

## 5. Financial Condition

### [Assets, Liabilities and Net Assets]

(Billion yen)

	1Q FY 2008 (at June 30, 2008)	FY 2007 (at March 31, 2008)	Change	1Q FY 2007 (at June 30, 2007)
<b>Assets</b>				
Current assets	2,108.9	2,169.9	-60.9	2,066.4
(Notes and accounts receivable, trade)	904.0	1,017.9	-113.8	977.8
(Inventories)	443.0	383.1	59.9	438.2
Non-current assets	1,648.5	1,652.0	-3.5	1,842.9
(Property, plant and equipment)	827.7	839.7	-11.9	880.6
<b>Total Assets</b>	<b>3,757.4</b>	<b>3,821.9</b>	<b>-64.4</b>	<b>3,909.3</b>
<b>Liabilities</b>				
Current liabilities	1,814.2	1,611.3	202.8	1,822.8
(Notes and accounts payable, trade)	650.0	772.1	-122.1	739.7
(Short-term borrowings and current portion of long-term debt)	527.7	160.2	367.5	375.2
Long-term liabilities	793.6	1,080.4	-286.8	941.4
(Long-term debt)	428.2	727.1	-298.8	475.6
<b>Total Liabilities</b>	<b>2,607.8</b>	<b>2,691.7</b>	<b>-83.9</b>	<b>2,764.2</b>
<b>Net Assets</b>				
Shareholders' equity	907.0	911.6	-4.6	827.3
Valuation and translation adjustments	57.5	36.5	21.0	124.8
Minority interests	185.0	181.9	3.1	192.8
<b>Total Net Assets</b>	<b>1,149.6</b>	<b>1,130.1</b>	<b>19.4</b>	<b>1,145.0</b>
<b>Total Liabilities and Net Assets</b>	<b>3,757.4</b>	<b>3,821.9</b>	<b>-64.4</b>	<b>3,909.3</b>
Cash and cash equivalents at end of period	516.4	547.8	-31.3	388.6
Ending balance of interest-bearing loans	955.9	887.3	68.6	850.9
Ending balance of net interest-bearing loans	439.5	339.4	100.0	462.2
Owners' equity	964.5	948.2	16.3	952.1

### [Cash Flows]

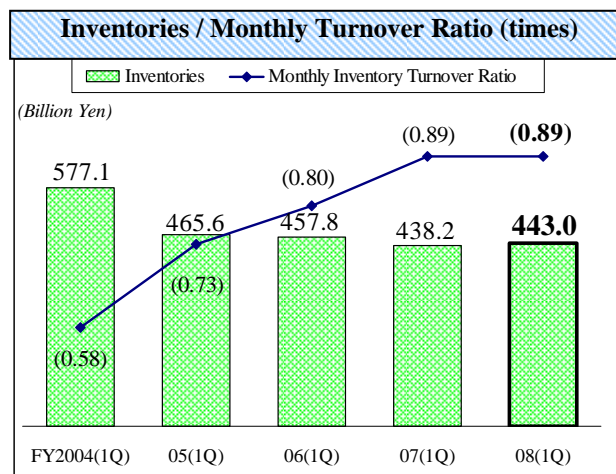
(Billion yen)

	1Q FY 2007 (4/1/07~6/30/07)	1Q FY 2008 (4/1/08~6/30/08)	Change
<b>I. Cash Flows from Operating Activities:</b>			
Income (Loss) before income taxes and minority interests	-11.7	10.6	22.3
Depreciation and amortization, including goodwill amortization	65.9	71.8	5.9
Loss (gain) on sales of investment securities, net	-9.8	-2.2	7.6
Revaluation loss on inventories	25.0	-	-25.0
(Increase) decrease in receivables, trade	106.0	171.9	65.9
(Increase) decrease in inventories	-46.0	-50.3	-4.2
Increase (decrease) in payables, trade	-101.4	-150.3	-48.9
Other, net	-81.6	-79.2	2.4
<b>Net Cash Used in Operating Activities</b>	<b>-53.7</b>	<b>-27.7</b>	<b>26.0</b>
<b>II. Cash Flows from Investing Activities</b>			
Purchases of property, plant and equipment	-92.3	-43.9	48.3
Proceeds from sales of investment securities	33.7	2.1	-31.6
Other, net	-8.4	-12.3	-3.8
<b>Net Cash Used in Investing Activities</b>	<b>-67.0</b>	<b>-54.1</b>	<b>12.9</b>
<b>I + II Free Cash Flow</b>	<b>-120.7</b>	<b>-81.8</b>	<b>38.9</b>
[excluding impact of non-trading day at end of first quarter*]	[ -89.7]	[ -81.8]	[ 7.8]
<b>III. Cash Flows from Financing Activities</b>			
<b>Net Cash Provided by Financing Activities</b>	<b>57.3</b>	<b>39.6</b>	<b>-17.6</b>
<b>IV. Cash and Cash Equivalents at End of Period</b>	<b>388.6</b>	<b>516.4</b>	<b>127.8</b>

Note: The final day of the first quarter of fiscal 2007 (June 30, 2007) was a non-trading day for financial institutions in Japan, and therefore a portion of trade payables and other items were settled in the second quarter of fiscal 2007. Likewise, the final day of fiscal 2006 (March 31, 2007) was a non-trading day, and therefore certain payments were settled in the first quarter of fiscal 2007. These figures exclude those effects.

## Explanation of Assets, Liabilities and Net Assets

Total assets at the end of the first quarter were 3,757.4 billion yen (US\$35,448 million), a decrease of 64.4 billion yen compared with end of fiscal 2007, reflecting collections of the high level of trade receivables at the end of last fiscal year, among other factors. Inventories at the end of the quarter stood at 443.0 billion yen, an increase of 59.9 billion yen in comparison with the ending balance for fiscal 2007, primarily to support future sales growth in the Services sub-segment, but roughly equivalent to the balance at the end of the first quarter of fiscal 2007. The monthly inventory turnover rate, which is an indication of asset utilization efficiency, was 0.89 times, a level unchanged from the same period in the previous fiscal year.



Total liabilities were 2,607.8 billion yen (US\$24,602 million), a decrease of 83.9 billion yen from the end of fiscal 2007, reflecting payments on the high level of trade payables at the end of last year and other factors. The balance of interest-bearing loans was 955.9 billion yen, an increase of 68.6 billion yen over the end of fiscal 2007. Despite bond redemptions of 60.0 billion yen, loans rose because a portion of the increase in working capital was financed with short-term borrowings. The D/E ratio was 0.99 times and, subtracting cash and cash equivalents, the net D/E ratio was 0.46 times. The funds raised in fiscal 2007 through the issuance of new convertible bonds and other sources have been invested in low-risk assets to meet the redemption of 250.0 billion yen in convertible bonds maturing in May 2009.

Net assets were 1,149.6 billion yen (US\$10,846 million), an increase of 19.4 billion yen over the end of fiscal 2007, due to an increase in valuation and translation adjustments. Shareholders' equity was 907.0 billion yen, a decrease of 4.6 billion yen from the end of last fiscal year. The year-end dividend was increased by 2 yen per share, and the company paid 10.3 billion yen in dividends during the quarter. For subsidiaries outside of Japan that have newly adopted International Financial Reporting Standards as of this fiscal year, since the change in accounting standards entails changes to the accounting treatment of previous years, retained earnings decreased by 1.5 billion at the beginning of this fiscal year. Subsidiaries of subsidiaries, which had not been included in consolidated results because of immateriality, are now, in principle, included in consolidated results, causing retained earnings to increase by 7.0 billion yen.

## Summary of Cash Flows

Net cash used in operating activities during the first quarter was 27.7 billion yen (US\$262 million), primarily resulting from a build up of inventories in anticipation of future sales. Compared with the same quarter of the previous fiscal year, net outflows decreased by 26.0 billion yen as a result of an improvement in working capital and higher income before non-cash items, such as depreciation expenses and the amortization of unrecognized obligation for retirement benefits.

Net cash used in investing activities was 54.1 billion yen, primarily a result of equipment acquisitions. In comparison with the same period in the previous fiscal year, net outflows decreased by 12.9 billion yen. Compared to the previous year, when there were heavy cash outflows resulting from the construction of the 300mm line at the Mie Plant, outflows for acquisition of tangible fixed assets decreased by 48.3 billion yen, although the previous year's outflows were partially offset by 33.7 billion yen in proceeds from the sale of shares in affiliates.

Free cash flow, the sum of operating and investment cash flows, was negative 81.8 billion yen (US\$772 million). Cash outflows decreased by 38.9 billion yen compared with the same period in the previous fiscal year. After adjusting for the impact of non-trading days on the last day of fiscal 2006 and the last day of the first quarter of fiscal 2007, cash outflows decreased by 7.8 billion yen.

Net cash provided by financing activities was 39.6 billion yen (US\$374 million). While payments were made for the redemption of 60.0 billion yen in corporate bonds, the higher level of working capital was financed in part by short-term borrowings. Although there were outflows of 26.5 billion yen in the first quarter of last fiscal year to purchase Fujitsu's own shares, in this first quarter there were bond redemptions as well as higher dividend payments, and cash inflows decreased by 17.6 billion compared to last year's first quarter.

As a result of the above factors, cash and cash equivalents at the end of the first quarter were 516.4 billion yen (US\$4,872 million), a decrease of 31.3 billion yen compared to the end of the previous fiscal year.

### Reference: Major Financial Indices

	June 30 2008	March 31 2008	Change	June 30 2007
D/E Ratio	0.99	0.94	0.05	0.89
Net D/E Ratio	0.46	0.36	0.10	0.49
Shareholders' Equity Ratio	24.1%	23.9%	0.2%	21.2%
Owners' Equity Ratio	25.7%	24.8%	0.9%	24.4%

D/E ratio is ending balance of interest-bearing loans/owners' equity.

Net D/E ratio equals (ending balance of interest-bearing loans - cash and cash equivalents at end of period)/owners' equity.