NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements and the principles of consolidation

The accompanying consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the regulations under the Financial Instruments and Exchange Law of Japan and accounting principles and practices generally accepted in Japan. The consolidated subsidiaries outside Japan have adopted the accounting principles and practices in their respective countries. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan.

Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards ("IFRS") and accounting principles and practices in other countries in certain respects as to applications and disclosure requirements.

The consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries.

The acquisition of companies is accounted for by the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies.

Investments in affiliates, with minor exceptions, are accounted for by the equity method.

<Changes in accounting principles and practices for the year ended March 31, 2006>

For the year ended March 31, 2006, Fujitsu Services Holdings PLC, a UK subsidiary, and its consolidated subsidiaries (together, "FS") have voluntarily adopted IFRS in line with listed companies in the EU. Prior to the adoption of IFRS, FS had been applying the accounting principles and practices generally accepted in the UK. The amounts in the consolidated financial statements prior to and for the year ended March 31, 2005, have not been restated.

For the year ended March 31, 2006, Fujitsu Telecommunications Europe Limited, another UK subsidiary, recognized pension obligation which had not been recognized before in conformity with the new UK accounting standard for the retirement benefits (Financial Reporting Standard 17). The adoption of this standard, however, did not have a material impact on net income for the year ended March 31, 2006.

As a result of the above changes, cumulative effect as of April 1, 2005 of ¥85,980 million had been charged to retained earnings (deficit).

(b) Cash equivalents

Cash equivalents are considered to be short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of fluctuation in value.

(c) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates.

The assets and liabilities accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Income and expense accounts are translated at the average exchange rate during the year. The resulting translation adjustments are recorded in a separate component of net assets as "foreign currency translation adjustments."

(d) Revenue recognition

Revenue from sales of IT systems and products excluding customized software under development contracts (the "customized software") is recognized upon acceptance by the customers, whereas, revenue from sales of personal computers, other equipment and electronic devices is recognized when the products are delivered to the customers. Revenue from sales of the customized software is recognized by reference to the percentage-of-completion method.

<Changes in accounting principles and practices for the year ended March 31, 2008>

For the year ended March 31, 2008, the Group changed its accounting policy for the revenue recognition of personal computers, other equipment and electronic devices from recognition upon shipment to recognition upon delivery to customers. The amounts in the consolidated financial statements prior to and for the year ended March 31, 2007 have not been restated.

For the year ended March 31, 2008, as a result of this change, net sales decreased by ¥5,753 million ($57,530 thousand) and operating income and income before income taxes and minority interests both decreased by ¥1,767 million ($17,670 thousand). The impact of this change to the segment information is set forth in Note 18.

(e) Marketable securities

Marketable securities included in "short-term investments" and "investments and long-term loans" are classified as either held-to-maturity investments, which are the debt securities which the Group has the positive intent and ability to hold to maturity, or available-for-sale securities, which are "equity securities" or "debt securities not classified as held-to-maturity."

Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premium or accretion of discounts to maturity. The cost of available-for-sale securities sold is calculated by the moving average method.

Available-for-sale securities are carried at fair market value, with the unrealized gains or losses, net of taxes, reported in a separate component of net assets.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

(g) Inventories

Finished goods are mainly stated at cost determined by the moving average method.

Work in process is mainly stated at cost determined by the specific identification method or the average cost method.

Raw materials are mainly stated at cost determined by the moving average method.

Inventories with lower profitability are written down.

<Changes in accounting principles and practices for the year ended March 31, 2008>

For the year ended March 31, 2008, the Company and its consolidated subsidiaries in Japan adopted the accounting standards for measurement of inventories which were newly applied in Japan. The amounts in the consolidated financial statements prior to and for the year ended March 31, 2007 have not been restated.

For the year ended March 31, 2008, as a result of this change, operating income decreased by ¥2,706 million ($27,060 thousand) and income before income taxes and minority interests, which included "loss on revaluation of inventories at the beginning of period" of ¥25,045 million ($250,450 thousand), decreased by ¥27,751 million ($277,510 thousand).

The impact of this change to the segment information is set forth in Note 18. The details of "loss on revaluation of inventories at the beginning of period" are set forth in Note 17.

(h) Property, plant and equipment and depreciation

Property, plant and equipment, including renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the straight-line-method over the estimated useful lives, reflected by the likely period over which the value of the asset can be realized under actual business conditions.

Certain property, plant and equipment are impaired based on consideration of their future usefulness. Accumulated impairment loss is subtracted directly from each asset.

<Changes in accounting principles and practices for the year ended March 31, 2008>

For the year ended March 31, 2008, the Company and its consolidated subsidiaries in Japan changed the depreciation method, the useful lives and the residual values.

The amounts in the consolidated financial statements prior to and for the year ended March 31, 2007, have not been restated.

In prior periods, the Company and its consolidated subsidiaries in Japan depreciated property, plant and equipment with the declining-balance method, while consolidated overseas subsidiaries most often adopted the straight-line depreciation method. From the year ended March 31, 2008, the Group uniformly adopted straight-line depreciation over the estimated useful life of the assets, which would be determined in accordance with what was judged to be the likely period over which the value of the asset could be realized under actual business conditions, and with the residual value of the asset deemed to be the actual residual value.

As a result of these changes and revisions, compared to the previous method of accounting, operating income increased by ¥11,408 million ($114,080 thousand) and income before income taxes and minority interests increased by ¥11,765 million ($117,650 thousand). These amounts include an increase in depreciation expense of ¥7,222 million ($72,220 thousand) as a result of restarting depreciation of facilities over a five-year period with a residual value of zero for those facilities that had already been depreciated to 5% of the acquisition cost at March 31, 2007. The impact of this change to segment information is set forth in Note 18.

(i) Intangible assets

Goodwill is amortized by the straight-line method over periods not exceeding 20 years. In the consolidated financial statements, the Group consistently amortizes goodwill acquired by consolidated subsidiaries outside Japan where goodwill is not amortized in accordance with the accounting principles and practices in their respective countries.

Computer software for sale is amortized based on the current year sales units to the projected total products' sales units. Computer software for internal use is amortized by the straight-line method over the estimated useful lives.

Other intangible assets are amortized by the straight-line method at the rates based on the estimated useful lives of the respective assets.

(j) Leases

Assets acquired by lessees in finance lease transactions are recorded in the corresponding asset accounts.

<Changes in accounting principles and practices for the year ended March 31, 2008>

For the year ended March 31, 2008, the Company and its consolidated subsidiaries in Japan adopted the accounting standards for leases which were applied in Japan.

These changes did not have any impact on income for the year ended March 31, 2008 as leased assets were already recognized on the consolidated balance sheets in prior years.

(k) Provision for product warranties

Provision for product warranties is recognized at the time of sales of the products at an amount which represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period.

(l) Retirement benefits

The Company and the majority of the consolidated subsidiaries have retirement benefit plans.

Under the significant defined benefit plans, the actuarial valuation used to determine the pension costs is the projected unit credit method.

<Changes in accounting principles and practices for the year ended March 31, 2008>

For the year ended March 31, 2008, the Company and its consolidated subsidiaries in Japan reclassified amortization recognition from a component of "other income (expenses)" to a component of "cost of sales or selling, general and administrative expenses." The amounts in the consolidated financial statements prior to and for the year ended March 31, 2007 have not been restated.

For the year ended March 31, 2008, as a result of this change, operating income decreased by ¥7,467 million ($74,670 thousand). There was no impact on income before income taxes and minority interests. The impact of this change to the segment information is set forth in Note 18.

(m) Provision for loss on repurchase of computers

Certain computers manufactured by the Group are sold to Japan Electronic Computer Co., Ltd. ("JECC") and other leasing companies for leasing to ultimate users under contracts which require the Group to repurchase the computers if they are returned by the users after a certain period. Based on past experience, an estimated amount for the loss arising from such repurchases is provided at the point of sales and is charged to income.

(n) Provision for recycling expenses

A provision for anticipated recycling expenses has been made based on the regime for PC recycling enforced in Japan to prepare for recycling expenses incurred upon collection of consumer PCs sold.

(o) Income taxes

The Group has adopted the asset and liability method of tax effect accounting in order to recognize income tax effect of all temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes.

(p) Earnings per share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted earnings per share is computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stocks issuable upon the exercise of warrants and the conversion of convertible bonds.

(q) Derivative financial instruments

The Group uses derivative financial instruments for the purpose of hedging against the risk of fluctuations in interest rates and foreign exchange rates on receivables and payables denominated in foreign currencies.

All derivative financial instruments are stated at fair market value.

The Group defers gain or loss on changes in the fair market values of the derivative financial instruments on the balance sheet until gain or loss on the hedged items are recognized.

2. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥100 = US$1, the approximate exchange rate at March 31, 2008.

The U.S. dollar amounts are presented solely for the convenience of readers and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

3. Marketable Securities

At March 31, 2007 and 2008, marketable securities included in "short-term investments" and "investments and long-term loans—others" were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Held-to-maturity investments			
Carrying value (Amortized cost)	¥ 599	**¥ 294**	**$ 2,940**
Market value	607	**295**	**2,950**
Net unrealized gain	¥ 8	**¥ 1**	**$ 10**
Available-for-sale securities			
Acquisition costs	¥ 90,448	**¥ 71,895**	**$ 718,950**
Carrying value (Market value)	298,673	**222,767**	**2,227,670**
Net unrealized gain	¥208,225	**¥150,872**	**$1,508,720**

4. Inventories

Inventories at March 31, 2007 and 2008 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Finished goods	¥194,433	**¥169,662**	**$1,696,620**
Work in process	135,569	**137,215**	**1,372,150**
Raw materials	82,385	**76,229**	**762,290**
Total inventories	¥412,387	**¥383,106**	**$3,831,060**

5. Investments in Affiliates

The Company accounts for investments in affiliates by the equity method with minor exceptions.

A summary of the financial information of the affiliates accounted for by the equity method is presented below:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Current assets	¥ 750,176	**¥ 690,232**	**$ 6,902,320**
Non-current assets	439,756	**387,199**	**3,871,990**
Total assets	¥1,189,932	**¥1,077,431**	**$10,774,310**
Current liabilities	¥ 826,692	**¥ 718,622**	**$ 7,186,220**
Long-term liabilities	179,867	**195,724**	**1,957,240**
Net assets	183,373	**163,085**	**1,630,850**
Total liabilities and net assets	¥1,189,932	**¥1,077,431**	**$10,774,310**

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	2006	2007	**2008**	**2008**
Net sales	¥1,774,230	¥1,729,400	**¥1,568,216**	**$15,682,160**
Net income (loss)	(16,235)	2,733	**13,544**	**135,440**

Net income (loss) for the year ended March 31, 2007 improved mainly due to the deconsolidation of Spansion Inc.

Net income (loss) for the year ended March 31, 2008 improved mainly due to the deconsolidation of Spansion Inc. in November 2006 and Japan Cablenet Holdings Limited in April 2007 and the increase in income of Fujitsu Siemens Computers (Holdings) B.V.

The carrying and market values of the shares of the publicly listed equity method affiliates at March 31, 2007 and 2008 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Carrying value	¥ 8,135	**¥18,903**	**$189,030**
Market value	20,441	**45,614**	**456,140**

At March 31, 2007 and 2008, the Company recognized investments in Japan Electronic Computer Co., Ltd. ("JECC") of ¥18,405 million and ¥17,484 million ($174,840 thousand), respectively, as "investments and long-term loans—others."

The Company owned 29.49 % of JECC's issued and outstanding shares at March 31, 2007 and 2008, respectively, but the Company did not regard JECC as an affiliate as it was unable to exercise significant influence over JECC's affairs. JECC's principal business was the leasing of computers and peripherals purchased from its six shareholders. At March 31, 2007 and 2008, JECC's issued share capital was ¥65,700 million ($657,000 thousand).

Its net sales for the years ended March 31, 2006, 2007 and 2008 amounted to ¥299,993 million, ¥298,591 million and ¥299,817 million ($2,998,170 thousand), respectively.

6. Property, Plant and Equipment

Changes in property, plant and equipment, net of accumulated depreciation resulted from the following:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2007	**2008**	**2008**
Land			
Balance at beginning of year	¥ 113,061	**¥ 111,421**	**$ 1,114,210**
Additions	376	**487**	**4,870**
Impairment loss	1,501	**5,357**	**53,570**
Translation differences	285	**(958)**	**(9,580)**
Other, net	(800)	**(9)**	**(90)**
Balance at end of year	¥ 111,421	**¥ 105,584**	**$ 1,055,840**
Buildings			
Balance at beginning of year	¥ 271,423	**¥ 270,878**	**$ 2,708,780**
Additions	27,051	**67,981**	**679,810**
Depreciation	25,794	**28,925**	**289,250**
Impairment loss	2,535	**7,375**	**73,750**
Translation differences	3,086	**(5,973)**	**(59,730)**
Other, net	(2,353)	**(2,238)**	**(22,380)**
Balance at end of year	¥ 270,878	**¥ 294,348**	**$ 2,943,480**
Machinery and equipment			
Balance at beginning of year	¥ 356,819	**¥ 428,858**	**$ 4,288,580**
Additions	276,303	**185,871**	**1,858,710**
Depreciation	178,172	**176,290**	**1,762,900**
Impairment loss	5,499	**5,282**	**52,820**
Translation differences	7,972	**(10,376)**	**(103,760)**
Other, net	(28,565)	**(6,535)**	**(65,350)**
Balance at end of year	¥ 428,858	**¥ 416,246**	**$ 4,162,460**
Construction in progress			
Balance at beginning of year	¥ 35,673	**¥ 31,332**	**$ 313,320**
Additions	200,810	**174,207**	**1,742,070**
Impairment loss	26	**740**	**7,400**
Translation differences	91	**(384)**	**(3,840)**
Transfers	(205,216)	**(180,829)**	**(1,808,290)**
Balance at end of year	¥ 31,332	**¥ 23,586**	**$ 235,860**

7. Goodwill

An analysis of goodwill is presented below:

Years ended March 31	Yen (millions) 2007	2008	U.S. Dollars (thousands) 2008
Balance at beginning of year	¥85,250	**¥82,887**	**$828,870**
Additions	9,370	**12,560**	**125,600**
Amortization	16,261	**22,171**	**221,710**
Translation differences and others	4,528	**(4,865)**	**(48,650)**
Balance at end of year	¥82,887	**¥68,411**	**$684,110**

8. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt at March 31, 2007 and 2008 consisted of the following:

Short-term borrowings

At March 31	Yen (millions) 2007	2008	U.S. Dollars (thousands) 2008
Short-term borrowings, principally from banks, with weighted average interest rates of 4.57% at March 31, 2007 and 2.91% at March 31, 2008:			
Secured	¥ 200	**¥ 200**	**$ 2,000**
Unsecured	40,236	**49,386**	**493,860**
Total short-term borrowings (A)	¥40,436	**¥49,586**	**$495,860**

Long-term debt (including current portion)

At March 31	Yen (millions) 2007	2008	U.S. Dollars (thousands) 2008
a) Long-term borrowings			
Long-term borrowings, principally from banks and insurance companies, due 2007 to 2020 with the weighted average interest rate of 1.93% at March 31, 2007: due 2008 to 2020 with the weighted average interest rate of 1.80% at March 31, 2008:			
Secured	¥ 262	**¥ 62**	**$ 620**
Unsecured	75,119	**48,148**	**481,480**
Total long-term borrowings	¥ 75,381	**¥ 48,210**	**$ 482,100**

At March 31	Yen (millions) 2007	2008	U.S. Dollars (thousands) 2008
b) Bonds and notes			
Bonds and notes issued by the Company:			
Zero coupon unsecured convertible bonds due 2009 *2	¥250,000	**¥250,000**	**$2,500,000**
Unsecured convertible bonds due 2010 *1,2	—	**100,000**	**1,000,000**
Unsecured convertible bonds due 2011 *1,2	—	**100,000**	**1,000,000**
3.15% unsecured bonds due 2009	50,000	**50,000**	**500,000**
2.3% unsecured bonds due 2007	50,000	**—**	**—**
2.325% unsecured bonds due 2008	50,000	**—**	**—**
3.0% unsecured bonds due 2018	30,000	**30,000**	**300,000**
2.175% unsecured bonds due 2008	50,000	**50,000**	**500,000**
2.15% unsecured bonds due 2008	50,000	**50,000**	**500,000**
0.42% unsecured bonds due 2007	50,000	**—**	**—**
1.05% unsecured bonds due 2010	50,000	**50,000**	**500,000**
1.49% unsecured bonds due 2012	—	**60,000**	**600,000**
1.73% unsecured bonds due 2014	—	**40,000**	**400,000**
Bonds and notes issued by consolidated subsidiaries, due 2008 with the weighted average interest rate of 6.0% at March 31, 2008:			
Secured	—	**—**	**—**
Unsecured	—	**9,540**	**95,400**
Total bonds and notes	¥630,000	**¥789,540**	**$7,895,400**
Total long-term debt (including current portion) (a+b)	¥705,381	**¥837,750**	**$8,377,500**
Current portion (B)	185,814	**110,641**	**1,106,410**
Non-current portion (C)	519,567	**727,109**	**7,271,090**
Total short-term borrowings and long-term debt (including current portion)	¥745,817	**¥887,336**	**$8,873,360**
Short-term borrowings and current portion of long-term debt (A+B)	226,250	**160,227**	**1,602,270**
Long-term debt (excluding current portion) (C)	519,567	**727,109**	**7,271,090**

At March 31, 2008, the Group had committed facility contracts with banks aggregating ¥213,254 million ($2,132,540 thousand). ¥3,843 million ($38,430 thousand) was used out of the total credit limit as the above short-term and long-term borrowings and the rest, ¥209,411 million ($2,094,110 thousand), was unused.

*1 The primary purpose of the issue of JPY100 billion unsecured convertible bonds due 2010 and JPY100 billion unsecured convertible bonds due 2011 (the "Bonds") is to distribute and smooth the future redemption of the JPY250 billion zero coupon unsecured convertible bonds due 2009 (the "Existing Bonds") issued by the Company in 2002.
If the Existing Bonds need to be redeemed by cash at the maturity date, the cash financed by the issue of the Bonds will be allocated and the Bonds will remain, resulting in distributing and smoothing of future redemptions.
In contrast, if the Existing Bonds are converted, the Bonds are scheduled to be redeemed before the maturity dates in accordance with the converted amount. The corresponding interest rates are as follows:

	Before May 27, 2009	On and after May 28, 2009
Unsecured convertible bonds due 2010 [ ] represents interest rates if the volume-weighted average share price of 10 consecutive days is below ¥900, and the bonds are matured before May 18, 2010.	1.60%	0.00% [3.00%]
Unsecured convertible bonds due 2011 [ ] represents interest rates if the volume-weighted average share price of 10 consecutive days is below ¥900, and the bonds are matured before May 18, 2011.	1.60%	0.00% [1.75%]

*2 The contents of convertible bonds at March 31, 2008

	Zero coupon unsecured convertible bonds due 2009	Unsecured convertible bonds due 2010	Unsecured convertible bonds due 2011
Date issued	2002/5/27	2007/8/31	2007/8/31
Stock to be issued	Common Stock	Common Stock	Common Stock
Issue price of subscription rights to shares	Zero	Zero	Zero
Conversion price of the bonds (Yen)	1,201	900	900
Total issue price (Million Yen)	250,000	100,000	100,000
Total issue price of stock issued by the exercise of subscription rights to shares (Million Yen)	—	—	—
Subscription of rights to shares granted (%)	100	100	100
Exercisable periods of subscription rights to shares	2002/6/10–2009/5/13	2009/5/28–2010/5/24	2009/5/28–2011/5/24

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2009	¥110,641	$1,106,410
2010	305,872	3,058,720
2011	160,228	1,602,280
2012	125,314	1,253,140
2013 and thereafter	135,695	1,356,950
Total	¥837,750	$8,377,500

Convertible bonds are treated solely as liabilities and value inherent in their conversion feature is not recognized as equity in accordance with accounting principles and practices generally accepted in Japan. The total amount of the convertible bonds has been included in "long-term debt."

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2007 and 2008 are principally presented below:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Property, plant and equipment, net	¥2,765	**¥2,651**	**$26,510**

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under bank transaction agreements which stipulate that, at the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned. These bank transaction agreements further stipulate that the banks have the right to offset deposits at the banks against indebtedness which matures or becomes due prematurely by default owed to the banks.

9. Retirement Benefits

The Company and the majority of the consolidated subsidiaries in Japan have unfunded lump-sum retirement plans which, in general, cover all employees who retire before a retirement age prescribed in their internal codes. The employees are entitled to the benefits primarily based on their length of service and base salary as of the retirement date.

In addition, the Company and the majority of the consolidated subsidiaries in Japan participate in contributory defined benefit plans which cover substantially all employees. The major contributory defined benefit plan (the "Plan"), which is referred to as the Fujitsu Corporate Pension Fund, entitles employees upon retirement at the normal retirement age to either a lump-sum payment or pension annuity payments for life commencing at age 60, or a combination of both based on their length of service, base salary as of the retirement date and the number of years of participation in the Plan. The contributions of the Company and the subsidiaries covered by the Plan and their employees are made to the Fujitsu Corporate Pension Fund which is an external organization.

The Fujitsu Welfare Pension Fund, in which the Company and certain consolidated subsidiaries in Japan participated, received approval of an elimination of the future benefit obligations of the substitutional portion on March 23, 2004, and then received approval of transfer of past benefit obligation of the substitutional portion on September 1, 2005, from the Minister of Health, Labour and Welfare. Accordingly, Fujitsu Welfare Pension Fund changed to the Defined Benefit Corporate Plan based on the Japanese Defined Benefit Corporate Pension Law from the Japanese Welfare Pension Plan based on the Japanese Welfare Pension Insurance Law, and concurrently a part of the pension system was revised.

The majority of the consolidated subsidiaries outside Japan have defined benefit plans and/or defined contribution plans covering substantially all their employees. The major defined benefit pension plan provided outside Japan is the plan that Fujitsu Services Holdings PLC (including its consolidated subsidiaries, "FS") provides. The plan entitles employees to payments based on their length of service and salary. The defined benefit section of the plan was closed to new entrants on August 31, 2000. New employees are, however, eligible for membership of the defined contribution section.

The balances of the "projected benefit obligation and plan assets" and the "components of net periodic benefit cost" in the plans in both Japan and outside Japan are summarized as follows:

<In Japan>

Projected benefit obligation and plan assets

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Projected benefit obligation	¥(1,104,391)	**¥(1,145,897)**	**$(11,458,970)**
Plan assets	1,126,277	**954,508**	**9,545,080**
Projected benefit obligation in excess of plan assets	21,886	**(191,389)**	**(1,913,890)**
Unrecognized net obligation at transition	48,798	**32,574**	**325,740**
Unrecognized actuarial loss	100,729	**306,276**	**3,062,760**
Unrecognized prior service cost (reduced obligation)	(157,891)	**(139,139)**	**(1,391,390)**
Prepaid pension cost	(89,697)	**(83,011)**	**(830,110)**
Accrued retirement benefits	¥ (76,175)	**¥ (74,689)**	**$ (746,890)**

As a result of pension system revisions, Fujitsu Corporate Pension Fund in which the Company and certain consolidated subsidiaries participate, reported unrecognized prior service cost (reduced obligation) at September 1, 2005.

Components of net periodic benefit cost

			Yen (millions)	U.S. Dollars (thousands)
Years ended March 31	2006	2007	**2008**	**2008**
Service cost	¥ 40,751	¥ 36,424	**¥ 36,646**	**$ 366,460**
Interest cost	28,133	26,205	**27,535**	**275,350**
Expected return on plan assets	(28,419)	(30,724)	**(30,929)**	**(309,290)**
Amortization of unrecognized obligation for retirement benefits:				
Amortization of net obligation at transition	16,228	16,230	**16,217**	**162,170**
Amortization of actuarial loss	22,943	5,569	**9,863**	**98,630**
Amortization of prior service cost	(10,957)	(18,653)	**(18,613)**	**(186,130)**
Net periodic benefit cost	¥ 68,679	¥ 35,051	**¥ 40,719**	**$ 407,190**

In addition to net periodic benefit cost stated above, extra retirement benefits of ¥3,530 million, ¥3,874 million and ¥3,798 million ($37,980 thousand) were paid for the years ended March 31, 2006, 2007 and 2008, respectively.

The assumptions used in accounting for the plans

At March 31	2007	**2008**
Discount rate	2.5%	**2.5%**
Expected rate of return on plan assets	2.7%	**2.7%**
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**
Method of allocating prior service cost	Straight-line method over 10 years	**Straight-line method over 10 years**
Method of allocating net obligation at transition	Straight-line method over 10 years	**Straight-line method over 10 years**

For the year ended March 31, 2001, the Company fully recognized as income its portion of the unrecognized net obligation at transition. For additional plan assets to cover the unrecognized net obligation at transition, the Company placed its holding of marketable securities in a trust which was solely established for the retirement benefit plan.

<Outside Japan>

FS adopted International Financial Reporting Standards ("IFRS") for the year ended March 31, 2006, and accounts for retirement benefits in accordance with IAS 19 "Employee Benefits". For this change in accounting principles and practices, FS adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards," and recognized the projected benefit obligation in excess of plan assets as of April 1, 2004. FS recognized actuarial gain or loss over future periods after the adoption of IFRS 1.

For the year ended March 31, 2006, Fujitsu Telecommunications Europe Limited, a consolidated subsidiary in the UK, recognized the full value of the unrecognized obligation immediately as accrued retirement benefits, in accordance with a new UK accounting standard for retirement benefits (Financial Reporting Standard 17).

Projected benefit obligation and plan assets

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Projected benefit obligation	¥(679,617)	**¥(541,905)**	**$(5,419,050)**
Plan assets	546,498	**470,577**	**4,705,770**
Projected benefit obligation in excess of plan assets	(133,119)	**(71,328)**	**(713,280)**
Unrecognized actuarial loss	11,965	**(9,561)**	**(95,610)**
Unrecognized prior service cost	186	**—**	**—**
Accrued retirement benefits	¥(120,968)	**¥ (80,889)**	**$ (808,890)**

Components of net periodic benefit cost

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2007	**2008**	**2008**
Service cost	¥ 11,379	**¥ 12,425**	**$ 124,250**
Interest cost	32,123	**36,240**	**362,400**
Expected return on plan assets	(33,169)	**(38,533)**	**(385,330)**
Amortization of the unrecognized obligation for retirement benefit:			
Amortization of actuarial loss	266	**917**	**9,170**
Amortization of prior service cost	—	**(1,041)**	**(10,410)**
Net periodic benefit cost	10,599	**10,008**	**100,080**
Gain on termination of retirement benefit plan	—	**(1,629)**	**(16,290)**
Total	¥ 10,599	**¥ 8,379**	**$ 83,790**

FS applied the "corridor" approach to amortization of actuarial loss.

"Gain on termination of retirement benefit plan" was a termination gain resulting from a transfer of the retirement benefit plan provided by certain consolidated subsidiaries outside Japan to third-party organizations.

The assumptions used in accounting for the plans

At March 31	2007	**2008**
Discount rate	Mainly 5.5%	**Mainly 6.9%**
Expected rate of return on plan assets	Mainly 7.0%	**Mainly 7.0%**
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**

10. Income Taxes

The Group is subject to a number of different income taxes. The statutory tax rates in the aggregate in Japan were approximately 40.6% for the years ended March 31, 2006, 2007 and 2008.

The components of income taxes are as follows:

			Yen (millions)	U.S. Dollars (thousands)
Years ended March 31	2006	2007	**2008**	**2008**
Current	¥36,831	¥44,104	**¥39,736**	**$397,360**
Deferred	196	52,139	**7,534**	**75,340**
Income taxes	¥37,027	¥96,243	**¥47,270**	**$472,700**

The reconciliations between the applicable statutory income tax rate and the effective income tax rate for the years ended March 31, 2006, 2007 and 2008 are as follows:

Years ended March 31	2006	2007	**2008**
Statutory income tax rate	40.6%	40.6%	**40.6%**
Increase (Decrease) in tax rate:			
Valuation allowance for deferred tax assets	(3.4%)	3.8%	**(9.4%)**
Goodwill amortization	5.3%	3.1%	**8.2%**
Dividends from consolidated subsidiaries outside Japan	0.5%	1.9%	**5.8%**
Non-deductible expenses for tax purposes	2.3%	1.3%	**4.4%**
Tax effect on equity in earnings of affiliates, net	0.5%	(1.3%)	**(3.4%)**
Non-taxable income	(0.8%)	(0.4%)	**(1.6%)**
Tax effect on prior losses on investments in equity method affiliates	(9.4%)	—	**—**
Other	(4.2%)	(4.1%)	**(1.4%)**
Effective income tax rate	31.4%	44.9%	**43.2%**

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2008 were as follows:

At March 31	Yen (millions) 2007	2008	U.S. Dollars (thousands) 2008
Deferred tax assets:			
Tax loss carryforwards	¥ 204,791	**¥ 163,047**	**$ 1,630,470**
Accrued retirement benefits	155,048	**141,007**	**1,410,070**
Accrued bonus	41,986	**47,437**	**474,370**
Excess of depreciation and amortization and impairment loss, etc	20,312	**38,594**	**385,940**
Inventories	3,837	**17,254**	**172,540**
Provision for loss on repurchase of computers	12,785	**9,768**	**97,680**
Loss on revaluation of investment securities	8,034	**9,558**	**95,580**
Provision for product warranties	6,655	**7,971**	**79,710**
Intercompany profit on inventories and property, plant and equipment	3,920	**1,132**	**11,320**
Other	37,468	**52,558**	**525,580**
Gross deferred tax assets	494,836	**488,326**	**4,883,260**
Less: Valuation allowance	(253,113)	**(263,429)**	**(2,634,290)**
Total deferred tax assets	241,723	**224,897**	**2,248,970**
Deferred tax liabilities:			
Gains from establishment of stock holding trust for retirement benefit plan	¥(110,617)	**¥(110,617)**	**$(1,106,170)**
Unrealized gains on securities	(84,615)	**(62,472)**	**(624,720)**
Tax allowable reserves	(6,844)	**(4,632)**	**(46,320)**
Other	(676)	**(2,396)**	**(23,960)**
Total deferred tax liabilities	(202,752)	**(180,117)**	**(1,801,170)**
Net deferred tax assets	¥ 38,971	**¥ 44,780**	**$ 447,800**

*Figures at March 31, 2007 have been reclassified for comparative purposes.

Net deferred tax assets were included in the consolidated balance sheets as follows:

At March 31	Yen (millions) 2007	2008	U.S. Dollars (thousands) 2008
Current assets—others	¥ 83,112	**¥ 80,958**	**$ 809,580**
Investments and long-term loans—others	71,771	**54,480**	**544,800**
Current liabilities—others	(1,565)	**(1,055)**	**(10,550)**
Long-term liabilities—others	(114,347)	**(89,603)**	**(896,030)**
Net deferred tax assets	¥ 38,971	**¥ 44,780**	**$ 447,800**

The Company and the wholly owned subsidiaries in Japan have adopted the consolidated tax return system of Japan.

Tax losses can be carried forward up to 7 years in Japan, 20 years in the United States, and indefinitely in the United Kingdom. Realization depends on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. With respect to deferred tax assets, we recorded a valuation allowance to cover the amount in excess of what we are likely to recover in the future.

Deferred tax liabilities have not been recognized on the undistributed profit of affiliates, as it is deemed that any distributions will not give rise to tax liabilities.

11. Shareholders' Equity

The changes in the number of issued shares of common stock for the years ended March 31, 2006, 2007 and 2008 were as follows:

			Number of shares
Years ended March 31	2006	2007	**2008**
At beginning of year	2,070,018,213	2,070,018,213	**2,070,018,213**
Conversion of convertible bonds	—	—	**—**
Increase as a result of stock exchange	—	—	**—**
At end of year	2,070,018,213	2,070,018,213	**2,070,018,213**

12. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2008 for purchases of property, plant and equipment were approximately ¥2,895 million ($28,950 thousand).

Contingent liabilities for guarantee contracts amounted to ¥24,271 million ($242,710 thousand) at March 31, 2008. Of the total contingent liabilities, guarantees given mainly for bank loans taken by FDK Corporation, an equity method affiliate of the Company, were ¥13,300 million ($133,000 thousand), for employees' housing loans were ¥5,582 million ($55,820 thousand) and guarantees given mainly for bank loans taken by Eudyna Devices Inc., an equity method affiliate of the Company, were ¥5,000 million ($50,000 thousand).

13. Derivative Financial Instruments

Purpose of Derivative Trading

The Group enters into derivative transactions related to foreign currency exchange rates and interest rates in order to reduce risk exposure arising from fluctuations in these rates, to reduce the cost of the funds financed, and to improve return on invested funds.

Basic Policies for Derivative Trading

The Group basically enters into derivative transactions only to cover actual requirements for the effective management of receivables/liabilities, and not for speculative or dealing purposes.

The Group, in principle, has no intention to use derivative financial instruments that would increase market risks. Furthermore, the counterparties to the derivative transactions are thoroughly assessed in terms of their credit risks. Therefore, the Group believes that its derivative financial instruments entail minimal market and credit risks.

Control of Derivative Trading

The Group enters into derivative transactions based on regulations established by the Company, and controls the risk of the transaction by assessing the effectiveness of its hedging.

Hedge Accounting

The Group adopts hedge accounting for its derivative transactions after assessing the effectiveness of its hedging.

Gains or losses on changes in the fair market values of the hedging instruments, which consist of forward exchange, option and swap contracts and related complex contracts, are recognized as income when the relating hedged items are reflected in income.

Fair Value of Derivative Financial Instruments:

All derivative financial instruments were stated at fair market value and recorded on the balance sheets.

<Currency-related transactions>

At March 31, 2008 — Yen (millions)

	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
Foreign Exchange Forward Contracts				
To buy foreign currencies				
U.S. Dollars	¥58,183	¥31,511	¥7,800	¥(2,516)
Other currencies	6,648	4,227	1,507	739
To sell foreign currencies				
U.S. Dollars	10,178	6,820	1,858	(249)
Other currencies	1,782	—	1,759	(8)
Foreign Exchange Options Contracts				
To buy options				
U.S. Dollars puts	3,020	—		
	<22>	<—>	13	(9)
To sell options				
U.S. Dollars calls	3,020	—		
	<22>	<—>	(55)	(33)
Foreign Exchange Swap Contracts				
Receive Pound Sterling/pay Euro	4,715	—	(191)	(191)
Receive Pound Sterling/pay U.S. Dollar or other currencies	4,931	—	(57)	(57)
Receive Euro/pay Pound Sterling	21,029	—	736	736
Receive U.S. Dollar or other currencies/pay Pound Sterling	10,716	—	174	174
Total				¥(1,414)

<Currency-related transactions>

At March 31, 2008				U.S. Dollars (thousands)
	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
Foreign Exchange Forward Contracts				
To buy foreign currencies				
U.S. Dollars	$581,830	$315,110	$78,000	$(25,160)
Other currencies	66,480	42,270	15,070	7,390
To sell foreign currencies				
U.S. Dollars	101,780	68,200	18,580	(2,490)
Other currencies	17,820	—	17,590	(80)
Foreign Exchange Options Contracts				
To buy options				
U.S. Dollars puts	30,200	—		
	<220>	<—>	130	(90)
To sell options				
U.S. Dollars calls	30,200	—		
	<220>	<—>	(550)	(330)
Foreign Exchange Swap Contracts				
Receive Pound Sterling/pay Euro	47,150	—	(1,910)	(1,910)
Receive Pound Sterling/pay U.S. Dollar or other currencies	49,310	—	(570)	(570)
Receive Euro/pay Pound Sterling	210,290	—	7,360	7,360
Receive U.S. Dollar or other currencies/pay Pound Sterling	107,160	—	1,740	1,740
Total				$(14,140)

Notes 1. Fair value is principally based on obtaining quotes from financial institutions signing the contract.
2. Collateral conditions are attached to some foreign exchange forward contracts and there is a possibility of a change in the contract amount and duration due to the fluctuation of the currency exchange rate.
3. Option premiums are disclosed in brackets< >, and corresponding fair value and gains and losses are disclosed in the same line.
4. Derivative transactions which qualify for hedge accounting are excluded from the above table.

14. Leases

The following is a summary of acquisition cost, accumulated depreciation, book value of leased assets, and minimum lease payments required under finance leases, which were recorded in the corresponding asset accounts, at March 31, 2007 and 2008.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Acquisition cost	¥251,189	**¥184,534**	**$1,845,340**
Accumulated depreciation	140,434	**95,748**	**957,480**
Book value	110,755	**88,786**	**887,860**
Minimum lease payments required			
Within one year	39,112	**40,464**	**404,640**
Over one year but within five years	84,596	**62,846**	**628,460**
Over five years	9,824	**13,183**	**131,830**
Total	¥133,532	**¥116,493**	**$1,164,930**

The following is a summary of future minimum lease payments required under non-cancelable operating leases in the aggregate and for each of the following periods.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Within one year	¥10,407	**¥17,583**	**$175,830**
Over one year but within five years	23,525	**42,122**	**421,220**
Over five years	10,147	**37,189**	**371,890**
Total	¥44,079	**¥96,894**	**$968,940**

With regard to property lease transactions in the UK, the Company had been disclosing the consolidated future lease payments for certain periods under the consideration of UK business practices. In line with recent changes in disclosure practices in the UK, at March 31, 2008, the Company disclosed the consolidated future lease payments. The amounts at March 31, 2007 have not been restated.

Due to this change, the consolidated future minimum lease payments (required under non-cancellable operating leases) increased by ¥55,367 million ($553,670 thousand) in comparison with the conventional disclosure method used in prior years. If the figures at March 31, 2007 were calculated on the basis of the same standard applied for the figures at March 31, 2008, total future minimum lease payments at March 31, 2007 would have been ¥104,015 million ($1,040,150 thousand).

15. Supplementary Information to the Consolidated Balance Sheets

Receivables, trade from and payables, trade to affiliates at March 31, 2007 and 2008 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Receivables, trade	¥38,673	**¥33,791**	**$337,910**
Payables, trade	53,924	**47,184**	**471,840**

16. Earnings per Share

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	2006	2007	**2008**	**2008**
Net income	¥68,545	¥102,415	**¥48,107**	**$481,070**
Bonuses to directors and statutory auditors from retained earnings (deficit)	(658)	—	**—**	**—**
Net income for common stock shareholders	67,887	102,415	**48,107**	**481,070**
Effect of dilutive securities	(648)	(131)	**560**	**5,600**
Diluted net income	¥67,239	¥102,284	**¥48,667**	**$486,670**

			thousands
Weighted average number of shares	2,067,787	2,067,369	**2,060,704**
Effect of dilutive securities	208,159	208,159	**430,382**
Diluted weighted average number of shares	2,275,946	2,275,528	**2,491,086**

			Yen	U.S. Dollars
Basic earnings per share	¥32.83	¥49.54	**¥23.34**	**$0.233**
Diluted earnings per share	29.54	44.95	**19.54**	**0.195**

17. Supplementary Information to the Consolidated Statements of Operations

Research and development expenses charged to "selling, general and administrative expenses" for the years ended March 31, 2006, 2007 and 2008 were ¥241,566 million, ¥254,095 million and ¥258,717 million ($2,587,170 thousand), respectively.

"Other income (expenses)—other, net" for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

			Yen (millions)	U.S. Dollars (thousands)
Years ended March 31	2006	2007	**2008**	**2008**
Gain on sales of marketable securities	¥ —	¥ 77,337	**¥ 17,308**	**$ 173,080**
Gain on change in interest	—	2,136	**2,074**	**20,740**
Settlement gain	15,957	—	**—**	**—**
Gain on business transfer	3,455	—	**—**	**—**
Loss on revaluation of investment securities	(1,229)	(4,703)	**(25,132)**	**(251,320)**
Loss on revaluation of inventories at the beginning of period	—	—	**(25,045)**	**(250,450)**
Restructuring charges	(11,559)	—	**(22,126)**	**(221,260)**
Impairment loss	—	(9,991)	**(459)**	**(4,590)**
Loss on sales of marketable securities	—	(2,275)	**—**	**—**
Loss on change in interest	(8,413)	—	**—**	**—**
Provision for prior product warranties	(7,413)	—	**—**	**—**
Amortization of unrecognized obligation for retirement benefits	(28,214)	(3,146)	**—**	**—**
Foreign exchange gains (losses), net	5,803	2,132	**(14,557)**	**(145,570)**
Loss on disposal of property, plant and equipment and intangible assets	(7,229)	(19,763)	**(11,766)**	**(117,660)**
Other, net	(14,495)	(12,072)	**(21,516)**	**(215,160)**
	¥(53,337)	¥ 29,655	**¥(101,219)**	**$(1,012,190)**

Gain on sales of marketable securities

Gain on sales of marketable securities for the year ended March 31, 2007 referred mainly to the sales of shares in Fanuc Ltd. in connection with the issuer's own stock repurchase.

Gain on sales of marketable securities for the year ended March 31, 2008 referred mainly to the sales of shares in affiliates such as Japan Cablenet Holdings Limited.

Gain on change in interest

Gain on change in interest for the year ended March 31, 2007 referred to a gain relating to allocation of new shares of a subsidiary (NIFTY Corporation) to third parties.

Gain on change in interest for the year ended March 31, 2008 referred mainly to listing of and capital increase in Chinese affiliate (Nantong Fujitsu Microelectronics Co., Ltd.)

Settlement gain

Settlement gain for the year ended March 31, 2006 referred to the reconciliation of HDD litigation.

Gain on business transfer

Gain on business transfer for the year ended March 31, 2006 referred to the transfer of LCD panel operations.

Loss on revaluation of investment securities

Loss on revaluation of investment securities for the year ended March 31, 2008 referred mainly to a significant decline in the market share price of Spansion Inc. of the U.S.

Loss on revaluation of inventories at the beginning of period

Loss on revaluation of inventories for the year ended March 31, 2008 consisted of write-downs on inventories booked at the beginning of the period in conjunction with the adoption of a new accounting standard for valuation of inventories.

There were two types of revaluation loss. One type was a loss of ¥16,235 million ($162,350 thousand) regarding write-downs of inventories for parts held for maintenance and related services incurred due to changes in the method of expense recognition from one upon use or disposal to one over the period for which maintenance and related services were provided. The other type was a loss of ¥8,810 million ($88,100 thousand) related to inventories written down to net realizable value, and obsolescent inventories generated out of the ordinary course of business.

Restructuring charges

Restructuring charges for the year ended March 31, 2006 referred to expenses to improve business profitability and asset efficiency, the realignment of business location, and other expenses.

Restructuring charges for the year ended March 31, 2008 referred to impairment losses and disposal costs related to the relocation of the Akiruno Technology Center's development and mass-production prototyping functions to the Mie Plant under the reorganization of the LSI business. The impairment loss totaled ¥18,297 million ($182,970 thousand), comprised of a loss of ¥8,936 million ($89,360 thousand) relating to the disposal of machinery and other equipment in the next fiscal year, and a loss of ¥9,361 million ($93,610 thousand) for property, plants and other assets for which there was no plan for use.

Impairment loss

In principle, the Group's business-use assets are grouped according to managed business units, and idle assets are grouped on an individual asset basis.

For the year ended March 31, 2007, the Group recognized an impairment loss up to the recoverable amount on the asset group for the optical transmission systems business, primarily as a result of delays in business performance recovery due to rapid changes in the business environment in North America and Japan, and recognized an impairment loss on asset groups not used in business.

The impairment loss consisted of ¥1,501 million for land, ¥2,535 million for buildings, ¥5,499 million for machinery and equipment and ¥456 million for the other assets.

For the year ended March 31, 2008, the Group recognized an impairment loss of ¥459 million ($4,590 thousand) on the asset group for the mechanical components business, and welfare facilities that it plans to sell. In addition, an impairment loss of ¥18,297 million ($182,970 thousand) incurred in line with reorganization of the LSI business was included in "Restructuring charges."

Total impairment loss was ¥18,756 million ($187,560 thousand).

The impairment loss consisted of ¥5,357 million ($53,570 thousand) for land, ¥7,375 million ($73,750 thousand) for buildings, ¥5,148 million ($51,480 thousand) for machinery and ¥876 million ($8,760 thousand) for the other assets.

Loss on sales of marketable securities

Loss on sales of marketable securities for the year ended March 31, 2007 referred to loss on sales of shares in Spansion Inc. and other equity method affiliates.

Loss on change in interest

Loss on change in interest for the year ended March 31, 2006 referred to a loss relating to allocation of new shares of an affiliate (Spansion Inc.) to third parties.

Provision for prior product warranties

Provision for prior product warranties for the year ended March 31, 2006 referred to provision to cover warranty-related costs for products sold in prior fiscal years.

Amortization of unrecognized obligation for retirement benefits

Amortization of unrecognized obligation for retirement benefits refers mainly to amortization of actuarial loss in Japan, prior service cost in Japan, which resulted from pension system revisions, and net obligation at transition for the consolidated subsidiaries in Japan.

For the year ended March 31, 2008, the Company and its consolidated subsidiaries in Japan reclassified amortization recognition from a component of "other income (expenses) " to a component of "cost of sales or selling, general and administrative expenses." The reason for the change is stated in Note 1 Significant Accounting Policies (l) Retirement benefits.

18. Segment Information

Business Segment Information

Yen (millions)

Years ended March 31	Technology Solutions	Ubiquitous Product Solutions	Device Solutions	Other Operations	Elimination & Corporate	Consolidated
2006						
Sales						
Unaffiliated customers	¥ 2,903,651	¥ 926,417	¥ 655,139	¥ 306,209	¥ —	¥ 4,791,416
Intersegment	80,291	133,506	52,398	141,147	(407,342)	—
Total sales	2,983,942	1,059,923	707,537	447,356	(407,342)	4,791,416
Operating costs and expenses	2,830,921	1,025,122	678,030	439,678	(363,823)	4,609,928
Operating income (loss)	153,021	34,801	29,507	7,678	(43,519)	181,488
Total assets	1,811,796	335,548	670,832	471,283	517,672	3,807,131
Depreciation	113,525	21,539	68,124	12,141	11,675	227,004
Capital expenditure (including intangible assets)	154,935	23,482	120,234	15,066	12,123	325,840
2007						
Sales						
Unaffiliated customers	¥ 3,064,713	¥ 993,232	¥ 707,132	¥ 335,086	¥ —	¥ 5,100,163
Intersegment	92,327	125,091	55,543	155,291	(428,252)	—
Total sales	3,157,040	1,118,323	762,675	490,377	(428,252)	5,100,163
Operating costs and expenses	2,993,432	1,076,673	743,665	479,814	(375,509)	4,918,075
Operating income (loss)	163,608	41,650	19,010	10,563	(52,743)	182,088
Total assets	1,880,230	360,391	727,547	419,216	556,340	3,943,724
Depreciation	121,235	23,285	92,784	13,026	12,193	262,523
Impairment loss	9,211	—	780	—	—	9,991
Capital expenditure (including intangible assets)	147,220	27,615	171,503	16,453	10,256	373,047
2008						
Sales						
Unaffiliated customers	**¥3,158,984**	**¥1,056,520**	**¥736,527**	**¥378,834**	**¥ —**	**¥5,330,865**
Intersegment	**113,273**	**132,435**	**60,234**	**147,973**	**(453,915)**	**—**
Total sales	**3,272,257**	**1,188,955**	**796,761**	**526,807**	**(453,915)**	**5,330,865**
Operating costs and expenses	**3,092,068**	**1,136,374**	**778,490**	**512,537**	**(393,593)**	**5,125,876**
Operating income (loss)	**180,189**	**52,581**	**18,271**	**14,270**	**(60,322)**	**204,989**
Total assets	**1,759,700**	**352,552**	**698,084**	**416,784**	**594,843**	**3,821,963**
Depreciation	**101,050**	**25,149**	**96,461**	**12,144**	**22,323**	**257,127**
Impairment loss	**170**	**—**	**18,586**	**—**	**—**	**18,756**
Capital expenditure (including intangible assets)	**124,129**	**30,304**	**114,568**	**17,239**	**25,993**	**312,233**

Years ended March 31	Technology Solutions	Ubiquitous Product Solutions	Device Solutions	Other Operations	Elimination & Corporate	Consolidated
						U.S. Dollars (thousands)
2008						
Sales						
Unaffiliated customers	**$31,589,840**	**$10,565,200**	**$7,365,270**	**$3,788,340**	**$ —**	**$53,308,650**
Intersegment	**1,132,730**	**1,324,350**	**602,340**	**1,479,730**	**(4,539,150)**	**—**
Total sales	**32,722,570**	**11,889,550**	**7,967,610**	**5,268,070**	**(4,539,150)**	**53,308,650**
Operating costs and expenses	**30,920,680**	**11,363,740**	**7,784,900**	**5,125,370**	**(3,935,930)**	**51,258,760**
Operating income (loss)	**1,801,890**	**525,810**	**182,710**	**142,700**	**(603,220)**	**2,049,890**
Total assets	**17,597,000**	**3,525,520**	**6,980,840**	**4,167,840**	**5,948,430**	**38,219,630**
Depreciation	**1,010,500**	**251,490**	**964,610**	**121,440**	**223,230**	**2,571,270**
Impairment loss	**1,700**	**—**	**185,860**	**—**	**—**	**187,560**
Capital expenditure (including intangible assets)	**1,241,290**	**303,040**	**1,145,680**	**172,390**	**259,930**	**3,122,330**

1. The business segments are classified based on similarity of products and services, and selling methods, etc.
2. The principal products and services of business segments are as follows:
   (1) Technology Solutions..............................Servers (mainframes, UNIX servers, mission-critical IA servers, PC servers), storage systems, software (OS, middleware), network management systems, optical transmission systems, mobile phone base stations, consulting, systems integration services (system construction), outsourcing services (one-stop information system operational management), network services (network environments and networking-related services for information systems), system support (information system and network maintenance and monitoring services), information system and network construction, custom terminal installation (ATMs, POS systems, etc.)
   (2) Ubiquitous Product Solutions.............Personal computers, mobile phones, HDD (hard disk drives), optical transceiver modules
   (3) Device Solutions..LSI (logic LSI devices), electronic components (semiconductor packages, SAW devices, etc.), mechanical components (relays, connectors, etc.)
   (4) Other Operations.......................................Audio/navigation equipment, automotive electronic devices, etc.
3. Unallocated operating costs and expenses included in "Elimination & Corporate" for the years ended March 31, 2006, 2007 and 2008 were ¥41,461 million, ¥54,965 million and ¥59,541 million ($595,410 thousand), respectively. Most of these were strategic expenses such as basic research and development expenses and Group management shared expenses incurred by the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 2006, 2007 and 2008 amounted to ¥932,190 million, ¥940,397 million and ¥952,394 million ($9,523,940 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents and short-term investments), long-term investments and others.
5. Change in method of allocating operating expenses
   Expenses for the Company's general administrative divisions were previously accounted for primarily as unallocated operating expenses under "Elimination & Corporate."
   For the year ended March 31, 2007, the Group has changed the method of allocating operating expenses, assessing to each Business Unit (the "BU") on a services-rendered basis expenses that would be incurred if each BU were to operate independently.
   The Group has been reforming its business performance management system to better reflect the position of various BUs as independent operating entities under the consolidated framework and to delineate the responsibility of each to earn a return on investment. For the year ended March 31, 2007, further development of the business performance management system allowed the Group to better identify and categorize the expenses by functional areas. The Group, therefore, changed the method to allocating expenses to each BU on a service-rendered basis in line with those incurred if each BU were to operate independently to more clearly reflect the actual business situation.
   Strategic expenses to be recovered by the Group as a whole, such as basic research, are recognized in "Elimination & Corporate," the same as before.
   In addition, the method of allocating expenses attributable to the sales activities of sales and system engineering units was changed from sales-based allocation to a services-rendered approach for the same reasons stated above.
   Segment information for the year ended March 31, 2006 has been restated.
6. Accounting principles and practices were changed for the year ended March 31, 2008 as stated in Note 1. (d) Revenue recognition (g) Inventories (h) Property, plant and equipment and depreciation and (l) Retirement benefits. As a result of these changes, for the year ended March 31, 2008, sales in "Technology Solutions", "Ubiquitous Product Solutions", "Device Solutions" and "Other Operations" decreased by ¥821 million ($8,210 thousand), ¥3,151 million ($31,510 thousand), ¥2,741 million ($27,410 thousand) and ¥213 million ($2,130 thousand), respectively and sales in "Elimination & Corporate" increased by ¥1,173 million ($11,730 thousand) and operating income in "Technology Solutions", "Ubiquitous Product Solutions" and "Others Operations" decreased by ¥8,117 million ($81,170 thousand), ¥1,718 million ($17,180 thousand), and ¥1,708 million ($17,080 thousand), respectively and operating income in "Device Solutions" and "Elimination & Corporate" increased by ¥10,327 million ($103,270 thousand) and ¥684 million ($6,840 thousand), respectively.
   Segment information prior to and for the year ended March 31, 2007 has not been restated.

Geographic Segment Information

						Yen (millions)
Years ended March 31	Japan	EMEA	The Americas	APAC & China	Elimination & Corporate	Consolidated
2006						
Sales						
Unaffiliated customers	¥ 3,430,442	¥ 623,344	¥ 344,094	¥ 393,536	¥ —	¥ 4,791,416
Intersegment	513,959	9,198	19,382	325,314	(867,853)	—
Total sales	3,944,401	632,542	363,476	718,850	(867,853)	4,791,416
Operating costs and expenses	3,773,248	609,592	349,901	703,931	(826,744)	4,609,928
Operating income (loss)	171,153	22,950	13,575	14,919	(41,109)	181,488
Total assets	2,303,223	378,108	163,144	249,534	713,122	3,807,131
2007						
Sales						
Unaffiliated customers	¥ 3,517,649	¥ 727,213	¥ 424,394	¥ 430,907	¥ —	¥ 5,100,163
Intersegment	559,499	9,147	17,932	376,259	(962,837)	—
Total sales	4,077,148	736,360	442,326	807,166	(962,837)	5,100,163
Operating costs and expenses	3,885,284	712,229	433,861	795,486	(908,785)	4,918,075
Operating income (loss)	191,864	24,131	8,465	11,680	(54,052)	182,088
Total assets	2,324,811	482,593	158,640	271,835	705,845	3,943,724
2008						
Sales						
Unaffiliated customers	**¥3,658,912**	**¥760,748**	**¥449,089**	**¥462,116**	**¥ —**	**¥5,330,865**
Intersegment	**570,791**	**9,190**	**20,902**	**392,981**	**(993,864)**	**—**
Total sales	**4,229,703**	**769,938**	**469,991**	**855,097**	**(993,864)**	**5,330,865**
Operating costs and expenses	**3,988,772**	**769,217**	**460,742**	**840,256**	**(933,111)**	**5,125,876**
Operating income (loss)	**240,931**	**721**	**9,249**	**14,841**	**(60,753)**	**204,989**
Total assets	**2,238,590**	**415,442**	**140,144**	**275,856**	**751,931**	**3,821,963**

Years ended March 31	Japan	EMEA	The Americas	APAC & China	Elimination & Corporate	U.S. Dollars (thousands) Consolidated
2008						
Sales						
Unaffiliated customers	**$36,589,120**	**$7,607,480**	**$4,490,890**	**$4,621,160**	**$ —**	**$53,308,650**
Intersegment	**5,707,910**	**91,900**	**209,020**	**3,929,810**	**(9,938,640)**	**—**
Total sales	**42,297,030**	**7,699,380**	**4,699,910**	**8,550,970**	**(9,938,640)**	**53,308,650**
Operating costs and expenses	**39,887,720**	**7,692,170**	**4,607,420**	**8,402,560**	**(9,331,110)**	**51,258,760**
Operating income (loss)	**2,409,310**	**7,210**	**92,490**	**148,410**	**(607,530)**	**2,049,890**
Total assets	**22,385,900**	**4,154,420**	**1,401,440**	**2,758,560**	**7,519,310**	**38,219,630**

1. Classification of the geographic segments is determined by geographical location and interconnectedness of its business activity.
2. The principal countries and regions belonging to geographic segments other than Japan are as follows:
   (1) EMEA (Europe, Middle East and Africa)................U.K., Spain, Germany, Finland, the Netherlands
   (2) The Americas...U.S.A., Canada
   (3) APAC & China (APAC = Asia-Pacific).......................Australia, Thailand, Vietnam, the Philippines, Singapore, Korea, Taiwan, China
3. Unallocated operating costs and expenses included in "Elimination & Corporate" for the years ended March 31, 2006, 2007 and 2008 were ¥41,461 million, ¥54,965 million and ¥59,541 million ($595,410 thousand), respectively. Most of these were strategic expenses such as basic research and development expenses and Group management shared expenses incurred by the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 2006, 2007 and 2008 amounted to ¥932,190 million, ¥940,397 million and ¥952,394 million ($9,523,940 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents and short-term investments), long-term investments and others.
5. As stated in "Change in method of allocating operating expenses" of Note 18, for the year ended March 31, 2007 the Group changed the method by which it allocates operating expenses for each segment.
   Segment information in this regard prior to and for the year ended March 31, 2006 has been restated.
6. Accounting principles and practices were changed for the year ended March 31, 2008 as stated in Note 1. (d) Revenue recognition (g) Inventories (h) Property, plant and equipment and depreciation and (l) Retirement benefits. As a result of these changes, for the year ended March 31, 2008, sales in "Japan" increased by ¥5,753 million ($57,530 thousand) and operating income in Japan increased by ¥838 million ($8,380 thousand). The impact on other geographic segments was insignificant.
   Segment information prior to and for the year ended March 31, 2007 has not been restated.

19. Impact of Non-trading Day at the End of Fiscal Year

Consolidated balance sheets

March 31, 2007, the end of the fiscal year, was a non-trading day for financial institutions in Japan. In accordance with Japanese business custom, receivables and payables are settled in the following fiscal year if the end of the fiscal year is a non-trading day for financial institutions. The receivables and payables settled in the following fiscal year for the above reason and stated in the balance sheet at March 31, 2007 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Receivables, trade	¥ 18,049	**¥—**	**$—**
Current assets—others	285	—	—
Total current assets (A)	18,334	—	—
Payables, trade	74,168	—	—
Accrued expenses	19,180	—	—
Current liabilities—others	34,584	—	—
Total current liabilities (B)	127,932	—	—
Increase in current liabilities, net of current assets (B)–(A)	¥109,598	**¥—**	**$—**

Consolidated statements of cash flows

In accordance with Japanese business custom, receivables and payables were settled in the following fiscal year if the end of the fiscal year was a non-trading day for financial institutions. As March 31, 2007 was a non-trading day for financial institutions in Japan, receivables and payables settled in the following fiscal year impacting on cash flows for the years ended March 31, 2007 and 2008 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2007	**2008**	**2008**
(Increase) decrease in receivables, trade	¥ (18,049)	**¥ 18,049**	**$ 180,490**
(Increase) decrease in other current assets	(285)	**285**	**2,850**
Increase (decrease) in payables, trade	74,168	**(74,168)**	**(741,680)**
Increase (decrease) in other current liabilities	19,366	**(19,366)**	**(193,660)**
Net cash provided by (used in) operating activities (C)	75,200	**(75,200)**	**(752,000)**
Purchases of property, plant and equipment	34,398	**(34,398)**	**(343,980)**
Net cash provided by (used in) investing activities (D)	34,398	**(34,398)**	**(343,980)**
Net cash flows from the impact (C)+(D)	¥109,598	**¥(109,598)**	**$(1,095,980)**

20. Related-party Transactions

This information is required by the regulations under the Financial Instruments and Exchange Law of Japan.

For the years ended March 31, 2007 and 2008, the Company entered into the following transactions with its related party:

Related party: Fujitsu Leasing Co., Ltd.; Common stock—¥1,000 million ($10,000 thousand)
Its business: leasing and sales of IT equipment and other assets

Breakdown of the Company's voting rights ownership:

At March 31	2007	**2008**
Directly held	25.0%	**22.5%**
Indirectly held	5.0%	**5.0%**

Relationship with the Company:

At March 31	2007	**2008**
Its business with the Company	Leasing	**Leasing**
Its board members concurrently serve as board members of the Company	3 members	**2 members**
Its board members transferred from the Company	7 members	**2 members**

The Company's transaction with the related party:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2007	**2008**	**2008**
Sales of assets	¥42,100	**¥ 1,012**	**$ 10,120**
Lease payments	6,685	**12,918**	**129,180**

The Company's balance of assets and liabilities as to related party transactions:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**2008**
Non-trade receivables	¥ 621	**¥ 244**	**$ 2,440**
Non-trade payables	13	**—**	**—**
Lease obligation (current)	—	**2,354**	**23,540**
Lease obligation (noncurrent)	—	**6,010**	**60,100**

(*) In general, the transactions stated above were based on fair value.
(**) Consumption taxes were not included in the transaction amount, but are included in the ending balance.

21. Share-based Payment Plans

The stock option activity is as follows:

<Resolution of shareholders' meeting on June 29, 2000>

Position and number of people entitled to stock options	32 directors 15 executives with director-level responsibilities
Number of shares for stock options	1,305,000 shares of common stock
Date granted	August 1, 2000
Conditions to be vested	Not specified
Corresponding service period	Not specified
Exercisable period	From August 1, 2000 to June 29, 2010

	Number of shares	
Years ended March 31	2007	**2008**
Outstanding at beginning of year	500,000	**375,000**
Granted during the year	—	**—**
Forfeited during the year	125,000	**80,000**
Exercised during the year	—	**—**
Expired during the year	—	**—**
Outstanding at end of year	375,000	**295,000**
Exercisable at end of year	375,000	**295,000**

	Yen		U.S. Dollars
Years ended March 31	2007	**2008**	**2008**
Exercised price	¥3,563	**¥3,563**	**$35.63**

<Resolution of shareholders' meeting on June 26, 2001>

Position and number of people entitled to stock options	32 directors 18 executives with director-level responsibilities
Number of shares for stock options	1,360,000 shares of common stock
Date granted	August 1, 2001
Conditions to be vested	Not specified
Corresponding service period	Not specified
Exercisable period	From August 1, 2001 to June 26, 2011

		Number of shares
Years ended March 31	2007	**2008**
Outstanding at beginning of year	715,000	**535,000**
Granted during the year	—	**—**
Forfeited during the year	180,000	**100,000**
Exercised during the year	—	**—**
Expired during the year	—	**—**
Outstanding at end of year	535,000	**435,000**
Exercisable at end of year	535,000	**435,000**

		Yen	U.S. Dollars
Years ended March 31	2007	**2008**	**2008**
Exercised price	¥1,450	**¥1,450**	**$14.50**

A new accounting standard for stock options has been applied in Japan for the year ended March 31, 2007. Stock options that have been granted after the enforcement date of the Japanese Corporate Law (May 1, 2006) have to be measured at fair value and charged to income for each fiscal year and accounted for as share warrants in the net assets of the consolidated balance sheets until they are exercised or forfeited. The above stock options were granted before the enforcement date of the Japanese Corporate Law and were not recognized in the consolidated balance sheets.

22. Business Combinations

Shift of Consolidated Subsidiaries to Wholly Owned Subsidiaries through an Exchange of Shares

1. Names and Lines of Business of the Companies Combined, Legal Framework

1) Names and Lines of Business of Companies Combined

(i) Names of companies combined:

Fujitsu Limited and its subsidiaries Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited

(ii) Lines of business

• Fujitsu Access Limited	Development, manufacture and sales of information and communication equipment and related systems
• Fujitsu Devices Inc.	Development, design and sales of semiconductors and related software
• Fujitsu Wireless Systems Limited	Manufacture of information and communication equipment

2) Legal Framework of the Combination, Name of Companies After Combination

Exchange of shares

At the time of exchange, the names of the companies did not change. In October, 2007, Fujitsu Devices Inc. changed its names to Fujitsu Electronics Inc.

3) Overview of the Transaction, Including the Purpose of the Transaction

In order to enable Fujitsu to better respond to the services needs of our customers and strengthen our customer-focused operating structure, on August 1, 2007, the shareholders of Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited transferred their common shares to Fujitsu Limited. In exchange, Fujitsu Limited distributed shares in Fujitsu Limited to these shareholders. Accordingly, the three companies became wholly owned subsidiaries of Fujitsu Limited. On July 26, 2007, Fujitsu Access Limited (listed on the First Section of the Tokyo Stock Exchange) and Fujitsu Devices Inc. (listed on the Second Section of the Tokyo Stock Exchange) were delisted.

2. Summary of the Accounting Treatment of the Transactions

As the exchange of shares falls under the category of transactions with minority interests, the interest in the additional shares of the subsidiaries acquired through the transactions will be deducted from minority interests, and the difference between that amount and the additional investment amount will be treated as goodwill.

3. Information Concerning the Acquisition of Additional Shares in the Subsidiaries

1) The Acquisition Cost and its Breakdown

Acquisition cost: ¥25, 965 million ($259,650 thousand)

Fujitsu Limited shares valued at ¥25,945 million ($259,450 thousand), with ¥20 million ($200 thousand) spent in acquiring the shares; all were treasury shares.

2) The Exchange Ratio for Each Type of Share, the Approach to Calculating the Share Exchange Ratio, the Number of Shares Distributed, and their Valuation

(i) Types of shares and the exchange ratios

For each common share of the companies, the number of Fujitsu Limited shares allocated and distributed was as follows:

• Fujitsu Access Limited	0.86 share
• Fujitsu Devices Inc.	2.70 shares
• Fujitsu Wireless Systems Limited	13.36 shares

(ii) Approach to calculating the share exchange ratio

The exchange ratios were decided among the concerned companies after carefully considering the professional analyses and recommendations proposed on the method of share exchange ratios by a third-party organization.

(iii) Number and valuation of the shares distributed

34,319,427 shares ¥25,945 million ($259,450 thousand)

3) Amount of Goodwill Generated, Reason for the Generation and Method and Period of Amortization

• Amount of goodwill	¥4,393 million ($43,930 thousand)
• Reason	The market price at the time of the combination of the concerned companies exceeded the historical cost
• Method and period of amortization	Straight-line amortization within 5 years

Reorganization of Fujitsu Limited's LSI Business Through a Corporate Split

1. Name of the Company or Business Subject to the Business Combination and its Lines of Business, the Legal Framework, Name of the Company after the Business Combination, and Overview of the Transaction, Including the Purpose of the Transaction

1) Name of the Company or Business Subject to the Business Combination and its Lines of Business

Fujitsu Limited, Fujitsu Microelectronics Limited (company newly established through split); Design, development, manufacturing, and sales of LSI devices

2) Legal Framework and Name of the Company after the Business Combination

Fujitsu Limited was the splitting company and Fujitsu Microelectronics Limited was the newly incorporated company established through the company split. This company split, pursuant to Article 805 of the Corporate Law, was executed without the requirement of the approval of a General Meeting of the Shareholders as stipulated under Article 804 (1) of the Corporate Law. (Simple Incorporation-Type Separations)

3) Overview of the Transaction, Including the Purpose of the Transaction

In order for its LSI business to flourish amid intensified global competition, Fujitsu Limited split off its LSI business as a separate entity, independent from Fujitsu Limited's overall decision-making processes, to create an organization able to undertake rapid and timely management decision-making. As part of the company split, a number of LSI subsidiaries and affiliates, including subsidiary Fujitsu Electronics Inc., will become subsidiaries of Fujitsu Microelectronics Limited.

2. Summary of the Accounting Treatment of the Transactions

In accordance with the Accounting Standards for Business Combinations and Applicable Guidelines for Business Combination Accounting Standards and Business Separation Accounting Standards, the accounting treatment for common control transaction has been applied, whereby transactions relating to business transfers and capital increases for a subsidiary are, as internal transactions, subject to elimination.

23. Subsequent Events

Not applicable for the year ended March 31, 2008.