		**2,661**	2,195	+21.2	10,563
[Operating income margin]		**[2.2%]**	[1.9%]		[2.2%]
Elimination					
Sales		**(102,518)**	(94,978)	-	(428,252)
Operating income		**(12,398)**	(11,582)	-	(52,743)
Total					
Japan		**718,832**	688,870	+4.3	3,274,908
Overseas		**447,968**	414,000	+8.2	1,825,255
Total		**1,166,800**	1,102,870	+5.8	5,100,163
Operating income	**Y**	**2,947**	14,574	-79.8	182,088
[Operating income margin]		**[0.3%]**	[1.3%]		[3.6%]

Note:

Includes intersegment sales.

b. Net Sales by Principal Products and Services

		Yen (Millions) 1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2006 (4/1/06~6/30/06)	Change (%)	(For reference) FY 2006 (4/1/06~3/31/07)
Technology Solutions					
System Platforms:					
System Products	**Y**	**72,489**	69,297	+4.6	355,324
Network Products		**68,140**	90,889	-25.0	348,456
		140,629	160,186	-12.2	703,780
Services:					
Solutions / SI		**256,480**	213,741	+20.0	1,091,060
Infrastructure Services		**275,225**	248,289	+10.8	1,164,818
Others		**10,837**	27,400	-60.4	197,382
		542,542	489,430	+10.9	2,453,260
Total		**683,171**	649,616	+5.2	3,157,040
Ubiquitous Product Solutions					
PCs / Mobile Phones		**199,479**	174,677	+14.2	768,649
Hard Disk Drives		**71,356**	73,511	-2.9	329,835
Others		**3,804**	4,195	-9.3	19,839
Total		**274,639**	252,383	+8.8	1,118,323
Device Solutions					
LSI Devices		**120,500**	112,600	+7.0	473,500
Electronic Components, Others		**68,523**	67,206	+2.0	289,175
Total	**Y**	**189,023**	179,806	+5.1	762,675

Note:

Net sales include intersegment sales.

In conjunction with organizational changes designed to enhance collaboration between sales and product development functions, beginning this fiscal year ATM and POS business results (which amounted to sales of about 19.0 billion yen in the first quarter of fiscal 2006), formerly recorded under the "Others" category in the Services sub-segment, are recorded in the Solutions / SI category, which includes financial and retail solutions.

5. First-Quarter Consolidated Geographic Segment Information

a. Net Sales and Operating Income

			Yen (Millions) 1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2006 (4/1/06~6/30/06)	Change (%)	(For reference) FY 2006 (4/1/06~3/31/07)
Japan	Sales	**Y**	904,157	880,922	+2.6	4,077,148
	Operating income		9,121	15,357	-40.6	191,864
	[Operating income margin]		[1.0%]	[1.7%]		[4.7%]
EMEA	Sales		181,528	159,229	+14.0	736,360
	Operating income		962	3,768	-74.5	24,131
	[Operating income margin]		[0.5%]	[2.4%]		[3.3%]
The Americas	Sales		112,908	105,011	+7.5	442,326
	Operating income		1,834	3,302	-44.5	8,465
	[Operating income margin]		[1.6%]	[3.1%]		[1.9%]
APAC & China	Sales		189,187	184,131	+2.7	807,166
	Operating income		3,261	2,505	+30.2	11,680
	[Operating income margin]		[1.7%]	[1.4%]		[1.4%]
Elimination	Sales		(220,980)	(226,423)	-	(962,837)
	Operating income		(12,231)	(10,358)	-	(54,052)
Total	Sales		1,166,800	1,102,870	+5.8	5,100,163
	Operating income	**Y**	2,947	14,574	-79.8	182,088
	[Operating income margin]		[0.3%]	[1.3%]		[3.6%]

Note:

Includes intersegment sales.

6. First-Quarter Consolidated Balance Sheets

		Yen (Millions) June 30 2007	June 30 2006	Change (Million Yen)	(For reference) March 31 2007
Assets					
Current assets:					
Cash and cash equivalents and short-term investments	**Y**	**393,137**	330,711	+62,426	449,425
Receivables, trade		**977,824**	789,534	+188,290	1,054,048
Inventories		**438,201**	457,802	-19,601	412,387
Other current assets		**257,244**	217,313	+39,931	216,163
Total current assets		**2,066,406**	1,795,360	+271,046	2,132,023
Noncurrent assets:					
Property, plant and equipment less accumulated depreciation		**880,676**	810,956	+69,720	842,489
Intangible assets		**230,238**	240,304	-10,066	234,940
Investments and long-term loans		**732,059**	823,861	-91,802	734,272
Total noncurrent assets		**1,842,973**	1,875,121	-32,148	1,811,701
Total assets		**3,909,379**	3,670,481	+238,898	3,943,724
Liabilities and net assets					
Liabilities					
Current liabilities:					
Payables, trade		**739,705**	641,579	+98,126	824,825
Short-term borrowings and current portion of long-term debt		**375,297**	282,611	+92,686	226,250
Other current liabilities		**707,829**	600,455	+107,374	756,490
Total current liabilities		**1,822,831**	1,524,645	+298,186	1,807,565
Long-term liabilities:					
Long-term debt		**475,613**	693,172	-217,559	519,567
Other long-term liabilities		**465,855**	388,821	+77,034	455,873
Total long-term liabilities		**941,468**	1,081,993	-140,525	975,440
Total liabilities		**2,764,299**	2,606,638	+157,661	2,783,005
Net assets					
Shareholders' equity:					
Common stock		**324,625**	324,625	-	324,625
Capital surplus		**251,364**	498,021	-246,657	498,029
Retained earnings (deficit)		**279,965**	(46,285)	+326,250	54,319
Treasury stock		**(28,576)**	(1,526)	-27,050	(1,969)
Total shareholders' equity		**827,378**	774,835	+52,543	875,004
Valuation and translation adjustments:					
Valuation difference on available-for-sale securities		**140,143**	162,660	-22,517	125,383
Foreign currency translation adjustments		**(15,322)**	(46,020)	+30,698	(30,865)
Total valuation and translation adjustments		**124,821**	116,640	+8,181	94,518
Minority interests		**192,881**	172,368	+20,513	191,197
Total net assets		**1,145,080**	1,063,843	+81,237	1,160,719
Total liabilities and net assets		**3,909,379**	3,670,481	+238,898	3,943,724
Ending balance of interest-bearing loans		**850,910**	975,783	-124,873	745,817
Owners' equity*	**Y**	**952,199**	891,475	+60,724	969,522
D/E ratio**		**0.89**	1.09	-0.20	0.77
Shareholders' equity ratio		**21.2%**	21.1%	+0.1%	22.2%
Owners' equity ratio		**24.4%**	24.3%	+0.1%	24.6%

Notes:

* Owners’ equity is total net assets - minority interests.

** D/E ratio is ending balance of interest-bearing loans ÷ owners’ equity.

7. First-Quarter Consolidated Statements of Changes in Net Assets

(Million yen)

		Shareholders' Equity					Valuation and Translation Adjustments			
		Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	**Total shareholders' equity**	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Minority interests	**Total net assets**
Balance at March 31, 2007	**Y**	324,625	498,029	54,319	(1,969)	**875,004**	125,383	(30,865)	191,197	**1,160,719**
Increase (decrease)										
during the term:										
Cash dividends			(6,201)			**(6,201)**				**(6,201)**
Transfer of capital surplus										
to retained earnings			(240,464)	240,464		-				-
Net income (loss)				(14,780)		**(14,780)**				**(14,780)**
Purchase of treasury stock					(26,611)	**(26,611)**				**(26,611)**
Sales of treasury stock					4	**4**				**4**
Others				(38)		**(38)**				**(38)**
Net increase (decrease) during										
the term, except for items										
under shareholders' equity							14,760	15,543	1,684	**31,987**
Total		-	(246,665)	225,646	(26,607)	**(47,626)**	14,760	15,543	1,684	**(15,639)**
Balance at June 30, 2007	**Y**	324,625	251,364	279,965	(28,576)	**827,378**	140,143	(15,322)	192,881	**1,145,080**

Note:

Transfer of capital surplus to retained earnings is appropriation from the Company's other capital surplus for the elimination of the Company's accumulated deficit recorded in its unconsolidated retained earnings as resolved by the board of directors on May 24, 2007.

8. First-Quarter Consolidated Statements of Cash Flows

		Yen (Millions)			(For reference)
		1Q FY 2007	1Q FY 2006	Change	FY 2006
		(4/1/07~6/30/07)	(4/1/06~6/30/06)	(Million Yen)	(4/1/06~3/31/07)
1. Cash flows from operating activities:					
Income (Loss) before income taxes and minority interests	**Y**	**(11,711)**	6,338	-18,049	214,495
Depreciation and amortization		**65,926**	57,811	+8,115	278,784
Impairment loss		**-**	-	-	9,991
Increase (decrease) in provisions		**(3,440)**	(11,129)	+7,689	(20,686)
Equity in earnings of affiliates, net		**427**	3,883	-3,456	(6,996)
Disposal of property, plant and equipment		**1,514**	3,853	-2,339	27,879
(Gain) Loss on sales of marketable securities		**(9,830)**	-	-9,830	(75,062)
(Increase) decrease in receivables, trade		**106,063**	99,678	+6,385	(116,659)
(Increase) decrease in inventories		**(46,075)**	(51,163)	+5,088	(7,445)
Increase (decrease) in payables, trade		**(101,443)**	(116,058)	+14,615	49,263
Other, net		**(55,165)**	(70,030)	+14,865	55,201
Net cash provided by (used in) operating activities		**(53,734)**	(76,817)	+23,083	408,765
2. Cash flows from investing activities:					
Purchase of property, plant and equipment		**(92,307)**	(42,454)	-49,853	(258,631)
(Increase) decrease in investments		**31,523**	(84)	+31,607	94,308
Other, net		**(6,235)**	(5,756)	-479	13,240
Net cash provided by (used in) investing activities		**(67,019)**	(48,294)	-18,725	(151,083)
1+2 [Free Cash Flow]		**(120,753)**	(125,111)	+4,358	257,682
3. Cash flows from financing activities:					
Increase (decrease) in bonds, notes, short-term borrowings and long-term debt		**102,453**	46,914	+55,539	(186,778)
Dividends paid		**(8,338)**	(8,579)	+241	(16,572)
Other, net		**(36,809)**	(6,935)	-29,874	(31,603)
Net cash provided by (used in) financing activities		**57,306**	31,400	+25,906	(234,953)
4. Effect of exchange rate changes on cash and cash equivalents		**3,394**	1,120	+2,274	4,424
5. Net increase (decrease) in cash and cash equivalents		**(60,053)**	(92,591)	+32,538	27,153
6. Cash and cash equivalents at beginning of period		**448,705**	420,894	+27,811	420,894
7. Cash and cash equivalents of newly consolidated subsidiaries		**-**	658	-658	658
8. Cash and cash equivalents at end of period	**Y**	**388,652**	328,961	+59,691	448,705

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)*

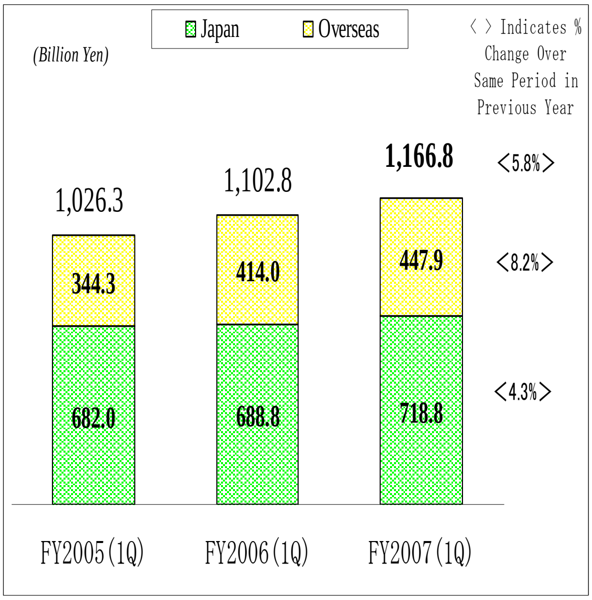
	First Quarter FY 2006 *4/1/06-6/30/06*	First Quarter FY 2007 *4/1/07-6/30/07*	Change	Change vs. April Forecast*	*Breakdown of First-Quarter Results*	
					Impact of Accounting Policy Changes	*Excluding Impact of Accounting Policy Changes*
Net Sales	1,102.8	1,166.8	63.9	16.8	-	1,166.8
[% Change vs. Same 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

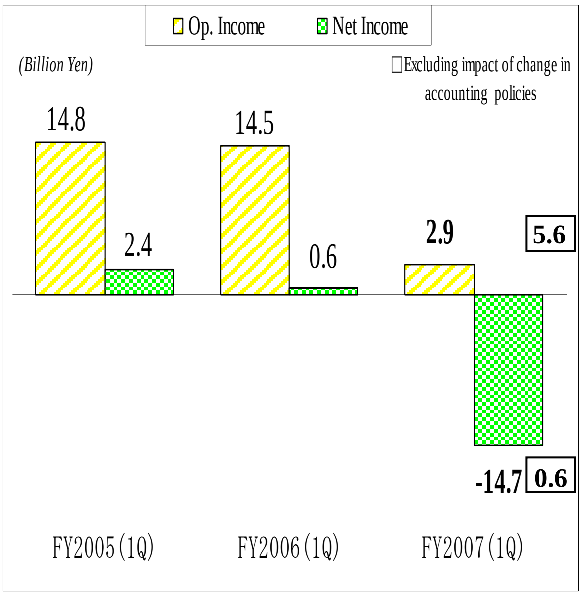
2. Profit and Loss

Note: In various places throughout these explanatory materials, yen figures for net sales, operating income and net income are converted to U.S. dollars, for convenience only, at a uniform rate of $1 = 123 yen, which was the approximate Tokyo foreign exchange market rate at June 30, 2007.

Net Sales



Operating Income & Net Income



First-quarter consolidated net sales were 1,166.8 billion yen (US$9,486 million), a year-on-year increase of 5.8%. Sales increased in each of our business segments by at least 5%, with exceptionally strong performance in the Services sub-segment of our Technology Solutions segment.

Sales in Japan increased by 4.3%. Although the customer investment cycle in mobile phone base stations peaked out and sales of standard technology logic LSI products were sluggish as a result of a delayed rebound in demand, sales in our services business increased as a result of higher sales of systems integration services, primarily in the financial services and public sectors, and continued strength in our outsourcing business. Moreover, in addition to higher sales of mobile phones and advanced technology logic products, domestic sales of servers and related products were also solid.

Overseas sales increased by 8.2%. Despite sluggish sales of hard disk drives (HDDs), which were impacted by continuing price competition in global markets, and lower sales of Flash memory chips for mobile phones, overseas sales of outsourcing and other services remained strong, and sales of UNIX servers and notebook PCs also increased.

Consolidated operating income was 2.9 billion yen (US$24 million). Excluding the impact of changes in accounting policies that were implemented this fiscal year, operating income was 5.6 billion yen, a year-on-year first-quarter decline of 8.8 billion yen. Operating income was adversely affected by lower capacity utilization as a result of sluggish sales of standard technology logic products, making it impossible to absorb higher expenses in our advanced technology logic device business. As a result, despite higher overall sales, primarily in overseas markets, our gross income margin declined by 1.3 percentage points, to 24.8%. Selling, general, and administrative expenses increased by 13.5 billion yen over the same period in fiscal 2006 as a result of the growth in the scale of our services business in the UK, Germany, and other European markets as well as higher development expenditures in the areas of next-generation networks and advanced technology logic devices.

In other income (expenses), because as of the third quarter of last fiscal year results from Spansion Inc. are no longer consolidated under the equity method, there was an improvement in equity in earnings of affiliates. As a result of the depreciation of the yen, there was significant improvement in foreign currency translation adjustments.

In addition, we posted a gain of 9.8 billion yen from the sale of shares in affiliates and a loss of 25.0 billion yen on revaluation of inventories. The latter was a valuation loss on inventories at the beginning of the quarter in conjunction with the early adoption of a new accounting policy for the valuation of inventories introduced from this fiscal year.

As a result of these factors, we reported a consolidated net loss of 14.7 billion yen (US$120 million) for the first quarter. Excluding the impact of change in accounting policies, there was a net profit of 0.6 billion yen.

Comparison with April 2007 Forecasts

Because of higher-than-anticipated sales in the Technology Solutions and Ubiquitous Product Solutions segments, net sales exceeded the forecast announced on April 26, 2007 by 16.8 billion yen.

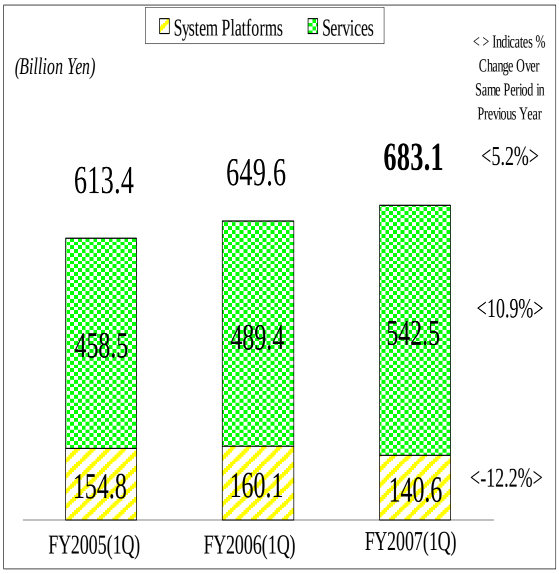
Excluding the impact of change in accounting policies, operating income exceeded the forecast by 5.6 billion yen. Results for logic LSI devices, for which there has been a delay in the rebound of demand, were lower than anticipated, but higher revenues together with improved costs efficiencies in our services, PC, mobile phone and other businesses, resulted in operating income that exceeded our initial forecast.

3. Results by Business Segment

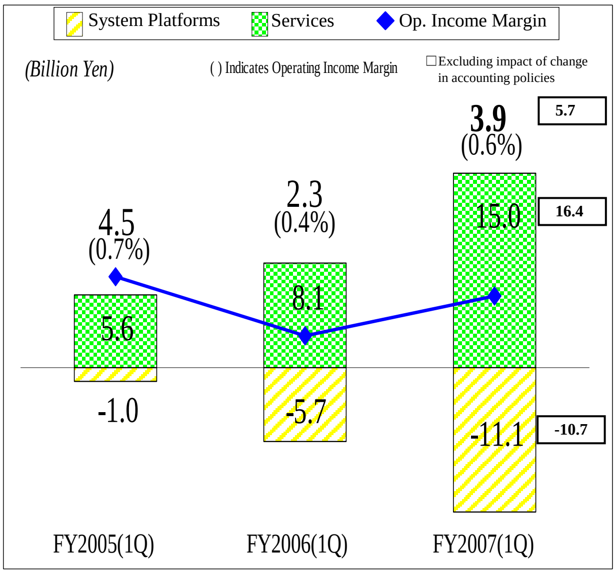
Information on net sales (including intersegment sales) and operating income for the first quarter broken out by business segment is presented below.

Technology Solutions

Net Sales



Operating Income



(Billion Yen)

	First Quarter FY 2007 *(Billion Yen)*	% Change vs. 1Q FY 2006
Net Sales	683.1	5.2%
Japan	407.9	-1.8%
Overseas	275.2	17.5%

	First Quarter FY 2007	Change vs. 1Q FY 2006
Operating Income	3.9	1.5
[Excluding impact of accounting policy changes]	[5.7]	[3.4]

Consolidated net sales in this segment, which includes the System Platforms and Services sub-segments, were 683.1 billion yen (US$ $5,554 million), up 5.2% over the first quarter of fiscal 2006. In Japan, higher sales in our services business and solid sales trends in servers and related products failed to offset weak sales of mobile phone base stations and optical transmission systems, resulting in a 1.8% decrease in domestic sales in the segment. Overseas sales increased by 17.5%, bolstered by continued stable growth in sales of outsourcing and other services as well as higher sales of UNIX servers.

Operating income for the segment was 3.9 billion yen (US$32 million), or 5.7 billion yen excluding the impact of accounting policy changes. This represents a 3.4 billion yen year-on-year first-quarter increase if the impact of change in accounting policies is excluded. Despite lower sales of mobile phone base stations and the continued burden of investments related to the development of optical transmission systems in the UK, the segment achieved higher operating income because of higher sales in our services business and of servers and related products as well as improvements in the profitability of our services business in Japan.

(1) System Platforms

(Billion Yen)

		First Quarter FY 2007 *(Billion Yen)*	% Change vs. 1Q FY 2006
Net Sales		140.6	-12.2%
	Japan	87.7	-19.7%
	Overseas	52.8	3.8%

	First Quarter FY 2007	Change vs. 1Q FY 2006
Operating Income	-11.1	-5.3
[Excluding impact of accounting policy changes]	[-10.7]	[-4.9]

Net sales in the System Platforms sub-segment were 140.6 billion yen (US$1,143 million), down 12.2% from the first quarter of the previous year. In Japan, sales of servers and related products were solid, particularly for IA servers, but sluggish sales of mobile phone base stations and optical transmission systems, as customer investment cycles peaked out and investment focuses changed in these areas, resulted in a 19.7% decline in domestic sales in the sub-segment. Overseas sales increased by 3.8%, as sluggish sales of optical transmission systems as a result of changes in customer investment trends were offset by higher sales of UNIX servers resulting from the release of our new SPARC Enterprise models, which are co-branded with Sun Microsystems.

System Platforms posted an operating loss for the quarter of 11.1 billion yen (US$91 million), representing a deterioration of 5.3 billion yen over the first quarter of fiscal 2006. Despite the positive contribution from higher sales of servers and related products, results in the sub-segment were dragged down by the impact of lower sales of mobile phone base stations and optical transmission systems, as well as the weight of upfront strategic investments in Super 3G wireless base station equipment and the continued burden of development costs associated with next-generation networks in our optical transmission systems business in the UK.

The shift to next-generation networks that utilize IP technology and the integration of phone, TV and Internet services is rapidly leading toward a more intricately networked society. In order to meet the resulting wide variety of customer needs in a flexible and timely manner, we have established a new Telecom Business Group with an operational structure that brings together networking equipment development, manufacturing, sales, and support services. In addition, in order to flexibly optimize utilization of Group-wide resources, we plan to make Fujitsu Access and Fujitsu Wireless Systems, two subsidiaries responsible for manufacturing, development and sales, wholly owned subsidiaries in August.

(2) Services

(Billion Yen)

		First Quarter FY 2007 *(Billion Yen)*	% Change vs. 1Q FY 2006
Net Sales		542.5	10.9%
	Japan	320.2	4.6%
	Overseas	222.3	21.3%

	First Quarter FY 2007	Change vs. 1Q FY 2006
Operating Income	15.0	6.9
[Excluding impact of accounting policy changes]	[16.4]	[8.3]

Net sales in the Services sub-segment were 542.5 billion yen (US$4,411 million), up 10.9% from the same period a year earlier. In Japan, sales for the sub-segment increased 4.6% as a result of continued strength in our outsourcing business and higher sales of systems integration services, primarily in the public sector, resulting from business relating to the privatization of public-sector entities, as well as in the financial services sector, particularly in the insurance and securities industries. Overseas sales increased by 21.3%, bolstered by continued strong sales of outsourcing and other services in Europe.

Operating income for the Services sub-segment was 15.0 billion yen (US$123 million), or 16.4 billion yen excluding the impact of the change in accounting policies, representing a year-on-year first-quarter increase of 8.3 billion yen on that basis. Although selling, general, and administrative expenses increased as a result of the growth in the scale of our overseas services business, operating income in the sub-segment increased as a result of higher revenues both in Japan and overseas as well as improvements in project profitability in our systems integration business in Japan.

We are striving to achieve a leap forward in our IT services business as a key element of our new medium-term strategic plan. As key initiatives to achieve this goal, we are working to broaden the scope of our business by expanding from “IT solutions” into “business solutions,” as well as to strengthen our services delivery capability on a global basis.

Rather than simply improving our customers’ IT systems, we are also proposing field innovation strategies that enable continuous improvement and utilize original methods and visualization technologies for making business processes and the roles and actions of people visible, while also expanding our business process outsourcing capabilities. Additionally, we are proceeding with measures to “industrialize” IT services. In order to strengthen our services delivery capability on a global scale, we are expanding our alliances and developing data and call centers, as well as expanding our offshore capabilities.

To promote field innovation, we are starting to train and cultivate “field innovators” among our employees in order to strengthen and expand our points of contact with our customers’ management and operations divisions. In addition, we are strengthening various visualization technologies. Finally, based on our own experience, we are focusing on business solutions, including those for business continuity management and to support compliance with the Japan’s version of the Sarbanes Oxley Act.

As initiatives to promote the “industrialization” of services, in order to promote the standardization and automation of processes used in the construction of IT infrastructure, we have reformed the organizational structure of our infrastructure services business, with Fujitsu FSAS playing a central role in Japan.

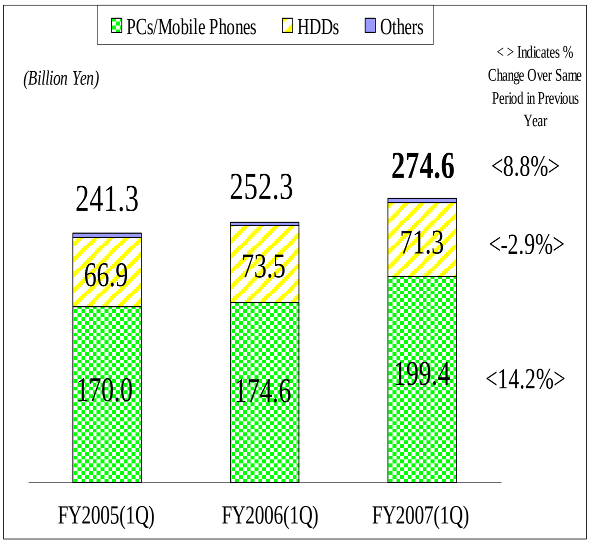
As a part of our efforts to expand our global alliances, in May we finalized an agreement with SAP of Germany to become a Global Hosting Partner, expanding our existing collaboration in platforms and services to include outsourcing. We are the third company, after IBM and HP in the US, to become a full partner to SAP. Based on this collaboration, the Fujitsu Group will provide SAP-related solutions throughout the globe using our highly reliable data centers in 80 locations across 16 countries and, as a business partner to our customers, provide support that will enable them to strengthen their management systems.

Additionally, Fujitsu Services, our subsidiary based in the UK, in July commenced a tender offer for GFI Informatique, which is pursuing IT services business in Southern European countries, particularly in France. The tender offer, which expires in early August, follows on the heels of Fujitsu Services’ acquisition of Germany’s TDS AG and is designed to enhance our presence in the major markets of continental Europe through a strategy of selective acquisitions.

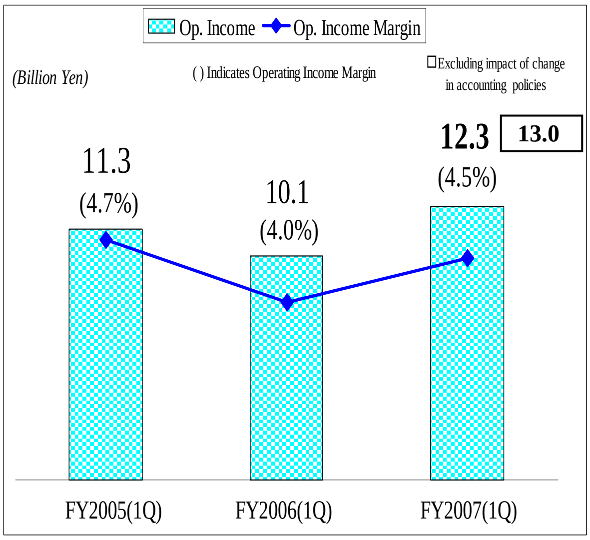
Moving forward, with the aim of achieving a leap forward in our services business, we will strengthen our ability to deliver services on a global basis and, by continuing to pursue innovation in our utilization of management resources, serve as a partner that can contribute to the success of our customers’ businesses and grow together with them.

Ubiquitous Product Solutions

Net Sales



Operating Income



	First Quarter FY 2007 *(Billion Yen)*	% Change vs. 1Q FY 2006
Net Sales	274.6	8.8%
Japan	174.9	8.0%
Overseas	99.6	10.4%

(Billion Yen)

	First Quarter FY 2007	Change vs. 1Q FY 2006
Operating Income	12.3	2.2
[Excluding impact of accounting policy changes]	[13.0]	[2.9]

First-quarter net sales in Ubiquitous Product Solutions were 274.6 billion yen (US$2,233 million), an increase of 8.8% over the same period last year. Sales in Japan increased by 8.0%. Domestic sales of PCs to both consumers and corporate customers were adversely affected by continued price competition, but sales of mobile phones increased, spurred by the introduction of new models. Overseas sales increased by 10.4%. Although overseas sales of HDDs were sluggish, as prices of HDDs for notebook PCs continued to decline as a result of intensified competition, sales of PCs in the US and other markets, primarily to consumers, increased.

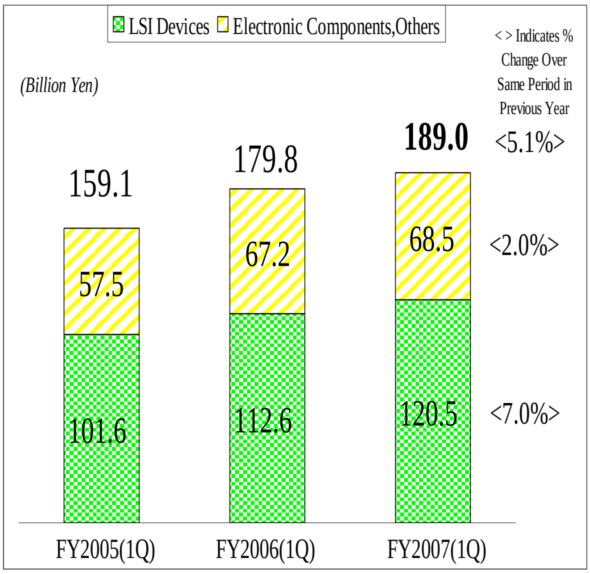
Operating income for the Ubiquitous Product Solutions segment was 12.3 billion yen (US$101 million), an increase of 2.2 billion yen over the first quarter of fiscal 2006. Despite the impact of severe price declines in HDDs for notebook PCs and intensified competition in PCs, as a result of higher sales of PCs in overseas markets and mobile phones, as well as progress in reducing component costs, operating income for the segment increased.

In HDDs for notebook PCs, which have undergone severe price declines, in the second quarter we will begin sales of a thin-profile, 250GB-capacity perpendicular magnetic recording model that will be competitively priced. In regard to HDDs for the enterprise systems market, we introduced a new line of models with enhanced features for high reliability and low energy consumption.

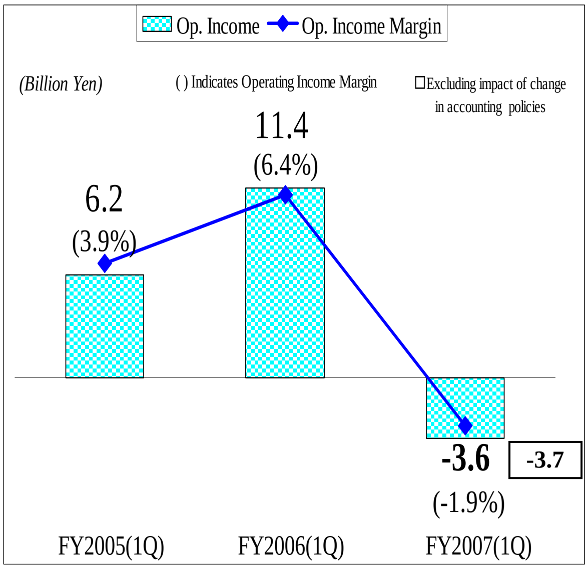
In PCs, we launched sales of the U Series, a new-concept notebook PC for the corporate market, which is the world’s smallest and lightest tablet-convertible notebook PC. In mobile phones, we enhanced our RakuRaku Phone series by launching the RakuRaku Phone Basic, which is the ultimate in easy-to-use models. Total cumulative unit sales of RakuRaku Phone series models surpassed the 10 million unit mark during the quarter. In May we began sales of a new mobile phone model with a 3.1-inch screen, the largest among mobile phones with OneSeg functions.

Device Solutions

Net Sales



Operating Income



		First Quarter FY 2007 *(Billion Yen)*	% Change vs. 1Q FY 2006
Net Sales		189.0	5.1%
	Japan	124.1	25.9%
	Overseas	64.8	-20.1%

(Billion Yen)

	First Quarter FY 2007	Change vs. 1Q FY 2006
Operating Income	-3.6	-15.0
[Excluding impact of accounting policy changes]	[-3.7]	[-15.1]

Net sales in Device Solutions were 189.0 billion yen (US$1,537 million), an increase of 5.1% compared to the first quarter of fiscal 2006. Sales in Japan increased by 25.9%. Although sales of standard technology logic products declined as a result of a delay in the rebound of demand, sales of advanced technology logic products increased as a result of the higher production volumes enabled by the capacity expansion completed at Mie Fab No. 1 in the second half of last fiscal year. Overseas sales decreased by 20.1%, primarily as a result of lower sales by overseas subsidiaries, reflecting the realignment of our sales organization for Flash memory chips used in mobile phones.

Device Solutions posted an operating loss of 3.6 billion yen (US$29 million), a deterioration of 15.0 billion yen compared to the same period last year. Despite the positive contribution from higher sales of advanced technology logic products, operating income was adversely affected by a decline in production capacity utilization as a result of lower demand for standard technology logic products, making it impossible to absorb higher depreciation costs and development expenses in our advanced technology logic device business. Although there has been a delay in the rebound of demand for logic LSI devices, we anticipate a recovery trend taking shape toward the end of the year.

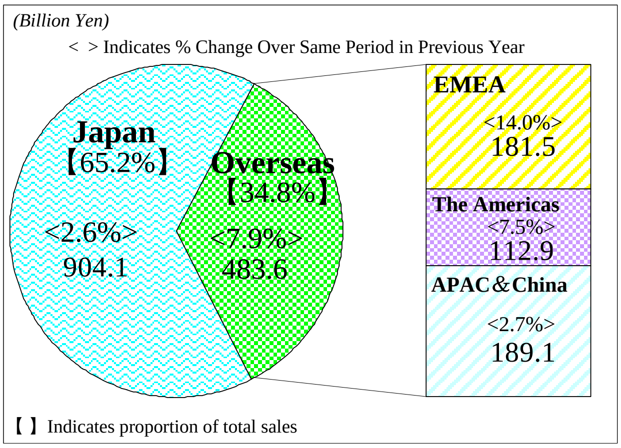
In advanced technology logic devices, a business we are positioning for further expansion as an engine of our future growth, in addition to the expansion of 90nm production capacity last fiscal year at the Mie Plant’s Fab No. 1, production of 65nm devices began this past April at Fab No. 2. We plan to continue to invest in additional production capacity in accordance with demand trends.

In standard technology logic devices, for which we aim to secure significant sales volumes through the penetration of global markets and thereby further enhance our earnings capacity, we commenced production at the plants we purchased from Spansion Japan. For the time being, these plants will be engaged in contract production of Flash memory for Spansion Japan, but in the future we plan to expand production of Flash microcontrollers and other standard technology logic products in accordance with demand trends.

To respond to customers' diverse requirements in a timely manner by reforming the front lines of our business organization in Device Solutions and enhancing collaboration between sales and product development functions, we decided to make Fujitsu Devices Inc. a wholly owned subsidiary, which is scheduled to take place in August. We will continue to pursue organizational reforms to contribute to the overall growth and development of the Fujitsu Group.

Results by Geographic Segment

1Q FY2007 Net Sales



In Japan, net sales were 904.1 billion yen (US$7,351 million), a 2.6% increase compared to the same quarter in the prior fiscal year. Although there was a decrease in sales of mobile phone base stations, standard technology logic products, and PCs, higher sales in Services and of mobile phones and advanced technology logic LSI products resulted in the increase in domestic sales. Operating income was 9.1 billion yen (US$74 million), a decrease of 6.2 billion yen. The impact of higher sales of services and mobile phones was offset by lower sales of mobile phone base stations and the effect of the delay in the recovery of demand for standard technology logic LSI products, as well as increased R&D costs related to next-generation networks and advanced technology logic LSI products.

Net sales increased in all three overseas geographic segments, but combined operating income for the three segments fell to 6.0 billion yen (US$49 million), a decrease of 3.5 billion yen from the same quarter of the prior fiscal year.

Operating Income *(Billion Yen)*

			First Quarter FY 2006	First Quarter FY 2007	Change vs. 1Q FY 2006
Japan		Operating Income [Operating Income Ratio]	15.3 [1.7%]	9.1 [1.0%]	-6.2 [-0.7%]
Overseas		Operating Income [Operating Income Ratio]	9.5 [2.1%]	6.0 [1.3%]	-3.5 [-0.8%]
	EMEA	Operating Income [Operating Income Ratio]	3.7 [2.4%]	0.9 [0.5%]	-2.8 [-1.9%]
	The Americas	Operating Income [Operating Income Ratio]	3.3 [3.1%]	1.8 [1.6%]	- 1.4 [-1.5%]
	APAC & China	Operating Income [Operating Income Ratio]	2.5 [1.4%]	3.2 [1.7%]	0.7 [0.3%]

EMEA net sales were 181.5 billion yen (US$1,476 million). Strong performance by our services business in the UK and Germany led to a 14.0% increase in sales over the same quarter in fiscal 2006. Operating income, however, fell by 2.8 billion yen, to 0.9 billion yen (US$8 million), primarily as the result of higher selling, general and administrative expenses associated with the expansion of our services business, as well as increased R&D expenses related to next-generation networks for optical transmission systems in the UK.

Net sales in the Americas segment were 112.9 billion yen (US$918 million), a 7.5% increase compared to the first quarter of fiscal 2006. Due to a shift in the capital investment patterns of customers, sales of optical transmission systems were sluggish, but we recorded higher sales in HDDs and notebook PCs. Operating income was 1.8 billion yen (US$15 million), down 1.4 billion yen from the same quarter of the prior fiscal year, resulting primarily from intensified competition in servers and related products and sluggish sales of optical transmission systems.

In the APAC & China segment, net sales were up 2.7% over the same quarter of the prior fiscal year, to 189.1 billion yen (US$1,538 million). In Oceania, sales of outsourcing and maintenance services increased. Operating income for APAC & China was 3.2 billion yen (US$26 million), an increase of 0.7 billion yen from the same quarter of the prior fiscal year, due primarily to the increase in sales and progress in reducing costs in our HDD manufacturing facilities.

4. Financial Condition

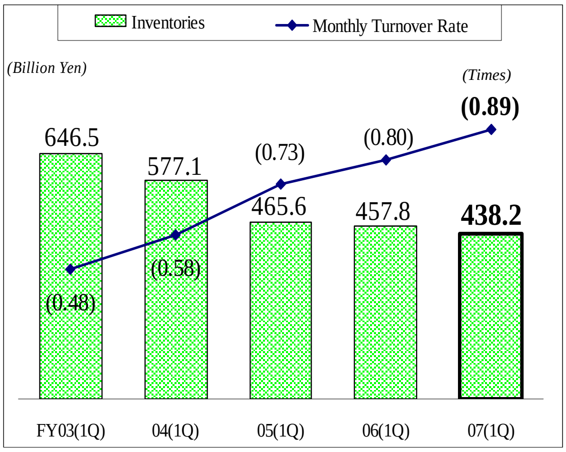
Assets, Liabilities and Net Assets

(Billion Yen)

	First Quarter FY 2007	Change vs. 1Q FY 2006	Change vs. FY 2006 Year-End
Total Assets [Inventories]	3,909.3 [438.2]	238.8 [-19.6]	-34.3 [25.8]
Interest-Bearing Loans [Net Interest-Bearing Loans]	850.9 [464.6]	-124.8 [-183.7]	105.0 [163.8]
Net Assets	1,145.0	81.2	-15.6
D/E Ratio [Net D/E Ratio]	0.89 [0.49]	-0.20 [-0.24]	0.12 [0.18]

Total assets at the end of the first quarter were 3,909.3 billion yen, an increase of 238.8 billion yen from the end of the same quarter in the prior fiscal year. This reflected an increase in current assets, primarily the increase in trade receivables associated with the higher level of sales. Inventories at the end of the quarter stood at 438.2 billion yen, a decrease of 19.6 billion yen. The monthly inventory turnover rate, which is an indication of asset utilization efficiency, was 0.89 times, an increase of 0.09. In noncurrent assets, property, plant and equipment less accumulated depreciation increased as a result of investments in higher production capacity at our Mie Plant and other factors, but investments in marketable securities decreased as a result of the sale of shares in Fanuc Ltd. and other companies during the preceding fiscal year.

Inventories / Monthly Turnover Rate



Total liabilities were 2,764.2 billion yen, an increase of 157.6 billion yen compared to the end of the same quarter in the prior fiscal year. After adjustment for the impact of the payment of trade payables being carried over into the following quarter due to the last day of this quarter being a business holiday, this represented an increase of 55.1 billion yen. As a result primarily of the redemption of bonds, interest-bearing loans decreased by 124.8 billion yen compared to the end of the same quarter of the prior fiscal year and stood at 850.9 billion yen. The D/E ratio was 0.89, remaining below the target level of 1.0.

Total net assets were 1,145.0 billion yen, an increase of 81.2 billion yen over the end of the same period in the fiscal 2006. In accordance with a resolution passed by the board of directors, capital reserves of 240.4 billion yen have been transferred from other capital surplus to retained earnings in the company's unconsolidated accounts. In addition, in anticipation of the exchange of shares scheduled for August, treasury stock in the amount of 26.5 billion yen has been purchased.

Summary of Cash Flows

	First Quarter FY 2007	Change vs. 1Q FY 2006	*Change vs. 1Q FY 2006 excluding impact of non-trading days**
		(Billion Yen)	*(Billion Yen)*
Cash Flows from Operating Activities	-53.7	23.0	25.0
Cash Flows from Investing Activities	-67.0	-18.7	10.3
Free Cash Flow	-120.7	4.3	35.4

Cash Flows from Financing Activities	57.3	25.9

** Non-trading days fell on both the last day of fiscal 2006 and the last day of 1Q fiscal 2007.*

Net cash flow used in operating activities during the first quarter was 53.7 billion yen. This was due primarily to an increase in inventories in anticipation of sales at the end of the first half. Compared to the same quarter of the prior fiscal year, net outflows decreased by 23.0 billion yen as a result of an improvement in working capital.

Net cash used in investing activities was 67.0 billion yen, representing an increase in outflows of 18.7 billion yen compared to the same period in the prior fiscal year, as revenue from the sale of shares in affiliated companies was offset by capital expenditures for advanced and standard technology logic devices.

Free cash flow, the sum of operating and investment cash flows, was negative 120.7 billion yen, relatively unchanged compared to the same period in the prior fiscal year. After adjusting for the impact of non-trading days on the last day of the prior fiscal year and the last day of this quarter, this represents an increase of 35.4 billion yen.

Although cash on hand was used to repurchase shares as treasury stock, as a result of increasing short term borrowings, net cash provided by financing activities was 57.3 billion yen.

Combining the effect of all of the above factors, total cash and cash equivalents at the end of the first quarter were 388.6 billion yen, a decrease of 60.0 billion yen from the end of the prior fiscal year.

5. Change in Accounting Policies in the Current Consolidated Reporting Period

The European stock exchanges on which Fujitsu's shares are listed require that companies from outside of the European Union present their financial statements in accordance with International Financial Reporting Standards (IFRS) starting from the 2009 fiscal year. In view of the increasing convergence of Japanese Generally Accepted Accounting Principles (GAAP) with IFRS, the Fujitsu Group has already made efforts to align its financial accounting with IFRS to the extent permitted under Japanese accounting standards, such as by applying the percentage of completion method for software development contracts. Continuing this initiative, in the current fiscal year, together with implementing improvements in our management control systems, we have also implemented changes in our accounting policies as outlined below. We will continue to adjust our policies as needed, as further convergence between Japanese GAAP and IFRS occurs in the future.

(1) Change of Accounting Standard for Inventories
Starting this fiscal year the Fujitsu Group has implemented early adoption of the Accounting Standard for Measurement of Inventories (Accounting Standard Board of Japan Statement No. 9), and has accordingly changed the method for valuing inventories from the cost method to the lower of cost or net selling value method.

Previously, parts held for maintenance and related services were recorded on our books at acquisition cost and were expensed when used, with losses on any unused parts recognized upon disposal. In order to more strictly tie these expenses to income, however, starting this fiscal year we have changed our method of recognizing expenses for these parts to regular write-downs over the period for which maintenance and services are provided. As a result of the implementation of this change, we recorded a one-time loss of 16.2 billion yen on write-downs of inventories held at the start of the period.

In addition to previous initiatives implemented to minimize the risk associated with obsolescence through effective inventory utilization, we are now, through the establishment of systems to evaluate the risk of reduced profitability, comparing the net selling value with the acquisition cost and, for inventories that fall outside the normal operating cycle, recognizing valuation mark-downs that take into account the risk of future disposal. As a result of implementing these monitoring procedures and valuation standards, we recorded a one-time loss of 8.7 billion yen on mark-downs of inventories held at the start of the period.

The impact of these changes on the operating income of the first quarter is insignificant, and it is also expected that their impact on operating income for the first half and the full fiscal year will similarly be immaterial.

(2) Change in the Method of Depreciation for Property, Plant and Equipment
In prior periods, the company and its subsidiaries in Japan depreciated property, plant and equipment in accordance with the declining balance method, while overseas subsidiaries most often adopted straight-line depreciation. Starting this fiscal year, we have, as a general principle, uniformly adopted straight-line depreciation over the useful life of the assets which will be determined in accordance with what is judged to be the likely period over which the value of the asset can be realized under actual business conditions, and with the residual value for the asset deemed, as a general principle, to be zero.

In our core business of Technology Solutions, the IT services business, in general, and, more specifically, IT outsourcing, providing operational services to customers over a long period of time is becoming increasingly important. The revenue for this type of business in general is a fixed monthly or annual amount, and services are usually covered under long-term contracts extending over several years. For equipment used in the provision of these operational services, the change to straight-line depreciation is the most appropriate way of recording results in keeping with the actual timing of income and expenses.

In the Device Solutions segment, as a result of progressively exiting from the memory and display businesses, which are both prone to severe downward pricing pressure, we have positioned the logic LSI business, which is based on building long-term and close relationships with customers, as our core business. In the area of advanced technology logic LSI devices, with increasing miniaturization, very large upfront investments are required, and it may take over a year to gear up to mass production and delivery. Afterwards, however, in accordance with the production capacity of the facility, stable earnings can be expected for a certain period of time. At our Mie Plant, during the second half of the last fiscal year we completed capital expenditures to increase the production capacity of Fab No. 1 and have commenced full production. Fab No. 2 has become operational this fiscal year. Taking into consideration the changes in the operating environment and the pattern of earnings generation of these operations, the change to straight-line depreciation best indicates actual results by more closely linking depreciation just after investment to earnings.

The effect of this accounting change on first quarter operating income is insignificant. For the first half and full fiscal year it is expected to result in increases in operating income of 2.0 billion yen and 12.0 billion yen, respectively. The impact for the full fiscal year includes an increase in depreciation expense of 8.0 billion yen due to restarting depreciation over a five-year period on facilities with a value of 40.0 billion yen, for which 5% of the acquisition cost had already been depreciated as of the end of last fiscal year.

We had already adopted the practice of treating financial leases, in which there is no transfer of ownership, as sales in our consolidated financial statements, but we continued to apply lease accounting in our unconsolidated financial statements. Together with the increase in the amount of lease assets on the unconsolidated financial statements and the present change in the method of depreciation, we have implemented early adoption of the Accounting Standard for Lease Transactions (Accounting Standard Board of Japan Statement No. 13) and now treat such transactions as sales. These changes do not have a material impact on unconsolidated results and have no impact on consolidated results.

These depreciation and other changes will provide increased visibility regarding the return from investments and support the effective management of the expected returns.

(3) Change in the Basis of Revenue Recognition

We previously recorded sales of personal computers, peripheral equipment, and electronic devices at the time of shipment, but starting this fiscal year we are now recording sales upon customer receipt. For other system products, revenue is recognized at time of acceptance by the customer, and revenue from software development contracts is recognized on a percentage of completion basis.

The impact of these changes on first-quarter, first-half and full-year net sales and operating income is expected to be insignificant.

(4) Change in Classification of Amortization of Unrecognized Obligation for Retirement Benefits

We previously treated the amortization of unrecognized obligation for retirement benefits as a non-operating expense, but starting this fiscal year we have changed to treating it as an operating expense. The Fujitsu Group in past years had very large unfunded retirement benefit obligations. From fiscal 2003 on, however, as a result of the implementation of such measures as the transfer of the substitutional portion of employees' pension plan to the government, the reform of the pension system and improvements in the allocation of investments, together with improved investment returns on pension assets, the unfunded obligation has significantly decreased. Due to a decrease in market price volatility risk, there has been a decrease in expenses. In addition, there has also been a decrease in the materiality of the amounts involved, and we have accordingly revised our accounting policies.

The application of this change has no impact on net income, but it resulted in a reduction in operating income of 1.8 billion yen in the first quarter, and is expected to reduce operating income by 3.5 billion yen for the first half and 7.0 billion for the full fiscal year.

Impact of Change in Accounting Policies (Consolidated)

(Billion Yen)

	1Q FY07 (actual)	Change in Valuation Method of Inventories	Change in Depreciation Method	Other Changes, Including for Amortization of Unrecognized Retirement Obligations
Operating Income	-2.7	-	-0.2	-2.5
Valuation Loss on Inventories	-25.0	-25.0	-	-
Impact on Operating Income of Business Segments				
Technology Solutions	-1.8	-	-0.5	-1.3
System Platforms	-0.4	-	-0.3	-0.2
Services	-1.4	-	-0.1	-1.1
Ubiquitous Product Solutions	-0.6	-	-0.4	-0.2
Device Solutions	0.1	-	1.0	-0.8

(Billion Yen)

	Full-Year FY07 (forecast)	Change in Valuation Method of Inventories	Change in Depreciation Method	Other Changes, Including for Amortization of Unrecognized Retirement Obligations
Operating Income	5.0	-	12.0	-7.0
Valuation Loss on Inventories	-25.0	-25.0	-	-
Impact on Operating Income of Business Segments				
Technology Solutions	-5.0	-	1.0	-6.0
System Platforms	-	-	-	-
Services	-5.0	-	1.0	-6.0
Ubiquitous Product Solutions	-	-	-	-
Device Solutions	10.0	-	11.0	-1.0

6. FY 2007 Earnings Projections

In the first quarter of fiscal 2007, net sales in our Technology Solutions and Ubiquitous Product Solutions segments exceeded the forecast we announced in April. In addition, despite the adverse effect of the change in accounting policies, consolidated operating income exceeded our previous forecast. Results for logic LSI devices, for which the recovery in demand has been delayed, were below forecast, but strong performance in our Services business in Japan and overseas, higher sales of PCs and mobile phones, and progress in reducing costs combined to produce overall results that exceeded our forecast.

We are expanding our global delivery capability in our strongly performing IT services business. Although our network products business is facing a downturn in demand because of changes in customer investment patterns and continuing high levels of upfront investment, with the launch of a new line of UNIX servers, our System Platforms segment as a whole is now on the path toward recovery. While severe market conditions are likely to persist through the first half of the fiscal year due to intensifying price competition in HDDs and continuing inventory adjustments for logic LSI devices, particularly overseas, we are anticipating a recovery beginning in the second half.

With respect to projected results for the year, despite the positive effect of higher sales and cost reductions in PCs and mobile phones in the first quarter, because of the offsetting impact of the sluggishness in LSI devices, our overall view of full-year sales has not fundamentally changed since we announced our forecast in April.

However, having confirmed the change in accounting policies that were not taken into account at the time of our April forecasts, we now project an increase of 5.0 billion yen in full-year consolidated operating income and a decrease of 10.0 billion yen in full-year consolidated net income in comparison with the figures we announced in April. By business segment, in Technology Solutions, we expect full-year operating income to be reduced by 5.0 billion yen versus the April forecast, primarily because of the change to reflect as operating expenses the amortization of unrecognized obligation of retirement benefits. In Device Solutions we expect full-year operating income to increase by 10.0 billion yen versus the April forecast, primarily because of changes to depreciation methods. Separately, in accordance with application of the lower-of-cost-or-market method for inventory valuation, we recorded a valuation loss of 25.0 billion on the balance of inventories at the start of the first quarter. The impact of these various accounting policy changes is shown in the full-year forecasts below and discussed in further detail beginning on page 22.

We are actively pursuing initiatives to strengthen our core businesses on a global basis, improve profitability through the strength of our products, and optimize our business structure in order to assure that we meet these earnings targets.

First-Half Forecast *(Billion Yen)*

	Fiscal 2006 First-Half Results	Fiscal 2007 First-Half Forecast	Change vs. April Forecast
Net Sales	2,362.3	2,450.0	-
Operating Income	50.6	20.0	-
Net Income (Loss)	14.8	(20.0)	-20.0

Full-Year Forecast *(Billion Yen)*

	Fiscal 2006 Full-Year Results	Fiscal 2007 Full-Year Forecast	Change vs. April Forecast
Net Sales	5,100.1	5,400.0	-
Operating Income	182.0	195.0	5.0
Net Income	102.4	65.0	-10.0

Full-Year Operating Income by Segment

	Fiscal 2006 Full-Year Results	Fiscal 2007 Full-Year Forecast	Change vs. April Forecast	*Itemized Change vs. April Announcement*: Impact of Accounting Changes	*Itemized Change vs. April Announcement*: Business Changes
Technology Solutions	163.6	180.0	-5.0	-5.0	-
System Platforms	7.5	15.0	-	-	-
Services	156.1	165.0	-5.0	-5.0	-
Ubiquitous Product Solutions	41.6	35.0	5.0	-	5.0
Device Solutions	19.0	35.0	5.0	10.0	-5.0

Note: April forecast as of April 26, 2007

Forecast for FY 2007 Consolidated Business Segment Information

(1) Net Sales* and Operating Income

		Yen (Billions)				Change (%)
		FY 2007 (Forecast)			FY 2006	FY 2006 to
		Previous**	**Revised*** **	Change	(Actual)	Revised FY 2007
Technology Solutions						
Japan	**Y**	2,150.0	**2,150.0**	-	2,087.7	+3.0
Overseas		1,150.0	**1,150.0**	-	1,069.3	+7.5
Total		3,300.0	**3,300.0**	-	3,157.0	+4.5
Operating income:						
System Platforms		15.0	**15.0**	-	7.5	+100.0
[Operating income margin]		[2.1%]	**[2.1%]**		[1.1%]	
Services		170.0	**165.0**	-5.0	156.1	+5.7
[Operating income margin]		[6.6%]	**[6.4%]**		[6.4%]	
Total operating income		185.0	**180.0**	-5.0	163.6	+10.0
[Operating income margin]		[5.6%]	**[5.5%]**		[5.2%]	
Ubiquitous Product Solutions						
Japan		740.0	**740.0**	-	710.1	+4.2
Overseas		460.0	**460.0**	-	408.1	+12.7
Total		1,200.0	**1,200.0**	-	1,118.3	+7.3
Operating income		30.0	**35.0**	+5.0	41.6	-16.0
[Operating income margin]		[2.5%]	**[2.9%]**		[3.7%]	
Device Solutions						
Japan		500.0	**500.0**	-	457.0	+9.4
Overseas		320.0	**320.0**	-	305.6	+4.7
Total		820.0	**820.0**	-	762.6	+7.5
Operating income		30.0	**35.0**	+5.0	19.0	+84.1
[Operating income margin]		[3.7%]	**[4.3%]**		[2.5%]	
Other Operations						
Japan		370.0	**370.0**	-	349.9	+5.7
Overseas		150.0	**150.0**	-	140.4	+6.8
Total		520.0	**520.0**	-	490.3	+6.0
Operating income		10.0	**10.0**	-	10.5	-5.3
[Operating income margin]		[1.9%]	**[1.9%]**		[2.2%]	
Elimination						
Sales		(440.0)	**(440.0)**	-	(428.2)	-
Operating income		(65.0)	**(65.0)**	-	(52.7)	-
Total						
Japan		3,430.0	**3,430.0**	-	3,274.9	+4.7
Overseas		1,970.0	**1,970.0**	-	1,825.2	+7.9
Total		5,400.0	**5,400.0**	-	5,100.1	+5.9
Operating income	**Y**	190.0	**195.0**	+5.0	182.0	+7.1
[Operating income margin]		[3.5%]	**[3.6%]**		[3.6%]	

Notes:

* Includes intersegment sales.

** Previous forecast as of April 26, 2007.

*** Revised forecast as of July 26, 2007.

(2) Net Sales* by Principal Products and Services

		Yen (Billions)				Change (%)
		FY 2007 (Forecast)			FY 2006	FY 2006 to
		Previous**	**Revised*****	Change	(Actual)	Revised FY 2007
Technology Solutions						
System Platforms:						
System Products	**Y**	370.0	**370.0**	-	355.3	+4.1
Network Products		360.0	**360.0**	-	348.4	+3.3
		730.0	**730.0**	-	703.7	+3.7
Services:						
Solutions / SI		1,240.0	**1,240.0**	-	1,091.0	+13.7
Infrastructure Services		1,240.0	**1,240.0**	-	1,164.8	+6.5
Others		90.0	**90.0**	-	197.3	-54.4
		2,570.0	**2,570.0**	-	2,453.2	+4.8
Total		3,300.0	**3,300.0**	-	3,157.0	+4.5
Ubiquitous Product Solutions						
PCs / Mobile Phones		800.0	**800.0**	-	768.6	+4.1
Hard Disk Drives		380.0	**380.0**	-	329.8	+15.2
Others		20.0	**20.0**	-	19.8	+0.8
Total		1,200.0	**1,200.0**	-	1,118.3	+7.3
Device Solutions						
LSI Devices		530.0	**530.0**	-	473.5	+11.9
Electronic Components, Others		290.0	**290.0**	-	289.1	+0.3
Total	**Y**	820.0	**820.0**	-	762.6	+7.5

Notes:

* Includes intersegment sales.

** Previous forecast as of April 26, 2007.

*** Revised forecast as of July 26, 2007.

Part III: Supplementary Information

a. R&D Expenses

(Billion Yen)

		FY 2007 (Forecast) Previous*	Revised**	Change	FY 2006 (Actual)
	Y	260.0	260.0	-	254.0
As % of sales		4.8%	4.8%	-	5.0%

b. Capital Expenditures, Depreciation

(Billion Yen)

		FY 2007 (Forecast) Previous**	Revised***	Change	FY 2006 (Actual)
Capital Expenditures:					
Technology Solutions	Y	110.0	110.0	-	91.3
Ubiquitous Product Solutions		30.0	30.0	-	24.8
Device Solutions		125.0	125.0	-	166.2
Corporate and others		25.0	25.0	-	22.8
Total Capital Expenditures		290.0	290.0	-	305.2
Japan		225.0	225.0	-	254.6
Overseas		65.0	65.0	-	50.6
Depreciation	Y	240.0	225.0	-15.0	202.8

c. Cash Flows

(Billion Yen)

		FY 2007 (Forecast) Previous**	Revised***	Change	FY 2006 (Actual)
(A) Cash flows from operating activities					
Net income	Y	75.0	65.0	-10.0	102.4
Depreciation***		320.0	305.0	-15.0	278.7
Others		(55.0)	(30.0)	+25.0	27.5
Total cash flows from operating activities		340.0	340.0	-	408.7
(B) Cash flows from investing activities		(320.0)	(320.0)	-	(151.0)
(C) Free cash flow (A)+(B)		20.0	20.0	-	257.6
(D) Cash flows from financing activities		(50.0)	(75.0)	-25.0	(234.9)
(E) Total (C)+(D)	Y	(30.0)	(55.0)	-25.0	22.7

d. Exchange Rates

Average Rates	FY 2007 (Forecast) Previous**	Revised***	Change
	$1=115 yen	**$1=115 yen**	-
	€1=145 yen	**€1=145 yen**	-
	£1=220 yen	**£1=220 yen**	-

Notes:

* Previous forecast as of April 26, 2007

** Revised forecast as of July 26, 2007

*** Including amortization of goodwill

e. PC Shipments

(Million units)

FY 2007 (Forecast)			FY 2006
Previous*	**Revised****	Change	(Actual)
9.30	**9.30**	-	8.45

f. Mobile Phone Shipments

(Million Units)

FY 2007 (Forecast)			FY 2006
Previous*	**Revised****	Change	(Actual)
4.50	**4.50**	-	4.05

g. HDD Production

(Million units)

FY 2007 (Forecast)			FY 2006
Previous*	**Revised****	Change	(Actual)
37.00	**37.00**	-	30.98

Notes:

* * Previous forecast as of April 26, 2007
* ** Revised forecast as of July 26, 2007