

5. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

	Second Quarter FY 2010 (at Sept 30, 2010)	Full Year FY 2009 (at March 31, 2010)	Change	Second Quarter FY 2009 (at Sept 30, 2009)
Current assets	1,645.3	1,871.9	-226.5	1,801.3
(Cash and deposits)	228.8	322.7	-93.9	379.8
(Notes and accounts receivable, trade)	768.8	921.3	-152.4	798.1
(Investment securities)	91.4	105.2	-13.8	47.6
(Inventories)	373.0	322.3	50.7	388.2
Non-current assets	1,269.0	1,356.0	-87.0	1,367.3
(Property, plant and equipment)	644.5	662.7	-18.2	679.1
(Intangible assets)	255.3	279.2	-23.8	298.5
(Investment securities and other non-current assets)	369.1	414.1	-44.9	389.5
Total Assets	2,914.3	3,228.0	-313.6	3,168.6
Current liabilities	1,398.8	1,560.0	-161.2	1,505.5
(Notes and accounts payable, trade)	542.6	626.9	-84.3	568.9
(Short-term borrowings and current portion of long-term debt)	228.2	220.4	7.7	232.2
(Accrued expenses)	300.2	334.4	-34.2	330.5
Long-term liabilities	590.2	719.6	-129.3	767.1
(Long-term debt)	257.7	356.9	-99.2	414.8
Total Liabilities	1,989.1	2,279.6	-290.5	2,272.6
Shareholders' equity	878.3	865.8	12.5	822.8
Valuation and translation adjustments	-89.5	-67.1	-22.3	-72.9
Minority interests	136.3	149.6	-13.2	146.0
Total Net Assets	925.2	948.3	-23.1	895.9
Total Liabilities and Net Assets	2,914.3	3,228.0	-313.6	3,168.6

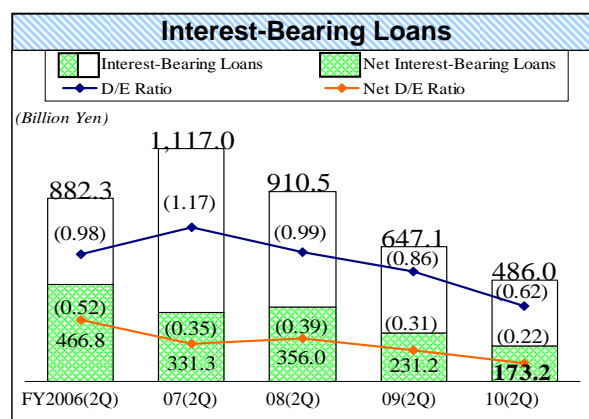
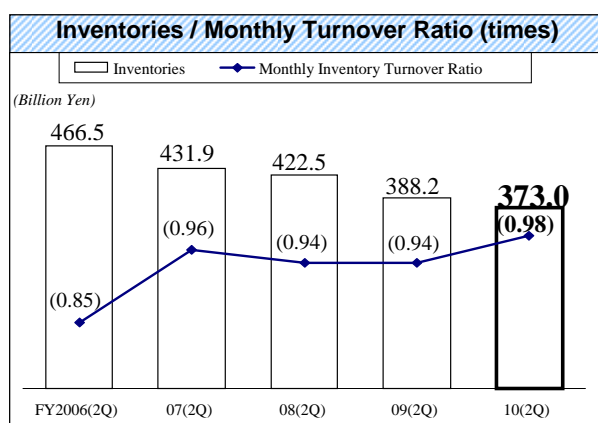
[Cash Flows]

(Billion Yen)

	First Half FY 2010 (4/1/10-9/30/10)	First Half FY 2009 (4/1/09-9/30/09)	Change
I. Cash Flows from Operating Activities:			
Income before income taxes and minority interests	35.3	35.7	-0.3
Depreciation and amortization, including goodwill amortization	109.5	132.8	-23.3
Gain on sales of investment securities, net	-8.1	-89.5	81.4
(Increase) decrease in receivables, trade	131.0	202.8	-71.8
(Increase) decrease in inventories	-57.8	-34.5	-23.3
Increase (decrease) in payables, trade	-60.3	-68.9	8.6
Other, net	-65.3	-50.2	-15.1
Net Cash Provided by Operating Activities	84.1	128.1	-43.9
II. Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-64.9	-54.9	-10.0
Proceeds from sales of investment securities	32.3	108.8	-76.4
Income from acquisition of subsidiaries' stock resulting from change in scope of consolidation	-	50.4	-50.4
Other, net	-23.7	-41.9	18.1
Net Cash Provided by (Used in) Investing Activities	-56.3	62.3	-118.6
I + II Free Cash Flow	27.8	190.4	-162.6
[excluding special items]	[-4.5]	[31.2]	[-35.8]
III. Cash Flows from Financing Activities			
Net increase in borrowings (decrease)	12.3	40.2	-27.8
Bond issue and redemption	-99.9	-296.2	196.3
Acquisition of own shares	-0.0	-22.0	21.9
Amount of dividends paid	-11.7	-7.1	-4.6
Other, net	-25.5	-22.2	-3.2
Net Cash Used in Financing Activities	-124.9	-307.4	182.5
IV. Cash and Cash Equivalents at End of Period	312.7	415.9	-103.1

Note: Free cash flow excluding special items excludes proceeds from sales of investment securities and income from acquisition of subsidiaries' stock.

Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking first-half sales, dividing by the average balance of inventories in the first half, and then dividing by 6. The average balance of inventories in the second quarter is calculated using the average of the balances at the end of first quarter and second quarter.

Total assets at the end of the second quarter were 2,914.3 billion yen (US\$34,694 million), a decrease of 313.6 billion yen from the end of fiscal 2009. Current assets totaled 1,645.3 billion yen, a decrease of 226.5 billion yen compared with the end of fiscal 2009 due to the collection of notes and accounts receivable associated with the large concentration of sales toward the end of fiscal 2009, as well as the redemption of bonds. Inventories at the end of the quarter totaled 373.0 billion yen, an increase of 50.7 billion yen from the ending balance of fiscal 2009, in preparation for expected sales of services, server-related products, and PCs. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.98 times. This was an improvement of 0.04 times compared to the end of the second quarter of fiscal 2009, mainly as a result of improvement in inventory turnover in the services and network products businesses.

Non-current assets fell by 87.0 billion yen from the end of fiscal 2009, to 1,269.0 billion yen. Net balances of property, plant and equipment and intangible assets decreased from the end of fiscal 2009, due to the impact of yen appreciation on the value of assets, mainly those of European subsidiaries, and the fact that capital expenditures during the first half of fiscal 2010 were held below the level of depreciation. In addition, other non-current assets declined 44.9 billion yen due to the sale of investment securities and decrease in deferred tax assets.

Total liabilities were 1,989.1 billion yen (US\$23,680 billion), a decrease of 290.5 billion yen compared to the end of fiscal 2009, reflecting the payment of accounts payable relating to the concentration of sales at the end of the prior fiscal year. The balance of interest-bearing loans was 486.0 billion yen, a reduction of 91.4 billion yen compared to the end of fiscal 2009, primarily resulting from the redemption of 100.0 billion yen in convertible bonds. The D/E ratio was 0.62 times, representing a 0.1 percentage point improvement since the end of fiscal 2009, and the net D/E ratio was 0.22 times, on par with the ratio at the end of fiscal 2009. The improvement in the D/E ratio and net D/E ratio was due to the repayment of interest-bearing debt since the end of the second quarter of fiscal 2009 and an increase in owners' equity from profits posted.

Net assets were 925.2 billion yen (US\$11,014 million), a decrease of 23.1 billion yen from the end of fiscal 2009. There was a 22.3 billion yen decrease in valuation and translation adjustments due to strong yen appreciation and a 13.2 billion yen decrease in minority interests in conjunction with the conversion of PFU Limited into a wholly owned subsidiary.

Despite the payment of year-end dividends, shareholders' equity increased by 12.5 billion yen because of the quarterly net income recorded. As a result of the collection of accounts receivable associated with the large concentration of sales toward the end of the previous fiscal year, total assets declined and the owners' equity ratio increased 2.4 points from the end of fiscal 2009, to 27.1%.

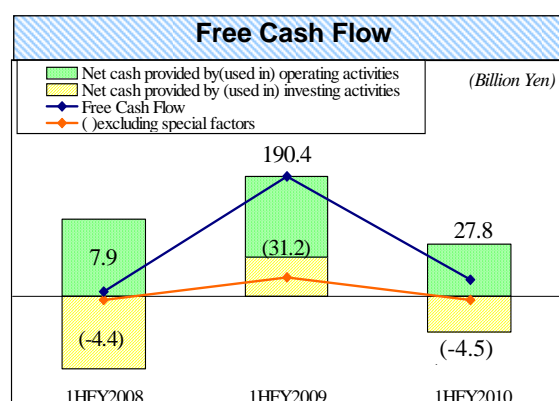
(Billion Yen)				
	2Q FY 2010 (September 30, 2010)	FY 2009 (March 31, 2010)	Change	2Q FY 2009 (September 30, 2009)
Cash and cash equivalents at end of period	312.7	420.1	-107.3	415.9
Interest-bearing loans	486.0	577.4	-91.4	647.1
Net interest-bearing loans	173.2	157.2	15.9	231.2
Owners' equity	788.8	798.6	-9.8	749.9
D/E ratio (times)	0.62	0.72	-0.10	0.86
Net D/E ratio (times)	0.22	0.20	0.02	0.31
Shareholders' equity ratio	30.1 %	26.8 %	3.3 %	26.0 %
Owners' equity ratio	27.1 %	24.7 %	2.4 %	23.7 %

1. D/E ratio: Interest-bearing loans/Owners' equity.

2. Net D/E ratio: (Interest-bearing loans – End balance of cash and cash equivalents)/Owners' equity

Summary of Cash Flows

Net cash flows provided by operating activities during the first half were 84.1 billion yen (US\$1,001 million). This represents a decrease of 43.9 billion yen compared to the same period in fiscal 2009. The reduction was a result of an increase in inventories, along with the payment in the current first half for various initiatives taken in the previous year, including costs associated with structural reforms in the LSI business, restructuring initiatives in the services business in Europe, and a settlement with a German copyright organization on royalty payments related to the personal reproduction of copyright-protected materials by PC users.



Note: Free cash flow excluding special factors is free cash flow minus proceeds from the sale of investment securities and proceeds from the acquisition of subsidiaries' shares.

Net cash used in investing activities was 56.3 billion yen (US\$670 million). Although there was cash inflow from the sale of investment securities, there were also outflows for the acquisition of property, plant and equipment and intangible assets, resulting in an increase in cash outflow of 118.6 billion yen compared to the same period in fiscal 2009. During the first half of fiscal 2009, there was an inflow of 108.8 billion yen from the sale of investment securities, including shares in FANUC Ltd. in accordance with FANUC's solicitation to repurchase its shares, and an inflow of 50.4 billion yen in conjunction with the conversion of Fujitsu Technology Solutions (Holding) B.V. and FDK Corporation into consolidated subsidiaries and the aggregation of the companies' cash and cash equivalents.

Free cash flow, the sum of operating and investing cash flows, was 27.8 billion yen (US\$331 million), a decrease of 162.6 billion yen compared with the same period in the previous fiscal year. Excluding the impact of such special factors as cash inflows from the sale of investment securities, free cash flow decreased by 35.8 billion yen.

Net cash used in financing activities was 124.9 billion yen (US\$1,487 million). In addition to the redemption of 100.0 billion yen of convertible bonds, there were year-end dividend

payments of 11.7 billion yen and the payment of 9.4 billion yen for the acquisition of shares from minority shareholders in conjunction with the conversion of PFU Limited into a wholly owned subsidiary. Compared to the first half of fiscal 2009, when 300.0 billion yen in corporate bonds were redeemed, there was a decrease in outflows of 182.5 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first half were 312.7 billion yen (US\$3,723 million) a decrease of 107.3 billion yen compared to the end of fiscal 2009.

To finance the redemption of 50.0 billion yen in straight corporate bonds maturing in November 2010, the company issued 50.0 billion yen in new straight bonds in October 2010.