

6. Financial Condition

[Assets, Liabilities and Net Assets]

(Billion Yen)

	First Quarter FY 2010 (at June 30, 2010)	Full Year FY 2009 (at March 31, 2010)	Change	First Quarter FY 2009 (at June 30, 2009)
Current assets	1,703.9	1,871.9	-168.0	1,800.0
(Cash and deposits)	263.5	322.7	-59.2	326.6
(Notes and accounts receivable, trade)	740.3	921.3	-180.9	819.9
(Investment securities)	142.7	105.2	37.4	48.5
(Inventories)	359.8	322.3	37.5	388.7
Non-current assets	1,293.3	1,356.0	-62.7	1,505.6
(Property, plant and equipment)	645.4	662.7	-17.2	693.6
(Intangible assets)	258.5	279.2	-20.6	318.0
(Investment securities and other non-current assets)	389.3	414.1	-24.8	494.0
Total Assets	2,997.2	3,228.0	-230.7	3,305.7
Current liabilities	1,491.1	1,560.0	-68.8	1,584.6
(Notes and accounts payable, trade)	538.0	626.9	-88.9	557.7
(Short-term borrowings and current portion of long-term debt)	311.8	220.4	91.3	315.8
(Accrued expenses)	283.3	334.4	-51.0	292.1
Long-term liabilities	596.4	719.6	-123.1	822.7
(Long-term debt)	258.2	356.9	-98.6	414.9
Total Liabilities	2,087.5	2,279.6	-192.0	2,407.4
Shareholders' equity	860.9	865.8	-4.8	728.9
Valuation and translation adjustments	-86.3	-67.1	-19.1	-5.7
Minority interests	134.9	149.6	-14.6	174.9
Total Net Assets	909.6	948.3	-38.7	898.2
Total Liabilities and Net Assets	2,997.2	3,228.0	-230.7	3,305.7

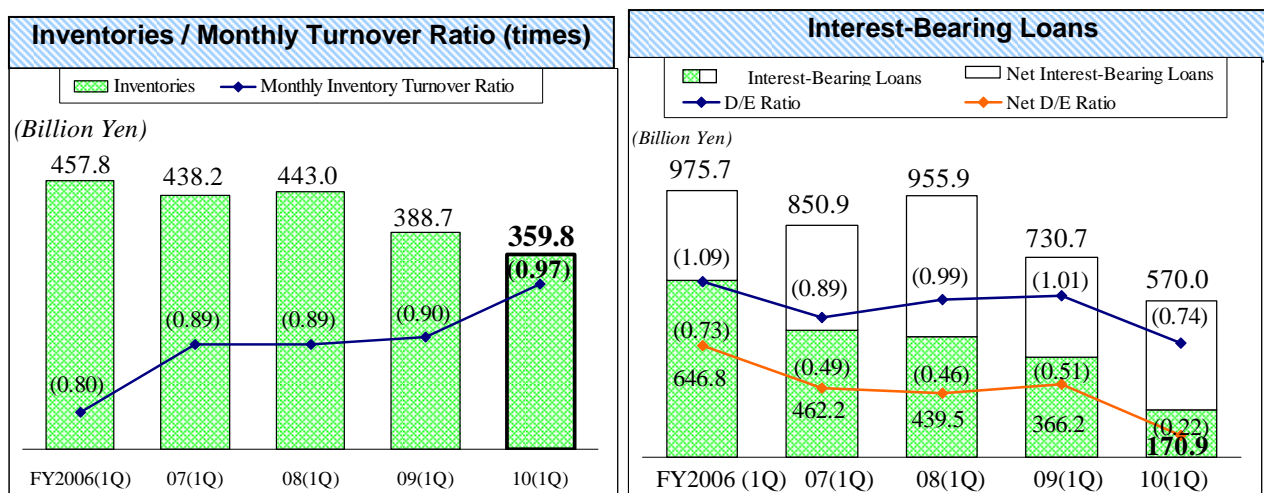
[Cash Flows]

(Billion Yen)

	First Quarter FY 2010 (4/1/10~6/30/10)	First Quarter FY 2009 (4/1/09~6/30/09)	Change
I. Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	2.4	-39.8	42.2
Depreciation and amortization, including goodwill amortization	54.8	68.3	-13.5
(Increase) decrease in receivables, trade	154.6	208.5	-53.9
(Increase) decrease in inventories	-45.6	-28.3	-17.3
Increase (decrease) in payables, trade	-62.4	-94.9	32.5
Other, net	-60.5	-80.6	20.1
Net Cash Provided by Operating Activities	43.2	33.0	10.2
II. Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-29.0	-27.4	-1.5
Purchases of investment securities	-1.4	-17.6	16.2
Proceeds from sales of investment securities	21.3	14.4	6.9
Income from acquisition of subsidiaries' stock resulting from change in scope of consolidation	-	50.4	-50.4
Other, net	-7.7	-9.9	2.2
Net Cash Provided by (Used in) Investing Activities	-16.8	9.7	-26.5
I + II Free Cash Flow [excluding special items]	26.3 [4.9]	42.7 [- 22.1]	-16.3 27.1
III. Cash Flows from Financing Activities			
Net increase in borrowings (decrease)	87.0	125.3	-38.3
Bond issue and redemption	-91.3	-300.0	208.6
Acquisition of own shares	-0.0	-21.9	21.9
Amount of dividends paid	-11.7	-7.1	-4.6
Other, net	-18.3	-11.1	-7.2
Net Cash Used in Financing Activities	-34.4	-214.8	180.4
IV. Cash and Cash Equivalents at End of Period	399.1	364.5	34.6

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

Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover rate is calculated by taking first quarter sales, dividing by the balance of inventories at the end of the first quarter, and then dividing by 3.

Total assets at the end of the first quarter were 2,997.2 billion yen (US\$34,059 million), a decrease of 230.7 billion yen from the end of fiscal 2009. Current assets totaled 1,703.9 billion yen, a decrease of 168.0 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 the previous fiscal year. Inventories at the end of the quarter totaled 359.8 billion yen, an increase of 37.5 billion yen from the ending balance of fiscal 2009, in preparation for expected sales of services, server-related products, and PCs in the second quarter. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.97 times. This was an improvement of 0.07 times compared to the end of the first 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 62.7 billion yen from the end of fiscal 2009, to 1,293.3 billion yen. Net balances of property, plant and equipment and intangible assets decreased from the end of the previous fiscal year, due to the impact of yen appreciation on the value of assets of European subsidiaries, a lower level of new acquisitions, and depreciation. As well, other non-current assets declined due to the sale of investment securities.

Total liabilities were 2,087.5 billion yen (US\$23,722 billion), a decrease of 192.0 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, as well as the payment of accrued expenses, including salary bonuses. The balance of interest-bearing loans was 570.0 billion yen, on par with the level at the end of fiscal 2009. Although 100.0 billion yen of convertible bonds that came due during the period were redeemed, a portion of working capital was financed through short-term borrowings. The D/E ratio was 0.74 times and the net D/E ratio was 0.22 times, both on par with those at the end of fiscal 2009. Due to the repayment of interest-bearing loans, there was a significant improvement from the first quarter of fiscal 2009.

Net assets were 909.6 billion yen (US\$10,336 million), a decrease of 38.7 billion yen from the end of fiscal 2009 reflecting a decrease in valuation and translation adjustments because of strong yen appreciation and the decrease in minority interests in conjunction with the conversion of PFU Limited into a wholly owned subsidiary. As a result of the collection of notes and 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 1.1 points from the end of fiscal 2009 to 25.8%.

(Billion Yen)

	1Q FY2010 (June 30, 2010)	FY2009 (March 31, 2010)	Change	1Q FY2009 (June 30, 2009)
Cash and cash equivalents at end of period	399.1	420.1	-20.9	364.5
Interest-bearing loans	570.0	577.4	-7.3	730.7
Net interest-bearing loans	170.9	157.2	13.6	366.2
Owners' equity	774.6	798.6	-24.0	723.2
D/E ratio (times)	0.74	0.72	0.02	1.01
Net D/E ratio (times)	0.22	0.20	0.02	0.51
Shareholders' equity ratio	28.7%	26.8%	1.9%	22.1%
Owners' equity ratio	25.8%	24.7%	1.1%	21.9%

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

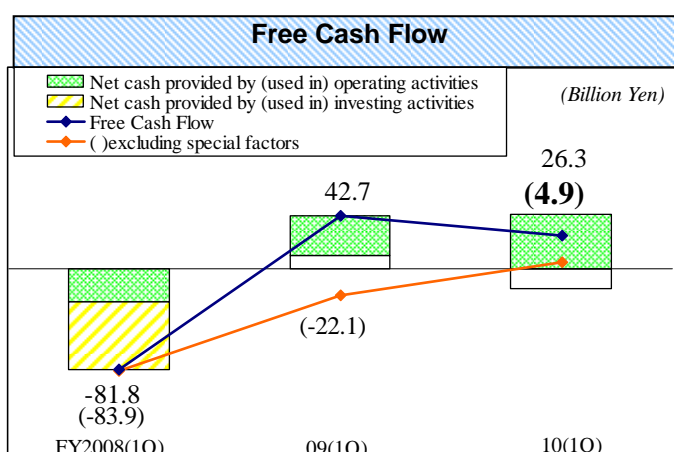
Summary of Cash Flows

Net cash flows provided by operating activities in the first quarter were 43.2 billion yen (US\$491 million). This represents an increase of 10.2 billion yen from the same period in fiscal 2009. Although there was an increase in working capital, operating cash flow increased as a result of improved profitability in the company's core business.

Net cash used in investing activities was 16.8 billion yen (US\$191 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 26.5 billion yen compared to the same period in fiscal 2009. During the first quarter of fiscal 2009, there was 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 26.3 billion yen (US\$299 million), a decrease of 16.3 billion yen compared with the same period in the previous fiscal year. Excluding the impact of such special factors as proceeds from the sale of investment securities and cash inflows in the first quarter of fiscal 2009 resulting from the acquisition of shares of Fujitsu Technology Solutions and FDK, there was positive free cash flow of 4.9 billion yen, a net cash increase of 27.1 billion yen compared to the same period in the previous year. Typically, there is a high capital requirement in the first quarter to pay trade notes and accounts payable in conjunction with the high level of sales at the end of the previous fiscal year. This is the first time since 2001, when the company began disclosing quarterly cash flow statements, that free cash flow has been positive for the first quarter.

Net cash used in financing activities was 34.4 billion yen (US\$391 million). This included the payment of 11.7 billion yen for year-end dividends, and the payment of 9.4 billion yen for



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.

the acquisition of shares from minority shareholders in conjunction with the conversion of PFU Limited into a wholly owned subsidiary. Although 100.0 billion yen of convertible bonds were redeemed, a portion of working capital was financed through short-term borrowings. Compared to the first quarter of fiscal 2009, when 300.0 billion yen in corporate bonds were redeemed, there was a decrease in outflows of 180.4 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first quarter were 399.1 billion yen (US\$4,535 million) a decrease of 20.9 billion yen compared to the end of fiscal 2009.