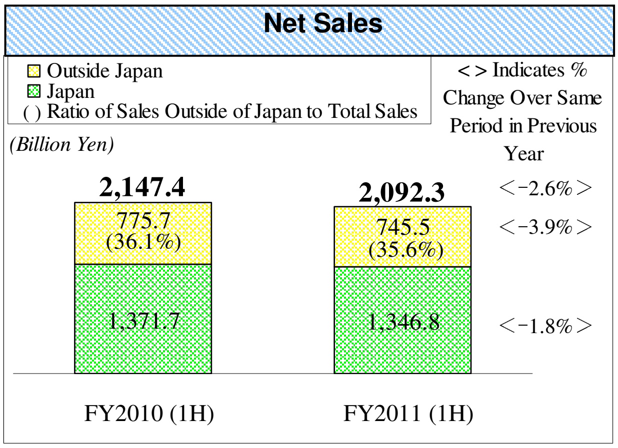
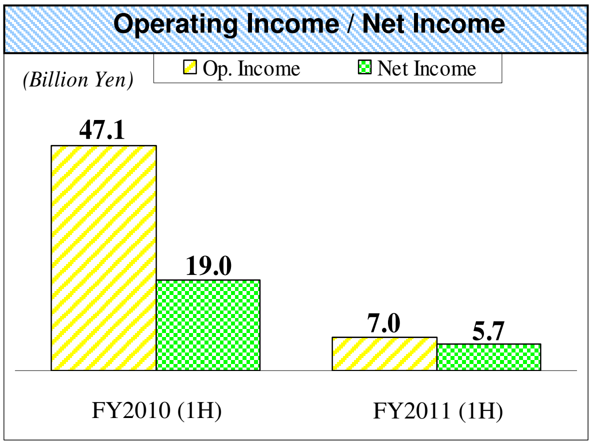
4. Overview of First-Half Consolidated Results

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=77 yen, the approximate Tokyo foreign exchange market rate on September 30, 2011. Figures for and comparisons to prior reporting periods are provided only for reference. The impact of foreign exchange fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for the first half of fiscal 2010 to translate the current period's net sales outside Japan into yen.





Consolidated net sales for the first half of fiscal 2011 amounted to 2,092.3 billion yen (US$27,173 million), a decline of 2.6% from the first half of fiscal 2010.

Sales in Japan fell by 1.8%. In addition to the full restoration of production capacity at the company's manufacturing facilities damaged in the Great East Japan Earthquake taking until April, several of the company's businesses, particularly car audio and navigation equipment, mobile phones, and LSI devices, were adversely impacted by customer contract, delivery, and inspection delays as well as delays in procuring certain parts and components, primarily in the first quarter. The impact of the earthquake weighed on sales results in the first half, despite the positive effects of the merger of Toshiba Corporation's mobile phone business and higher sales of mobile phone base stations, which experienced a rise in demand to support LTE services from the second quarter.

Sales outside of Japan declined 3.9%, but rose 1% on a constant-currency basis. Although sales of UNIX servers in North America and electronic components decreased, there were higher sales of infrastructure services in Australia and Nordic regions, as well as higher sales of optical transmission systems in the US and higher PC sales in Europe.

Average yen exchange rates for the first half of fiscal 2011 against major currencies were 80 yen for the US dollar (representing appreciation of 9 yen from the first half of fiscal 2010), 114 yen for the euro (essentially unchanged), and 129 yen for the British pound (appreciation of 6 yen). As a result, the impact of foreign exchange fluctuations for the first half of fiscal 2011 was to reduce net sales by approximately 35.0 billion yen compared to the first half of fiscal 2010. Sales generated outside Japan as a percentage of total sales were 35.6%, a decrease of 0.5 of a percentage point compared to the same period in the previous fiscal year.

Gross profit was 573.9 billion yen, a decline of 27.6 billion yen from the first half of fiscal 2010. The decline was attributable to the impact of lower sales of LSI devices and electronic components as a result of yen appreciation, in addition to the decline in sales resulting from the impact of the earthquake. The gross profit margin deteriorated by 0.6 of a percentage point compared to the corresponding period of the previous fiscal year, to 27.4%.

Selling, general and administrative expenses amounted to 566.8 billion yen, a year-on-year increase of 12.4 billion yen due to upfront investments in cloud services and network-related areas.

As a result, Fujitsu recorded operating income of 7.0 billion yen (US$91 million), representing a decrease of 40.1 billion yen compared to the first half of fiscal 2010.

In other income and expenses, the company posted a 6.7 billion yen foreign currency translation adjustment loss stemming from the ongoing appreciation of the yen. In addition, the company recorded an 8.2 billion yen loss, primarily overhead expenses incurred during production stoppages due to customer-related issues and the aftershocks in April.

The company reported consolidated net income of 5.7 billion yen (US$74 million) for the first half, representing a decline of 13.3 billion yen from the corresponding period of fiscal 2010. Income before income taxes and minority interests declined, although the decision to liquidate a subsidiary in Europe and a stock transfer executed in line with group reorganization had the effect of lowering tax expenses.

Comparison to Consolidated Earnings Projections Announced in July 2011

Net sales were 7.6 billion yen lower than projected. Better-than-expected sales of mobilewear were seen owing to recovery of automobile production, however declining demand in the Device Solutions drove overall sales below projections. The appreciation of the yen had a moderate impact on sales of services, both in and outside Japan, although they proceeded mostly according to projections. Operating income exceeded projections by 2.0 billion yen. Despite the impact of low demand for device solutions, contributing to the higher income were increased demand for mobilewear, the effect of lower costs for PC parts owing to the weak US dollar, and group-wide efforts to streamline costs. Net income for the first half of the fiscal year was also 5.7 billion yen higher than projected due to factors such as decreased tax expenses in line with share transfers related to a group reorganization in Europe, originally expected to take place in the second half of fiscal 2011.

Results by Business Segment

Information on fiscal 2011 first-half consolidated sales (including intersegment sales) and operating income broken out by business segment is presented as follows.

Technology Solutions

(Billion Yen)

	First Half FY 2011	Change vs. 1H FY 2010
Net Sales	1,385.4	-1.1%
Japan	874.6	-1.3%
Outside Japan	510.7	-0.8%
Operating Income	45.7	-10.6

Consolidated net sales in the Technology Solutions segment amounted to 1,385.4 billion yen (US$17,992 million), down 1.1% from the first half of fiscal 2010. In Japan, sales declined 1.3%. Sales of mobile phone base stations increased starting in the second quarter, boosted by heightened demand for base stations for LTE and other services. Overall, however, sales for the first half of 2011 declined due to the impact the Great East Japan Earthquake had on the first quarter. Outsourcing services achieved steady growth. For systems integration services, despite signs of a recovery in some sectors, such as the manufacturing and healthcare-related sectors, there was a decline in overall sales due to fewer large-scale systems deals compared to the same period of fiscal 2010 and the impact of the earthquake. Sales outside Japan were essentially unchanged from the first half of the previous year. Excluding the impact of currency fluctuations, however, sales increased by 3%. Although there was a decline in North American sales of UNIX servers, there were higher sales of optical transmission systems in the US, as well as higher sales of infrastructure services in Australia and other regions.

The segment posted operating income of 45.7 billion yen (US$594 million), a decrease of 10.6 billion yen compared to the first half of fiscal 2010. In Japan, income declined due to upfront investments in cloud services and networking, in addition to the impact of the earthquake. Outside Japan, despite the positive effects of higher sales of optical transmission systems in the US, income declined due to the impact of lower sales of infrastructure services resulting from fiscal austerity measures in the UK.

(1) Services

(Billion Yen)

	First Half FY 2011	Change vs. 1H FY 2010
Net Sales	1,118.6	-0.9%
Japan	687.8	-1.7%
Outside Japan	430.8	0.3%
Operating Income	30.0	-8.4

Net sales in the Services sub-segment amounted to 1,118.6 billion yen (US$14,527 million), essentially unchanged from the same period a year earlier. In Japan, sales declined 1.7%. Although sales of outsourcing services grew steadily and systems integration services showed signs of recovery in some sectors, such as the manufacturing and healthcare-related sectors, sales declined overall on account of fewer large-scale systems in the public sector and the impact of the earthquake. Sales outside Japan were on par with the first half of fiscal 2010. Excluding the impact of currency fluctuations, however, sales increased by 4%. Fiscal austerity policies continued to impact sales in the UK, although sales in Australia and Nordic regions increased.

Operating income for the Services sub-segment amounted to 30.0 billion yen (US$390 million), a decrease of 8.4 billion yen compared to the same period of fiscal 2010. In Japan, the effects of fewer large-scale systems deals and upfront investments in cloud services, in addition to the impact of the earthquake, led to a decline in income. Outside Japan, income was adversely impacted by a decline in sales associated with fiscal austerity measures in the UK.

(2) System Platforms

Net sales in the System Platforms sub-segment were 266.7 billion yen (US$3,464 million), a decrease of 1.8% from the first half of fiscal 2010. In Japan, sales were essentially unchanged from the same period in the previous year. Although there were higher sales of dedicated servers for the Next-Generation Supercomputer system and mobile phone base stations for LTE and other services, server and storage system sales fell as a result of the impact of fewer large-scale systems deals in the financial services and public sectors compared to the first half of fiscal 2010. Sales of network products were also affected by delays, primarily in the first quarter, in the procurement of some components stemming from the earthquake. Sales outside Japan declined 6.2% compared to the same period in the previous year. Excluding the impact of currency fluctuations, however, sales increased by 1%. While there were fewer sales of UNIX servers in North America, sales of optical transmission systems in the U.S. increased.

(Billion Yen)

	First Half FY 2011	Change vs. 1H FY 2010
Net Sales	266.7	-1.8%
Japan	186.8	0.2%
Outside Japan	79.9	-6.2%
Operating Income	15.6	-2.1

Operating income for the System Platforms sub-segment was 15.6 billion yen (US$203 million), a decline of 2.1 billion yen compared to the first half of fiscal 2010. In Japan, higher sales of mobile phone base stations had a positive impact, although income declined as a result of fewer sales of servers and storage systems. Outside Japan, despite higher upfront investments, primarily in networking technologies, income improved due to the effect of cost reductions for x86 servers, as well as the effect of higher optical transmissions system sales.

Ubiquitous Solutions

Net sales in the Ubiquitous Solutions segment were 515.8 billion yen (US$6,699 million), a decline of 4.7% compared to the first half of fiscal 2010. Sales in Japan declined 5.6%. In PCs, although unit sales increased in the consumer market, overall sales declined due to the impact of escalating price competition and delays in a rebound of spending in the enterprise market. In the mobile phone business, despite lower unit sales of feature phones stemming from slowdowns in production and sales due to the earthquake, the positive impact of the merger with Toshiba Corporation’s mobile phone business, along with growth in the market for smartphones, led to higher sales. Sales of the mobilewear sub-segment’s car audio and navigation systems declined on account of automobile production slowdowns stemming from the earthquake, as well as the impact of the expiration of the government’s eco-car subsidy program in the first half of fiscal 2010. Sales outside Japan declined 1.7%. Excluding the impact of currency fluctuations, however, sales increased by 1%. Unit sales of PCs increased, particularly in Europe. Sales of mobilewear declined, having been impacted by interruptions in automobile production outside Japan in the first quarter due to the earthquake.

(Billion Yen)

	First Half FY 2011	Change vs. 1H FY 2010
Net Sales	515.8	-4.7%
Japan	387.5	-5.6%
Outside Japan	128.2	-1.7%
Operating Income	4.3	-10.7

Operating income for Ubiquitous Solutions was 4.3 billion yen (US$56 million), representing a decline in income of 10.7 billion yen compared to the first half of the previous year. Although the decline in sales of PCs in Japan was offset by cost reductions against a backdrop of yen appreciation, the mobile phone business was buffeted by a decline in production and sales following the earthquake, in addition to the effects of lower sales prices for feature phones and higher smartphone development costs. Those factors, in combination with the impact of a decline in sales of mobilewear due to the earthquake, caused operating income in Japan to decline. Outside Japan, although there was a decline in sales of mobilewear on account of the earthquake and yen appreciation, the PC business improved, owing to higher unit sales and the lower cost of parts procurement, driven by the weak US dollar, thereby resulting in an overall increase in operating income.

Device Solutions

(Billion Yen)

	First Half FY 2011	Change vs. 1H FY 2010
Net Sales	288.4	-9.8%
Japan	169.6	-2.9%
Outside Japan	118.8	-18.0%
Operating Income	-4.8	-16.1

Net sales in Device Solutions amounted to 288.4 billion yen (US$3,745 million), a decline of 9.8% compared to the first half of fiscal 2010. Sales in Japan declined 2.9%. LSI device sales declined, despite the positive impact in the first quarter of sales from the final shipments of CPUs for the Next-Generation Supercomputer system. This was on account of the decline in sales resulting from the impact of the earthquake and sluggish demand, particularly for digital audio-visual equipment applications, even after supply chain problems had been resolved. Sales of electronic components in Japan also declined, primarily because of sluggish demand for semiconductor packages. Sales outside Japan declined 18%. Even excluding the impact of exchange rate fluctuations, sales declined 11%. Sales of LSI devices remained essentially unchanged from the first half of fiscal 2010, but sales of electronic components declined on lower sales of semiconductor packages and batteries, primarily to Asia.

The Device Solutions segment recorded a loss of 4.8 billion yen (US$62 million), representing a deterioration of 16.1 billion yen from the first half of fiscal 2010. In Japan, operating income from LSI devices was adversely impacted by lower sales due to the earthquake and yen appreciation, the decreased rate of manufacturing line operation in line with falling demand and ongoing investment costs to enhance product competitiveness. Operating income from electronic components also declined due to the impact of lower sales and a sharp rise in the cost of some raw materials. Outside Japan, operating income from both LSI devices and electronic components declined as a result of lower demand and yen appreciation.

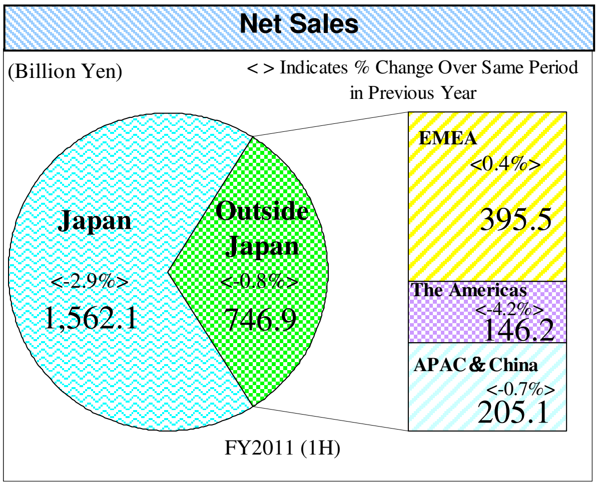
Other/Elimination and Corporate

This segment recorded an operating loss of 38.1 billion yen (US$495 million), a deterioration of 2.5 billion yen from the first half of fiscal 2010. This was on account of up-front costs associated with the development of new businesses and other factors.

On June 2011 it was announced that the next-generation supercomputer, the “K computer,” co-developed by RIKEN and Fujitsu, had taken first place on the TOP500 list of supercomputer rankings. This achievement is the result of efforts such as bringing together group technologies to develop proprietary CPUs, delivering the first component in September 2010, and overcoming the challenges posed by the earthquake. Fujitsu has entered into the final stages of the project as the manufacturing of over 800 racks was completed. It aims to complete the supercomputer by 2012.

Geographic Information

Sales and operating income for Fujitsu and its consolidated subsidiaries according to country and region are as follows.



Operating Income (Billion Yen)

	Second Quarter FY 2011	Change vs. 2Q FY 2010	First Half FY 2011	Change vs. First Half FY 2010
Japan	43.8 [5.2%]	-12.5 [-1.6%]	48.5 [3.1%]	-39.4 [-2.4%]
Outside Japan	1.5 [0.4%]	1.2 [0.3%]	-3.4 [-0.5%]	0.6 [- %]
EMEA	-0.4 [-0.2%]	3.8 [1.9%]	-7.0 [-1.8%]	3.0 [0.8%]
The Americas	-0 [-0.0%]	-2.2 [-3.0%]	1.0 [0.7%]	-0.9 [-0.6%]
APAC & China	2.0 [1.9%]	-0.2 [-0.3%]	2.6 [1.3%]	-1.4 [-0.7%]

Note: Numbers inside brackets indicate operating income margin.