

## 5. Financial Condition

### [Assets, Liabilities and Net Assets]

(Billion Yen)

	Third Quarter FY 2010 (at Dec 31, 2010)	Full Year FY 2009 (at March 31, 2010)	Change	Third Quarter FY 2009 (at Dec 31, 2009)
Current assets	1,725.6	1,871.9	-146.2	1,875.8
(Cash and deposits)	215.6	322.7	-107.1	347.2
(Notes and accounts receivable, trade)	796.3	921.3	-125.0	852.3
(Investment securities)	122.0	105.2	16.7	98.8
(Inventories)	406.7	322.3	84.4	401.0
Non-current assets	1,268.5	1,356.0	-87.5	1,335.6
(Property, plant and equipment)	637.6	662.7	-25.1	659.8
(Intangible assets)	254.1	279.2	-25.0	289.5
(Investment securities and other non-current assets)	376.7	414.1	-37.3	386.2
<b>Total Assets</b>	<b>2,994.2</b>	<b>3,228.0</b>	<b>-233.8</b>	<b>3,211.5</b>
Current liabilities	1,459.4	1,560.0	-100.5	1,617.4
(Notes and accounts payable, trade)	556.2	626.9	-70.7	586.6
(Short-term borrowings and current portion of long-term debt)	293.9	220.4	73.4	333.6
(Accrued expenses)	279.5	334.4	-54.8	321.5
Long-term liabilities	606.7	719.6	-112.8	699.1
(Long-term debt)	281.2	356.9	-75.7	361.9
<b>Total Liabilities</b>	<b>2,066.2</b>	<b>2,279.6</b>	<b>-213.3</b>	<b>2,316.5</b>
Shareholders' equity	884.5	865.8	18.6	820.5
Valuation and translation adjustments	-91.8	-67.1	-24.6	-72.9
Minority interests	135.1	149.6	-14.5	147.4
<b>Total Net Assets</b>	<b>927.9</b>	<b>948.3</b>	<b>-20.4</b>	<b>895.0</b>
<b>Total Liabilities and Net Assets</b>	<b>2,994.2</b>	<b>3,228.0</b>	<b>-233.8</b>	<b>3,211.5</b>

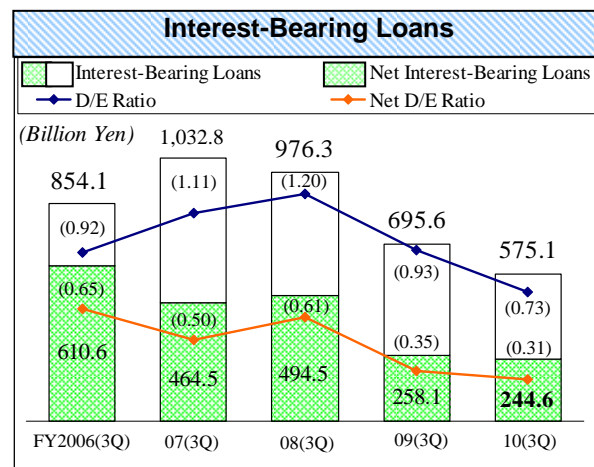
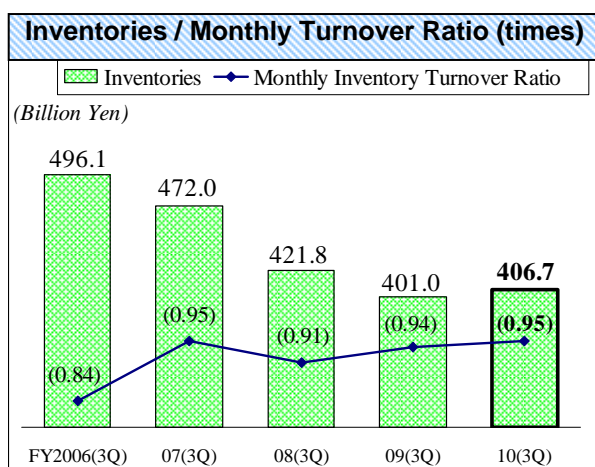
## [Cash Flows]

(Billion Yen)

	First Nine Months FY 2010 (4/1/10~12/31/10)	First Nine Months FY 2009 (4/1/09~12/31/09)	Change
I. Cash Flows from Operating Activities:			
Income before income taxes and minority interests	57.7	51.4	6.2
Depreciation and amortization, including goodwill amortization	164.6	194.8	-30.1
(Gain) loss on sale of investment securities	-8.8	-89.5	80.6
(Increase) decrease in receivables, trade	89.6	163.0	-73.3
(Increase) decrease in inventories	-92.7	-57.9	-34.8
Increase (decrease) in payables, trade	-38.9	-65.3	26.3
<b>Net Cash Provided by Operating Activities</b>	<b>71.0</b>	<b>139.0</b>	<b>-68.0</b>
II. Cash Flows from Investing Activities			
Purchases of property, plant and equipment	-90.2	-79.4	-10.8
Proceeds from sales of investment securities	33.9	106.4	-72.5
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>-93.3</b>	<b>41.7</b>	<b>-135.0</b>
I + II Free Cash Flow	-22.3	180.7	-203.1
[excluding special items]	[-61.1]	[8.4]	[-69.5]
III. Cash Flows from Financing Activities			
Net increase in borrowings (decrease)	103.4	89.4	14.0
Bond issue and redemption	-99.8	-297.0	197.1
Amount of dividends paid	-23.1	-13.8	-9.3
<b>Net Cash Used in Financing Activities</b>	<b>-53.0</b>	<b>-276.7</b>	<b>223.6</b>
IV. Cash and Cash Equivalents at End of Period	330.5	437.4	-106.9

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

## Explanation of Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking sales for the first nine months, dividing by the average balance of inventories in the first nine months, and then dividing by 9. The average balance of inventories in the first nine months is calculated using the average of the balances at the end of first, second, and third quarters.

Consolidated total assets at the end of the third quarter were 2,994.2 billion yen (US\$36,965 million), a decrease of 233.8 billion yen compared to the end of fiscal 2009. Current assets totaled 1,725.6 billion yen, a decrease of 146.2 billion yen compared to the end of the prior fiscal year, despite the collection of receivables associated with the high concentration of sales at the end of the prior fiscal year, as cash was used to redeem corporate bonds. Inventories at the end of the quarter totaled 406.7 billion yen, an increase of 84.4 billion yen from the ending balance of fiscal 2009, resulting from the start of full-scale production of the Next-Generation Supercomputer system and preparations for future sales in the services business and mobile phones. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.95 times, a level roughly unchanged from same period in the previous fiscal year.

Non-current assets were 1,268.5 billion yen, a decrease of 87.5 billion yen compared to the end of the preceding fiscal year. Property, plant and equipment, as well as intangible assets decreased, mainly as a result of the impact of the appreciation of the yen on European subsidiaries. Other non-current assets declined primarily as a result of the redemption of investment securities.

Total consolidated liabilities were 2,066.2 billion yen (US\$25,508 million), a decrease of 213.3 billion yen from the end of fiscal 2009, reflecting the payment of trade payables related to the concentration of sales at the end of the prior fiscal year and accrued expenses. The balance of interest-bearing debt was 575.1 billion yen, roughly the same level as at the end of fiscal 2009. 100.0 billion yen of convertible bonds were redeemed at maturity. 50.0 billion yen in straight corporate bonds were newly issued to redeem straight bonds that reached maturity during this third quarter period. A portion of working capital was financed through an increase in short-term borrowing. The D/E ratio was 0.73 times, roughly the same level as the end of the preceding fiscal year. Due to the increase of net interest-bearing debt, however, the net D/E ratio rose to 0.31, a deterioration of 0.11 points compared to the end of fiscal

2009. Improvement since the same period last year was due to the repayment of interest-bearing debt and an increase in owners' equity from profits posted.

Net assets were 927.9 billion yen (US\$11,455 million), a decrease of 20.4 billion yen from the end of fiscal 2009. There was a 24.6 billion yen decrease in valuation and translation adjustments due to strong yen appreciation and a 14.5 billion yen decrease in minority interests in conjunction with the conversion of PFU Limited into a wholly owned subsidiary. Shareholders' equity increased by 18.6 billion yen from the end of the last fiscal year because of the quarterly net income recorded. The owners' equity ratio was 26.5%, an increase of 1.8 points over the end of fiscal 2009, resulting from the decrease in total assets.

#### Reference: Major Financial Indices

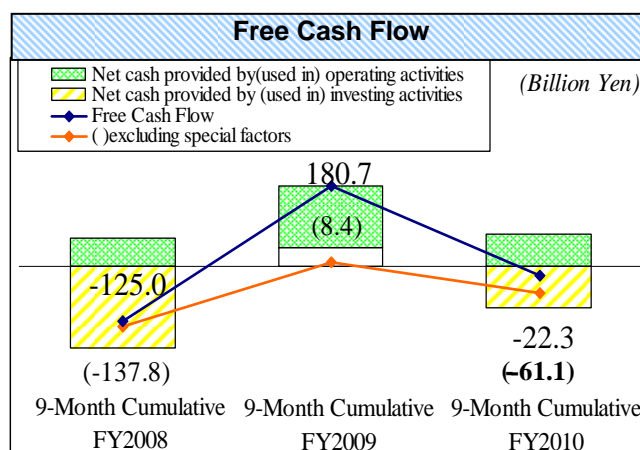
	3Q FY 2010	FY 2009	Change	(Billion Yen)
	(December 31, 2010)	(March 31, 2010)		3Q FY 2009 (December 31, 2009)
Cash and cash equivalents	330.5	420.1	-89.6	437.4
Interest-bearing loans	575.1	577.4	-2.2	695.6
Net interest-bearing loans	244.6	157.2	87.3	258.1
Owners' equity	792.7	798.6	-5.9	747.5
D/E Ratio (times)	0.73	0.72	0.01	0.93
Net D/E Ratio (times)	0.31	0.20	0.11	0.35
Shareholders' Equity Ratio	29.5%	26.8%	2.7%	25.5%
Owners' Equity Ratio	26.5%	24.7%	1.8%	23.3%

1. D/E ratio is interest-bearing loans/owners' equity.

2. Net D/E ratio equals (interest-bearing loans — cash and cash equivalents)/owners' equity.

#### Summary of Cash Flows

Net cash flows provided by operating activities during the first nine months of fiscal 2010 were 71.0 billion yen (US\$877 million). This represents a decrease of 68.0 billion yen compared to the same period in fiscal 2009. The reduction was the result of an increase in inventories stemming from the initiation of full-scale production of the Next-Generation Supercomputer system and preparations for expected sales of mobile phones and other products in the future, along with the payment during the first nine months of fiscal 2010 for various initiatives taken in the previous fiscal 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 copyrighted materials by PC users.



Note: Free cash flow excluding special factors is free cash flow minus proceeds from the sale of investment securities, proceeds from the transfer of business, and income from the acquisition of subsidiaries' stock.

Net cash used in investing activities was 93.3 billion yen (US\$1,152 million). Although there was cash inflow from the sale of investment securities and from the final sale of shares in conjunction with the sale of the HDD business in the same period last year, there were outflows for the acquisition of property, plant and equipment, intangible assets, and investment securities, resulting in an increase of cash outflow of 135.0 billion yen compared

with the same period in fiscal 2009. During the first nine months of fiscal 2009, there was an inflow of 106.4 billion yen from the sale of investment securities, including shares in FANUC Ltd., in accordance with FANUC's solicitation to repurchase its shares, 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, and an inflow of 15.4 billion yen in conjunction with the sale of the HDD business.

Free cash flow, the sum of operating and investing cash flows, was a negative 22.3 billion yen (US\$275 million), a decrease of 203.1 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 69.5 billion yen.

Net cash used in financing activities was 53.0 billion yen (US\$654 million). Although 100.0 billion yen of convertible bonds were redeemed at maturity, primarily through the use of cash on hand, a portion of working capital was financed through short-term borrowing. Moreover, in addition to year-end and interim dividend payments of 23.1 billion yen in conjunction with the increase in dividends from the prior fiscal year, there was also a 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 nine months of fiscal 2009, when 300.0 billion yen in corporate bonds were redeemed, there was a decrease in outflows of 223.6 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the third quarter were 330.5 billion yen (US\$4,080 million), a decrease of 89.6 billion yen compared to the end of fiscal 2009.