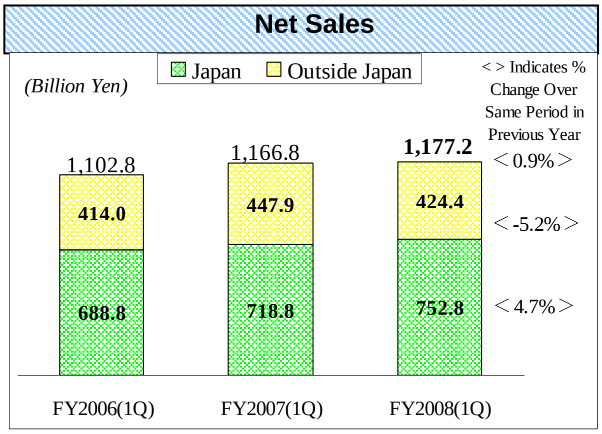
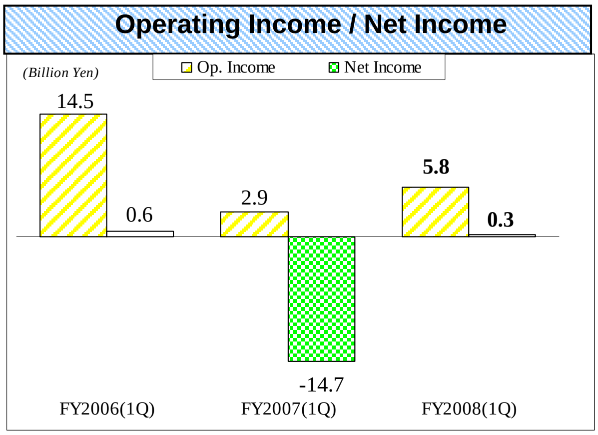
2. Profit and Loss

Note: In these explanatory materials, the yen figures for net sales, operating income, and other figures are converted into US$ amounts for reference purposes, at a rate of $1=106 yen, the approximate Tokyo foreign exchange market rate on June 30, 2008.





First-quarter consolidated net sales were 1,177.2 billion yen (US$11,106 million), on par with the corresponding period of the previous fiscal year. Excluding the impact of the yen's appreciation, sales increased by 5%. Sales of UNIX servers declined outside Japan and demand for PCs outside Japan, mobile phones and Flash memory also decreased compared to the same period a year ago. On the other hand, systems integration sales increased, particularly in the public sector as well as healthcare and financial services sectors, and sales of mobile phone base stations and router equipment for telecom carriers as well as PCs to the Japanese market also grew.

Consolidated operating income was 5.8 billion yen (US$55 million), an increase of 2.8 billion yen over the first quarter of fiscal 2007. Gross profit increased by 16.2 billion yen over the previous year due to such factors as higher sales of mobile phone base stations and system integration services, as well as cost reductions in the HDD and PC businesses. The gross profit margin improved by 1.2 percentage points, to 26.0%.

Selling, general, and administrative expenses increased by 13.3 billion yen over the same period in fiscal 2007. The increase was due to such factors as an increase in strategic upfront investments, particularly in Technology Solutions, as well as increased amortization costs for unrecognized retirement benefit obligations as a result of lower performance on pension assets in the previous fiscal year.

In other income and expenses, other income decreased by 4.6 billion yen compared with the same period a year ago while other expenses decreased by 24.1 billion yen, for a net improvement of approximately 19.4 billion yen. A major cause for the improvement was an inventory revaluation loss of 25.0 billion yen in the first quarter of fiscal 2007 arising from a change in accounting policies. Equity in earnings of affiliates deteriorated in comparison with the same period in the previous year due to intensified competition in our joint-venture PC and server sales company in Europe, but this was outweighed by an improvement in foreign exchange gains as a result of the depreciation of the yen in the current quarter compared to the end of the previous fiscal year. There was a 2.2 billion yen gain on sales of shares in a cable television company and other investments.

As a result, income before income taxes and minority interest was 10.6 billion yen (US$100 million), an increase of 22.3 billion yen from the same period in the previous year.
After subtracting income taxes and minority interests, consolidated net income totaled 0.3 billion yen (US$3 million) for the first quarter.

The Fujitsu Group is in the process of aligning its financial reporting with International Financial Reporting Standards (IFRS) as part of initiatives to globalize Group management. Through the end of last fiscal year, the Fujitsu Group had implemented changes in its significant accounting policies as permitted under Japanese accounting standards. Outside of Japan, starting with Fujitsu Services in the UK in fiscal 2005, several subsidiaries such as those in Australia and Singapore had already adopted IFRS. Group financial policies consistent with IFRS were established this fiscal year as accounting rules for Group companies, and are now applied to all subsidiaries outside Japan. Going forward, subsidiaries in Japan, which are subject to Japanese accounting standards, will adopt Group financial policies in order to enable consolidated financial reporting in accordance with IFRS and further management reforms initiatives. The impact on income resulting from changes in accounting policies being implemented this fiscal year is insignificant (details are presented on page 26).

Comparison with Projections Announced in May 2008

Net sales exceeded projections by 27.2 billion yen due largely to the improvement in the Technology Solutions segment, and in particular the systems integration business. Though an earthquake in Japan in June has impacted our Device Solutions business, operating income exceeded projections by 5.8 billion yen as a result of the strong performance of the Technology Solutions segment, which benefited from higher sales of mobile phone base stations and system integration services, along with improved cost efficiencies.