THE POSSIBILITIES ARE INFINITE

FUJITSU

ON TRACK FOR GREATER GROWTH

FUJITSU LIMITED ANNUAL REPORT

2008

FUJITSU Way

On April 1, 2008, Fujitsu announced a fully revised Fujitsu Way. The Fujitsu Way embodies the philosophy of the Fujitsu Group, articulates the Group's overarching values, and defines concrete principles and a code of conduct that Group employees follow in their daily business activities. The new Fujitsu Way will facilitate management innovation and promote a unified direction for the Group as we expand our global business activities.

As outlined below, the Fujitsu Way consists of four core elements—the Corporate Vision, Corporate Values, Principles, and Code of Conduct. The Corporate Vision embodies the reason for the Group's existence, as well as the social role that it should fulfill. Corporate Values encompasses a set of values important for realizing the Corporate Vision. Finally, the Principles and Code of Conduct articulate rules of behavior to which every Fujitsu Group employee should actively adhere in accordance with the Corporate Values.

The Group has also formulated a Business Policy that outlines the medium-term direction of Fujitsu's businesses as defined by the Fujitsu Way. This policy serves as the basis for all Group business activities.

All Fujitsu Group employees have a shared commitment to the Fujitsu Way, which promotes a common direction for Group employees as they conduct their daily business activities. Employees aim to contribute to enhanced corporate value for the Fujitsu Group and to the well-being of the global and local societies in which we operate.

In the Fujitsu Way, the term "employee" refers to everyone working within the Fujitsu Group.

The Elements of FUJITSU Way

FUJITSU Way comprises four core elements:

FUJITSU Way

CORPORATE VISION	The reason for the existence of the Fujitsu Group.
CORPORATE VALUES	A set of value statements for achieving our Corporate Vision.
PRINCIPLES	The principles we adhere to in all business dealings and actions in accordance with Corporate Values.
CODE OF CONDUCT	The rules and guidelines followed by everyone in the Fujitsu Group.

BUSINESS POLICY	Our current strategies pursued in accordance with the Fujitsu Way.

CORPORATE VISION

Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.

CORPORATE VALUES

What we strive for:

Society and Environment	In all our actions, we protect the environment and contribute to society.
Profit and Growth	We strive to meet the expectations of customers, employees and shareholders.
Shareholders and Investors	We seek to continuously increase our corporate value.
Global Perspective	We think and act from a global perspective.

What we value:

Employees	We respect diversity and support individual growth.
Customers	We seek to be their valued and trusted partner.
Business Partners	We build mutually beneficial relationships.
Technology	We seek to create new value through innovation.
Quality	We enhance the reputation of our customers and the reliability of social infrastructure.

PRINCIPLES

Global Citizenship	We act as good global citizens, attuned to the needs of society and the environment.
Customer-Centric Perspective	We think from the customer's perspective and act with sincerity.
Firsthand Understanding	We act based on a firsthand understanding of the actual situation.
Spirit of Challenge	We strive to achieve our highest goals.
Speed and Agility	We act flexibly and promptly to achieve our objectives.
Teamwork	We share common objectives across organizations, work as a team and act as responsible members of the team.

CODE OF CONDUCT

- We respect human rights.
- We comply with all laws and regulations.
- We act with fairness in our business dealings.
- We protect and respect intellectual property.
- We maintain confidentiality.
- We do not use our position in our organization for personal gain.

BUSINESS POLICY

- We use Field Innovation to find new approaches and the inspiration to improve ourselves, while delivering added value to our customers.
- We provide global environmental solutions in all our business areas.
- Fujitsu Group companies work together to accelerate our global business expansion.

SHAREHOLDERS AND INVESTORS

We seek to continuously increase our corporate value.

We aim to continuously increase corporate value and meet the expectations of shareholders and investors by achieving long-term sustainable growth and profit, and by pursuing strategic business expansion and focused management, while maintaining a sound financial standing.

We enhance our management transparency by appropriate and timely disclosure of our business activities and financial information. This ensures that investors and shareholders understand how we are performing in enhancing our corporate value.

The Fujitsu Group's DNA

"We need to provide returns to our shareholders commensurate with their investment.
In return for their investment, we have a responsibility and duty to respond to their expectations regarding profits and Fujitsu's corporate value."
(Hiroaki Kurokawa, 12th president, message to employees on "The Interests of Shareholders," 2007)

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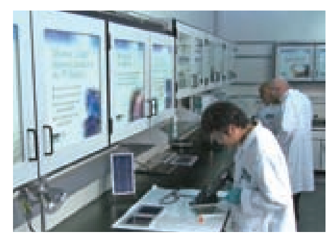


Forward-looking Statements

* This annual report may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors: general economic and market conditions in key markets (particularly in Japan, North America, Europe and Asia, including China); rapid changes in the high-technology market (particularly semiconductors, PCs, etc.); fluctuations in exchange rates or interest rates; fluctuations in capital markets; intensifying price competition; changes in market positioning due to competition in R&D; changes in the environment for the procurement of parts and components; changes in competitive relationships relating to collaborations, alliances and technical provisions; potential emergence of unprofitable projects; and, changes in accounting policies.

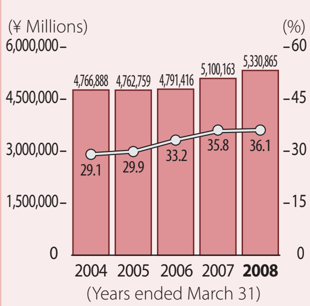
FINANCIAL HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

Years ended March 31	2004	2005	2006	2007	Yen (millions) 2008	U.S. Dollars (thousands) 2008
Net sales	¥4,766,888	¥4,762,759	¥4,791,416	¥5,100,163	**¥5,330,865**	**$53,308,650**
Overseas sales	1,388,623	1,422,095	1,591,574	1,825,255	**1,923,621**	**19,236,210**
Overseas sales ratio (%)	29.1	29.9	33.2	35.8	**36.1**	—
Operating income	150,342	160,191	181,488	182,088	**204,989**	**2,049,890**
Operating income margin (%)	3.2	3.4	3.8	3.6	**3.8**	—
Net income	49,704	31,907	68,545	102,415	**48,107**	**481,070**
Inventories	¥ 521,126	¥ 478,510	¥ 408,710	¥ 412,387	**¥ 383,106**	**$ 3,831,060**
Monthly inventory turnover rate (times)	0.64	0.71	0.88	0.93	**1.03**	—
Total assets	3,865,589	3,640,198	3,807,131	3,943,724	**3,821,963**	**38,219,630**
Owners' equity (Net assets less minority interests)	827,177	856,990	917,045	969,522	**948,204**	**9,482,040**
Owners' equity ratio (%)	21.4	23.5	24.1	24.6	**24.8**	—
Interest-bearing loans	¥1,277,121	¥1,082,788	¥ 928,613	¥ 745,817	**¥ 887,336**	**$ 8,873,360**
D/E ratio (times)	1.54	1.26	1.01	0.77	**0.94**	—
Net D/E ratio (times)	1.04	0.73	0.55	0.31	**0.36**	—
Amounts per share of common stock (Yen and U.S. dollars):						
Net income	¥ 24.55	¥ 15.42	¥ 32.83	¥ 49.54	**¥ 23.34**	**$ 0.233**
Cash dividends	3.00	6.00	6.00	6.00	**8.00**	**0.080**
Owners' equity (Net assets less minority interests)	413.22	414.18	443.20	469.02	**458.31**	**4.583**

Note: The U.S. dollar amounts stated above and elsewhere in this report have been translated from yen, for readers' convenience only, at the rate of ¥100 = US$1, which was the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2008.

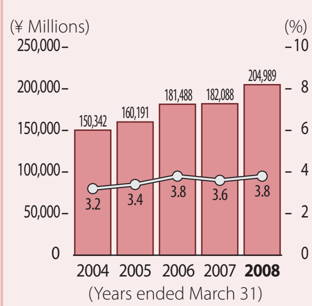
NET SALES AND OVERSEAS SALES RATIO



(Years ended March 31)

Net sales (left scale)
Overseas sales ratio (right scale)

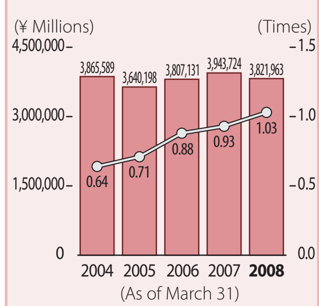
OPERATING INCOME AND OPERATING INCOME MARGIN



(Years ended March 31)

Operating income (left scale)
Operating income margin (right scale)

TOTAL ASSETS AND MONTHLY INVENTORY TURNOVER RATE



(As of March 31)

Total assets (left scale)
Monthly inventory turnover rate (right scale)

CASH DIVIDENDS PER SHARE

(Years ended March 31)

A MESSAGE FROM MANAGEMENT

The steady advance of information technology (IT) is creating a networked society that is global in scale. This far-reaching change is transforming not only business and lifestyles, but the very nature of society itself. Already, the world as we know it today would be unimaginable without IT.

As a company that builds IT infrastructure, the Fujitsu Group is helping realize a brighter, more prosperous future by contributing to creation of a networked society that is widely accessible and reliable, and a rewarding part of life for everyone. We will continue providing people the world over with new value through a relentless pursuit of the innovative possibilities that IT offers.

On April 1, 2007, we embarked on a new medium-term strategic plan that emphasizes higher growth and returns. Looking back on progress during the plan's initial year, it is clear that we made an extremely good start. Under Fujitsu's new business structure, which is centered on the concept of "Field Innovation," we intend to expand from offering IT solutions to providing complete business solutions for our customers. As we steadily entrench Fujitsu's presence in business domains closely linked to customers' operations, we will take steps to optimize the business structure of our Group companies, thereby accelerating global business expansion. We stand committed to meeting the expectations of Fujitsu's shareholders and other investors by continuously raising corporate value through stable profit expansion and growth as we work to achieve the new medium-term targets we have set under the plan. As always, your continued understanding and support will be vital to our success.

Michiyoshi Mazuka

Michiyoshi Mazuka
Chairman

Kuniaki Nozoe

Kuniaki Nozoe
President


FUJITSU
POSSIBILITIES ARE

A CONVERSATION WITH THE PRESIDENT

Fujitsu is determined to embody greater value in the eyes of the customers, shareholders, business partners and the employees that make our business operations possible. Guiding this vision is an enduring commitment to managing from a customer-centric perspective, and on that basis, new initiatives that will focus our activities on improving the customer's business, global expansion, and sustainability.

For years, we have pursued management reforms that have emphasized the need to change how our employees think and act. Guiding the reforms was a standing commitment to managing from a more customer-centric perspective. These actions have finally delivered the results we had hoped for. Our business base, for example, has stabilized. This is particularly true in the case of our services business, a core operation that is now consistently profitable. My belief, though, is that in order to reach the next stage of growth, we must transform our business by focusing our efforts on three major areas. First, rather than focusing solely on customers' IT operations, we must improve the customer's entire business. Second, we need to shift the focus of our operations from Japan to global expansion. Third, we must focus on conducting business in a sustainable manner in order to preserve the environment for future generations. Today, we are transforming our business with initiatives geared to refocusing our business on these areas, across the entire Fujitsu Group.

Q.1

President Nozoe, can you briefly outline your business career to date?

A.1

Let me start by saying that I see my ability to view Fujitsu's operations in a broad and objective way as one of my strongest points. I have a clear grasp of the strengths and weaknesses of the services business, which, as you know, is one of Fujitsu's profit engines. I also have substantial work experience at sites outside Japan. I will rely on this outlook and experience in managing the Fujitsu Group growth strategies going forward.

I began my career researching industrial policies that could help bolster Japan's computer industry. This was during a time when Japan's computer industry was on a weak footing. My job in those days afforded me opportunities to work closely with government officials and industry peers. I came to view our own business through a more macroscopic lens, seeing it as part of the larger industry. I then spent time in the United States, where I experienced firsthand just how tough trade negotiations can be. In fact, I still count among my most important experiences the intensive review of intellectual property and technology I did ahead of negotiations, the experience of having to negotiate in a context completely unlike Japan, and the broad network of personal contacts I gained in the process. Upon returning to Japan, I got involved in M&As and the launch of new businesses. From 2003, I joined the services business, where I was responsible for carrying out structural reforms that included integrating the sales and system engineering organizations, preventing unprofitable projects, and realigning Group companies. In a sense, you could say that my career has always involved examining Fujitsu's businesses from a broad and objective standpoint.

Q.2

What are your goals as Fujitsu's new president?

A.2

One of my goals is managing from a customer-centric perspective. I want Fujitsu to be viewed as a company that thinks from the customer's perspective. At the same time, I hope that Fujitsu will be a company where our employees will find it worthwhile, and be proud, to work.

The steps we've taken to revitalize Fujitsu over the years have turned on our commitment to managing from a customer-centric perspective. We obviously have no intention of veering from this pivotal policy going forward. However, if any doubts linger as to whether this customer-centric perspective is entrenched throughout the Group, then our work in this area, in my opinion, remains only half done. I am convinced that the concept of management from a customer-centric perspective must underpin the mindset and conduct of every employee. This will be absolutely critical to attaining our next stage of growth.

On the other hand, changing our employee mindset, or getting people to question the way things were done in the past, is no easy task. I became keenly aware of just how difficult this can be when I was placed in charge of structural reforms in the services business. With that said, my experience has also been that once employees' mindset changes and people start acting accordingly, the way that we do business changes rapidly as well. Witnessing this transformation again brought home for me the fact that a company is nothing without its people. In that sense, I recognize that how we foster our workforce is vital to the Fujitsu Group's next growth phase. To this end, devising a simpler organization, delegating more authority and transforming frontline operations to move with greater flexibility and speed will be vital to enabling our employees to better utilize their skills and abilities. I also consider it my mission to shape Fujitsu into a company where, more than ever, employees can perform rewarding work that they can be proud of.

Q.3

Can you provide us with an overview of business results in fiscal 2007?

A.3

Technology Solutions and Ubiquitous Product Solutions both recorded substantial year-on-year growth in sales and profits in and outside of Japan.

In fiscal 2007, which ended March 31, 2008, net sales rose 4.5% to ¥5,330.8 billion. Sales were higher in all three business segments, but were led by Technology Solutions. Although sales of mobile phone base stations and standard technology logic products in Japan struggled during the year, sales from the services business, particularly to the financial sector, increased, as did sales of PCs, mobile phones, and advanced technology logic products. Outside Japan, in addition to contributions from acquisitions designed to increase the scale of our services business, we recorded healthy sales of UNIX servers, optical transmission systems, and PCs and mobile phones. As a result, sales outside Japan climbed 5.4% compared to the previous fiscal year.

OPERATING RESULTS (Millions of Yen)

	2007	2008
Net sales	¥5,100,163	**¥5,330,865**
Sales outside Japan	1,825,255	**1,923,621**
Operating income	182,088	**204,989**
Operating income margin	3.6%	**3.8%**
Net income	102,415	**48,107**
Total assets	3,943,724	**3,821,963**
Owners' equity	969,522	**948,204**
Interest-bearing loans	745,817	**887,336**
D/E ratio	0.77 times	**0.94 times**
Net D/E ratio	0.31 times	**0.36 times**

(Years ended March 31)

Benefiting from higher sales and cost reductions, operating income for fiscal 2007 was up 12.6% to ¥204.9 billion. As these results show, we successfully maintained higher sales and profits for the year.

Q.4

How would you rate Fujitsu's performance in fiscal 2007?

A.4

Our medium-term goal for fiscal 2009 is to realize an operating income margin of more than 5%. Although some issues remain, we made an impressive start towards achieving this target. Our most important accomplishment in fiscal 2007 may be the earnings stability of Fujitsu's mainstay services business.

I think that the fact that our services business now generates stable profits was the most important development for Fujitsu in fiscal 2007. A number of factors enabled this result, most notably the extensive risk management we were able to implement in system integration operations. Of course, growth in services in areas such as security and internal control systems, as well as outsourcing, network and maintenance services, was also very important.

I think the stable earnings from services resulted from business process reforms and investments to cultivate the workforce. The benefits of initiatives such as these tend not to be immediately apparent. But I think our results for fiscal 2007 testify to the fact that several years' worth of effort finally started to pay off. Improving the services business has heightened its appeal in the eyes of our customers. This improvement, in turn, has also had a positive impact on our server business and other operations.

Of course, the fact that we achieved a structure for generating profits amid a severe competitive environment played a major role in performance for the year. This reflected ongoing improvements at production sites in the mobile phone and PC businesses due to our adoption of the Toyota Production System (TPS), as well as benefits gained from development-side innovations.

Our operating income margin, meanwhile, improved by 0.2 of a percentage point from 3.6% last year to 3.8%. This was a robust start to meeting our medium-term goal of an operating income margin of over 5% in the fiscal year ending March 31, 2010. With our goal in sight we have no intention of losing momentum in the upcoming fiscal year, and will push ahead boldly to our objective.

MEDIUM-TERM TARGETS (FY 2007–2009)

		FY 2006	FY 2007	Medium-term Targets (FY 2009)
Operating income margin	Consolidated	3.6%	3.8%	**Over 5%**
	Technology Solutions	5.2%	5.5%	**Over 7%**
Ratio of sales outside Japan		35.8%	36.1%	**Over 40%**
Monthly inventory turnover		0.93 times	1.03 times*	**2 times***

*Set as medium- to long-term target level
(Years ended March 31)

Q.5

What will Fujitsu's business direction be under this new structure?

A.5

The targets we set for Fujitsu's current medium-term strategic plan, running from fiscal 2007 to fiscal 2009, remain unchanged. The new management team's first priority is to complete these objectives. A new theme, though, will be to focus our business activities on three key areas, on the basis of our commitment to managing from a customer-centric perspective.

We continue to work towards completion of the medium-term targets announced in June 2007, namely an operating income margin of over 5%, and raising the ratio of sales outside Japan to over 40% in fiscal 2009. As I mentioned earlier, in tandem with steps to reinforce our customer-centric management perspective, we have to focus our business activities into three key areas to realize our next growth stage. First, we have to focus on improving the customer's entire business rather than improving their IT systems. IT is a means, not an end. Second, we have to take a global perspective on business, instead of concentrating on Japan, as we have traditionally done. Third, we must commit to sustainability, so that the Earth is preserved for generations to come.

Q.6

What do you mean by "improving the customer's entire business"?

A.6

The aim is to develop solutions that improve a customer's business, and we are training our human resources to do just this.

The first of the three business focuses I mentioned is that, rather than focusing solely on customers' IT operations, we must change our perspective to one that considers a customer's entire business. The basic logic here is that improving only a customer's IT functions will do little to improve their overall business. In a way, this actually implies getting back to the basics of IT utilization. At Fujitsu, we refer to this as shifting from IT solutions to business solutions. We are fostering people with the new skills required to do this. We've groomed "Field Innovators" capable of devising solutions to customers' business issues from a human resources and business process standpoint, as well as "Business Architects," who are skilled in identifying customers' critical requirements with respect to upstream system construction processes. Of course, these new human resources alone cannot change our entire approach. So we launched an initiative to have all sales and system engineering personnel develop medium-term proposals from the perspective of the customer's entire business. However, there are lingering doubts as to whether these initiatives will actually deliver the results we are expecting. Our new management team will take measures to make these earlier initiatives successful.

Q.7

One of your goals is to raise the ratio of sales outside Japan to over 40%. What measures are you considering to promote global business expansion?

A.7

We need to adopt a broader, global perspective, rather than focusing so heavily on Japan. This is another task facing the new management team. We will expand business globally by leveraging the base Fujitsu has built in developing its worldwide operations over many years, and by instilling the maxim "Think Globally, Act Locally" in our operations.

The global IT market is widely expected to expand going forward, largely due to the massive scale of the market in Europe and the United States, as well as market growth in newly emerging economies, specifically those in Asia. Clearly, we have little prospect for growth if we focus exclusively on the market in Japan. Fujitsu has long worked to develop operations globally, and was one of the first IT vendors in Japan to advance operations abroad. Fujitsu Services in the UK has an impressive track record in securing large-scale outsourcing business deals in Europe.

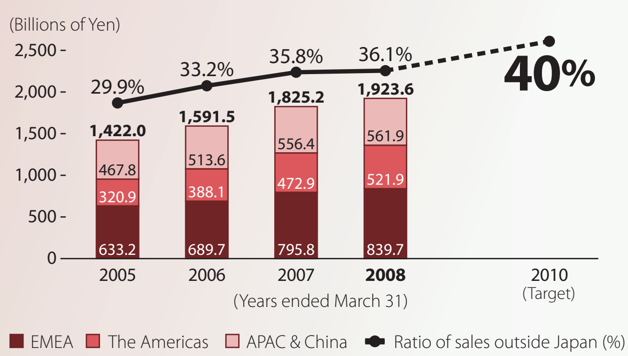
Despite this record, Fujitsu's operations outside Japan are still limited to an "Act Locally" frame of thinking. This is why "Think Globally" is an issue we need to tackle fully in the years ahead. We launched our "Global Service Innovation Program" as the first major initiative to solve this problem. This program will enable us to offer data center and desktop services as common Fujitsu services anywhere in the world. Moreover, we are taking advantage of Fujitsu Services and its expertise gained from various projects in Europe to forge ahead with process and delivery standardization.

On a global scale, the shift from system manufacture to system utilization as the driving force behind IT system services is expected to gain momentum. Data center competitiveness will be a major issue as this trend unfolds. Right now, we are investing Fujitsu's cutting-edge technologies in our data centers across the globe and giving business process standardization and workforce training the attention they deserve. We aim to make services the main thrust of our efforts to develop Fujitsu's business globally.

In the Americas, US-based Fujitsu Network Communications has supplied AT&T, Verizon and other prominent US telecoms with the latest optical transmission systems as a key vendor of these products for nearly three decades. We intend to make the most of this subsidiary's experience and expertise in developing operations globally.

Of course, there are limits to the global business expansion that Fujitsu can accomplish on its own. In the past, we have forged powerful partnerships with Sun Microsystems, SAP, Intel and other influential global vendors. We are committed to promoting similar partnerships going forward as we attempt to accelerate global business development.

SALES OUTSIDE JAPAN/ RATIO TO TOTAL NET SALES



NET SALES OUTSIDE JAPAN BY REGION AND BUSINESS

IT MARKET GROWTH 2007–2010

	Japan	The Americas	EMEA	China	APAC	World-wide
Services	3.5%	4.9%	5.6%	14.7%	9.3%	5.5%
Software	4.8%	7.0%	8.6%	12.9%	8.7%	7.6%
Servers	0.4%	2.5%	0.4%	4.6%	4.0%	1.9%
PCs	(1.7%)	1.8%	4.2%	12.7%	6.0%	4.2%
IT Market Total	2.0%	5.5%	6.3%	10.8%	7.0%	5.9%

Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008
The Americas represents total sales from North and South America; EMEA is total sales from Europe, the Middle East and Africa, APAC refers to the entire Asia-Pacific region, with the exception of Japan and China.

Market growth rate = 7% or more
Market growth rate = under 3%

We are also eyeing organizational changes. In previous years, we promoted business with a focus on specific regions, namely the Americas, EMEA, China, and APAC. Today, we have newly assigned personnel to oversee and coordinate all Fujitsu business outside Japan. This move will reinforce our ability to view operations from a global standpoint, all while pursuing business that is responsive to the prevailing conditions in each region.

* Please refer to pp. 20-27 for Fujitsu initiatives outside Japan for the current fiscal year.

Q.8

Fujitsu has announced its "Green Policy Innovation" initiative. What specific environmental measures is the company pursuing?

A.8

Sustainability is another major focus for Fujitsu. Our previous environmental activities mainly stressed measures to improve Fujitsu's own environmental performance. But we believe that IT technology has a powerful role to play in preserving the environment, especially in combating global warming. The goal for Fujitsu now is to reduce our customers' burden on the environment by exploring the full potential of IT technology. This concept will guide future environmental protection initiatives.

Environmental protection, and specifically the effort to fight global warming, is an issue that every country, company and individual must confront today. The Fujitsu Group is focused on achieving the clearly stated objectives we announced as part of the Fujitsu Group Environmental Protection Program (Stage V), which got under way from fiscal 2007.

In December 2007, we unveiled our "Green Policy Innovation" initiative, a new set of measures that will leverage IT to help prevent global warming. The key thrusts of the initiative are to offer environmentally friendly IT and to use IT to provide environmental solutions that lower our customers' burden on the environment. Through our Green Policy Innovation, we aim to reduce cumulative CO_2 emissions by more than 7 million tons over the four-year period from fiscal 2007 to fiscal 2010. Global warming is the most important issue of the 21st century. The Fujitsu Group recognizes the tremendous role IT can have in confronting this problem, which is why we have made the environment a pivotal focus of our business strategies. Going forward, we are committed to bringing a host of innovations to bear in the quest to leave a sustainable natural environment to future generations.

Q.9

What is Fujitsu's business outlook for the year ending March 31, 2009 (fiscal 2008)?

A.9

Although certain negative factors persist, we hope to see continued earnings growth on the back of efforts to bolster our robust services business.

We recognize that Fujitsu is facing a tough business climate. Business risks are mounting due to financial problems related to the subprime mortgage loan crisis, escalating prices for all raw materials, particularly sharply higher prices for crude oil, and the yen's strength. On the other hand, companies are becoming more reliant on IT. So there is no reason to expect the pace of upfront investments for growth, either to support customers' global business expansion or to boost competitiveness, to drop off suddenly.

Our services business, in particular, is showing steady improvement in profitability. We expect to see benefits from a variety of measures we've taken, including infrastructure industrialization, IT infrastructure optimization designed with a customer's entire business system in mind, and growth in outsourcing business in Europe and the United States. From these and other factors, we are forecasting ¥185.0 billion in operating income from the services business, ¥44.5 billion more than in 2007.

Looking at sales, although we expect growth in the services business and HDDs both in and outside Japan, exchange rate fluctuations are likely to reduce the total by roughly ¥200 billion and so we are forecasting net sales of ¥5,350 billion, on par with 2007. As for operating income, we expect to meet our initial target of ¥220 billion for the year despite the impact of exchange rate fluctuations, a more difficult pension asset management environment, and other adverse factors. In addition to improved profitability in the services business, we expect earnings to rise on the back of various measures we are promoting, among them Group-wide measures taken from last year to reduce costs.

TARGET SALES AND PROFITS FOR FISCAL 2008

(Millions of Yen)

	2008 Results	2009	2009/2008
Net sales	¥5,330,865	¥5,350,000	+0.4%
Operating income	204,989	220,000	+7.3%
Net income	48,107	100,000	+107.9%

(Years ended March 31)

Q.10

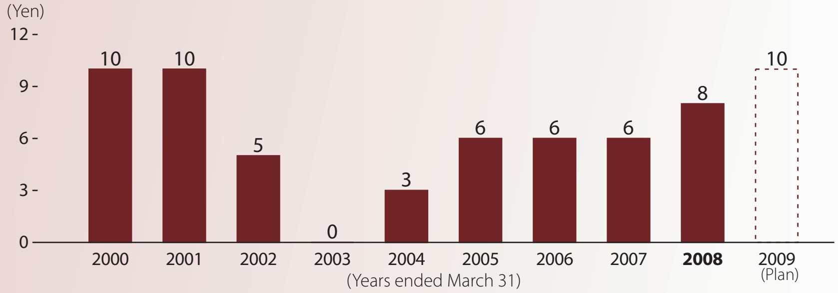
What is Fujitsu's policy on returning profits to shareholders?

A.10

Since business profitability has stabilized, we raised the year-end dividend to ¥5 per share in fiscal 2007. We plan to raise our annual dividend again in fiscal 2008.

Our basic policy on dividends is to offer a stable return to shareholders from retained earnings, while ensuring that we maintain sufficient internal reserves to strengthen our financial position and actively develop our business, including business outside Japan.

EARNINGS PER SHARE



Better profitability in fiscal 2007 enabled us to pay a year-end dividend of ¥5 per share, up ¥2 from the previous fiscal year, for an annual dividend of ¥8 per share. For the fiscal year ending March 31, 2009, we intend to pay an annual dividend of ¥10 per share. Our dividend levels have finally returned to what they were prior to fiscal 2000. This dividend is not only a way of expressing our appreciation to shareholders for their understanding and support of Fujitsu's operations, but a sign that we are committed to enhancing profitability and pursuing further growth in the coming years.

Q.11

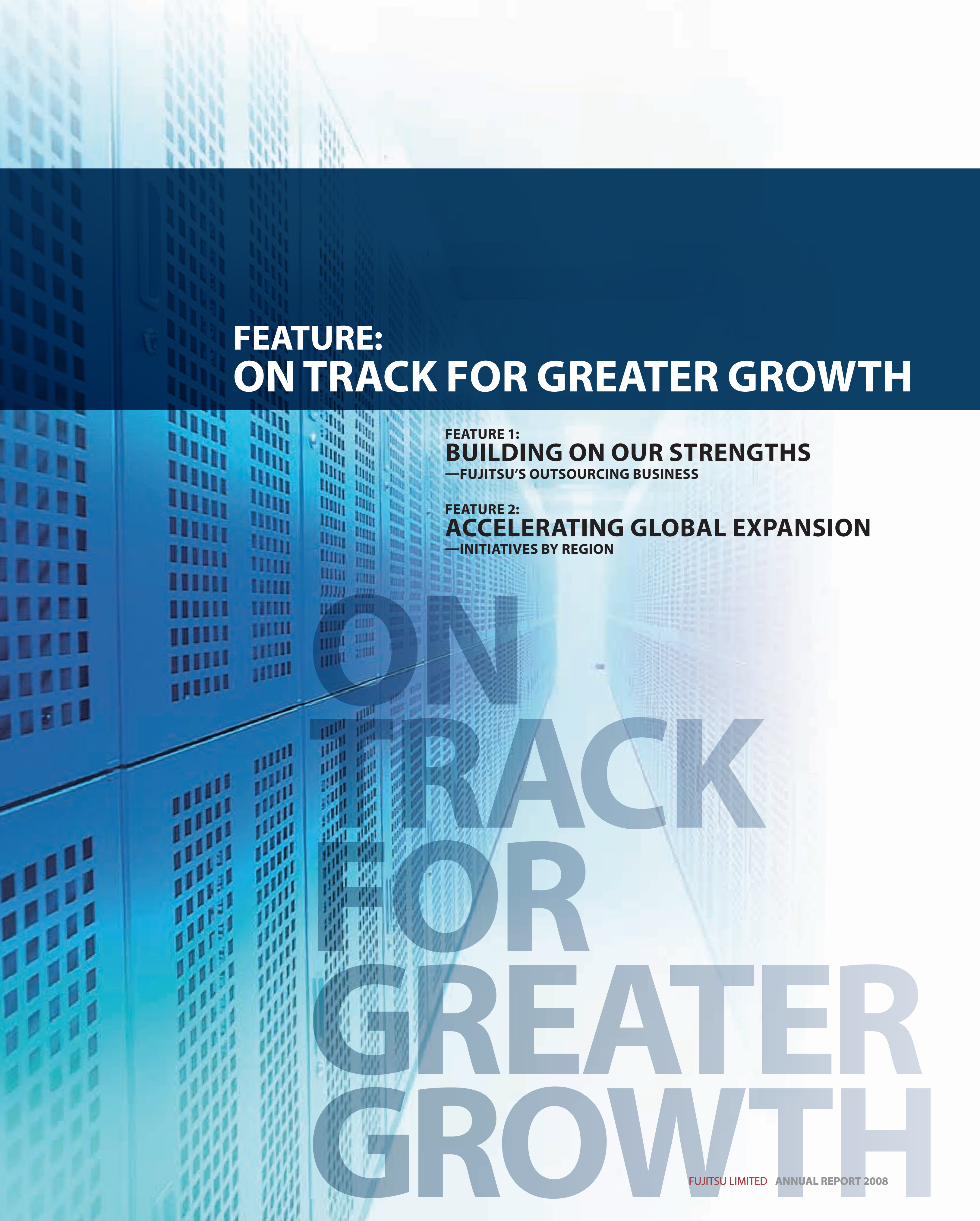
Fujitsu recently drafted a new version of the Fujitsu Way*. Does this suggest a new vision for the company?

A.11

The recent revision is designed to rally the Fujitsu Group around a common vision, and contribute in a more concrete way to improving corporate value and to society.

In April 2008, we fully revised The Fujitsu Way as a way to clarify the Group's principles and values. With this revision, we have expressed The Fujitsu Way in a manner that will better facilitate the understanding of our vision, values and principles among all employees of the Group. Based on the new Fujitsu Way, we will align the Group in a common direction to raise corporate value, and will strive to realize a Fujitsu Group that further earns the trust of its shareholders, investors, customers and business partners, and whose contribution is felt both globally and in the local communities in which we operate. I also desire Fujitsu to be a company where our employees will find it rewarding to work and to be a company where they will be proud to work.

* Please refer to the inside cover (page 1) for details on the revised Fujitsu Way.



FEATURE: ON TRACK FOR GREATER GROWTH

FEATURE 1: BUILDING ON OUR STRENGTHS
—FUJITSU'S OUTSOURCING BUSINESS

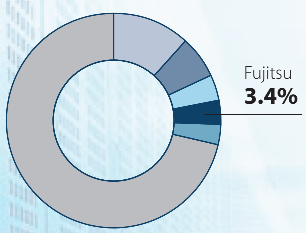
FEATURE 2: ACCELERATING GLOBAL EXPANSION
—INITIATIVES BY REGION

ON TRACK FOR GREATER GROWTH

FEATURE 1: BUILDING ON OUR STRENGTHS—FUJITSU'S OUTSOURCING BUSINESS

"Outsourcing" is the general term for corporate efforts to shift certain business functions and resources to professionals outside one's corporate domain, or to conduct external procurement. Broadly speaking, outsourcing can be applied to the full spectrum of business functions, from general affairs, personnel and accounting, to sales and production. In the IT field, however, outsourcing refers more specifically to the strategic entrustment of information systems, from construction to operations, as well as necessary equipment, to outside professionals.
Fujitsu is expanding its outsourcing business, having positioned it as a key business to spearhead corporate growth going forward.

GLOBAL OUTSOURCING MARKET SHARE IN FISCAL 2007 (REVENUE BASIS)



Company A 11.8%
Company B 6.4%
Company C 4.0%
Company D 3.1%
Others 71.3%
(Source: Gartner, April 2008, GJ08334)

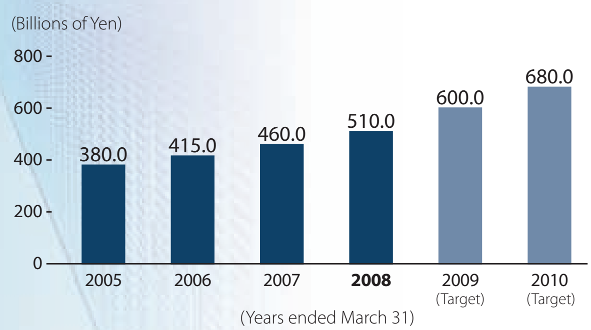
Status of Outsourcing at Fujitsu

Fujitsu has retained the top share*[1] of Japan's outsourcing market, in terms of revenue, every year since fiscal 2003 (ended March 31, 2004), and boasts the fourth leading share*[2] of the market worldwide. In recent years, a growing need has emerged among corporate IT systems divisions to outsource the operation of their own IT systems, fueling annual growth in the market for such services in Japan. In fiscal 2007, Fujitsu recorded ¥514.3 billion in revenues from outsourcing in Japan, an increase of 9% year on year, and exceeding our revenue target of ¥510.0 billion for this business. We anticipate ¥600.0 billion in outsourcing revenues in fiscal 2008 and ¥680.0 billion in fiscal 2009, driven by projected double-digit growth for both years. We are also targeting an operating income margin of 10% or more for the same two-year period.

FUJITSU OUTSOURCING BUSINESS TARGETS (JAPAN)

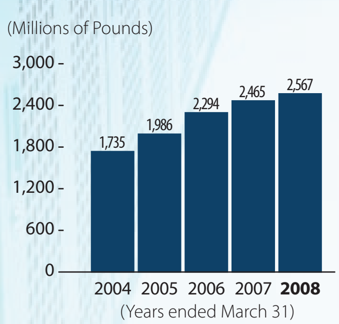
Sales Growth:
Continue double-digit sales growth

Operating Income:
Operating income margin over 10%



Outsourcing Business Domains
Data centers
On-site (LCM)
Support desks
Networks
APM
BPO

SALES OF FUJITSU SERVICES



Outside of Japan, the outsourcing business is conducted mainly through Fujitsu Services, our UK-based subsidiary. Fujitsu Services has a wealth of experience in outsourcing for large government-related projects in the UK, and the company is now expanding business with the corporate sector. For example, Fujitsu Services recently received an order to deliver IT infrastructure services for news and information provider Reuters of the UK. Fujitsu Services also recently purchased TDS AG of Germany and Mandator AB of Sweden in a bid to expand its capacity to offer services on a global scale. Through these and other proactive steps to develop business, Fujitsu Services recorded sales of £2,567 million for the fiscal year ended March 31, 2008.

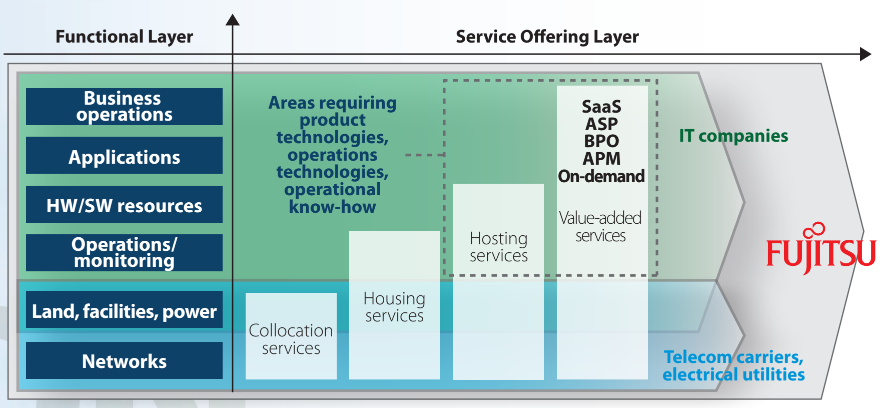
*[1] Source: IDC, August 2007
*[2] Source: Gartner, April 2008, GJ08334

Strengths of Fujitsu

The outsourcing services we offer can be broadly divided into four categories based on the level of service desired: collocation services (provision of data center facilities and related networks), housing services (provision of systems operation and monitoring, in addition to collocation services), hosting services (provision of hardware and software resources along with housing services), and value-added services. With a ready framework for providing everything from network infrastructure, facilities, and products through to high-value-added services, Fujitsu is the only outsourcing vendor able to serve as a one-stop source for this complete range of services.

SERVICES OFFERED AND COMPETITIVENESS

Only Fujitsu can create and provide uniform offerings extending to high-value-added services, products and networks



Outsourcing Services Menu

The following are some examples of the main outsourcing services available from Fujitsu's full-service menu.

Business Process Outsourcing (BPO)

Fujitsu manages a variety of common customer business processes in whole or in part, including human resources, accounting, purchasing, and contact centers.

Application Portfolio Management (APM)

Fujitsu assumes responsibility for maintaining, managing and safeguarding customers' application assets; support is also offered for continual improvement of application quality and optimization of IT investment.

Data Center Outsourcing

Fujitsu uses its highly reliable data centers, equipped with robust security measures, to maintain and operate customers' IT systems on a 24-hour, year-round basis.

On-site Outsourcing

Users of this service have the option of either allowing Fujitsu to remotely operate and monitor their on-site systems from its own center, or having these tasks performed by an on-site Fujitsu representative.

SaaS (Software as a Service)

Fujitsu utilizes networks to provide customers with cutting-edge applications on an on-demand basis directly from its own data centers, thereby eliminating the need for customers to own hardware, software and other IT assets. SaaS services are also highly flexible, enabling multiple applications to be linked together and customized to user requirements.

On-demand Outsourcing

Fujitsu offers not only system resources but a host of other IT-related resources, including systems and back-office operations, on an on-demand basis; fees are assessed based on the quantity of services used.

Organic Storage Service

Utilizing applied virtualization technology, Fujitsu offers "organic storage" tailored to specific customer requirements. Large-capacity organic storage for long-term data archiving is housed in Fujitsu data centers to serve as storage for business systems.

Network Outsourcing

Fujitsu not only provides network infrastructure but serves as an agent that manages all network operations.

GLOBAL DEVELOPMENT OF FUJITSU'S OUTSOURCING BUSINESS

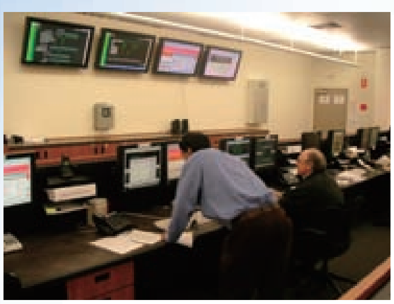
Operating in 16 countries worldwide
Data centers: approx. 80 centers
Call centers: 29 languages

Global Development of Data Centers Supporting Outsourcing

Fujitsu has a global network of some 80 data centers. These critical facilities play an indispensable role in the provision of outsourcing services. Fujitsu can also respond to customers' varied language requirements with help desks available in 29 different languages.

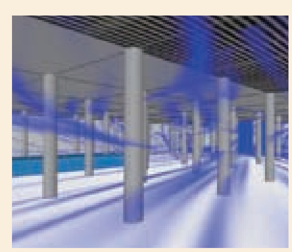
In Japan, Fujitsu complemented its three main data centers—Fujitsu Tatebayashi System Center, Fujitsu Akashi System Center and Fujitsu Tokyo System Center—with the opening of the Fujitsu Tokyo No. 2 System Center in December 2007. Already used by many customers, the new center has double the permissible power usage of the older Fujitsu Tokyo System Center, and is equipped with more advanced security measures, such as cutting-edge palm vein ID and RFID technology.

At the start of 2008, Fujitsu began globally expanding its base for meeting customer needs, particularly in Asia, with the opening of data centers in Thailand and South Korea. In Japan, plans going forward will see a capacity upgrade for the Fujitsu Tatebayashi System Center (October 2009), as well as preparations for the opening of a new data center in Yokohama, as we take steps to further enhance competitiveness in this area.



Control room of data center operated by Fujitsu Australia

Reducing Customers' Environmental Impact via "Green Infrastructure Solutions"



Heat flow simulations to model underfloor cables, wires and other obstacles

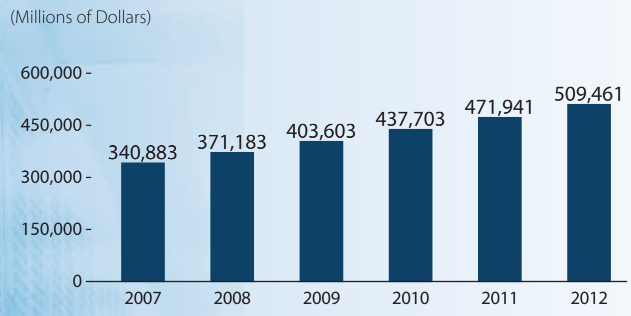
Fujitsu leverages its technical expertise in achieving greater energy efficiency by offering its customers "Green Infrastructure Solutions", which include diagnostic, design, construction and operation support services for improving the environmental performance of customers' data center facilities.

Fujitsu Architects & Engineers, a group of in-house specialists with expertise in both IT and construction, helps customers optimize their entire IT infrastructure by evaluating and selecting the most effective and efficient air conditioning and power supply systems, and the most advanced server room equipment, all consistent with customers' IT assets and system operation policies. In fact, the Fujitsu Tokyo No. 2 System Center, opened in December 2007, embodies many of these advanced technologies, including a building layout design based on heat flow simulation models. Apart from the technologies adopted for this center, Fujitsu utilizes know-how gained from energy-saving techniques applied at its 50 data centers across Japan to optimize the server rooms and data centers of its customers.

By offering Green Infrastructure Solutions, Fujitsu strives to assist customers in reducing power consumption related to IT infrastructure, thereby minimizing their environmental footprint. Reductions like these, in turn, help to reduce society's overall impact on the environment.

GLOBAL OUTSOURCING MARKET GROWTH FORECAST

Average Annual Growth Rate 2007-2012 = 8.4%



(Source: IDC, Worldwide Services 2008-2012 Forecast, April 2008)

Achieving Further Growth

Corporate thinking around outsourcing is evolving from a view of outsourcing as merely a part of IT functions, to outsourcing as a means to enhance corporate value. This climate is expected to stimulate growth in the outsourcing market, with a projected average annual market growth rate of 5.4%*[3] in Japan and 8.4%*[4] worldwide from 2007 to 2012. These are high growth rates in comparison to other service markets.

In light of this outlook, we are committed to expanding our outsourcing business, having positioned outsourcing as a core business that will spearhead future growth. Among specific expansion measures, we are aggressively investing in the establishment of advanced data centers, cutting-edge technology applications, workforce training, and other areas to further enlarge our business. In parallel, we are curbing operating costs by promoting more efficient power consumption and energy conservation at Fujitsu data centers, a step that will enhance both the competitiveness and profitability of our outsourcing operations. Finally, we intend to take full advantage of Fujitsu Services' expertise in large-scale outsourcing projects in the UK to develop services in other regions as well, thereby encouraging the global expansion of this business.

*[3] Source: IDC Japan, February 2008 "Japan IT Services 2008–2012 Forecast and 2007 Review" (J8460102)
*[4] Source: IDC, Worldwide Services 2008-2012 Forecast, April 2008

"2007/2008 ASP-SaaS-ICT Outsourcing Awards"

Fujitsu Tatebayashi System Center Awarded Grand Prix Prize in IDC Category

The Fujitsu Tatebayashi System Center, a key site in Fujitsu's outsourcing service network, has provided a full range of high-quality, highly reliable services since its establishment in 1995. A highly secure and robust facility with a capacity of 5,000 server racks, the center has gained an exceptional reputation for its sophisticated system operations expertise and services—a distinction that earned it the Grand Prix Prize.

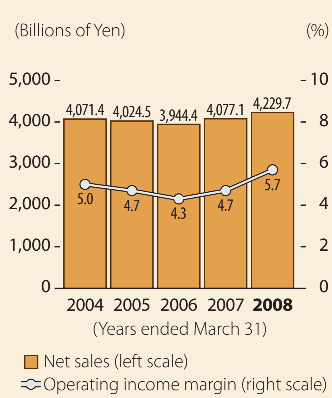
Principal Outsourcing Business Deals in Fiscal 2007

- Start of four-year contract for operation and maintenance of mission-critical systems for Honda Motor (Japan)
- Construction of shared disaster backup system for the Hokuhoku Financial Group (Japan)
- Outsourcing contract signed with prominent home appliance manufacturer Electrolux AB (Sweden)
- Contract valued at £25 million (approx. ¥5.2 billion) signed with Cafcass (The Children and Family Court Advisory and Support Service) (UK)
- Shared services contract for provision of ERP solutions signed with two county councils (UK)
- Order received from Police Service of Northern Ireland for ICT management services worth a maximum of £100 million (approx. ¥21.0 billion) (UK)
- Large-scale outsourcing contract signed with Reuters (UK)
- Outsourcing contract worth 400 million euros (approx. ¥65.0 billion) signed with Allianz IT service provider AGIS (Germany)
- Outsourcing contract worth £80 million (approx. ¥19.0 billion) signed with Financial Services Authority (UK)

FEATURE 2: ACCELERATING GLOBAL EXPANSION—INITIATIVES BY REGION

Japan

NET SALES* AND OPERATING INCOME MARGIN



* Including intersegment sales

Market Trends

Japan's IT market is projected to grow by around 2% in 2008. While fallout from the subprime mortgage crisis should have a limited impact on this market, cost increases in Japan's corporate sector from soaring prices for crude oil and raw materials will likely grow more pronounced. At the same time, however, further market growth is anticipated on the back of stronger IT investment demand as companies look to maintain and enhance competitive advantages, and to promote greater business efficiency.

The server market is primed to expand mainly due to growth in open-standard servers. This particularly applies to PC servers, where the shipment of Windows Server® 2008 is expected to spur market expansion. The communications market, meanwhile, is likely to record modest growth thanks to an expected increase in Next-Generation Networks (NGN)-related investments, which should outweigh declining investments in mobile phone base stations.

The services market, as in the previous fiscal year, will see firm demand, especially for system integration and outsourcing services. Investment levels are projected to remain relatively high despite some fall back following sudden expansion in the financial and healthcare markets in the previous fiscal year. Demand is also projected to rise in other markets, led by the push for greater system optimization in the public sector and NGN-related business in the communications sector. More extensive use of outsourcing, too, is likely to gain momentum as a means to pare back costs. In addition to greater utilization of data centers, this trend is set to spur increasing demand for business process outsourcing with respect to certain or all business operations.

Initiatives Going Forward

We will take aggressive steps to expand business in Japan, especially in the server and services markets.

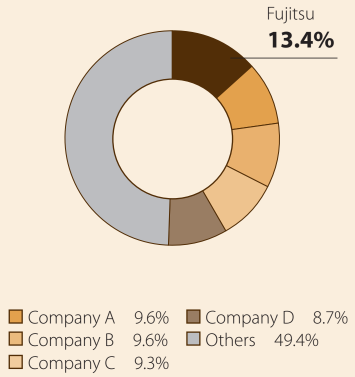
Where System Products are concerned, particularly servers, we aim to expand our share in the server business with the rollout of new UNIX server models—SPARC Enterprise (co-developed with Sun Microsystems, Inc. of the US), PRIMEQUEST mission-critical IA servers, and the PRIMERGY line of PC servers—to answer increasing demand for open-standard systems. We will offer highly reliable products built on virtualization and green technologies that are quiet, compact and power efficient. These products specifically address environmental issues and the reinforcement of internal control systems, as well as infrastructure integration requirements.

In the services business, our goal is to extensively enhance quality and efficiency on every front, from initial proposals to system integration and operation. At the business deal stage, we will reinforce the ability of our Field Innovators to propose optimal solutions and use pipeline management to promote more thorough management of the business deal process. Our aim here is to boost orders from promising business negotiations. Where system integration is concerned, in tandem with more robust specification confirmation procedures at the engineering phase, we will apply the Toyota Production System (TPS) and industrialize software development at the development phase to achieve higher quality at lower cost. We also plan to expand system operations work by offering a broader menu of outsourcing services, particularly in response to business continuity needs and customers who want to make their operations greener—two areas where demand has grown in recent years. Here, we have built one of the industry's most advanced data centers, a facility that will enable us to provide high-value-added outsourcing services while keeping costs down. Additionally, in step with the full-scale commencement of NGN services, we will propose new ways to optimize IT utilization by expanding the provision of SaaS (Software as a Service) application services utilizing NGN.

IT MARKET FORECASTS (JAPAN)

(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)

SHARE OF 2007 IT SERVICES MARKET SALES IN JAPAN (REVENUE BASIS)



(Source: Gartner, April 2008, GJ08335)

The Americas

Market Trends

Growth in the North American IT services market in 2008 is expected to slow to around 4%, as the subprime mortgage crisis, soaring prices for crude oil and other negative factors take their toll on the pace of economic growth. The server and storage market is expected to see growth rates fall to around 2% from 2008 onward, despite the anticipated full-scale uptake of virtualization technology. In contrast, the IT services field is likely to witness growth in outsourcing, particularly for application management and hosting, and in business process outsourcing (BPO). Growth will be supported by healthy demand from the corporate sector, as companies seek to leverage the effectiveness and convenience of network-based systems.

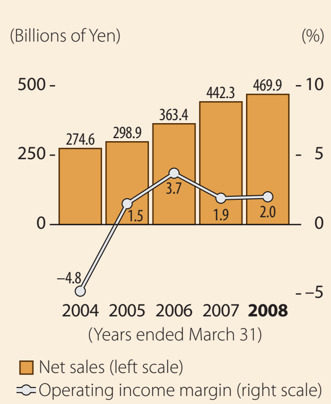
Despite an anticipated decline in capital investment by telecommunications carriers in response to the emerging economic slowdown, the communications market is expected to grow further thanks to an ongoing increase in the number of optical fiber subscribers as the demand for so-called "Quadruple Play" (voice, data, wireless and video streaming) services increases. Moreover, as the move to IP networks accelerates, this will spur a switch from Synchronous Optical Network (SONET) to Wavelength Division Multiplexing (WDM), and stimulate increased demand (Packet Transport and Wireless Access) with respect to next-generation communications equipment. Another steadily emerging trend is to merge functions once spread across various communications equipment into a single, integrated solution.

Initiatives Going Forward

In the North American IT services market, we conduct business primarily through three companies—Fujitsu Consulting, Fujitsu Computer Systems and Fujitsu Transaction Solutions. Through Fujitsu Consulting, we offer services ranging from consulting to system integration (SI) and business process outsourcing (BPO). Fujitsu Computer Systems sells and maintains servers, storage devices, PCs and other computing equipment. Fujitsu Transaction Solutions, meanwhile, has operations targeting POS, self-checkout and other areas in the retailing sector. The importance of our presence in the North American market is rising, both as a function of this market's growth potential and for the role that these bases play in supporting customers who seek to advance operations into North America. We will continue to pursue service-related M&A opportunities and will strengthen collaboration among Fujitsu Group companies. Our aim is to expand business by evolving beyond the simple provision of IT solutions to become a comprehensive business solutions provider for our customers. Specifically, this transformation will entail expanding sales of the servers and other system products for which Fujitsu is well-known, coupled with the promotion of a bigger, more robust infrastructure services business, such as data centers and outsourcing, and services business, such as managed services.

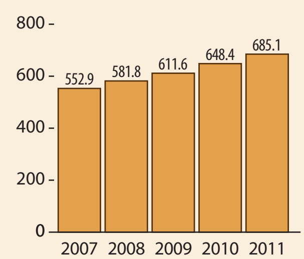
In North America's communications market, we operate in the optical transmission field through Fujitsu Network Communications. Here, we intend to increase Fujitsu's market share by leveraging our No. 1 ranking in next-generation SONET market for four years running to launch products for the growing WDM market. Together with efforts to concentrate development resources in the creation of integrated devices (i.e., devices compatible with SONET, WDM and packet-switching network configurations), we seek to grow Fujitsu's share in the North American optical transmission market by scaling back costs wherever possible to offer highly competitive products. We also plan to unveil aggressive initiatives for WiMAX™ and other areas in the wireless field going forward.

NET SALES* AND OPERATING INCOME MARGIN



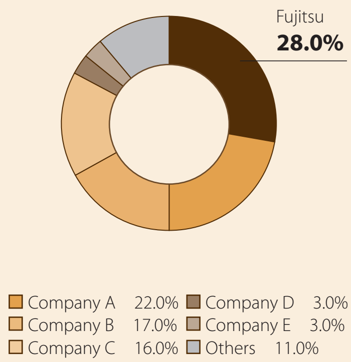
* Including intersegment sales

IT MARKET FORECASTS (AMERICAS)



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)
(AMERICAS: North and South America)

NEXT-GENERATION SONET MARKET SHARE IN NORTH AMERICA (REVENUE BASIS)



(Source: Ovum-RHK, March 2008)

PROVIDING HIGH RELIABILITY AND HIGH AVAILABILITY FOR A GLOBAL SAP DEPLOYMENT

—Dow Corning Corporation—

Established in 1943 to explore the potential of silicones, today Dow Corning has 10,000 employees and provides performance-enhancing solutions to serve the diverse needs of more than 20,000 customers worldwide. A global leader in silicon-based technology and innovation, Dow Corning offers more than 7,000 products and services.

Unlike many global companies, Dow Corning runs a single, centralized IT infrastructure for the entire company, and runs a single instance of SAP for its enterprise resource planning (ERP) solution. The company has only two enterprise data centers—a primary site and a disaster recovery site—and both are in the US. While this configuration significantly simplifies IT management, it also makes high availability an imperative. For this reason, Dow Corning has, over the years, continued to increase its reliance on Fujitsu server and storage products. Today, approximately 90% of the company's Unix-based database and application servers are Fujitsu PRIMEPOWER servers, while approximately 75% of the company's storage systems are Fujitsu ETERNUS.

The Fujitsu servers have proven so reliable that Dow Corning does not deploy clustering technology to avoid downtime; since downtime is simply not an issue, there is no justification for added cost and complexity. In addition to keeping users around the world productive, the reliability and high availability of Fujitsu servers enables Dow Corning to maintain an efficient IT staff and lower operational costs.

But the Fujitsu story at Dow Corning does not stop with reliability. Regular benchmarking validates that Fujitsu servers and storage solutions continue to deliver the high performance Dow Corning requires, and the company continues to value and trust Fujitsu for its ability to deliver such high-availability hardware at prices that beat its competitors.

Thanks to the performance, reliability and value of Fujitsu products, Dow Corning relies on PRIMEPOWER servers and ETERNUS storage systems for its SAP deployment.

EMEA

Market Trends

The EMEA IT services market is projected to grow by roughly 6% in 2008. In contrast to Western Europe, where competition is heating up as the market matures, high growth rates are expected for Eastern Europe, Russia, the Middle East and other newly emerging markets. In the UK, a widely anticipated decline in business deals for large projects will likely follow major cuts in the government's IT budget in response to changes in the country's political and economic climate. In a prominent trend among IT firms, U.S.-based companies have gained greater cost advantages, and expanded their customer bases, by actively exploiting offshore resources. Among local firms, there is a pronounced move to expand the business scope beyond their own borders through M&As.

In the communications market, governmental deregulation is among the factors fueling more vigorous competition, leading telecommunications carriers to invest robustly in broadband and 3G technologies. Announcements of Next-Generation Network projects by British Telecom were closely followed by similar announcements from France Telecom and Deutsche Telekom, as progress on the construction of optical fiber-based access networks gains ground. For WiMAX, companies are trial testing the technology and cementing business alliances in the region ahead of the start of bidding for frequency licenses. The Middle East, Africa and other newly emerging markets, meanwhile, have hosted a series of communications license auctions as the opening of the markets for both fixed and mobile networks leads to more growth opportunities for foreign telecommunications carriers.

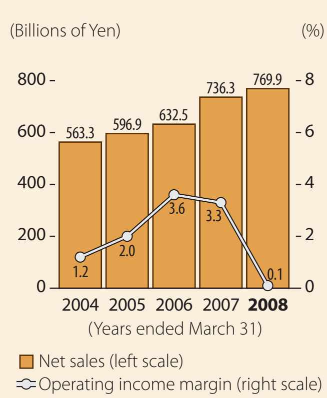
Initiatives Going Forward

In the IT services field, Fujitsu Services in the UK is spearheading efforts to improve our price competitiveness and earnings power, and expand business opportunities, through aggressive use of offshore and nearshore resources. M&As and alliances will be used, moreover, to enlarge our business area and enhance our capacity to develop global business deals. For the outsourcing business, we are striving to set Fujitsu apart from other companies by continually improving services through a collaborative approach with customers, industrializing services based on the TRIOLE approach, and by taking proactive steps to promote eco-friendly "green" IT services. We will reinforce proposal capabilities particularly for the financial services and retail sectors, while striving to further enhance service quality. Taken together, these actions should accelerate demand from private-sector customers.

As for system platforms, reinforcing our partnership with Siemens AG of Germany will allow us to leverage a comprehensive portfolio of products and services to create added value. Promoting greater utilization of Fujitsu Siemens Computers' system products, moreover, will enable Fujitsu Services to avoid simple cost competition in the services that it offers, while retaining sales volume.

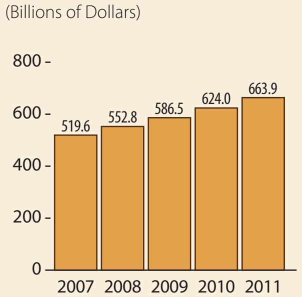
In the communications field, where we operate mainly through UK subsidiary Fujitsu Telecommunications Europe, we intend to focus on the access-related elements of British Telecom's 21st Century Network project. At the same time, we will set Fujitsu apart from competitors by strengthening ties with other EMEA bases and developing new business models.

NET SALES* AND OPERATING INCOME MARGIN



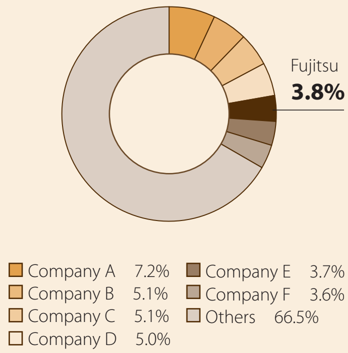
* Including intersegment sales

IT MARKET FORECASTS (EMEA)



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)
(EMEA: Europe, the Middle East and Africa)

SHARE OF 2007 IT SERVICES MARKET IN THE UK (REVENUE BASIS)



(Source: Gartner, April 2008, GJ08336)

OUTSOURCING SERVICE TRANSFORMS IT INFRASTRUCTURE IN MORE THAN 100 COUNTRIES

—Reuters—

For Reuters, the world's largest news and information provider, competitiveness rests in being able to deliver intelligent information quickly, reliably and cost-effectively to businesses and professionals around the world. The demands of a global society that never sleeps mean that IT is critical to achieving this.

Like any large organization, Reuters has a range of legacy systems, with varied and complex approaches to managing and delivering IT services. Since 2006, Reuters had been looking to simplify its global IT environment, and chose Fujitsu due to its collaborative approach to deploying and managing IT systems.

Under the 10-year global deal, Fujitsu will transform, operate and maintain Reuters' internal IT infrastructure and corporate applications, supplying IT services to 17,500 employees based in over 100 countries. The contract will not tie Reuters to particular technologies, or even technology suppliers. More importantly, Fujitsu will simplify the management of a complex, global infrastructure, while saving Reuters over 20% in operational costs.

The solution will be supported by Fujitsu's multilingual service desks in Lisbon and Kuala Lumpur, with data center services provided from Singapore, the UK and the US, so users can gain access to services wherever they are in the world.

"Fujitsu genuinely listened to us and shared a lot of valuable knowledge, insight and IPR with us—which added a lot of value to our thinking," said David Lister, the Reuters' CIO at the time of the contract, in an interview conducted March 30, 2008. "This is easily the best example of close collaborative working between two partners that I've seen in my 25 years in the IT industry. Driven from the start by the right behaviors on both sides, the relationship is going from strength to strength."

As prime contractor, Fujitsu will continue supporting Reuters to be first with the news by transforming its internal IT infrastructure.

APAC, China

Market Trends

China's IT market is predicted to grow by 10% in 2008. Propelled by momentum from the 2008 Beijing Olympics and the 2010 World Expo in Shanghai, China's IT investment is poised for a high average annual growth rate of roughly 11% from 2007 to 2011. However, concerns abound that the business environment may worsen for foreign IT firms. One is China's new labor law, notable for its bolder protection of employees, which came into force in January 2008. Other concerns include scrapping of the country's preferential tax system for foreign-owned firms, as well as the ongoing advancement of China's home-grown IT.

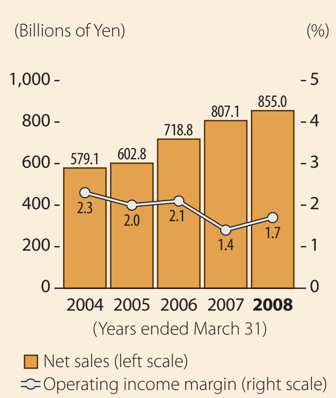
High market growth in APAC (excluding China) is expected to continue, with a projected growth rate of around 6% in 2008. In South Korea and Taiwan, although the market weight of hardware will likely remain substantial, overall IT market growth will be led by notable growth in services. In the ASEAN region, financial sector investment plans will possibly come under review in the wake of the US subprime crisis. On the other hand, active investment to upgrade IT infrastructure by the region's automobile and communications network sectors should continue. In Oceania, the IT market is expanding mainly due to growth in outsourcing and managed services, including a marked increase in data center demand. In India, robust IT market growth of around 11% is expected to continue from 2007 to 2011 due to increased foreign investment, reflecting the concentration of global offshore development work in the country. At the same time, this trend is triggering a commensurate increase in costs, leading to the search for new business models.

Initiatives Going Forward

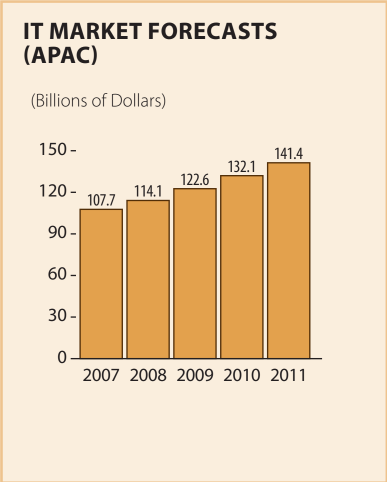
In China, our initiatives will be spearheaded by efforts to further expand and upgrade one of Fujitsu's dominant business strengths—Technology Solutions. Going forward, we plan to reinforce our services business in the Chinese market, with particular emphasis on expanding IT operations services, outsourcing and offshore development operations. Here, we will look beyond service provision to Japanese firms, with whom we have extensive business experience, to cement ties with China's prominent system integrators and other companies to provide local customers in China with high-quality services. In the System Products sector, which includes servers and storage, we remain committed to supporting efforts by Chinese customers to fortify their IT infrastructure through the provision of cutting-edge technologies and services.

In South Korea and Taiwan, we will step up proposals for managed services, as well as propose solutions for optimizing IT infrastructure. In the ASEAN region, in addition to supplying servers and other products, our focus will be on IT infrastructure services, data centers, operations support and other outsourcing business. In Oceania, we plan to leverage our well-developed service menu to offer high-quality IT services specifically for the government and financial sectors. Data centers will also be expanded in parallel with growth in outsourcing demand. In India, we hope to use partnerships to promote servers and other system product businesses. Similarly, we intend to expand our offshore business in India to promote growth in business targeting Europe, the US and Japan.

NET SALES* AND OPERATING INCOME MARGIN



* Including intersegment sales

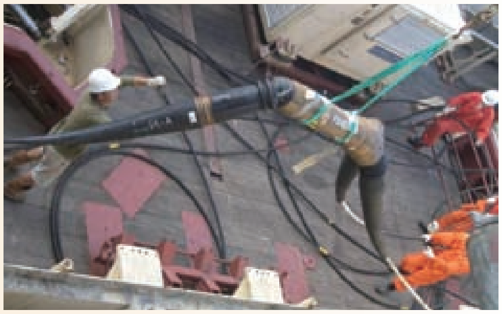


(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)
(APAC: Excludes Japan, China, and Hong Kong)

(Source: IDC, April 2008)
(China: Including Hong Kong)

HELPING TO DEVELOP THE WORLD'S LARGEST IP NETWORK USING SUBMARINE CABLE SYSTEMS

—Reliance Globalcom—



Reliance Globalcom (formerly FLAG Telecom) provides a full line of telecommunications services in Asia. Affiliated with India's largest business conglomerate, the Group boasts a base of over 35 million customers worldwide, placing it among Asia's top ten telecommunications carriers by number of customers.

Since 2003, Fujitsu has been the partner of choice for Reliance Globalcom in a series of projects to expand a backbone submarine cable network stretching across Asia, the Indian Ocean, the Mediterranean Sea and the Atlantic Ocean. Fujitsu has earned high marks for its ability to respond flexibly during the projects through prompt system delivery in step with growing cable demand, as well as for the outstanding stability of the systems delivered.

For the construction of Reliance Globalcom's global Next-Generation Network (NGN), Fujitsu was selected based on its cutting-edge photonics technology, its wealth of experience—with over 2,000 repeaters supplied—and a reputation for high reliability built upon a zero malfunction rate over the past 38 years.

Fujitsu's fiber optic submarine cable systems will serve as the backbone of Reliance Globalcom's global NGN, which is designed to meet rising worldwide demand for bandwidth as a result of the increasing transmission volume of video and other multimedia services. When all system segments are completed, Reliance Globalcom's global network will span 115,000 kilometers, nearly double its current length of 65,000 kilometers, and will become the world's largest IP network using submarine cable systems.

Fujitsu is committed to contributing to the expansion and construction of global NGNs and meeting customer needs, thereby building a solid position as an infrastructure supplier in the field of advanced broadband communications.

BUSINESS OVERVIEW

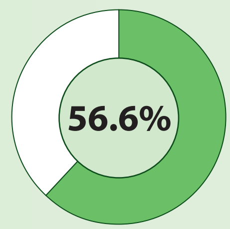
Years ended March 31

Technology Solutions

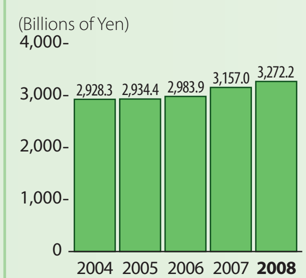
Control room of the Fujitsu Tatebayashi System Center, Japan's largest outsourcing center

GS21 series mainframes

BREAKDOWN OF NET SALES*



NET SALES**

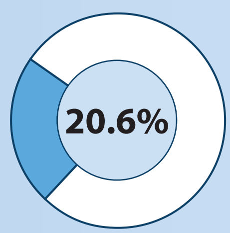


Ubiquitous Product Solutions

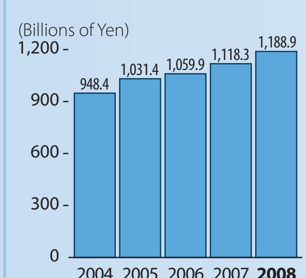
The FMV DESKPOWER all-in-one desktop PC

The Raku Raku Premium mobile phone enables users to dictate email by voice

BREAKDOWN OF NET SALES*



NET SALES**

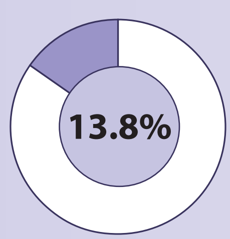


Device Solutions

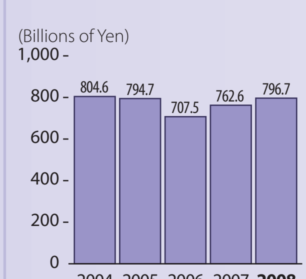
The Mie Plant fabricates advanced logic LSI devices

CPU for SPARC Enterprise UNIX servers

BREAKDOWN OF NET SALES*

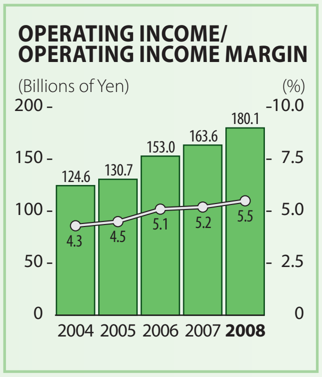


NET SALES**



* In addition to the above segments, "Others" accounted for 9.1% of net sales. ** Including intersegment sales

In the IT sector, Fujitsu leverages its base of cutting-edge, high-performance technologies to offer total solutions encompassing high-quality products, electronic devices and a host of related services.



MAIN PRODUCTS & SERVICES

System Platforms: Full range of servers (mainframe, UNIX, mission-critical IA, PC), storage systems, various types of software (operating system, middleware), network management systems, and optical transmission systems

Services: Consulting, dedicated terminal systems and equipment (ATMs, POS systems, etc.), outsourcing services (complete information system operation and management), and network services (provision of network environments required for information systems and network-based services)

MAIN COMPANIES

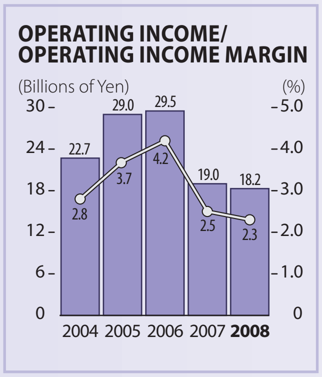
Fujitsu Frontech Ltd.
Fujitsu Access Limited
Fujitsu IT Products Ltd.
Fujitsu Business Systems Ltd.
NIFTY Corporation
Fujitsu Broad Solution & Consulting Inc.
Fujitsu FSAS Inc.
PFU Limited
Fujitsu FIP Corporation
Fujitsu Network Communications, Inc.
Fujitsu Services Holdings PLC
Fujitsu Consulting Holdings Inc.
Fujitsu Australia Limited
Fujitsu Asia Pte. Ltd.
Fujitsu Computer Systems Corporation
Fujitsu Taiwan Ltd., others

MAIN PRODUCTS & SERVICES

PCs, mobile phones, HDDs, and optical transceiver modules

MAIN COMPANIES

Shimane Fujitsu Limited
Fujitsu Mobile-phone Products Limited
Fujitsu Isotec Limited
Fujitsu Personal System Limited
Fujitsu (Thailand) Co., Ltd.
Fujitsu Computer Products Corporation of the Philippines
Fujitsu Computer Products of America, Inc.
Fujitsu Europe Limited
Fujitsu Computer Systems Corporation
Fujitsu Taiwan Ltd., others



MAIN PRODUCTS & SERVICES

Logic LSI devices, electronic components (semiconductor packages, SAW devices, etc.), and structural components (relays, connectors, etc.)

MAIN COMPANIES

Fujitsu Microelectronics Limited
Shinko Electric Industries Co., Ltd.
Fujitsu Component Ltd.
Fujitsu Electronics Inc.
Fujitsu Microelectronics Asia Pte. Ltd., others

MAJOR ANNOUNCEMENTS AND IR ACTIVITIES IN FISCAL 2007

Technology Solutions

APRIL 17, 2007
Fujitsu and Sun Microsystems set the standard for open systems computing with fastest, most reliable Solaris/SPARC servers

APRIL 25, 2007
Fujitsu Services signs £80 million outsourcing contract with UK FSA

MAY 14, 2007
Fujitsu signs contract for upgrade of Japan-US Cable Network

MAY 18, 2007
Fujitsu signs €400 million outsourcing contract with Allianz IT service provider AGIS

JUNE 1, 2007
Fujitsu Brazil opens South America's first Platform Solution Center

JUNE 27, 2007
Fujitsu Services awarded Government ICT Shared Services Framework

JULY 3, 2007
Fujitsu Network Communications chosen as Outstanding Supplier at AT&T 2007 Supplier Recognition Awards

AUGUST 16, 2007
Fujitsu Services signs major outsourcing contract with Reuters

AUGUST 28, 2007
Fujitsu remains at the top in Japanese IT outsourcing revenue ranking for third consecutive year

SEPTEMBER 3, 2007
Fujitsu wins upgrade contract to expand PC-1 network capacity

SEPTEMBER 18, 2007
Fujitsu Consulting acquires US SaaS business operator OKERE

SEPTEMBER 28, 2007
Fujitsu Super 3G wireless base station equipment achieves downlink speed of 900Mbps

Ubiquitous Product Solutions

MAY 8, 2007
Fujitsu awarded the Onshi Invention Prize for its synthetic ferrimagnetic media (SFM) technology for HDDs

MAY 29, 2007
Fujitsu launches F904i mobile phone with largest display for one-segment broadcasts

MAY 31, 2007
Fujitsu campaign celebrates 10 million sales mark for Raku Raku mobile phone series

JUNE 12, 2007
Fujitsu launches world's smallest ultra-lightweight convertible PC

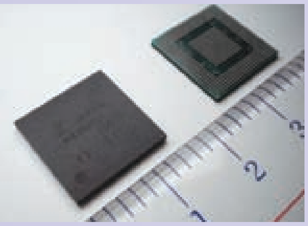
AUGUST 9, 2007
Fujitsu successfully writes and replays patterned media—a critical step for next-generation hard disk drives

NOVEMBER 27, 2007
Fujitsu to release 2.5″ HDD with world-class 320 GB capacity

Device Solutions

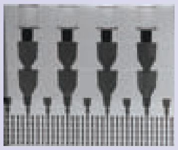
MAY 21, 2007
Fujitsu launches baseband chips for Mobile WiMAX™ terminals

MAY 21, 2007
Fujitsu launches industry's first one-chip LSI for full HD H.264 video processing with embedded memory



MAY 25, 2007
Jazz and Fujitsu to collaborate on providing complete solution for 90nm and 65nm RF CMOS Foundry customers

JUNE 18, 2007
Fujitsu develops technology for low-power, high-performance 45nm logic chips



OCTOBER 19, 2007
Fujitsu and Vivante to co-develop embedded system LSI for mobile devices

2007

APR. MAY JUN. JUL. AUG. SEP. OCT.

IR

APRIL 4, 2007
Electronic devices business strategy presentation

APRIL 13, 2007
R&D strategy presentation

APRIL 26, 2007
FY 2006 consolidated and non-consolidated financial results presentation

JUNE 8, 2007
Management direction presentation

JUNE 22, 2007
107th Annual Shareholders' Meeting

JULY 26, 2007
FY 2007 first-quarter financial results presentation (consolidated)

SEPTEMBER 6, 2007
Fujitsu Tatebayashi System Center visit and outsourcing business presentation

OCTOBER 3, 2007
Server business strategy presentation

OCTOBER 3, 2007
Fujitsu New Zealand merges with Infinity Solutions

OCTOBER 9, 2007
Fujitsu Services launches offer for Mandator

OCTOBER 24, 2007
Fujitsu Consulting acquires Quebec-based Promaintech Novaxa

FEBRUARY 5, 2008
Fujitsu Tatebayashi System Center awarded Grand Prix Prize in IDC Category at the 2007/2008 ASP SaaS-ICT Outsourcing Awards

FEBRUARY 6, 2008
Fujitsu announces global launch of Mobile WiMAX™ base stations

FEBRUARY 6, 2008
Fujitsu Consulting acquires geo-data specialist and IT consulting firm Intelec Geomatics of Canada

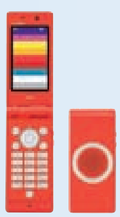
MARCH 3, 2008
Fujitsu's compact mobile WiMAX base station selected by UQ Communications

MARCH 5, 2008
Fujitsu supports capacity upgrade between Asia and Europe with SEA-ME-WE 4

APRIL 7, 2008
Fujitsu signs £25 million deal with Cafcass for public sector Flex

APRIL 10, 2008
Electrolux chooses Fujitsu as partner for European IT infrastructure

DECEMBER 10, 2007
Fujitsu launches F801i "Kid's Keitai"™ series of full-spec mobile phones



JANUARY 16, 2008
Fujitsu launches F705i—the world's thinnest water-resistant mobile phone

FEBRUARY 25, 2008
Fujitsu to release 2.5" hard disk drive with world-class 500 GB capacity

MARCH 24, 2008
Fujitsu to release world's first 7200-RPM 320 GB 2.5" hard disk drive

DECEMBER 4, 2007
Fujitsu and Taiwan's Institute for Information Industry to establish joint venture for WiMAX application platforms

DECEMBER 12, 2007
Fujitsu develops highly-reliable multi-layer interconnect technology for LSI logic devices for 32nm generation and beyond

DECEMBER 21, 2007
Fujitsu launches LSIs with integrated power and audio functions for 3G phones

JANUARY 9, 2008
Fujitsu develops world's first 64KByte high-capacity FRAM RFID tag for aviation applications

FEBRUARY 7, 2008
Fujitsu launches world's smallest RF module for mobile WiMAX™ devices

MARCH 3, 2008
Fujitsu achieves breakthrough with world's first new carbon nanotube composite

MARCH 21, 2008
Fujitsu Microelectronics Limited established as a new subsidiary from spin-off of the LSI business

2008

NOV. DEC. JAN. FEB. MAR. APR. MAY

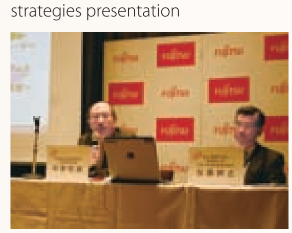
OCTOBER 12, 2007
Presentation on manufacturing innovation in software development

NOVEMBER 22, 2007
FY 2007 first-half financial results presentation (consolidated and non-consolidated)

JANUARY 31, 2008
FY 2007 third-quarter financial results presentation (consolidated)

FEBRUARY 12, 2008
Presentation on establishment of new LSI subsidiary Fujitsu Microelectronics Limited

APRIL 4, 2008
R&D and intellectual property strategies presentation



MAY 12, 2008
Announcement of FY 2007 consolidated and non-consolidated financial results and message regarding appointment of new president

Technology Solutions/System Platforms

Fujitsu provides customers with advanced network equipment to support their IT infrastructure and advanced network systems, centered on high-performance, high-reliability servers fundamental to customers' critical systems.

FISCAL 2007 PERFORMANCE (YEAR-ON-YEAR COMPARISON)
(Billions of Yen)

Net Sales	712.8 (1.3%)
Operating Income	39.7 (429.5%)
R&D Expenses*	134.7 (3.1%)
Capital Expenditure*	81.6 (–10.6%)

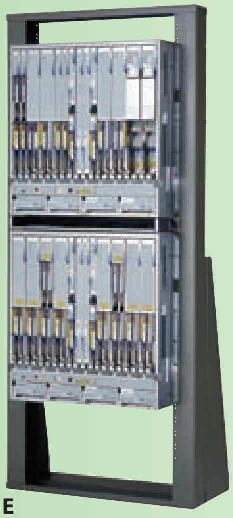
* Figures are for the entire Technology Solutions segment

A

B


C


D


E

System Products

A: SPARC Enterprise M9000 UNIX server co-developed with Sun Microsystems

B: PRIMEQUEST 580A high-performance and high-reliability mission-critical IA server suited for mainframe applications

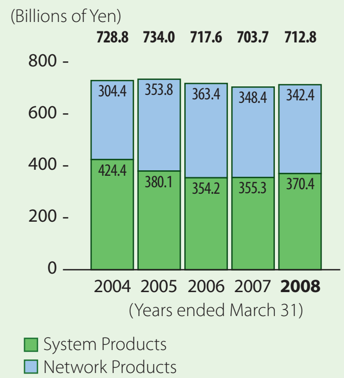
C: The energy efficient, compact PRIMERGY BX620 S4 blade server can be easily upgraded as required

Network Products

D: The BroadOne™ WX300 is the world's smallest, fully integrated mobile WIMAX™ base station

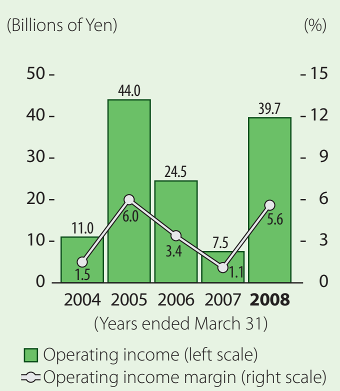
E: FLASHWAVE® 7500X WDM System is an optical transmission system serving as the backbone of Next-Generation Networks

SUB-SEGMENT SALES*

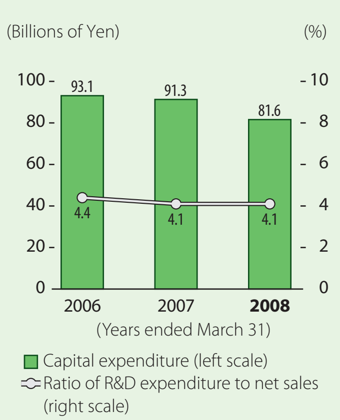


* Including intersegment sales

OPERATING INCOME/ OPERATING INCOME MARGIN



CAPITAL EXPENDITURE, RATIO OF R&D EXPENDITURE TO NET SALES



* For entire Technology Solutions segment

[FISCAL 2007 BUSINESS RESULTS]

■Market Trends

System Products: In 2007, the server market in Japan contracted 5.9% year on year to ¥636.5 billion. While PC server sales posted strong growth mainly from the widespread adoption of blade servers, the markets for mainframe and RISC servers contracted. In contrast, the global server market held firm, growing 4.1% to US$58.35 billion, primarily due to strong demand in China and other newly emerging economies.

Network Products: The Japan market for network equipment*[1] saw overall sales decline roughly 7% year on year to around ¥600.0 billion in 2007. This decrease largely reflected declining investment in 3G mobile phone base stations, which has peaked, and a modest start in investment into Next-Generation Network (NGN) services from the end of March 2008.

In North America, the value of the optical transmission market climbed 19% over the previous year to US$4.90 billion, with major telecommunications carriers rolling out broadband infrastructure and making other large-scale investments as the shift to network IP technology continued.

■Operational Review

The System Platforms sub-segment, which includes System Products and Network Products, reported sales of ¥712.8 billion, an increase of 1.3% over the previous fiscal year.

System Products: Sales of System Products rose 4.3% year on year to ¥370.4 billion. Fiscal 2007 saw the launch of the SPARC Enterprise server, codeveloped with Sun Microsystems, Inc. of the US, triggering sharp growth in sales of UNIX servers. In PC servers, we unveiled a lineup of quiet, compact and power-efficient products and aggressively marketed new blade servers. These efforts expanded our share of the growing PC server field, enabling Fujitsu to capture the top share of the Japanese server market in 2007 for the first time in four years. In storage systems, we promoted open systems, primarily in the rapidly growing markets in Asia.

Network Products: Sales of Network Products edged 1.7% lower to ¥342.4 billion. Sales of optical transmission systems were higher due to growth in Metro DWDM services in the North American market and new projects to construct optical submarine cable systems. This performance was offset, however, by sharply lower sales of mobile phone base stations, as Japanese telecommunications carriers scaled back investment in 3G mobile phone base stations.

Operating income was ¥39.7 billion, ¥32.2 billion higher than the previous fiscal year. Excluding the impact of changes in accounting policies, operating income increased ¥35.3 billion on the year.

In System Products, income rose sharply, primarily from growth in sales of UNIX servers and cost reductions in PC servers and storage systems.

In Network Products, operating income was lower due to increased development costs for new optical transmission systems designed for NGN in the US and the UK, along with changes in the network product mix and flagging sales of mobile phone base stations.

*[1] Total for optical transmission equipment, optical access devices, IP routers for carriers, switches, and mobile system infrastructure devices related to Fujitsu businesses. Market size based on Fujitsu estimates.

[OUTLOOK FOR FISCAL 2008]

■Market Trends

System Products: Supported by firm PC server performance, the Japanese server market is expected to grow 2.3% in fiscal 2008 to approximately ¥651.5 billion, according to IDC. The global server market, meanwhile, is projected to grow 3.6% to US$60.42 billion, reflecting continued market expansion in China and other newly emerging economies.

Network Products: The 2008 Japanese network equipment market is expected to grow by around 1% year on year, with increased NGN investment accompanying the rollout of new services likely to offset a continued decline in investment in 3G mobile phone base stations.

Despite concerns over a possible economic recession, the value of the North American optical transmission market is expected to increase by about 17% year on year as major carriers continue to make large-scale investments.

■Initiatives Going Forward

System Products: The growing importance of IT as social infrastructure in recent years has sparked increased demand for mission-critical systems. System platforms that offer superior reliability, quality and performance play a vital role in answering this demand from customers. Fujitsu is one of the few vendors worldwide that develops everything from mainframe processors to systems in-house. The advanced technology honed through this process is evident in the mainframe reliability and open-standard economy delivered by our PRIMEQUEST mission-critical IA servers and our new line of SPARC Enterprise UNIX servers developed in collaboration with Sun Microsystems, Inc. Fujitsu's promotion of these types of competitive products is accelerating global business expansion. With expansion in the market for data center services also anticipated, we intend to promote optimal solutions for the components (servers, middleware, OS, virtualization technology, etc.) that comprise these centers. This will include the development of blade servers featuring low power consumption and innovative virtualization technologies.

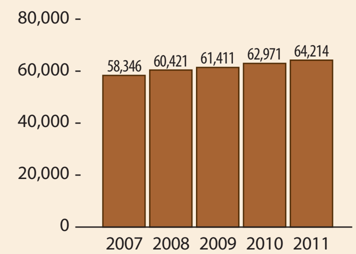
Network Products: In Japan and elsewhere, competition is set to intensify as the shift to NGN gains momentum, prompting enormous changes in technology and customers' investment environments.

We have moved forward with the integration of sales and product development functions to meet customer needs faster and enhance our business structure. In the optical transmission systems market in Japan, we plan to strengthen the business structure further by consolidating development and all related production activities for the Fujitsu Group in Japan into Fujitsu Telecom Networks Limited in July 2008.

Another aim for Fujitsu is to expand business in the global market, which shows substantial growth potential. In optical transmission systems, while we operate mainly in Japan, the US and Europe, we plan to leverage our No. 1 share of the next-generation SONET market in North America to expand growth for Metro DWDM and other services. We are also eyeing entry into the growing markets of BRIC countries. In mobile systems, we hope to leverage our superior technology to advance globally, primarily through Super 3G and mobile WiMAX technologies. Fujitsu has been chosen by NTT DoCoMo as a vendor for Super 3G base stations, and by UQ Communications Inc. as a vendor for its rollout of mobile WiMAX™.

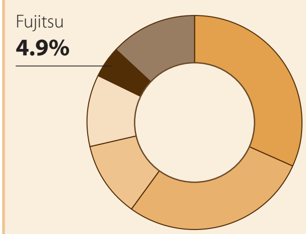
GLOBAL SERVER MARKET FORECAST

(Millions of Dollars)



(Source: IDC's Worldwide Quarterly Server Forecast Q1 2008)

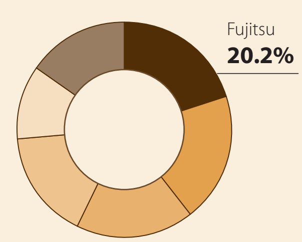
GLOBAL SERVER SHARE IN 2007 (REVENUE BASIS)



Company A 31.9%
Company B 28.3%
Company C 11.3%
Company D 10.8%
Others 12.8%

(Source: IDC's Worldwide Quarterly Server Tracker Q1 2008)

2007 SERVER SHARE IN JAPAN (REVENUE BASIS)



Company A 19.4%
Company B 17.7%
Company C 16.4%
Company D 11.1%
Others 15.2%

(Source: IDC Japan, Japan Server Quarterly Model Analysis Q1 2008)

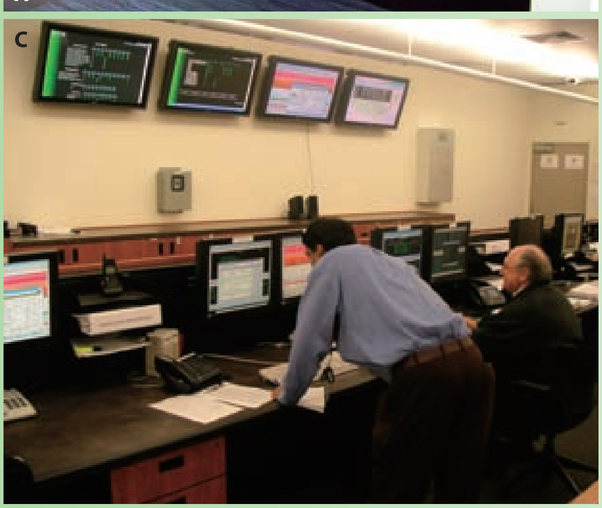
Technology Solutions/Services

Fujitsu offers a full range of services for customers' IT lifecycle, from consulting to system integration, operation and maintenance, targeting customers in the financial, public, manufacturing, distribution, medical and other varied fields worldwide.

FISCAL 2007 PERFORMANCE (YEAR-ON-YEAR COMPARISON)
(Billions of Yen)

Net Sales	2,559.3 (4.3%)
Operating Income	140.4 (–10.0%)
R&D Expenses*	134.7 (3.1%)
Capital Expenditure*	81.6 (–10.6%)

* Figures are for the entire Technology Solutions segment

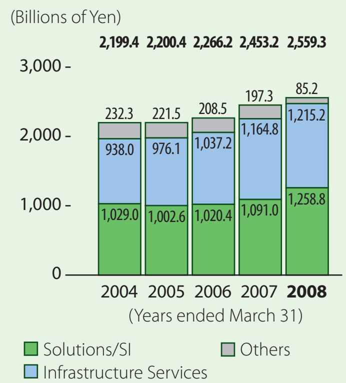


A : Enterprise Innovation Support Center
At this center, Fujitsu offers seminars and training on issues vital for effective corporate management, ranging from internal control systems and reliability and safety (i.e., business continuity and security), to the environment. In conjunction with these services, we offer IT solutions that address these and other management issues.

B : IT Management Center
We remotely monitor our customers' information systems from this facility, which boasts advanced security countermeasures and cutting-edge monitoring equipment. Centralized control at the center is conducted on a round-the-clock, year-round basis to support the stable operation of customers' information systems.

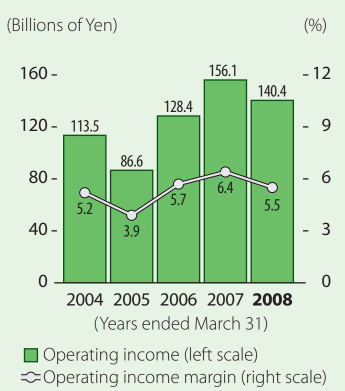
C : Fujitsu Australia's Data Center Control Room
The Australia Systems Center has been instrumental to Fujitsu's outsourcing services for Oceania since 1972. Today, the center is leveraging its years of experience and impressive track record to offer a variety of services that meet business needs, from on-demand outsourcing to help desk services.

SUB-SEGMENT SALES*

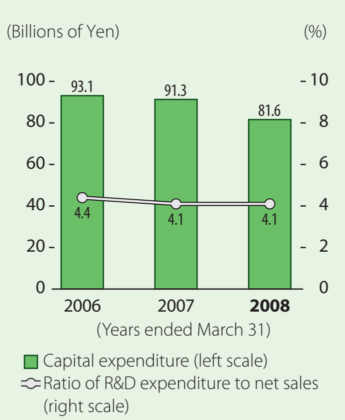


* Including intersegment sales

OPERATING INCOME/ OPERATING INCOME MARGIN



CAPITAL EXPENDITURE, RATIO OF R&D EXPENDITURE TO NET SALES



* For entire Technology Solutions segment

[FISCAL 2007 BUSINESS RESULTS]

■Market Trends

The value of Japan's IT services market in 2007 increased 3.8% to US$43.00 billion. IT investment increased in a wide array of industry sectors, reflecting major bank mergers, moves by insurance and securities firms to enhance compliance, and system upgrades for the local government sector. By service type, in addition to system integration demand, customers are now relying more heavily on outsourcing. Accordingly, many firms opted to outsource system operations and non-core operations, such as data center-style outsourcing and business process outsourcing, during the year under review.

The global market for IT services grew 6.5% in 2007 year on year to US$513.64 billion. There was growing concern of a slowdown in investment in the North American and European financial sectors due to market turmoil caused by the subprime mortgage crisis. A double-digit increase in demand in newly emerging economies, however, spearheaded overall growth in the IT services market outside Japan. The method for the delivery of services also diversified, as the "Software as a Service" (SaaS) model—whereby networks serve as vehicles for service provision— began to gain traction, especially in North America.

■Operational Review

Sales from the Services sub-segment (Solutions/SI, Infrastructure Services) rose 4.3% over the previous fiscal year to ¥2,559.3 billion.

Solutions/SI: Sales increased 15.4% to ¥1,258.8 billion. Excluding the effects of business transfers accompanying internal organizational changes carried out in fiscal 2007, sales increased by 4.2%. In Japan, our system integration business expanded in a wide range of fields, most notably in the financial and healthcare sectors. Consulting functions and infrastructure construction SE were integrated into the business at consolidated subsidiaries to enhance business efficiency. Outside Japan, progress was made in strengthening the business structure, thanks to acquisitions in the US, Canada and New Zealand.

Infrastructure Services: Sales increased 4.3% to ¥1,215.2 billion. Demand for outsourcing services grew strongly on a global basis. In Japan, we constructed city-center data centers in order to respond effectively to spiking outsourcing demand. Outside Japan, following similar actions in Germany in the previous fiscal year, we made aggressive acquisitions in Scandinavia and other areas. As a result, we attracted new customers in Germany and Sweden as well as orders for large projects in Europe.

Operating income declined 10.0% year on year to ¥140.4 billion. Excluding the effect of changes in accounting policies, income decreased by ¥10.6 billion for the year. In Japan, increased expenses stemming from efforts to standardize and automate IT infrastructure and the construction of data centers were effectively absorbed by benefits from higher sales and higher cost efficiencies, leading to income growth. This was offset, however, by lower income outside Japan. Despite benefits from sales growth mainly in European markets, income declined due largely to the booking of a provision for losses for an unprofitable project in the UK.

[OUTLOOK FOR FISCAL 2008]

■Market Trends

The Japanese IT services market in 2008 is projected to grow by 3.6% to US$44.55 billion. Although growth will be somewhat subdued vis-à-vis the elevated watermark set last year, levels of investment in the field are expected to remain high. The effective utilization of IT to optimize operational efficiency and raise competitiveness is expected to be an even more urgent issue in a business environment defined by soaring crude oil prices, the yen's appreciation, rising raw material prices, and financial uncertainty. Moreover, the use of outsourcing is widely expected to gain further momentum as customers channel management resources in core business fields and implement measures for business continuity and environmental protection, particularly measures to combat global warming. The year should also see more widespread use of network-based applications as the advancement of Next-Generation Networks (NGN) gains ground.

The global IT services market, meanwhile, is projected to grow 5.5% year on year to US$541.76 billion. A downturn in investment is expected to emerge primarily in North America and Europe as fallout persists from the subprime mortgage problem and the risk of economic recession, stemming from escalating crude oil prices, looms. In contrast, newly emerging economies are expected to continue posting double-digit growth, most notably India and China. China in particular is witnessing an ongoing shift in demand away from hardware in favor of SI businesses.

■Initiatives Going Forward

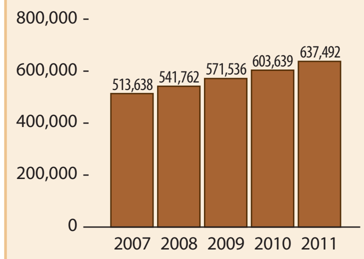
Solutions/SI: In Japan, we intend to use pipeline management to bolster management of everything from initial consultation to project order. This will parallel a drive to expand orders by cultivating "Field Innovators" and involving them in the frontlines of our customers' businesses so that they can propose IT and business solutions from a more customer-centric viewpoint. Another goal is to boost productivity of systems integration by enhancing performance during the system design phase and pursuing industrialization and standardization during the development phase. This will lead to lower costs and higher quality for the customer as well as higher profit margins. Outside of Japan, Fujitsu Consulting will spearhead efforts to reinforce our consulting capabilities and promote greater utilization of offshore resources as we roll out initiatives targeting SaaS and other new business domains to expand business.

Infrastructure Services: In Japan, we will enhance our support of customers' business continuity plans and responses to environmental issues by building a high-performance data center (CASBEE S-compliant, Tier 4-compatible). This center will seek to meet growing data-center outsourcing demand in Japan, and will be compatible with newly emerging, highly integrated system and green IT needs.

In line with the full-scale advancement of NGN, we will expand our SaaS business, whereby we leverage networks to offer a variety of application services. In overseas markets, UK-based Fujitsu Services will lead the push to bring benefits from recent M&As to the fore as we accelerate business expansion in Europe, most notably outsourcing.

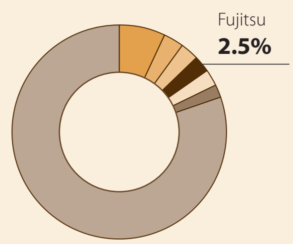
GLOBAL IT SERVICES MARKET FORECAST

(Millions of Dollars)



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)

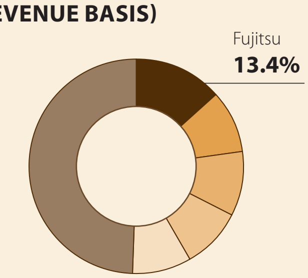
GLOBAL IT SERVICES MARKET SHARE IN 2007 (REVENUE BASIS)



Company A	7.2%	Company D	2.3%
Company B	3.0%	Company E	2.2%
Company C	2.8%	Others	80.0%

(Source: Gartner, April 2008, GJ08337)

IT SERVICES MARKET SHARE IN JAPAN IN 2007 (REVENUE BASIS)



Company A	9.6%	Company D	8.7%
Company B	9.6%	Others	49.4%
Company C	9.3%		

(Source: Gartner, April 2008, GJ08335)

Ubiquitous Product Solutions

Fujitsu's pursuit of manufacturing excellence, with an emphasis on speed and cost efficiency, enables it to offer the PCs, mobile phones and hard disk drives indispensable to a ubiquitous society.

FISCAL 2007 PERFORMANCE (YEAR-ON-YEAR COMPARISON)
(Billions of Yen)

Net Sales	1,188.9 (6.3%)
Operating Income	52.5 (26.2%)
R&D Expenses	36.9 (0.5%)
Capital Expenditure	27.6 (11.3%)


A


B

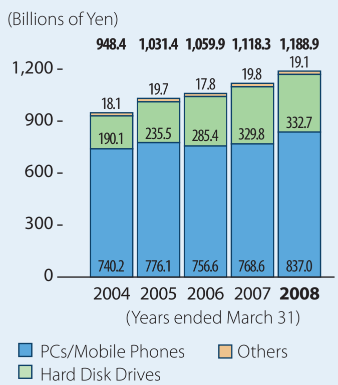
C


A : MHZ2 CJ Series 320 GB 2.5-Inch HDD With Built-in Encryption Function
Fujitsu developed the MHZ2 CJ series of 320 GB 2.5-inch hard disk drives. This series is equipped with the industry's fastest encryption function compatible with AES 256 encryption, and is first in the world to offer this feature. Data on the disk are encrypted and recorded automatically.

B : FOMA® F706i Mobile Phone
Fujitsu's new FOMA® F706i water-resistant phone with "One Segment" functionality lets users easily watch their favorite digital programming wherever they are, be it the bathtub or the kitchen.

C : FMV-BIBLO NF Series of Notebook PCs
Fujitsu has unveiled the stylish and slim FMV-BIBLO NF notebook PC series. Built to meet increased demand for more elegant design, this PC offers users a variety of interchangeable color options for the notebook's top panel.

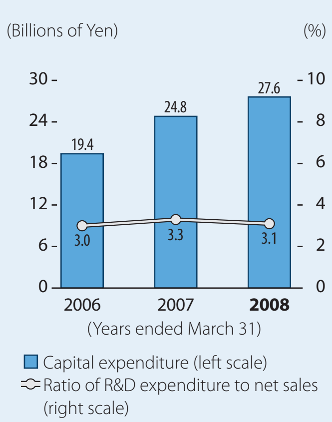
SUB-SEGMENT SALES*



* Including intersegment sales

OPERATING INCOME/ OPERATING INCOME MARGIN

CAPITAL EXPENDITURE, RATIO OF R&D EXPENDITURE TO NET SALES



[FISCAL 2007 BUSINESS RESULTS]

Market Trends

PCs/Mobile Phones: PC shipments in Japan declined 1.0% year on year in 2007 to 14.13 million units. This came as sluggish growth in corporate demand for Windows Vista™ overshadowed increased new and replacement demand mainly among individual consumers for Windows Vista™ PCs. In contrast, worldwide PC shipments increased 15.4% year on year to 269.1 million units, as sales of notebook PCs grew briskly, mainly in Europe and Asia, outweighing slower U.S. sales.

Mobile phone shipments in the domestic market in 2007 increased 4.4% year on year to 51.52 million units. Shipment volume was led by handset models with "One-Segment" broadcast reception and music player functions.

HDDs: The global enterprise 3.5-inch hard disk drive (HDD) market climbed 8.1% year on year in 2007 to 29.86 million units on the back of robust server demand. Shipments of 2.5-inch HDDs models for the mobile market rose 35.7% year on year to 164.45 million units, benefiting from a global increase in demand for notebook PCs.

Operational Review

Sales from the Ubiquitous Product Solutions segment rose 6.3% year on year to ¥1,188.9 billion.

PCs/Mobile Phones: Sales increased 8.9% to ¥837.0 billion, boosted by growth in global PC shipments, up 4.3% to 8.81 million units, and surging shipments of mobile phones, up 45.7% to 5.9 million units on brisk demand for our Raku Raku Phone and 900 Series models. In the mobile phone business, we established a new subsidiary in January 2008 through the merger of our production divisions and customer service centers with the production and repair divisions of Fujitsu Wireless Systems, which was made a wholly owned subsidiary through a share exchange, and other subsidiaries. This step will enable Fujitsu to improve quality across the full range of services, allowing, for example, faster responses to customer requests.

HDDs: Sales increased 0.9% year on year to ¥332.7 billion. Although shipments of 2.5-inch mobile HDD models rose a robust 19.7% to 37.07 million units in line with increased demand for notebook PCs, the competitive environment remained severe due to falling prices and other factors.

Operating income increased by ¥10.9 billion over the previous fiscal year to ¥52.5 billion. Excluding changes in accounting policies, operating income increased by ¥12.6 billion for the year. Income growth reflected benefits gained from higher PC sales and steady progress in reducing component costs and managing operations more efficiently. Income also grew from firm mobile phone performance, particularly for Raku Raku Phone. Another factor was HDDs, where the impact of falling prices in the first half of the year leveled off in the second half, and full-scale sales of HDDs with perpendicular magnetic recording technology and other new models got under way.

[OUTLOOK FOR FISCAL 2008]

■Market Trends

PCs/Mobile Phones: Japan PC shipments in 2008 are projected to increase 3.7% year on year to 14.68 million units. Sales of PC models compatible with terrestrial digital broadcasts and ultra-mobile PCs to individual consumers are expected to increase. Sales of PCs to the corporate sector, meanwhile, are likely to track growth in demand for system security such as biometric authentication and HDD encryption, and replacement demand for Windows Vista™ PCs. Worldwide PC shipments in 2008 are expected to increase 15.2% year on year to 309.9 million units, reflecting continued expansion in demand for notebook PCs.

Turning to mobile phones, forecasts for the Japanese market in 2008 are for shipments of less than 45 million units. Changes to mobile carriers' contract obligation and sales incentive systems are expected to dent demand for new models and extend the replacement cycle, leading to overall lower shipments.

HDDs: In HDDs, shipments in the enterprise 3.5-inch HDD market are expected to increase by around 3% to 4% as stable market growth continues. The mobile market for 2.5-inch HDD products is projected to grow 25% to 270 million units, mainly due to growth in products for notebook PCs, joined by sales for use in digital home appliances, games consoles and other consumer products.

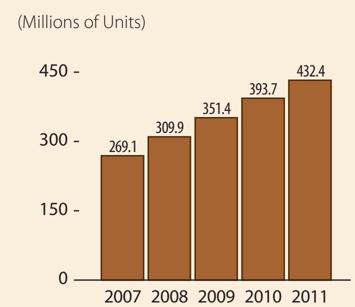
■Initiatives Going Forward

PCs/Mobile Phones: In Japan, our PC initiatives will seek to address growing interest in PCs manufactured from environmentally friendly materials, along with efforts to capture consumer demand by adding to our line of aesthetically creative NF Series PCs. In parallel, we will work to fill new and replacement demand from the increased uptake of Windows Vista™ PCs in the corporate sector. Plans also call for rolling out product lines that meet the specific needs of small- and medium-sized enterprises. Finally, with growth in worldwide notebook PC demand anticipated, we will take steps to expand our sales channels in newly emerging economies, especially in Asia.

In mobile phones, despite concerns over how shipments may be impacted by a new sales system in Japan, we plan to boost income by expanding sales of innovative products clearly differentiated from those of competitors. These include the Raku Raku Phone, where our pursuit of an intuitive, easy-to-use handset has led to brisk sales, the 900 Series of large-screen, "One-Segment" handsets, the thin and water-resistant 700 Series, and the "Kids' Keitai" mobile phone for elementary school-aged users.

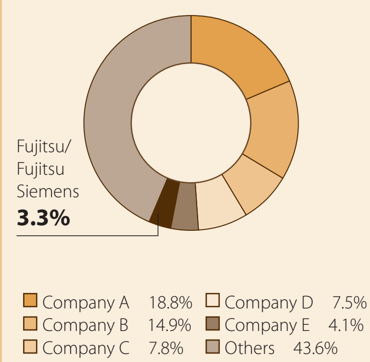
HDDs: In HDDs, we have positioned the fast-growing mobile market for 2.5-inch HDD models as one of our strategic markets, where we plan to offer a broader lineup to meet diverse customer needs. Beyond notebook PC demand, we intend to enhance our market position by developing a presence in game consoles, industrial applications and other non-PC markets. In the enterprise market for 3.5-inch HDDs, performance and reliability are the key factors that determine market share. Fujitsu's position in this field is growing, as the number of vendors able to meet these conditions is limited. Going forward, we will bolster the promotion of small form factor (SFF) HDDs—widely expected to aid in lowering system power consumption—and move quickly to meet the growing interest in low-power systems that has emerged in recent years.

GLOBAL PC MARKET FORECAST



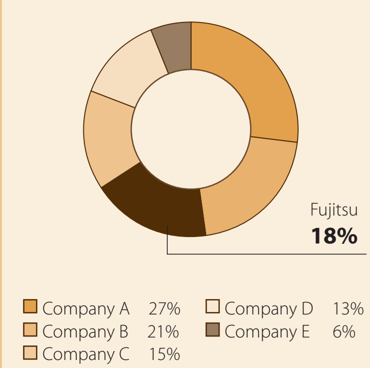
(Source: IDC's Worldwide Quarterly PC Tracker Q1 2008)

SHARE OF GLOBAL PC MARKET (UNIT BASIS)



(Source: IDC's Worldwide Quarterly PC Tracker Q1 2008)

SHARE OF 2.5-INCH HDD MOBILE MARKET (UNIT BASIS)



(Source: Gartner, April 2008, GJ08338)

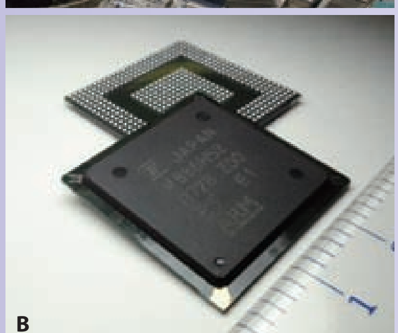
Device Solutions

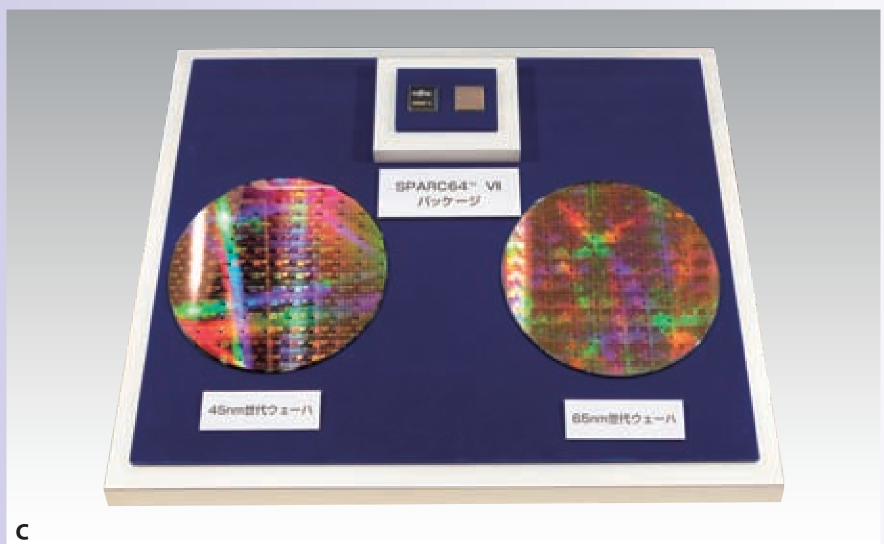
Logic LSI chips and related electronic components are core technologies that we provide to customers inside and outside the Group as optimized solutions to help enhance the competitiveness of their products.

FISCAL 2007 PERFORMANCE (YEAR-ON-YEAR COMPARISON)
(Billions of Yen)

Net Sales	796.7(4.5%)
Operating Income	18.2(–3.9%)
R&D Expenses	42.3 (–8.6%)
Capital Expenditure	117.3(–29.4%)


A


B



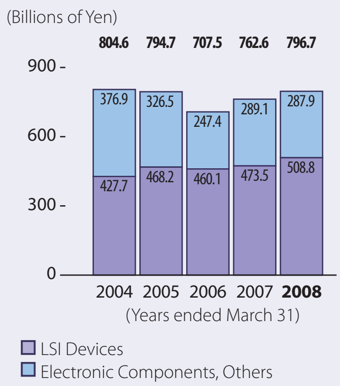
C

A : Fujitsu's Mie Plant—producer of advanced logic LSI products
This site fabricates advanced logic LSI products compatible with large 300mm wafers.

B : H.264 transcoder LSI compatible with full high-definition video
This transcoder LSI converts video data from terrestrial digital and BS digital satellite in MPEG-2 format to the more highly compressed H.264 format. This process reduces data size by over half with no loss in resolution.

C : 300mm wafers built from state-of-the-art technology
300mm wafers (left: wafer fabricated from 45nm process technology; right: wafer fabricated from 65nm process technology) unveiled at Fujitsu Forum 2008, in May 2008.

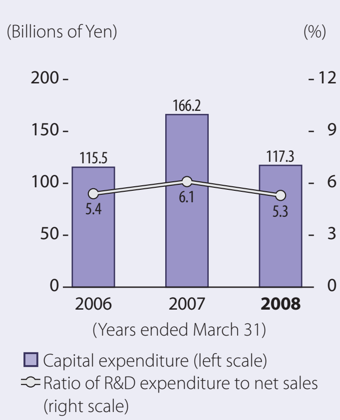
SUB-SEGMENT SALES*



* Including intersegment sales

OPERATING INCOME/ OPERATING INCOME MARGIN

CAPITAL EXPENDITURE, RATIO OF R&D EXPENDITURE TO NET SALES



[FISCAL 2007 BUSINESS RESULTS]

Market Trends*[1]

The value of the global semiconductor market rose by 3.2% to US$255.65 billion in 2007. Market growth was substantially lower than the robust 8.9% growth rate recorded in 2006.

Market conditions rapidly deteriorated in semiconductors for the digital consumer electronics sector from the second half of fiscal 2006. Signs of a rebound began to emerge, however, from the outset of fiscal 2007, culminating in firm demand for semiconductors for use in digital consumer electronics and mobile phones in the first half. Adverse conditions re-emerged in the second half of the year, however. Anticipated growth in semiconductor demand ahead of the 2008 Beijing Olympics was undermined by fears of a US economic downturn due to the subprime mortgage crisis. Demand was also stymied by deepening concerns that escalating prices for crude oil and other raw materials would trigger an economic slowdown. These trends prompted a more cautious approach to increasing inventories among electronic equipment manufacturers, resulting in lackluster semiconductor demand in the run up to the Olympic Games.

Operational Review

Sales from the Device Solutions segment increased 4.5% year on year to ¥796.7 billion. While sales in Japan of standard technology logic products struggled, most visibly in the industrial machinery and digital consumer electronics sectors, sales of advanced technology logic products based on 90nm process technology to the digital camera, mobile phone and server sectors grew. Coupled with the start of outsourced production of flash memory at semiconductor production facilities acquired from Spansion Japan Limited, sales in Japan increased 14.1% for the year. In contrast, sales outside Japan declined 9.9%. This outcome mainly reflected decreased business volume due to changes in the flash memory sales structure at Fujitsu sales companies outside Japan.

Segment operating income edged down ¥0.7 billion to ¥18.2 billion. Excluding the effect of changes in accounting policies, income was ¥7.9 billion, representing a year-on-year decrease of ¥11.0 billion. In the LSI Devices sub-segment, higher sales of advanced technology logic products were not sufficient to offset the impact of a slow recovery in demand for standard technology logic products. Earnings were also impacted by increased depreciation associated with the start of operations at the Mie Plant Fab No. 2, a facility specializing in 65nm process technology. The Electronic Components, Others sub-segment met with similar results, as the yen's appreciation from the end of December 2007, tougher price competition and increased upfront investments all weighed on earnings.

[OUTLOOK FOR FISCAL 2008]

Market Trends*1

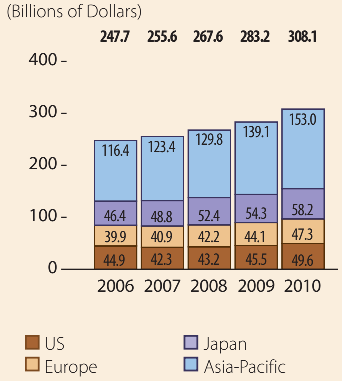
The global semiconductor market in 2008 is projected to grow by a modest 4.7% year on year to US$267.69 billion. By region, the US, Europe, Japan and Asia-Pacific semiconductor markets are expected to grow by 1.9%, 3.1%, 7.4% and 5.2%, respectively.

In terms of products, while the memory market (including DRAM and flash memory) is expected to decline by 5.5% in fiscal 2008, sales of MOS logic products and MOS microcontrollers should rise by 13.4% and 5.4%, respectively.

The Company's business environment will likely remain challenging, as customers, particularly in the consumer electronics sector, cope with the effects of an economic slowdown centered on North America and a stronger yen.

Ahead of an anticipated recovery in the semiconductor market from 2009, the market is projected to post healthy growth of 5.8% in 2009 to US$283.24 billion, followed by growth of 8.8% to US$308.18 billion in 2010, for an average annual growth rate of 6.4% from 2007 to 2010, according to IDC. The most notable growth, however, will be in the Asia-Pacific region, where a high average annual growth rate of 7.4% will likely surpass that of other regions for the same period.

GLOBAL SEMICONDUCTOR MARKET FORECASTS



(Source: World Semiconductor Trade Statistics (WSTS))

Initiatives Going Forward

On March 21, 2008, Fujitsu reorganized its LSI business into a new subsidiary to form Fujitsu Microelectronics Limited. This move put in place a more independent management structure which can support fast and timely business decisions.

Over the years, Fujitsu has built core competencies in the LSI business that include advanced process technologies, a competitive and rich portfolio of intellectual properties, design technologies for "first-shot full operation"*2 of system LSIs, and a strong customer base. Fujitsu has leveraged these competencies to develop a strong business foundation underpinned by ASICs*3, COT*4, and a growing lineup of promising ASSP*5 products.

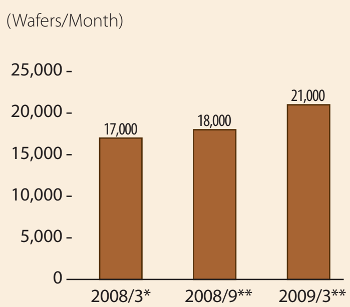
Going forward, we will prioritize the investment of development resources in ASSPs, microcontrollers, analog products and other general-purpose products, especially in Asia, to achieve a growing lineup of such products, while working in parallel to reinforce our sales structure globally.

These measures will enable Fujitsu to increase the proportion of high-value-added products in its sales mix, and promote a stronger and more efficient business base for LSI operations. At the same time, these changes will ensure more stable capacity utilization, which in turn will improve business profitability.

Additionally, we intend to strengthen synergies between Fujitsu Microelectronics and other Group companies. The purpose of these collaborations is to enable Fujitsu to offer a broader range of total solutions, and will not merely target business on a per-chip basis, but at the component level, including in modules and boards.

Fujitsu Microelectronics will be largely responsible for investment decisions with respect to production equipment for advanced logic LSI products, with investments made as necessary within the scope of the company's free cash flow. That said, the company will constantly revise its investment plan as needed relative to current production capacity requirements and future demand trends.

CAPACITY INCREASE PLAN FOR 300MM WAFER FAB (90NM/65NM)



*Actual **Forecast
(As of May 31, 2008)

*1 Semiconductor market estimates according to World Semiconductor Trade Statistics (WSTS), spring 2008 forecast.

*2 First-shot full operation: First-try successful operation of an LSI from the initial prototype chip.

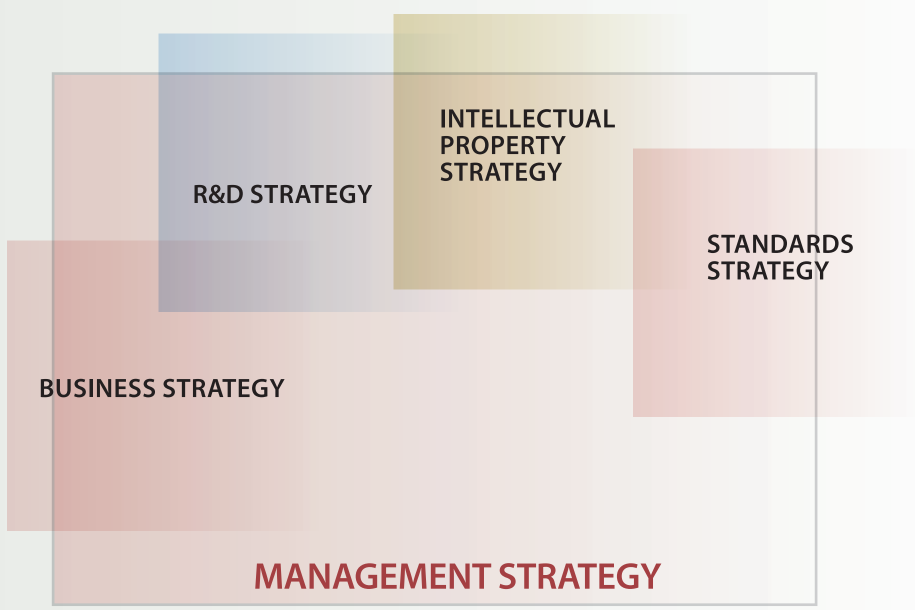
*3 ASIC: Application specific integrated circuit. Customized ICs for specific applications and customers.

*4 COT: Customer-owned tooling. A business model in which LSIs designed and developed by the customer are manufactured by an LSI manufacturer. Unlike foundry manufacturing, the manufacturer co-develops with the customer from initial design stages.

*5 ASSP: Application specific standard product. Standard LSI products for specific applications such as power supplies and image processing, for use in PCs, mobile phone handsets, and other devices. These LSIs can be sold to multiple users.

RESEARCH & DEVELOPMENT AND INTELLECTUAL PROPERTY

IT has become an essential part of society, and it will continue to transform the way we live and do business. Through groundbreaking technology development embodying innovative concepts over the years, the Fujitsu Group has contributed to the emergence of a rewarding and secure networked society by consistently generating new value through innovation. The Group recognizes that intellectual property—as the end-result of our innovation—is a key corporate asset supporting our business activities. Accordingly, patents, copyrights, trademarks and other relevant intellectual rights are proactively acquired and secured for business use with the goal of enhancing corporate earnings.



Underpinned by a comprehensive management strategy, the Fujitsu Group has integrated its business, R&D, and intellectual property (including standards) strategies to promote its business activities.

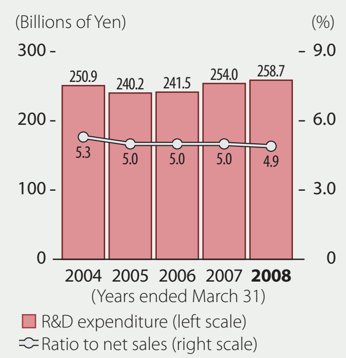
RESEARCH & DEVELOPMENT

Our Mission in R&D

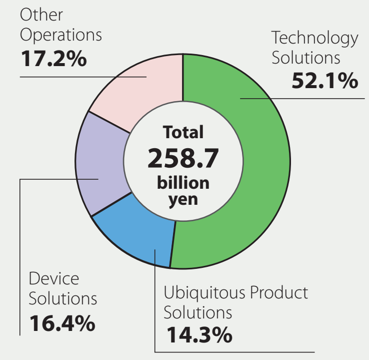
Our basic R&D policy is to pursue the latest in technology for next-generation services, computer servers and networks, as well as the various electronic devices and materials which serve as building blocks for our products. This policy supports the overarching goals of creating new value for customers and achieving our Corporate Vision of contributing to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.

- Foster the creation of new businesses
- Create and accumulate advanced technologies
- Extend our value chain globally
- Fulfill our social responsibilities

R&D EXPENDITURE



FISCAL 2007 R&D EXPENDITURE BY SEGMENT



Major Achievements in Fiscal 2007

(1) The world's first technology for automatic verification of Java-based, practical-use web applications

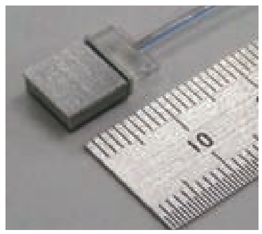
Fujitsu pioneered core technology for automatic verification of Java-based practical-use web applications. This technology eliminates the need to manually prepare detailed test procedures and data by automatically extracting and coding the verification procedures and test data, and then performing exhaustive and automatic testing to verify that a web application can operate according to specification. This technology helps programmers develop high-quality software more quickly by making it possible to perform comprehensive tests encompassing a range of use scenarios.

(2) FCMDB supports international standards to enhance IT systems management

We developed a Federated Configuration Management Database (FCMDB) to automatically correlate and integrate the various forms of IT system operation management information that exist for various objectives, including server management and network management. FCMDB will make it possible to observe and manage a wide array of configuration information on a single screen, from multiple types of information on hardware to details of service to clients. This will help reduce operational management costs and provide a stable platform for the management of IT systems. In addition, together with five major vendors and, we are currently working towards international standardization of the basic specifications of the FCMDB.

(3) Technology for ultra-small optical link module used in next-generation supercomputers

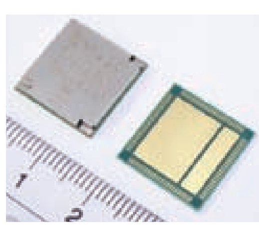
Fujitsu is at the forefront of the development of an ultra-small optical link module to provide the high-speed calculation node interconnectivity required in petaflop-class*[1] supercomputers. Our technology allows these link modules to be reduced to less than one-tenth the conventional size, contributing significantly to reductions in the size of new supercomputers.



Ultra-small optical link module with a transfer speed of 40Gbps

(4) Developing and implementing the world's smallest mobile WiMAX™ base station and RF module for handsets

We have developed the world's smallest outdoor base station using mobile WiMAX*[2] technology, a wireless communication format used to provide broadband speeds in mobile environments. By combining a high-output transmission amp using gallium nitride HEMT with Fujitsu's proprietary digital pre-distortion (DPD) technology*[3], we were able to achieve unparalleled efficiency at the world's smallest size. This device will help dramatically reduce base station construction costs and operating expenses. The BroadOne WX300 outdoor macrocell base station garnered the prestigious System Design Award at the WiMAX World EMEA 2008 conference. We have also developed a radio frequency module as technology for mobile WiMAX terminals. This module integrates all of the radio frequency circuits, such as filters, needed by a mobile terminal, and comes in the world's smallest size (15 mm^2). This module makes it possible to reduce the size of a mobile terminal in addition to providing high-speed transmission and stable connection.

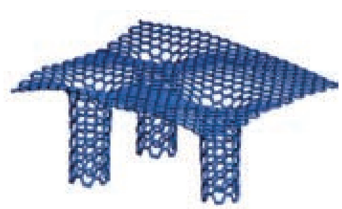


RF chip for mobile WiMAX™ terminal (MB86K71)

Integrated mobile WiMAX™ base station BroadOne WX300

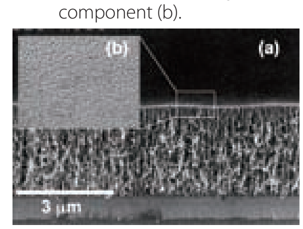
(5) Successful creation of a nanocarbon structure by connecting carbon nanotubes and graphene

Fujitsu successfully created the world's first self-organizing carbon composite structure by combining carbon nanotubes and graphene—two nano-scale structures which differ in form but are both made from carbon materials. Since the combined structure exhibits the characteristics of both components, it is believed to have high electrical and thermal conductivity in all directions. Fujitsu expects these discoveries to lead to new avenues of materials research and a wide range of potential applications in electronic devices and heat dispersion devices.



Structure of new nano-carbon composites

Electron microscope images of the new nanocarbon composite structure (a) and graphene component (b).



*[1] Petaflop: Refers to the maximum calculation speed of the computer. 1 petaflop = 1 quadrillion floating-point operations per second.
*[2] WiMAX: Worldwide Interoperability for Microwave Access. IEEE802.16- and IEEE802.16e-compliant mobile wireless standard. WiMAX technology enables data transmission speeds of up to 75 Mb/sec even when traveling at speeds of 120 km/hour.
*[3] Digital pre-distortion (DPD) technology: Technology that adds an input signal with the opposite characteristics to the distortion generated in an amplifier, thereby correcting the distortion in advance.

Prizes and Awards

Fifth Annual Prime Minister's Award for Contribution to Industry-Academia-Government Collaboration

Dr. Mitsuru Sugawara, president and CEO of QD Laser, Inc. and serving concurrently as an executive of Fujitsu Laboratories, Ltd. and Fujitsu Limited, was recognized for his tremendous achievements in cooperative ventures between government, industry and academia with the Prime Minister's Award—the highest award that any individual or organization can receive in this field. The award was shared with Professor Yasuhiko Arakawa and Professor Yoshiaki Nakano of the University of Tokyo. The three scientists took part in a photonic network technology research and development project commissioned by New Energy and Industrial Technology Development Organization (NEDO) and conducted by the Optoelectronic Industry and Technology Development Association (OITDA). The award recognizes Dr. Sugawara's contributions to developing a practical application of quantum dot laser technology, and the establishment of a start-up company to commercialize this technology. QD Laser was established as a joint venture between the corporate venture funds of Fujitsu and Mitsui Ventures.

Topics

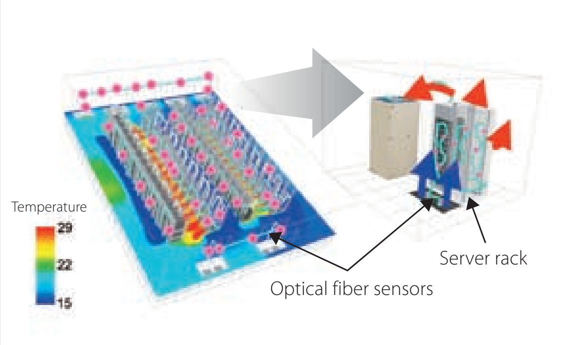
Environment-related R&D efforts

Our Green Policy Innovation initiative aims to help Fujitsu customers reduce their environmental footprint. This project, which began in fiscal 2007 and runs through fiscal 2010, aims to cut CO_2 emissions over the four-year period by a cumulative total of over 7 million tons*. The company is researching and developing technology to support a wide range of solutions aimed at reducing the environmental burden of IT infrastructure as well as using IT to reduce customers' environmental footprint. Several examples of Fujitsu's progress in this area are described below. In the future, as new products and services incorporate these technical advances, Fujitsu hopes that it can make a contribution to combating global warming, and otherwise helping customers reduce their burden on the environment.

* See page 54 for more on the Fujitsu Group's environmental activities.

Real-time multi-point temperature measuring technology for data centers

One method of reducing energy consumption is to make more efficient use of energy. Fujitsu developed a monitoring system for data centers which have multiple heat-generating units, based on the use of a number of thermostats connected by optical fiber and accurate measurement of the temperature on a real-time basis. A single optical fiber can monitor the temperature in over 10,000 separate locations simultaneously, making it possible to "see" the distribution of heat in the room. Combining this basic technology with air conditioning control systems, it is possible to make fine adjustments to the settings of each air conditioning unit to ensure that there is a uniform temperature distribution throughout the room. This helps to reduce the total energy consumption of the data center.



Strategic Direction in Fiscal 2008

The Fujitsu Group is continually pursuing new innovations while working to solidify its business foundation, under a policy of reinforcing strengths while envisioning the future. The company intends to focus its cutting-edge research efforts on the targets outlined below, while pursuing globalization and cost reductions, and accelerating business speed and the incubation of new businesses.

1. Developing new business models in new business sectors

Fujitsu has identified three new areas of research where it will concentrate its efforts, pursuing research activities that can foster tomorrow's profitable businesses.

(1) Green technology

The problem of global warming requires an urgent response. Fujitsu will pursue the latest in technological innovation in this area, in order to contribute to society as well as to develop new businesses.

(2) Sensor technology and system solutions

Sensor technologies can help foster a synthesis between the virtual world of computers and the real world of human society. Innovations in sensor technology will help to expand the scope of IT applications and lead to new business opportunities.

(3) Next-generation terminals and services

Cross-pollination between computers and mobile phones is bearing fruit in a new generation of mobile terminals and services that will generate new business opportunities.

2. Enhancing the contributions of research to core businesses

Fujitsu is encouraging the development of next-generation services and solutions, next-generation server systems and next-generation network technology, taking steps to enhance the contributions that R&D make to the Fujitsu Group's core business operations.

3. Improving technological synergy in the Fujitsu Group

The company is developing synergies in its R&D operations, to support the development of next-generation technologies which can be used in a number of separate core business segments.

INTELLECTUAL PROPERTY

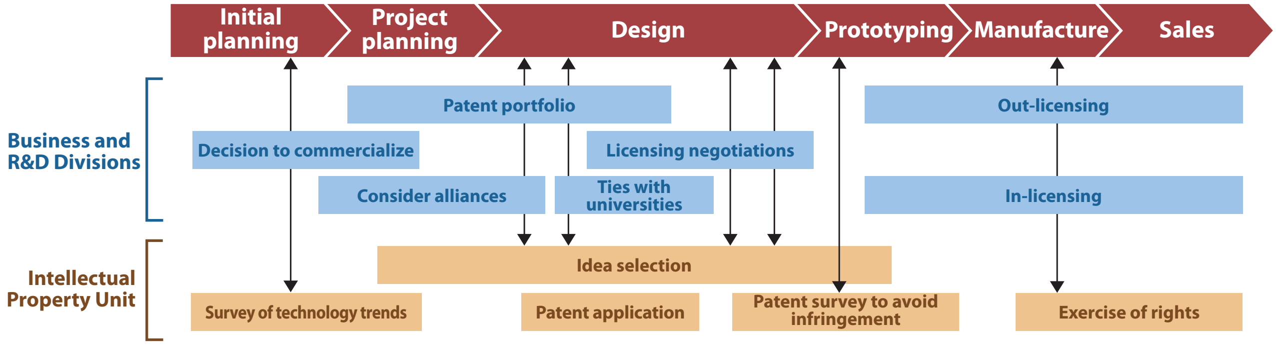
The Importance of Intellectual Property

Protecting and respecting intellectual property is part of the Code of Conduct in the Fujitsu Way, which articulates the philosophy of the Fujitsu Group and the core values and principles guiding the actions of each of its employees. Accordingly, every employee recognizes intellectual property as a key corporate asset supporting business activities. Moreover, Fujitsu employees are acutely aware of the role that technologies backed by intellectual property play in enabling customers to rely with confidence on the products and services we deliver.

Intellectual Property Strategy

We are promoting an intellectual property strategy closely integrated with our business and R&D strategies. Each business unit and R&D division is individually responsible for analyzing the intellectual property assets owned by Fujitsu and other companies in their respective fields. Based on this analysis, they formulate and implement intellectual property strategies.

LINKING BUSINESS AND R&D DIVISIONS



Group-wide Initiatives

We are currently developing a framework to strengthen Group-wide intellectual property activities to enable the entire Group to leverage our intellectual property assets. One example is the need for international standards, an issue that requires action by every global base in the Group. Here, we use regular meetings among Group companies to share information as well as promote specific measures. In this way, we encourage greater coherence in our intellectual property activities.

Promoting Shared Standards in the WiMAX Business

1. WiMAX Forum

The WiMAX Forum is an international, not-for-profit group dedicated to promoting compatibility and interoperability among IEEE802.16-compliant products. Fujitsu has served as a board member of the forum since its founding.

2. Efforts to Promote Standardization

- Relevant divisions at Fujitsu's head office have worked closely with overseas operations (US and European research centers, Fujitsu Microelectronics Canada) in a Group-wide effort to identify patentable inventions pertaining to standardization.
- In filing patent applications, Fujitsu drafts patent specifications with standardized technologies in mind.
- Globally, we have filed more than 100 related patent applications.

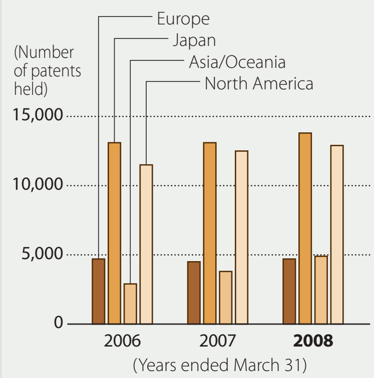
Fully integrated mobile WiMAX™ base station

1. Patent Rights

Patent rights support technological innovation. Recognizing these rights as an important corporate asset, we are working to assemble a global patent portfolio centered on patents in Japan.

We strategically channel our R&D investment into priority technology fields and work to acquire patents for not only basic technologies in these fields but also technologies in peripheral areas. For example, in the server field, home to our mainstay products, every year we file for around 500 patents in and outside Japan based on a wide variety of developed technologies. A similar pattern can be seen in software, where we annually submit roughly 500 patent applications worldwide through regular efforts to identify patentable inventions.

OUR GLOBAL PATENT PORTFOLIO



PATENT APPLICATIONS IN JAPAN IN 2007

1	Matsushita Electric Industrial Co., Ltd.	4,765
2	Toshiba Corporation	3,423
3	Ricoh Company, Ltd.	2,813
4	Hitachi, Ltd.	2,726
5	Canon Inc.	2,655
6	Sony Corporation	2,641
7	Seiko Epson Corporation	2,628
8	DENSO Corporation	2,611
9	**Fujitsu Limited**	**2,511**
10	Honda Motor Co., Ltd.	2,466
11	Mitsubishi Electric Corporation	2,381
12	Sharp Corporation	2,005
13	Toyota Motor Corporation	1,849
14	Nissan Motor Co., Ltd.	1,720
15	FUJI FILM Corporation	1,680
16	Matsushita Electric Works, Ltd.	1,387
17	SANYO Electric Co., Ltd.	1,369
18	NTT Corporation	1,201
19	Fuji Xerox Co., Ltd.	1,071
20	Samsung Electronics Co., Ltd.	976

Source: Fujitsu survey based on Japan Patent Office data (Number of issued patents)

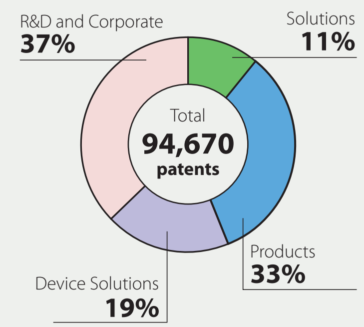
PATENT APPLICATIONS IN THE US IN 2007

1	IBM Corporation	3,148
2	Samsung Electronics Co., Ltd.	2,725
3	Canon Inc.	1,987
4	Matsushita Electric Industrial Co., Ltd.	1,941
5	Intel Corporation	1,865
6	Microsoft Corporation	1,637
7	Toshiba Corporation	1,549
8	Sony Corporation	1,481
9	Micron Technology, Inc.	1,476
10	Hewlett-Packard Development Company, L.P.	1,470
11	Hitachi, Ltd.	1,397
12	**Fujitsu Limited**	**1,315**
13	Seiko Epson Corporation	1,208
14	General Electric Company	914
15	Infineon Technologies AG	856
16	DENSO Corporation	803
17	Texas Instruments Incorporated	752
18	Ricoh Company, Ltd.	728
19	Honda Motor Co., Ltd.	719
20	Siemens AG	700

Source: IFI CLAIMS Patent Services (Number of issued patents)

FUJITSU PATENTS BY BUSINESS SEGMENT

(Fiscal 2007)



2. Exercising Patent Rights

We conclude cross-licensing agreements with prominent firms worldwide aimed at preserving a high degree of business latitude. On a for-fee basis, we also make available basic technologies when we believe this will foster broader use of our technology compared with commercializing it on our own. This policy of opening our wide range of basic technology research for potential use in the business activities and technologies of other firms applies even in fields in which Fujitsu does not directly conduct operations. We refer to this as "technology marketing," and based on these marketing efforts, Fujitsu has concluded more than 500 licensing agreements.

3. Respecting Third Parties' Rights

The impact of infringing upon the rights of third parties goes beyond having to pay significant fees. In the worst case, it could have a major economic impact on our company due to the loss of business opportunities and other issues. In addition, it could prevent us from providing products and services, thereby severely inconveniencing our customers. We are fostering a culture at Fujitsu that respects the patent rights of other companies, as well as creating an environment that allows all our engineers to utilize the ATMS/IR system* to efficiently and effectively research patents held by other companies.

* An ASP-based service which searches laid-open patent applications and prosecution history data provided by the Japan Patent Office.

Environmental Activities

Guided by a commitment to "protect the environment and contribute to society," which is enshrined in the Fujitsu Way, the Fujitsu Group has made environmental protection a key management priority, with the goal of preserving the Earth for generations to come. The Group has set definitive environmental objectives in its business domains and strives to achieve these targets through systematic and continual activities.

Fujitsu Group Environmental Policy

Philosophy

The Fujitsu Group recognizes that environmental protection is a vitally important business issue. By utilizing our technological expertise in the IT industry and our creative talents, we seek to contribute to the promotion of sustainable development. In addition, while observing all environmental regulations in our business operations, we are actively pursuing environmental protection activities on our own initiative. Through our individual and collective actions, we will continuously strive to protect a rich natural environment for future generations.

Principles

- We strive to reduce the environmental impact of our products throughout the product lifecycle.
- We are committed to conserving energy and natural resources, and practice a 3R approach (reduce, reuse, recycle) to create best-of-breed eco-friendly products.
- We seek to reduce risks to human health and the environment from harmful chemical substances or waste.
- Through our IT products and solutions, we help customers reduce the environmental impact of their activities and improve environmental efficiency.
- We disclose environment-related information on our business activities, products and services, and we utilize the resulting feedback to critique ourselves in order to further improve our environmental programs.
- We encourage our employees to work to improve the environment, bearing in mind the impact of their business activities and their civic responsibilities.

Environmental Concept "Green Policy 21"

"Green Policy 21" is a bold concept for action that embodies efforts by Fujitsu since its establishment to move beyond declarations of intent to entrench the idea of "manufacturing in harmony with nature" in the mindset and day-to-day activities of Group employees. Bonded by the slogan, "We make every activity green," the Fujitsu Group is working to implement this environmental concept in all of its business domains.

Fujitsu Group Environmental Protection Program (Stage V)

We drafted Stage V of the Fujitsu Group Environmental Protection Program to guide our environmental activities during the period from fiscal 2007 to 2009. The program is founded on two basic policies: Develop environmental activities in which all employees can play an active role, and expand the scope of environmental activities to the entire supply chain. In line with these policies, we are working to achieve concrete targets in five priority areas: improving the environmental value of products and services, implementing global warming countermeasures, reinforcing governance, reinforcing risk management, and making environmental and social contributions.

ENVIRONMENTAL CONCEPT "GREEN POLICY 21"

Realizing a Low-carbon Society—The Role of the Fujitsu Group

As part of corporate citizenship befitting a global IT company, the Fujitsu Group will help create a prosperous, low-carbon society

Atsuhisa Takahashi
President, Corporate Environmental Affairs Unit

First Commitment Period for Kyoto Protocol Commences

The Kyoto Protocol set the period from 2008 to 2012 as the first commitment period for advanced industrial nations, which must reduce their total greenhouse gas emissions by at least 5% compared to 1990. Signatories have specific reduction targets to meet this overarching goal. With the commitment period having started, questions are now being raised in every country about the effectiveness of emission-reduction initiatives. At the same time, there are calls for new global warming countermeasures aimed at realizing a low-carbon society; this as worldwide debate rages as to what new "post-Kyoto" framework will be devised to take up from where the Kyoto Protocol left off.

Preventing Global Warming Through Innovation

In considering future global warming countermeasures, the Fujitsu Group believes that innovation-based measures must be recognized as a necessary and integral complement to the largely "improvement-driven" measures pursued to date. The IT industry has a tremendous role to play in putting these innovation-based measures into practice.

To give an example, Japan's Ministry of Internal Affairs and Communications estimates that high IT utilization levels will effectively reduce Japan's CO_2 emissions by roughly 38 million tons in 2012. In other words, high-level IT utilization will enable CO_2 reductions in a host of different areas by making energy usage more efficient, reducing the physical movement of people and goods, and supporting more accurate measurement of environmental burden and environmental forecasts. On the other hand, with the amount of electricity consumed by the use of IT devices growing each year, it is critically important to devise ways to reduce the environmental burden caused by these devices.

Fujitsu's Role as a Global IT Company

In this context, we formulated "Green Policy 2020," a medium-term environmental vision that will see the Fujitsu Group do its part to make a prosperous society that generates low carbon emissions a reality. Designed to dovetail with the target being considered worldwide of reducing global greenhouse gas emissions to half of current levels by the year 2050, this vision will guide Group efforts to help emissions peak in 2020 as a necessary milestone in meeting this larger goal.

Fiscal 2007 also witnessed the launch of a new Fujitsu Group initiative called "Green Policy Innovation." By offering "Green IT" built on expertise and technologies from the Group's own environmental activities, this initiative will help to reduce the environmental burden of our customers and society. Our minimum goal is to have the Fujitsu Group assist in reducing CO_2 emissions by a cumulative 7 million tons or more by fiscal 2010.

Along with more robust initiatives to further reduce the environmental burden associated with its own activities, the Fujitsu Group will work together with customers to realize a prosperous society where low carbon emissions are the norm by merging expertise from our own environmental initiatives and powerful information technology to offer solutions for protecting the Earth and our natural environment.

*Please refer to page 56 for more information.

Environmental Topics

Green Policy 2020—The Fujitsu Group's Medium-term Environmental Vision

In July 2008, we drafted "Green Policy 2020," a medium-term environmental vision defining the environmental role and direction of the Fujitsu Group through the year 2020. The vision is designed to complement efforts under way worldwide to set a common target of reducing global greenhouse gas emissions to half of current levels by the year 2050. The Group aims to use IT to contribute to helping global CO_2 emissions peak in 2020, viewing this initial target as a critical milestone for meeting the larger goal for 2050.

Reducing Customers' Environmental Burden Through Green IT

In December 2007, we unveiled a new initiative called "Green Policy Innovation" to vigorously promote the idea of using "Green IT*[1]" to reduce customers' environmental burden. Our aim in this project is to reduce CO_2 emissions by 7 million tons or more*[2] over the 4-year period from fiscal 2007 to fiscal 2010. By leveraging our expertise and technologies, we will reduce the environmental burden of IT infrastructure and reduce customers' burden on the environment through IT utilization.

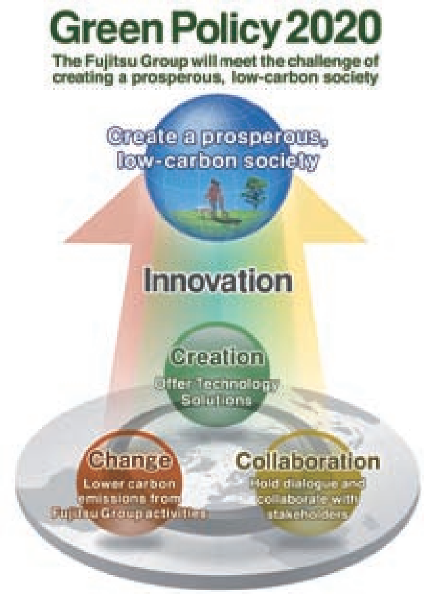
*1 "Green IT" is a general term that refers to eco-conscious IT devices with greater energy efficiency, compact size and other eco-friendly features, as well as IT solutions that, when adopted, can reduce environmental burden.
*2 "7 million tons or more": Estimated CO_2 emission reductions in Japan possible through application of proprietary methods from Fujitsu based on projected future sales levels of major platform products and specified Fujitsu products developed as environmentally friendly solutions.

Utilization of Zero CO_2 Emitting Watergreen Power

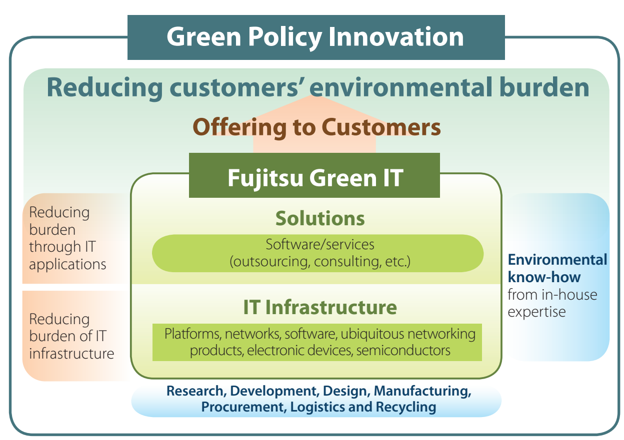
Fujitsu Microelectronics Europe GmbH has signed an agreement with Stadtwerke Langen to shift to "Watergreen Power"* from 2008. Electrical power will come from a hydroelectric plant based in Norway. While usage fees for the power supplied will be slightly higher than before, this arrangement will enable Fujitsu Microelectronics Europe to cut its CO_2 emissions by 467 tons per year.

* Term for power produced from 100% renewable energy that generates no carbon dioxide.

THE FUJITSU GROUP'S MEDIUM-TERM ENVIRONMENTAL VISION



"GREEN POLICY INNOVATION" OVERVIEW



Ceremony commemorating the switch to Watergreen Power

Promoting Coexistence With Global and Local Communities

Guided by a commitment to "protect the environment and contribute to society," which is enshrined in the Fujitsu Way, the Fujitsu Group strives to help realize a prosperous society through its business activities as a good corporate citizen. Specifically, through activities encompassing culture and the arts, corporate sponsorship of sports, programs to nurture young people, support of international exchange, and local events, the Group strives to coexist in harmony with society by developing deep roots in the communities in which it operates.

Approach to Social Contribution Activities

Coexistence with local communities and society as a good corporate citizen is an important policy guiding the Fujitsu Group's actions. Our goal is to fulfill our responsibility to the sustainable development of society, generating benefits for all our stakeholders, including customers, shareholders, employees, business partners, global and local communities, public institutions and governments, while at the same time realizing the growth of the Fujitsu Group.

Topics in Social Contribution Activities

Japan

Japan-America Institute of Management Science (JAIMS)

Established in Honolulu by Fujitsu in 1972, JAIMS is a not-for-profit post-graduate educational institute whose mission is to cultivate leaders who can fulfill their potential on the global stage. Over 22,000 people from roughly 54 countries have already benefited from JAIMS courses. Thanks to the intercultural communication abilities, business skills and global contacts they acquired through their JAIMS education, many alumni are now playing an active role in various capacities in countries worldwide. In recognition of its many years of promoting international exchange, JAIMS was awarded the 2006 Foreign Minister's Commendation in 2006.

JAIMS campus

EMEA

Initiatives Emphasizing Education, Young People, and Health

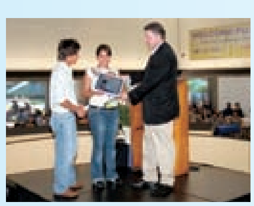
UK-based subsidiary Fujitsu Services promotes social contribution activities that revolve around the areas of education, young people, and health. In education, the subsidiary is involved in educational support programs for elementary and junior high school students in the UK and South Africa. For youths, Fujitsu Services provides assistance to the less fortunate as a supporter of Prince's Trust, a local charitable organization. And in health, in addition to purchasing sports equipment for donation to local sports clubs, employees from Fujitsu Services take part in the London Marathon and other charitable events, gifting collected donations to a variety of charitable causes.

Educational support program in South Africa

United States

Fujitsu Technology Grant Program

Fujitsu Computer Products of America established the Fujitsu Technology Grant Program in May 2006. This program seeks to contribute to society by providing Fujitsu products to local communities and NPOs that lack the financial resources to purchase the latest IT technologies on their own. The program chose to donate products to 39 recognized groups active in the fields of medicine, the environment, education and the arts. In fiscal 2007, Fujitsu Computer Products of America completed the program by installing the donated equipment.



Presentation ceremony at University of California, San Diego

APAC & China

Participation in Corporate and Schools Partnership Program

Singapore-based subsidiary Fujitsu Microelectronics Asia is a corporate partner for Princess Elizabeth Primary School in Singapore as a participant in the government's Corporate and Schools Partnership Program. The school recently sponsored an eco-shopping bag logo contest, after which eco-bags emblazoned with the winning logo were sold to the students' parents. Proceeds from the eco-bag sales were donated back to the program. The school also developed an eco-cistern system, which eliminates the need for water refills for two years. In fiscal 2007, the invention took third place in Singapore's "Clean & Green School Environment Project," with Fujitsu Microelectronics Asia receiving a citation from the government alongside the school as its corporate partner.

Students and teachers posing in front of an eco-cistern system

MANAGEMENT

Haruki Okada Ikujiro Nonaka Tatsuo Tomita Chiaki Ito Michiyoshi Mazuka Kuniaki Nozoe

Statutory Auditors

Standing Auditors

Masamichi Ogura
Akira Kato

Auditors

Yoshiharu Inaba
(President and CEO, Fanuc Ltd.)

Tamiki Ishihara
(Corporate Adviser, Seiwa Sogo Tatemono Co., Ltd.)

Megumi Yamamuro
(Professor, University of Tokyo Graduate Schools for Law and Politics)

Corporate Executive Officers

Corporate First Senior Vice Presidents

Hideaki Yumiba
Takashi Igarashi
Kazuhiko Kato
Junichi Murashima
Kazuo Ishida
Richard Christou

Corporate Senior Vice Presidents

Ichiro Komura
Tetsuo Urano
Terumi Chikama
Makoto Matsubara
Jirou Sugawara
Masami Yamamoto
Tsuneaki Ohara
Kiyonobu Ishida
Hirokazu Uejima
Tsuneo Kawatsuma
Masaaki Hamaba

Koichi Hironishi Hiroshi Oura Haruo Ito Naoyuki Akikusa

Board of Directors

Representative Directors

Michiyoshi Mazuka
Chairman

Kuniaki Nozoe
President

Members of the Board

Chiaki Ito
Vice Chairman

Koichi Hironishi*
Corporate Senior Executive Vice President

Tatsuo Tomita*
Corporate Senior Executive Vice President

Hiroshi Oura
Senior Executive Advisor
Advantest Corporation

Ikujiro Nonaka
Professor Emeritus
Hitotsubashi University

Haruo Ito
President and Representative Director Fuji Electric Holdings Co., Ltd.

Haruki Okada

Naoyuki Akikusa
Senior Executive Advisor

* Concurrently serve as corporate executive officers

Corporate Vice Presidents

Takashi Aoki
Akira Yamanaka
Masanobu Katoh
Kazuo Miyata
Takashi Moriya
Seiji Nakagawa
Toshiyuki Kuwahara
Akira Furukawa
Kenji Ikegai
Makoto Murakami
Masatoshi Kambe
Haruyuki Iida
Kazuhiko Hanaoka
Susumu Ishikawa
Masami Fujita
Hironobu Nishikori
Yutaka Yokoyama
Takashi Mori
Hideyuki Saso
Bunmei Shimojima
Koichi Ueda
Yoshiyuki Suzuki
Kazuhiro Igarashi
Michimasa Mochizuki
Kazuo Kobayashi
Keiko Nakayama
Makoto Umemura
Norihiko Taniguchi
Chikafumi Urakawa

CORPORATE GOVERNANCE

The following Fujitsu-prepared translation of the revised Fujitsu Limited Corporate Governance Report is provided for reference only. The original Japanese-language report was filed with the Tokyo Stock Exchange on May 31, 2006 under TSE securities code 6702. The Japanese original of this updated version was filed on June 27, 2008.

I. Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Stance

We believe that pursuing management efficiency while effectively managing business risks is essential to achieving sustainable improvement in corporate value. Recognizing that stronger corporate governance is vital to realizing this goal, we have been active in appointing outside board members to help ensure sound and transparent management. At the same time, by separating management oversight and operational execution functions, we have promoted faster decision-making while further clarifying management responsibilities. The clear separation of these functions is designed to further improve management transparency and efficiency.

We manage our Group companies based on a clear distinction between 1) companies that perform an assigned function in our business; and 2) companies that pursue a synergistic relationship with us based on a shared corporate strategy.

2. Capital Structure

Ratio of Shares Held by Foreign Shareholders:	over 30%

[Major Shareholders]

Name	Number of Shares Held	Percentage of Shares Held
State Street Bank and Trust Company	135,379,832	6.54
The Master Trust Bank of Japan, Ltd. (for trust)	102,825,000	4.97
Fuji Electric Holdings Co., Ltd.	94,663,469	4.57
Japan Trustee Services Bank, Ltd. (for trust)	87,260,000	4.22
Fuji Electric Systems Co., Ltd.	60,978,646	2.95
Asahi Mutual Life Insurance Company	40,743,856	1.97
State Street Bank and Trust Company 505103	37,894,395	1.83
Fuji Electric FA Components & Systems Co., Ltd.	36,886,345	1.78
Mizuho Corporate Bank, Ltd.	32,654,030	1.58
Fujitsu Limited Employee Shareholding Association	23,772,623	1.15

3. Corporate Attributes

Listed Exchanges and Sections:	Tokyo, 1st Section; Osaka, 1st Section; Nagoya, 1st Section
End of Fiscal Year:	March 31
Industry:	Electrical Appliances
Number of Employees (consolidated):	Over 1,000
Annual Sales (consolidated):	Over 1 trillion yen
Parent Company:	None
Number of Consolidated Subsidiaries:	Over 300

4. Other Particular Factors that May Have an Important Impact on Corporate Governance

Among our consolidated subsidiaries and equity method affiliates, the following companies are publicly listed:

<Consolidated Subsidiaries>

Fujitsu Frontech Limited, Fujitsu Broad Solution & Consulting Inc., Fujitsu Business Systems Ltd., NIFTY Corporation, Shinko Electric Industries Co., Ltd., Fujitsu Component Limited

<Equity Method Affiliates>
Fujitsu General Limited, FDK Corporation, Nantong Fujitsu Microelectronics Co., Ltd.

While we respect the autonomy of our publicly listed subsidiaries, we require them to receive our prior authorization when they use "Fujitsu" as a trade name or trademark. In addition, while they are responsible for decisions regarding nominations and compensation for members of the board, we are notified in advance regarding member of the board candidates and levels of compensation. Moreover, regarding the setting of budget plans and revisions as well as financial performance, because their results impact our consolidated earnings, to the extent that it is reasonable, we are kept informed.

II. Status of Management Control Organization for Management Decision-Making, Operational Execution and Oversight, and Other Corporate Governance Structural Features

1. Matters Regarding Institutional Structure and Organizational Operation

Type of Organization:	Corporation with Auditors

[Board of Directors]

Board Chair:	Chairman (except when serving concurrently as President)
Number of Board Members:	10
Appointment of Outside Board Members:	Yes
Number of Outside Board Members:	2

Relationship with Company (1)

Name	Type of Affiliation	Relationship with Company *1								
		a	b	c	d	e	f	g	h	i
Ikujiro Nonaka	Scholar				○				○	
Haruo Ito	Other company				○	○			○	○

*1 Categories Describing Relationship with Company
a: From parent company
b: From other affiliated company
c: Major shareholder of subject company
d: Concurrently serves as outside board member or outside auditor of other company
e: Director or executive officer of other company
f: Close relative by blood or marriage to director or executive officer of the subject company or other designated interested party
g: Receives compensation or other material benefit as senior executive of parent company or subsidiary of the subject company
h: Has limited liability contract with subject company
i: Other

Relationship with Company (2)

Name	Supplemental Explanation of Relationship	Reason Appointed as Outside Board Member
Ikujiro Nonaka	Professor Emeritus, Hitotsubashi University	Because he has a high level of expertise in business administration.
Haruo Ito	Haruo Ito is President and Representative Director of Fuji Electric Holdings Co., Ltd., the holding company of the Fuji Electric Group, which holds 5.47% of Fujitsu's shares as well as an additional 5.94% of Fujitsu's shares as trust account assets for employee retirement benefits. In addition, Fujitsu holds 9.96% of the shares of Fuji Electric, and a senior executive advisor to Fujitsu serves as a Director of Fuji Electric Holdings. Fujitsu has business dealings with the Fuji Electric Group.	Because he has extensive knowledge of Fujitsu's business.

Other Issues Relating to Major Activities of Outside Board Members

In addition to the outside board members listed above, we have called upon Hiroshi Oura, Senior Executive Advisor of Advantest Corporation, to fill the role of an outside board member in strengthening management oversight. However, since he was once a member of the board, he does not meet the legal definition of an outside board member under Japan's Company Law. Fujitsu Limited has business dealings with Advantest.

In fiscal 2007, there were nineteen regularly scheduled or special meetings of the Board of Directors, and the three outside board members, including Hiroshi Oura, had an attendance rate of approximately 95%.

[Board of Auditors]

Existence of Board of Auditors:	Yes
Number of Auditors:	5

Coordination between Auditors and Accounting Auditors

The auditors meet with the accounting auditors during three regularly scheduled meetings each year to exchange information and advice and reach mutual understanding regarding important audit issues, risk evaluations relating to internal control audits, and other matters.

Coordination between Auditors and Internal Auditing Division

The auditors receive reports on the audit system and audit plans from the Corporate Internal Audit Division at the start of each reporting period. Then, during the period, the auditors get reports on the results of internal audits and exchange information and advice to reach mutual understanding with the Corporate Internal Audit Division.

Appointment of Outside Auditors to the Board of Auditors:	Yes
Number of Outside Auditors:	3

Relationship with Company (1)

Name	Type of Affiliation	Relationship with Company*[1]								
		a	b	c	d	e	f	g	h	i
Yoshiharu Inaba	From other company					○			○	
Tamiki Ishihara	From other company				○				○	
Megumi Yamamuro	Attorney				○				○	

*[1] Categories Describing Relationship with Company
a : From parent company
b: From other affiliated company
c: Major shareholder of subject company
d: Concurrently serves as outside board member or outside auditor of other company
e: Director or executive officer of other company
f : Close relative by blood or marriage to director or executive officer of the subject company or other designated interested party
g: Receives compensation or other material benefit as senior executive of parent company or subsidiary of the subject company
h: Has limited liability contract with subject company
i : Other

Relationship with Company (2)

Name	Supplemental Explanation of Relationship	Reason Appointed as Outside Auditor
Yoshiharu Inaba	Fujitsu holds 5.0% of the shares of Fanuc Ltd., where Yoshiharu Inaba serves as President and CEO, and a member of the board of Fujitsu serves as a statutory auditor of Fanuc Ltd. Fujitsu has business dealings with Fanuc Ltd.	Because he has extensive knowledge of Fujitsu's business.
Tamiki Ishihara	Fujitsu has a business relationship with Seiwa Sogo Tatemono Co., Ltd., where Tamiki Ishihara serves as Corporate Advisor.	Because, with long experience in the finance industry, he has extensive knowledge of finance and accounting issues.
Megumi Yamamuro	Attorney and Professor of the University of Tokyo Graduate School for Law and Politics	Because he has extensive experience in the legal field and has extensive knowledge of legal matters, including the Company Law.

Other Issues Relating to Major Activities of Outside Auditors

In fiscal 2007, there were nineteen regularly scheduled or special meetings of the Board of Directors, for which the three outside auditors had an attendance rate of about 91%, and eight meetings of the Board of Auditors, for which the three outside auditors had an attendance rate of about 96%.

[Incentives]

Implementation Status of Incentive Policies for Members of the Board:	Introduced bonus system linked to the performance of the company, and introduced stock option plan.

Supplemental Explanation

To achieve clear management accountability, with respect to compensation paid to members of the board, we utilize both fixed compensation and compensation tied to business performance (bonuses). In addition, in accordance with a resolution made at a meeting of the Board of Directors held on April 26, 2007, the following changes were made to the compensation system for members of the board:

- At the 107th Annual Shareholders' Meeting held in June 2007, the retirement allowance system for members of the board was terminated.
- Amounts previously paid in retirement allowances were incorporated in to the basic (monthly) compensation paid to members of the board, divided into the fixed compensation portion and the portion tied to business performance.
- To promote greater transparency, bonuses for members of the board are subject to approval at the Annual Shareholders' Meeting.

Stock Option Eligibility:	Members of the board, outside board members, employees

Supplemental Explanation

Stock options were granted in 2001 and 2002.

In 2001, stock options were granted to 32 members of the board (including outside board members) and 15 employees.

In 2002, stock options were granted to 32 members of the board (including outside board members) and 18 employees.

[Compensation of Board Members]

Method of Disclosure:	Included in regularly filed financial and business reports.
Scope of Disclosure:	Total amounts paid to members of the board and to outside board members are separately disclosed.

Supplemental Explanation

For fiscal 2007, total compensation to members of the board and auditors was as follows:

• Members of the Board	10 people, 630 million yen
Of which, compensation paid to outside board members	2 people, 16 million yen
• Auditors	5 people, 118 million yen
Of which, compensation paid to outside auditors	3 people, 28 million yen

* A resolution was passed regarding the payment of bonuses to Members of the Board and Auditors at the 108th Annual Shareholders' Meeting held on June 23, 2008. We paid a total of 189 million yen to six Members of the Board (Outside Board Members excluded) and a total of 34 million yen to two Auditors (Outside Auditors excluded). These amounts are reflected in the compensation figures presented above.

* At the 106th Annual Shareholders' Meeting held on June 23, 2006, it was decided that total annual compensation to Members of the Board (all Members of the Board in total) is not to exceed 600 million yen.

* At the 106th Annual Shareholders' Meeting held on June 23, 2006, it was decided that total annual compensation to Auditors (all Auditors in total) is not to exceed 100 million yen.

[Support Structure for Outside Board Members (and Outside Auditors)]

• Sections Responsible for Providing Support: Secretary Office, Corporate Affairs Division (Secretariat of Board meetings)

• Within the Secretary Office, there are persons responsible for providing support to outside board members and outside auditors.

[Nature of Support Provided]

In response to the requests from outside board members, necessary information about the Company (or Group information) is provided and explained.

Depending on content, particular unit managers are made available to provide explanations.

Other routine support is provided as follows:

• Communication of Board meeting schedules, distribution of meeting notices and other information.

• Other secretarial assistance when visiting the Company (usually once a month for Board meetings).

2. Issues Relating to Functions for Business Execution, Auditing, Oversight, Nominating, and Compensation Decisions

The Board of Directors is responsible for management oversight, supervising the business execution functions of the Management Council, an executive organ under its authority.

The Management Council deliberates upon fundamental policies and strategy regarding business management, as well as makes decisions on important matters regarding business execution. Issues discussed by the Management Council and a summary of its discussions are reported to the Board of Directors, which makes decisions on items of particular importance. In principle, the Management Council meets three times a month, but meetings may be convened whenever necessary.

The auditing function is carried out by auditors, who review the Board of Directors as well as business execution functions and attend important meetings, including meetings of the Board of Directors as well as the Management Council.

In addition, the Corporate Internal Audit Division (with 48 members as of March 31, 2008) has been established to serve as an internal audit group. This division audits the internal affairs of the company and its affiliates, proposes improvements in their business practices, and regularly reports its audit findings to the Management Council.

Accounting audits are carried out by four certified public accountants (Michiko Tomonaga, Noriyuki Tsunoda, Hideaki Karaki, and Takao Kamitani) who are associated with Ernst & Young ShinNihon.

There is no nominating committee or compensation committee.

III. Implementation of Policies Regarding Shareholders and Other Stakeholders

1. Initiatives to Improve Annual Shareholders' Meetings and Facilitate Voting

	Supplemental Information
Distribute invitation notices to Annual Shareholders' Meeting early	To give shareholders sufficient time to exercise voting rights, we make efforts to send invitation notices three weeks prior to the Annual Shareholders' Meeting.
Schedule Annual Shareholders' Meeting to avoid busiest days of overlap with other corporations' annual meetings	To facilitate the attendance of as many shareholders as possible, since the Annual Shareholders' Meeting held in June 2001 we have scheduled our Annual Shareholders' Meeting to avoid the busiest days of overlap with other corporations' annual meetings.
Utilize electronic methods for exercise of voting rights	To improve convenience and facilitate the exercise of voting rights for shareholders who are unable to attend the Annual Shareholders' Meeting, since the Annual Shareholders' Meeting held in June 2002 we have accepted the exercise of voting rights through electronic methods, and since the Annual Shareholders' Meeting held in June 2006 we have been using a platform to allow institutional investors to electronically exercise voting rights.

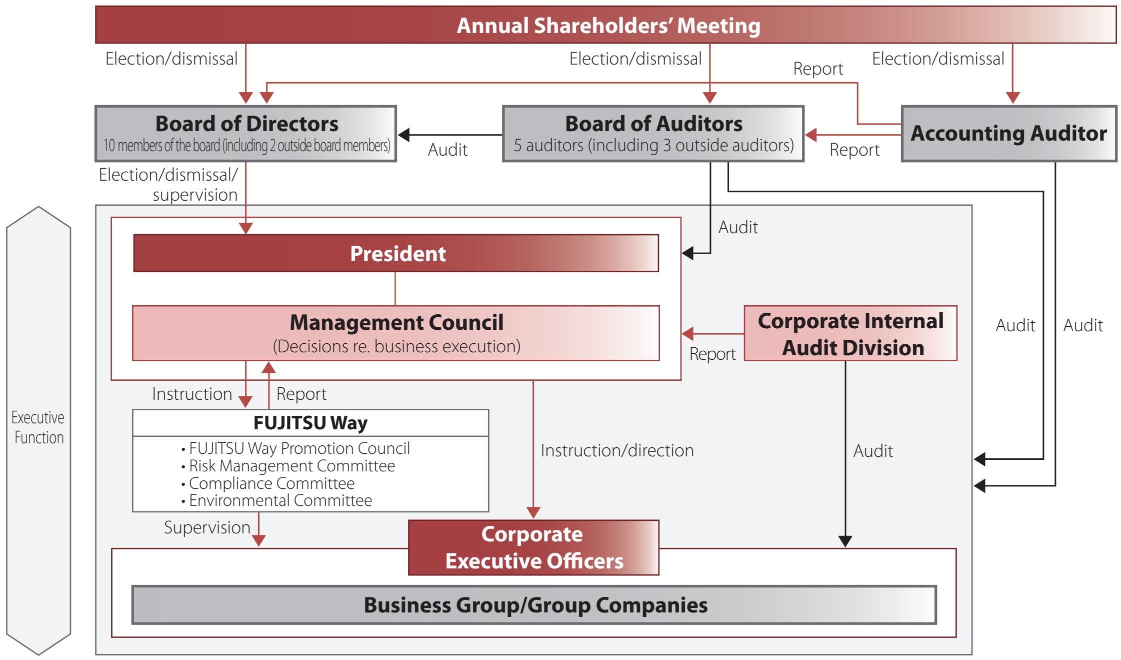
2. Investor Relations Activities

	Explanation by Company Representatives	Supplemental Information
Regular Presentations to Individual Investors	No	Although currently we do not hold presentations for individual investors, we have a dedicated IR website for individual investors (in Japanese). In addition, through the inquiry form on our IR website and other measures, we are working to improve relations with individual investors.
Regular Presentations to Analysts and Institutional Investors	Yes	We hold regular presentations, including presentations by the president on our management direction, presentations by the CFO on our earnings results, and presentations by various senior executives on business strategy for the operations they oversee. In addition, media are always invited to the briefings by the president, CFO, and heads of businesses, with the understanding that individual investors can thereby obtain information through reports that appear in the media.
Regular Presentations to Foreign Investors	Yes	The CFO meets with foreign institutional investors regularly. We also have IR managers stationed in Europe and the US who meet and communicate regularly with investors, not just at the time of earnings announcements. We also take materials from IR presentations held in Japan, translate them into English, and post them to our English IR website, including English translations of Q&A sessions.
Posting of IR Materials to Website	Yes	We post the *Yukashoken Hokokusho* (Financial Report) and *Jigyo Hokoku* (Business Report) in Japanese, the Annual Report in Japanese and English, *Tanshin* (Financial Earnings) reports in Japanese and English, and various other IR presentation materials in Japanese and English. Also posted in English and Japanese is the Fujitsu Group Sustainability Report. Additionally, all materials accompanying the invitation notice to the Annual Shareholders' Meeting are posted on our website.
Unit Dedicated to IR Activities	—	The officer in charge of IR activities is the CFO; the division in charge of IR activities is the Public and Investor Relations Division.
Other	—	In addition to the above, along with posting materials from presentations made to institutional investors and securities analysts on our website, we broadcast streaming audio of these presentations.

3. Initiatives in Consideration of the Position of Stakeholders

	Supplemental Explanation
Internal Company Rules Reflecting Consideration for the Position of Stakeholders	The Corporate Vision of the Fujitsu Way, the guide for the actions of the Group and its employees, is to bring about a prosperous future that fulfills the dreams of people throughout the world. As part of our Values, we strive to meet the expectations of all stakeholders, including customers, shareholders, investors, business partners, and employees.
Activities Promoting Environmental Protection and Corporate Social Responsibility	With respect to environmental activities, in the Values section of the Fujitsu Way, we clearly state that "in all our actions, we protect the environment and contribute to society," and we are continuing to actively pursue activities in this area. We are currently implementing programs based on Stage V of the Fujitsu Group Environmental Protection Program (fiscal 2007—2009). In March 2006, we extended our environmental management system to our overseas consolidated subsidiaries, receiving integrated global ISO14001 certification. With respect to CSR activities, based on the Fujitsu Way, each business unit is promoting thorough adherence to our Code of Conduct and our customer-centric management perspective in order to earn the trust and meet the expectations of our stakeholders. Further details are listed in the Fujitsu Group Sustainability Report that we publish every year.
Policies to Promote the Provision of Information to Stakeholders	With respect to our disclosure policies, we recognize that prompt and appropriate disclosure of company information to shareholders and investors as well as securities analysts is essential to the proper functioning of the securities markets, and we disclose information in compliance with the Securities and Exchange Law and regulations of the stock exchanges on which we are listed. Even if we are not legally required to do so under the regulations, and even if the content of the information is unfavorable to Fujitsu, if we deem the information to be material to investment decisions, our basic policy is to disclose the information in a manner that is prompt, accurate, and fair. Moreover, in consideration of the position of customers, communities, and other stakeholders, for information we deem necessary to disclose, including information that may be unfavorable to Fujitsu, our basic policy is to disclose the information in a manner that is prompt, accurate, and fair.
Other	We are promoting a customer-centric management perspective in order to be a trusted and valued partner to our customers. In order that all employees adopt a customer-centric mindset and apply it to their daily work, we are deepening our commitment in each business unit to previously initiated management quality improvement activities and we are attempting to create an organizational framework to facilitate continuous improvement from a customer-centric perspective. As one example of these activities, we hold regular management update meetings, attended by the chairman, president, directors, corporate executive officers, and affiliate company presidents, in which we regularly discuss case examples of customer issues and what improvements need to be made. This enables managers in each of our units throughout the Fujitsu Group to share information on case studies, raise their consciousness regarding customer views, and actively implement improvement measures.

IV. Basic Stance on Internal Control Framework and Status of Implementation



[Basic Stance on Internal Control Framework]

The Company, through a resolution by the Board of Directors, has adopted the following basic stance on the framework for internal control (resolved on May 25, 2006, and revised on April 28, 2008*2).

1. Objective

The Fujitsu Way, which embodies the philosophy, values, principles and code of conduct for the Fujitsu Group, describes the vision of the Fujitsu Group as follows: "Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world."

We believe that by conducting our activities in accordance with the Fujitsu Way, we maximize the value of the Fujitsu Group and enhance our contribution to the communities in which we operate and to society as a whole.

In addition, in order to continuously enhance the corporate value of the Fujitsu Group, it is necessary to pursue management efficiency and control risk arising from our business activities. Recognizing that it is essential to strengthen our corporate governance in order to accomplish this, we will continuously strive to implement the policies described below.

2. Systems to ensure the appropriateness of Fujitsu and Fujitsu Group business

(1) System to ensure efficient business execution by directors

a. At Fujitsu, there is a separation of the oversight and operational execution functions of management. The Board of Directors oversees the execution functions of the Management Council and other management bodies, and makes decisions on important matters. Among executive organs, the Management Council discusses and decides upon basic management policies and strategies and also decides upon important matters regarding management execution. Matters taken up by the Management Council, including discussion items, are reported to the Board of Directors, and any important issues are decided upon by the Board of Directors.

b. To strengthen the management oversight function, we proactively employ outside directors and auditors.
c. The Board of Directors clarifies the scope of authority for board directors, corporate vice presidents and managing directors (hereafter collectively referred to as "senior management") as well as other business execution organs, and ensures that business is conducted in accordance with the division of business duties.
d. In performing their duties, senior management follows appropriate decision-making procedures, such as the Board of Directors Rules, Management Council Regulations, and Regulations on Corporate Decision-Making.
e. In addition to making employees thoroughly aware of management policies, senior management sets and achieves concrete goals in order to accomplish overall management goals.
f. To pursue operational efficiency, senior management promotes continuous improvement of internal control systems and reform of business processes.
g. By having senior management and other business execution organs provide monthly financial reports and business operation reports, the Board of Directors observes and oversees the status of achievement of management goals.

(2) System to ensure that business execution of directors and employees complies with laws and articles of incorporation
a. Senior management adheres to the Fujitsu Way as a basic vision for compliance issues, including compliance to laws and the articles of incorporation, and proactively promotes the Group's overall compliance on an ethical basis.
b. By continuously administering training, senior management instills adherence to the Fujitsu Way in employees and promotes the overall Group's compliance.
c. Senior management clarifies the legal and other regulations that relate to the Fujitsu Group's business activities and implements internal rules, training and oversight systems necessary to adhere to them, thereby promoting the compliance of the Group as a whole.
d. If senior management or employees become aware of the possibility of a major compliance violation in connection with the execution of business activities, they immediately inform the Board of Directors and the Board of Auditors via normal reporting channels.
e. In order to use independent information sources outside of normal reporting channels to discover and deal appropriately with compliance problems on a prompt basis, senior management establishes and operates an internal reporting system that protects whistle-blowers.
f. The Board of Directors receives periodic reports on the status of business execution from executive officers and verifies that there are no compliance violations in relation to the execution of work.

(3) Regulations and other systems relating to loss mitigation
a. Senior management strives to maintain the Fujitsu Group's business continuity, increase its corporate value and sustainably expand its business activities. In order to deal with risks that pose a threat to achieving these goals, they assign certain departments to be responsible for each type of risk and put in place appropriate risk management systems.
b. Senior management is constantly assessing and verifying risks that might cause losses to the Fujitsu Group, and they report significant cases to the Board of Directors.
c. In regard to risks discovered through assessment described in b., as well as potential risks arising from the execution of business, senior management carries out risk mitigation initiatives and strives to minimize losses from risks. In order to minimize losses from risks that arise, senior management creates a risk management committee and carries out necessary countermeasures. In addition, it periodically analyzes risks that arise and reports them to the Board of Directors. In these ways, the committee engages in activities intended to prevent the recurrence of risks.
d. In order to collect risk information that cannot be gathered by the methods mentioned above, an internal reporting system has been set up and is operated to ensure the protection of whistle-blowers.

(4) Information storage and management system regarding business execution by directors

a. In accordance with company rules, senior management shall establish an appropriate system, including appointing documentation managers, to store and manage documents relating to the execution of their business duties (including electronic documents, as with the items listed below) and other important information.
  - Minutes of shareholders' meetings and related documents
  - Minutes of Board of Directors meetings and related documents
  - Minutes and related documents for other important decision-making meetings
  - Approval documents from senior management
  - Other important documents relating to the execution of business duties by senior management

b. In order for directors and auditors to verify the status of execution of business duties, there is a system enabling them to view the documents described in the above item at any time. The system also provides that, in response to requests they make to those in charge of managing documents, board members and statutory auditors can see the documents whenever they wish.

(5) System to ensure the appropriateness of Fujitsu Group business

a. Using the Fujitsu Way as a foundation, in order to continuously increase the value of the Fujitsu Group, Fujitsu will provide direction and support to senior management of each Group company for setting up efficient, law-abiding and appropriate business execution systems as detailed in sections (1) through (4) above.

b. To implement the above item a), functions, responsibilities, scopes of authority and proper decision-making methods have been defined in the Fujitsu Group Management Regulations.

c. Senior management of Fujitsu and all Group companies periodically confirms issues related to Group management strategies and achievement of management goals through management update conferences and other means. In addition, Fujitsu Group statutory auditors deal with Fujitsu Group issues from the auditing viewpoint through Group auditor update conferences.

d. In regard to measures needed to resolve challenges related to achieving management goals that are identified as a result of the activities described in item c), senior management of Fujitsu and Group companies implements such measures following full discussion and, when necessary, completion of reporting to Fujitsu and approval processes specified separately in Fujitsu Group Management Regulations.

e. Fujitsu's internal audit organization is linked to the internal audit organization of each Group company. It carries out audits of the entire Fujitsu Group and reports periodically to the Board of Directors and Board of Auditors of Fujitsu.
Important matters regarding the audits of Group companies are reported to the Board of Directors and Board of Auditors of Fujitsu.

(6) System to ensure the appropriateness of audits by statutory auditors

<Ensuring independence of auditors>

a. Fujitsu has set up a Statutory Auditors' Office with employees assigned to assist the statutory auditors in carrying out their duties. Appropriate employees with the ability and expertise required by the statutory auditors are assigned to the office.

b. In order to ensure the independence of the staff in the Statutory Auditors' Office, matters relating to their appointment, transfer and compensation are decided on the basis of prior consultation with the auditors.

c. In principle, senior management does not assign office staff to other divisions or duties. In instances, however, where a need arises to give dual assignments to staff with specialized knowledge in response to requests from statutory auditors, care is given to ensuring their independence in accordance with item b.

<Reporting system>

a. Senior management of Fujitsu and Group companies provides the statutory auditors with the opportunity to attend important meetings.

b. In cases where risks arise that could affect management or financial results, or where there is an awareness of major compliance violations in connection with the execution of business activities, senior management as well as employees of Fujitsu and Group companies immediately report on them to the statutory auditors.

c. Senior management as well as employees of Fujitsu and Group companies periodically report to the statutory auditors on the status of business execution.

<Ensuring effectiveness of statutory auditors>

a. Senior management of Fujitsu and Group companies periodically exchange information with the statutory auditors.

b. The internal audit organization periodically reports to the statutory auditors on audit results.

c. The auditors have the independent accounting auditor explain and report on accounting audits as required and periodically exchange information with the independent accounting auditors.

*2 Embodying the mission, values, and code of conduct of the Fujitsu Group, the Fujitsu Way has provided the guiding principles for the conduct of the Group and its employees. In order, however, to provide a more enduring and universal as well as simple message that could be put into practice and instilled throughout the Fujitsu Group, on April 1, 2008, Fujitsu published a fully revised version of the Fujitsu Way consisting of a Corporate Vision, Corporate Values, Principles, and Code of Conduct.

[Status of Internal Control System]

Fujitsu has established a department with executive responsibility for internal controls. The company is, moreover, pursuing initiatives to implement an even more robust operational execution structure by reviewing and revising its regulations and business operations.

In addition, Fujitsu has established the Fujitsu Way, consisting of a Corporate Vision, Corporate Values, Principles, and Code of Conduct, which guides the Group and its employees in their daily activities.

To accelerate the penetration and implementation of the Fujitsu Way and ensure the appropriateness of business operations, four groups were established directly under the Management Council and tasked with pursuing more robust and efficient business execution: the Fujitsu Way Promotion Council, the Risk Management Committee, the Compliance Committee and the Environmental Committee. The functions of each are described below:

• Fujitsu Way Promotion Council

The Fujitsu Way Promotion Council promotes the inculcation and implementation of the Fujitsu Way. In addition, it has also been promoting Project EAGLE, which was launched as a company-wide activity for building an internal compliance system for effective and reliable financial reporting in compliance with the Securities and Exchange Law. By establishing a promotion organization dedicated to this endeavor, the Council has been working to extend it across the Group. Along with improving deficiencies, the goals of the project also include achieving greater efficiency through the pursuit of business process reforms across the Group.

We are taking into consideration the opinions of our accounting auditors as we build an internal control system that will ensure the validity and reliability of our financial reports.

• Risk Management Committee
This committee promotes risk management for the Fujitsu Group. By instilling awareness of risk and bringing to light risk information, including latent risk information, the committee continuously confirms the execution status of risk mitigation measures. It also implements policies for verifying information regarding specific instances of risk and mitigating their effects on customers and the Group as a whole. Moreover, as a preventative measure to deal with major unforeseen events, such as natural disasters, the committee promotes business continuity management (BCM), providing customers with a stable supply of the high performance, high-quality products and services that they need. It reports to the Management Council and the Board of Directors on significant matters and holds discussions with them on countermeasures, seeking thereby to disseminate information throughout the Group and strengthen the overall Group's risk management posture.
• Compliance Committee
This committee promotes adherence to social norms and corporate rules as well as the creation of corporate systems and initiatives for fostering a corporate culture of respect for norms. In conjunction with efforts to maximize compliance, in September 2004, a help-line system was set up as a confidential liaison point to receive reports from employees and provide guidance to them on matters of conduct.
• Environmental Committee
This committee is responsible for promoting the environmental protection activities of the Fujitsu Group, which are based on the Fujitsu Group Environmental Policy and the Fujitsu Group Environmental Protection Program.

We are taking into consideration the opinions of our accounting auditors as we implement the project to construct an internal control system that will ensure the validity and reliability of our financial reports.

[Basic Stance on Rejection of Antisocial Elements]
In the Fujitsu Way, the Fujitsu Group's Code of Conduct calls for respect for and compliance with laws and socially accepted rules. Accordingly, our basic stance is to take a resolute attitude toward antisocial elements and have absolutely no dealings with them.

[Preparedness Regarding Rejection of Antisocial Elements]
We maintain a system that can quickly respond when necessary by designating a centralized response department, creating a common Group manual, maintaining liaisons and exchanging information with outside legal counsel, police and specialist organizations, as well as by carrying out training and keeping employees fully informed about the workplace.

V. Other

1. Provisions Relating to Takeover Defenses

Because raising corporate value is ultimately the best defense against potential takeovers, we are focusing our efforts on raising corporate value. At the present time, we have not put in place any takeover defense measures.

Going forward, while placing first priority on corporate value and shareholder profits, we will pay careful attention to social trends and changes in the environment and continuously consider the possible need for protective measures.

2. Other Provisions Relating to Corporate Governance

—

BUSINESS AND OTHER RISKS

Listed below are the principal business and other risks affecting the Fujitsu Group (Fujitsu Limited and its consolidated subsidiaries) that we believe may influence investors' decisions. With a view to proactively disclosing information to investors, we have also included items that may not necessarily have significant bearing on such decisions. We are aware of these risks and are making efforts to prevent them from arising, avoid potential risks altogether and immediately confront risks should they occur. Among the risks listed below are some items related to future developments, but the list only includes items that the Group deems necessary to publicly disclose as of the date of submission of its securities report (June 23, 2008).

1. Economic and Financial Market Trends

Economic and financial market trends have an impact on the Group's business results, financial base and other aspects of its operations. Examples of such risks are listed below.

1) Economic Trends in Key Markets

The Fujitsu Group provides IT products and services, telecommunications infrastructure equipment, as well as semiconductors, hard disk drives (HDDs) and other components, to corporate and institutional clients and consumers in every region of the globe. Hence, sales and income generated from these operations are greatly affected by economic conditions in each respective market. This is particularly true of Japan, North America, Europe, and Asia (including China), key markets where economic trends can significantly impact Fujitsu Group operations.

2) High-tech Market Volatility

The IT sector is periodically subject to dramatic changes in the balance of supply and demand that exceed the scope of normal cyclical market variations. This tendency is particularly evident with regard to semiconductors, PCs, and other general-purpose products. The Fujitsu Group gives ample consideration to market cycles and volatility when deciding to launch new products, initiate volume production, or scale back production, among other actions. Nonetheless, we may fail to accurately forecast market changes, or changes in market conditions could exceed our forecasts. Accordingly, there is a risk that we may be unable to recoup investment costs, as well as the risk of opportunity losses. Further, the Group continuously implements structural reforms in a bid to respond to market changes. However, drastic market changes could force us to enact structural reforms on a far greater scale than initially expected, resulting in a temporary increase in related expenses.

3) Exchange Rates

The Fujitsu Group imports a substantial amount of components and materials and exports various products. While import and export costs tend to roughly balance out over the course of a given year, sudden fluctuations in exchange rates and other factors could force the Group to incur losses on foreign currency translation. In addition, with respect to overseas assets held by the Group, as well as liabilities, there is the possibility that exchange rate fluctuations could lead to depreciation of assets and/or appreciation of liabilities.

4) Interest Rates

The Fujitsu Group has interest-bearing loans which include debt directly impacted by interest rate fluctuations. Consequently, rising interest rates could increase borrowing costs.

5) Capital Markets

Stock market trends in Japan and overseas have a substantial effect on the value of Group stockholdings in other companies and the management of pension assets. Weak stock market performance could thus force us to incur losses on the devaluation of marketable securities held or a reduction in pension assets, exposing the Group to the risk of higher losses.

2. Customers

Fujitsu Group operations are highly influenced by the business trends of strategic key customers. Examples of potential risks are described below.

1) Changes in Customers' IT Investment Trends

A large proportion of our IT systems and services, as well as communications infrastructure and other business, is with telecommunications carriers, financial institutions, and large manufacturers. The business environment within these industries, including shifting market trends and structural reforms, could lead to changes in customers' IT investment trends, having a significant impact on Group sales and profitability. In semiconductors, HDDs and other operations where the Group provides components and other products, both demand and prices are impacted to a large extent by customers' sales and inventory adjustments of PCs, digital home electronics, mobile phones, automobiles and other products in which these parts are used. Accordingly, soft demand and falling prices for customers' products, or a decline in customers' market share, could negatively impact Group sales and earnings.

Alongside corporate clients, national and local governments represent another important customer base for the Fujitsu Group. In the UK, for example, government-related projects are an especially important part of our business. Accordingly, changes in the approach to e-Government and other national-level IT utilization policies being promoted in Japan and elsewhere could impact sales and profitability.

2) Ability to Maintain Lasting Ties with Customers

The Fujitsu Group is committed to bolstering ties with customers, striving to serve as a business partner and provide solutions across the full IT system lifecycle. For semiconductors, HDDs and other operations where the Group provides components and other products, business stability hinges on maintaining lasting ties with customers that represent key sources of demand for our products. An inability to secure repeat business and retain contract relationships with such customers could therefore affect sales and profitability.

3. Competitors/Industry

The IT sector is characterized by intense competition and fast-paced technological innovation. Events within the industry or actions by competitors could therefore have a substantial impact on our business results. Examples of such potential risks are listed below.

1) Price Competition

Intensifying competition is directly linked to declining prices for products and services. Anticipating such technology- and competition-driven price erosion, we are pursuing a variety of measures to reduce costs, including the introduction of Toyota Production System reforms, standardization of system development methodologies, and software modularization, as well as efforts to expand sales of new products and services. Despite these steps, the Group still faces the risk of larger-than-expected declines in prices, as well as the risk of being unable to achieve sufficient cost reductions and sales growth due to fluctuations in the price of semiconductors and other components, either of which could negatively impact Group sales and profitability.

2) Competition from New Market Entrants and Others

In addition to challenges posed by existing industry peers, competition from new market entrants continues to intensify in the IT sector. Today, new entrants continue to emerge in market areas where the Fujitsu Group wields a competitive advantage, thus entailing the risk that we may lose our competitive edge, or fail to secure a clear competitive advantage in future business operations.

3) Competition in Technology Development

Technological advancement in the IT sector occurs at an extremely fast pace, leading to rapid turnover in new products and technologies. In this context, remaining competitive requires the continuous development of state-of-the-art technology. While the Fujitsu Group does its utmost to maintain highly competitive technologies, a loss in competitiveness versus other companies in the race to develop innovative technologies could lead to a decline in the Group's market share and profitability, which would negatively impact sales and earnings. Further, sales and profitability could be affected by the development of groundbreaking technologies and other actions by competitors that would severely compromise the value of the Group's products and services. Additionally, there is also the risk of an adverse effect on sales and profitability as a result of the time it takes to implement mass-production chip technologies for semiconductors, such as in solving technological issues concerning cutting-edge process development technology.

4. Suppliers, Alliances, etc.

In the course of its operations, the Fujitsu Group conducts business with a range of different companies, including suppliers and alliance partners. Accordingly, any significant changes in relationships with these and other business partners could affect the Group's business.

1) Procurement

The Fujitsu Group utilizes sophisticated technologies to provide a range of products and services. There is therefore a risk that we may encounter difficulties in procuring a stable supply of certain key components or raw materials, or in cases where regular supply channels are unavailable, that we may be unable to secure alternative procurement sources. There is also the risk that the Group may be unable to sufficiently procure certain parts or raw materials in the large volumes required. Moreover, natural disasters, accidents and other events, as well as any deterioration in business conditions at suppliers, could hinder the ability of business partners to provide the Group with a stable supply of required components or raw materials. These and other events could cause delays in the provision of products and services, resulting in postponement of deliveries to customers and opportunity losses, among other problems. With respect to component procurement, foreign exchange rate fluctuations, tight supply and demand conditions, and other pressures could drive procurement costs higher than initial estimates, leading to diminished returns on products and services, as well as lower sales due to the need to raise prices. Additionally, while we make every effort to ensure the quality of procured components, we cannot guarantee that all components purchased will be free of defects. The discovery of such issues could result in processing delays, as well as defective products, opportunity losses, repair costs, and disposal costs for defective goods, plus the potential obligation to pay damages to customers.

2) Collaborations, Alliances and Technology Licensing

To enhance competitiveness, the Fujitsu Group works with a large number of companies through technology collaborations, joint ventures and other means, a practice that we intend to continue for the foreseeable future. If, however, as a result of managerial, financial, or other causes, it becomes difficult to establish or maintain such collaborative ties or to gain sufficient results from them, the Group's business could be adversely affected. Moreover, many of our products and services employ other companies' patents, technologies, software, and trademarks with the consent of their owners. However, there is no guarantee that other companies will continue to grant or license the right to use their property under terms acceptable to the Fujitsu Group.

5. Public Regulations, Public Policy, and Tax Matters

The business operations of the Fujitsu Group are impacted by a variety of public regulations and trends in public policy, as well as laws pertaining to taxation. Specifically, wherever it operates, the Group must comply with a variety of regulations, such as authorizations for business or investment, import/export regulations and restrictions, as well as laws pertaining to antimonopoly policies, intellectual property rights, consumers, the environment and recycling, labor conditions, and taxation. Earnings might be affected by increased compliance costs associated with measures to make stricter or otherwise revise such laws and regulations. We also provide solutions in certain fields and business domains such as healthcare and communications that are subject to other public regulations, meaning that regulatory trends in these sectors may potentially impact the Group's business.

6. Other Operational Risks

The Fujitsu Group makes every effort to eliminate known risks but can offer no guarantee of its ability to always achieve every desired outcome in the course of executing business operations. Some of the specific risks faced in this respect are detailed below.

1) Deficiencies or Flaws in Products and Services

Quality is a core value of the Fujitsu Group. We are committed to improving quality at the design and development stages as well as in manufacturing. We are also promoting stricter quality control when purchasing components from external suppliers. These efforts notwithstanding, it is impossible to totally eliminate the possibility of deficiencies or flaws occurring in products, including software. While the Group is also promoting software modularization, standardization of development work, and enhanced security measures in order to improve the quality of system development and other services, the possibility of defects arising cannot be excluded. With respect to systems that play a critical role in supporting social infrastructure, following the incidents involving system problems at the Tokyo Stock Exchange in November 2005, we have been checking for any potential problems in these systems, including the operating environment, software and hardware, in cooperation with our customers. We cannot, however, entirely eliminate the possibility of deficiencies or flaws. In the event that such deficiencies or flaws occur, the Group may have to initiate product recalls or repairs, engage in system recovery work, pay damages to customers or suffer opportunity losses, all of which would negatively impact Group sales and profitability.

2) Project Management

Due to such factors as the increasing scale of systems and more rigorous demands from customers, as well as the advance of open system environments, system development work is becoming increasingly complex. At the same time, greater competition is leading to increasingly intense pricing pressures. To deal with this situation and prevent incidences of loss-generating projects, the Systems Integration Assurance Unit, which reports directly to the president, has taken the lead in revising our approach to making contracts with customers, advancing the standardization of sales and system engineering business processes, and working to manage risk from the business negotiation stage through actual project implementation. The Group continues to maintain reserves for losses as necessary. In addition, we are striving to industrialize the system development process in order to strengthen our cost competitiveness. Nevertheless, in spite of these measures, there is a possibility that we may be unable to completely prevent the occurrence of loss-generating projects.

3) Investment Decisions

In the IT industry, large investments in R&D, capital expenditure, and business acquisitions are necessary to maintain competitiveness. Accordingly, the success or failure of investment choices has a profound effect on the business results of the Fujitsu Group. When making such investment decisions, we give ample consideration to a range of factors such as market trends, customer needs, the superiority of Group technologies, the financial performance of acquisition candidates and our business portfolio. There is, however, the risk that markets and technologies, as well as acquisition candidates deemed attractive by the Group, may fail to grow as anticipated, or that supply and demand imbalances or price erosion may be more severe than expected. Investment in semiconductor facilities and equipment represents one such area with a high degree of risk. In addition to substantial funding requirements, this field is characterized in particular by short product cycles, major changes in the market landscape and stiff competition from other companies. The Group takes a number of steps to mitigate this risk, including responding to these inherent fluctuations by dividing investment into multiple phases and forging agreements with customers prior to investment. Nonetheless, there is no guarantee that the Group can generate sufficient returns on such investments.

4) Intellectual Property Rights

The Fujitsu Group has accumulated technologies and expertise that help distinguish its products from those of other companies. Legal restrictions in certain regions, however, may impair our ability to fully protect some of the Group's proprietary technologies, with the result that we could be unable to effectively prevent the manufacture and sale of similar products developed by third parties using the Group's own intellectual property. Moreover, the creation of comparable or superior technologies by other companies could erode the value of the Group's intellectual property. The Group has instituted internal policies, including stringent clearance procedures prior to launching new products and services, to ensure that no infringement of other companies' intellectual property occurs. However, there is the possibility that the Group's products or technologies may be found to infringe on other companies' intellectual property, and that earnings may be impacted by such consequences as the need to pay for usage rights or cover costs associated with having to modify designs. In addition, the Group has previously instituted a program to compensate employees for innovations that they make in the course of their work, and will continue to implement this program in the future in accordance with the revision of Japan's patent laws. Nevertheless, the Group faces potential risk from lawsuits initiated by employees in regard to compensation for innovation created in the workplace.

5) Human Resources

The growth and profitability of the Fujitsu Group depends heavily on human resources. As such, a major issue for the Group is the ability to recruit and foster talented technical experts, system engineers, managers and other key personnel; the inability to do so could negatively impact the Group's growth and profitability.

6) Environmental Pollution

While committed to minimizing environmental burden in accordance with the Fujitsu Way and the Fujitsu Group Environmental Policy, the Group cannot guarantee that environmental pollution will not occur as a result of its operations. Moreover, although we monitor soil and wastewater as well as engage in clean-up activities at former factory sites, this does not mean that pollution will not be found at such sites in the future. In the event that environmental pollution were to occur or be identified, clean up and other costs could be incurred, which would adversely affect the Group's earnings.

7) Information Management

In order to safeguard the personal and confidential information of customers and business partners, the Group has taken such measures as establishing strict regulations, instituting training programs for employees, and providing consultation to business subcontractors. Nevertheless, the Group cannot absolutely guarantee that information will not be leaked. In the unlikely event that this should occur, trust in the Fujitsu Group could decline and the Group may be obligated to pay damages to customers.

8) Credit Ratings and Other Factors that Affect the Group's Credit

In addition to having a major influence on financing, credit ratings by outside institutions serve as reliable sources of information when conducting transactions with business partners. Lower credit ratings caused by failure to meet earnings targets, deteriorating financial conditions and other reasons could influence our ability to procure needed funds and place the Group at a disadvantage in bidding for projects and in other business dealings.

7. Natural Disasters and Unforeseen Incidents

Natural disasters and other unforeseen situations could have a major impact on the business results and financial standing of the Fujitsu Group. Examples of the potential risks posed are found below.

1) Damage from Earthquakes, Other Natural Disasters and Accidents

The Group has taken measures to make its business sites more resistant to earthquakes and conducts regular inspections and disaster readiness drills. Nevertheless, there is a possibility that the Group may be prevented from continuing operations due to damage to facilities and equipment or interruptions in the supply of electricity or water as a result of earthquakes or other natural disasters and accidents. Such occurrences could interrupt shipments to customers or disrupt shipments of parts for the Group's internal use, thereby affecting factory production at other Group business sites. Semiconductor fabs and other plants where high-precision processing is carried out are particularly susceptible to the effects of earthquakes and other events. In the wake of such incidents, some time may be required to resume normal operations due to the array of highly specialized equipment and devices used at these sites. Damage caused by natural disasters may also hinder our ability to provide information system support for Group customers, which could interrupt their business activities.

We have a well-developed system in place to ensure the integrity and stable operation of critical in-house networks, which are a key element of our business infrastructure. However, the Group cannot guarantee its ability to prevent invasive computer viruses and other disruptions from impeding network operations.

2) Geopolitical Risk

Conflicts, political instability, currency crises, natural disasters, epidemics or other events in nations or regions where the Fujitsu Group operates could have a significant impact on its businesses.

8. Financial Statements

For more information, please refer to the section, "6. Critical Accounting Policies and Estimates," on page 86.

FINANCIAL SECTION

CONTENTS

FIVE-YEAR SUMMARY

Fujitsu Limited and Consolidated Subsidiaries

Years ended March 31	2004	2005	2006	2007	**2008**	**2008**
					Yen (millions)	U.S. Dollars (thousands)
	(excluding per share data, D/E ratio, net D/E ratio, and number of employees)					
Net sales	¥4,766,888	¥4,762,759	¥4,791,416	¥5,100,163	**¥5,330,865**	**$53,308,650**
Operating income	150,342	160,191	181,488	182,088	**204,989**	**2,049,890**
Income before income taxes and minority interests	157,018	223,526	118,084	214,495	**109,444**	**1,094,440**
Net income	49,704	31,907	68,545	102,415	**48,107**	**481,070**
Total assets	¥3,865,589	¥3,640,198	¥3,807,131	¥3,943,724	**¥3,821,963**	**$38,219,630**
Net assets	1,017,637	1,021,197	1,090,075	1,160,719	**1,130,176**	**11,301,760**
Amounts per share of common stock (Yen and U.S. dollars):						
Earnings						
Basic	¥ 24.55	¥ 15.42	¥ 32.83	¥ 49.54	**¥ 23.34**	**$ 0.233**
Diluted	22.24	13.86	29.54	44.95	**19.54**	**0.195**
Cash dividends	3.00	6.00	6.00	6.00	**8.00**	**0.080**
Owners' equity (Net assets less minority interests)	413.22	414.18	443.20	469.02	**458.31**	**4.583**
Interest-bearing loans	¥1,277,121	¥1,082,788	¥ 928,613	¥ 745,817	**¥ 887,336**	**$ 8,873,360**
D/E ratio (times)	1.54	1.26	1.01	0.77	**0.94**	
Net D/E ratio (times)	1.04	0.73	0.55	0.31	**0.36**	
Free cash flow	371,434	262,103	170,895	257,682	**38,146**	**381,460**
R&D expenses	¥ 250,910	¥ 240,222	¥ 241,566	¥ 254,095	**¥ 258,717**	**$ 2,587,170**
Capital expenditure	159,795	181,402	249,999	305,285	**249,063**	**2,490,630**
Number of employees	156,169	150,970	158,491	160,977	**167,374**	
Net sales by business segment (excluding intersegment sales):						
Technology Solutions	¥2,847,798	¥2,860,359	¥2,903,651	¥3,064,713	**¥3,158,984**	**$31,589,840**
Ubiquitous Product Solutions	834,256	899,000	926,417	993,232	**1,056,520**	**10,565,200**
Device Solutions	734,320	733,866	655,139	707,132	**736,527**	**7,365,270**
Other Operations	350,514	269,534	306,209	335,086	**378,834**	**3,788,340**
Total	¥4,766,888	¥4,762,759	¥4,791,416	¥5,100,163	**¥5,330,865**	**$53,308,650**
Net sales by customers' geographic location:						
Japan	¥3,378,265	¥3,340,664	¥3,199,842	¥3,274,908	**¥3,407,244**	**$34,072,440**
EMEA	605,051	633,243	689,774	795,877	**839,719**	**8,397,190**
The Americas	324,269	320,971	388,131	472,975	**521,989**	**5,219,890**
APAC & China	459,303	467,881	513,669	556,403	**561,913**	**5,619,130**
Total	¥4,766,888	¥4,762,759	¥4,791,416	¥5,100,163	**¥5,330,865**	**$53,308,650**

Notes: 1. See Note 16 of Notes to Consolidated Financial Statements for specific calculation of basic and diluted earnings per share.
2. The U.S. dollar amounts stated above and in the following Management's Discussion and Analysis of Operations have been translated from yen, for readers' convenience only, at the rate of ¥100 = US$1, which was the approximate rate on the Tokyo Foreign Exchange Market at March 31, 2008.
3. "Net assets" at March 31, 2007 is presented based on a new accounting standard in Japan for net assets, effective April 1, 2006. The sums of figures formerly presented as "Shareholders' equity" and "Minority interests in consolidated subsidiaries" in the financial statements prior to and for the year ended March 31, 2006 have been reclassified as "Net assets" for comparative purposes.
4. Cash dividends per share of common stock for the year ended March 31, 2008 are the total of interim and year-end dividends approved by the Company's Board of Directors on December 20, 2007 and May 23, 2008, respectively.
5. The Other Operations segment for the year ended March 31, 2004 includes the former Financing segment.
6. The capital expenditure stated above excludes intangible assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

The following section, Management's Discussion and Analysis of Operations, provides an overview of the consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") for the year ended March 31, 2008 (fiscal 2007). Forward-looking statements in this section are based on management's understanding and best judgment as of March 31, 2008.

1. Analysis of Results

Business Environment

In fiscal 2007, ended March 31, 2008, the business environment in which the Fujitsu Group operates remained healthy, driven largely by economic growth in Asia, centering on China and India. This was despite economic slowdown in the United States, stemming from rising raw materials and energy prices and financial instability caused by the subprime mortgage crisis, as well as growing uncertainty regarding the European economy.

The Japanese economy showed some signs of weakness resulting from sharp currency swings in the second half of the fiscal year, soaring prices for raw materials, sluggish consumer demand, and falling stock prices. Overall, however, the domestic economy was firm, supported by moderate recovery in demand in the corporate sector, driven by exports to rapidly growing emerging markets.

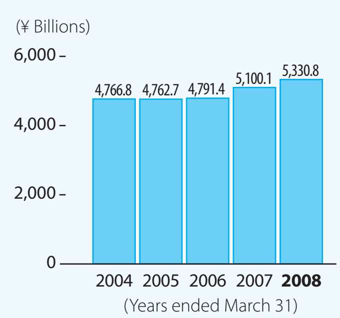
With respect to IT investments, economic slowdown in the United States and other factors provided growing cause for concern. On the whole, however, growth-oriented investments remained solid as companies strove to expand their global operations and strengthen their competitiveness. This was against a backdrop of rising demand from companies establishing compliance and internal control systems, as well as ongoing improvements in corporate earnings and financial positions.

Fiscal 2007 was the first year of the Group's new medium-term strategic plan, designed to boost earnings and growth. Based on our "Field Innovation" approach, we are shifting our emphasis from "IT solutions" to "business solutions" which call for a deeper involvement in the businesses of our customers. We are also pursuing Group-wide organizational and structural reforms and accelerating the globalization of our operations. The Fujitsu Group will implement Field Innovation for our own operations as well as to improve our customers' businesses, and through our constant pursuit of innovation, we aim to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.

Net Sales

In fiscal 2007, consolidated net sales amounted to ¥5,330.8 billion (US$53,308 million), an increase of 4.5% from the previous fiscal year. All business segments posted higher sales, led by strong results in the Services business and solid demand for PCs and mobile phones. Sales in Japan grew 4.0% year-on-year. Although sales of mobile phone base stations and standard technology logic devices were sluggish, sales in the Services business were strong, benefiting from increased sales of systems integration services, particularly to the financial services sector, as well as outsourcing services. Moreover, sales of PCs, mobile phones, and 90nm advanced logic products also increased. Sales outside of Japan climbed 5.4%. In the Services business, overseas sales were boosted by acquisitions and strong performances by existing businesses. Sales of UNIX servers, optical transmission systems, and PCs outside Japan were also up.

NET SALES

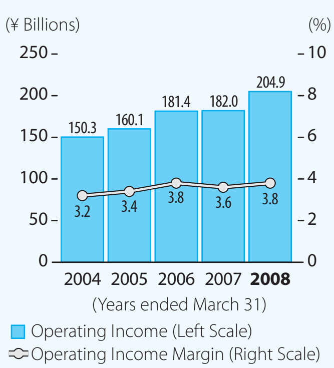


Cost of Sales, Selling, General & Administrative Expenses, and Operating Income

In fiscal 2007, cost of sales totaled ¥3,959.5 billion (US$39,595 million), and selling, general and administrative (SG&A) expenses were ¥1,166.3 billion (US$11,663 million).

Operating income was ¥204.9 billion (US$2,049 million), an increase of ¥22.9 billion over the previous fiscal year, and the operating income margin improved 0.2 of a percentage point to 3.8%. (Excluding the impact of changes in accounting policies implemented during the year, operating income would have been ¥205.5 billion (US$2,055 million), up ¥23.4 billion.) Gross profit benefited from higher sales and cost reductions for components. These factors outweighed several negative aspects, such as provision for losses from an unprofitable Services business project outside Japan, as well as intensified price competition in HDDs for notebook PCs during the first half of the year. SG&A expenses rose ¥29.8 billion year-on-year, due mainly to an increase in selling expenses related to higher revenue, expansion in the scope of our Services business due to acquisitions in Europe and elsewhere, and upfront, strategic investments in such fields as next-generation networks. As a percentage of net sales, however, SG&A expenses fell 0.4 of a percentage point from the previous fiscal year.

OPERATING INCOME AND OPERATING INCOME MARGIN



Other Income (Expenses) and Net Income

Other expenses, net, totaled ¥95.5 billion (US$955 million). We recorded a ¥17.3 billion (US$173 million) gain on the sale of shares in affiliates and a ¥2.0 billion (US$20 million) gain on change in interest related to the public listing of Nantong Fujitsu Microelectronics Co., Ltd., a Chinese affiliate. By contrast, we reported a ¥14.5 billion (US$145 million) foreign exchange loss due to the yen's sharp appreciation toward the end of the fiscal year, as well as a ¥25.1 billion (US$251 million) valuation loss on our holdings of publicly listed shares, reflecting a steep decline in the share price of Spansion Inc. of the United States. We also posted a ¥25.0 billion (US$250 million) loss on valuation of inventories in conjunction with the early adoption of a new accounting policy for such valuations introduced in the year under review. In line with the restructuring of our LSI business, meanwhile, we recorded a total of ¥22.1 billion (US$221 million) in losses, including an impairment loss on property, plant, and equipment stemming from the transfer of the product development and mass-production prototyping functions of the Akiruno Technology Center to the Mie Plant and associated relocation expenses.

Net income for the year totaled ¥48.1 billion (US$481 million), down ¥54.3 billion. (Excluding the impact of changes in accounting policies implemented during the year, net income would have been ¥61.2 billion (US$612 million), down ¥41.2 billion.) The decline in net income stemmed in part from ¥77.3 billion (US$773 million) in other income recorded in the previous year on the sale of shares in Fanuc Ltd. and other companies. Although the income tax liability increased due to higher dividend income from subsidiaries outside of Japan, around ¥18.0 billion (US$180 million) of the valuation allowance for deferred tax assets was returned and recorded as income. This was due to the tax benefit of an increase in the number of companies subject to consolidated corporate taxation and higher profits from core business operations.

The Company maintains significant loss carryforwards for corporate tax purposes in relation to structural business reforms carried out in the past. Prior to and including the year ended March 31, 2005, we booked around ¥150.0 billion (US$1,500 million) in accumulated valuation allowances for deferred tax assets in excess of the amount expected to be returned over a five-year period. Although we conservatively estimate future recoverable amounts, the recovery of loss carryforwards had proceeded faster than the initial plan as of March 31, 2008.

2. Segment Information

Information on consolidated sales (including intersegment sales) and operating income by business segment is presented below.

Technology Solutions

Sales in this segment in fiscal 2007 amounted to ¥3,272.2 billion (US$32,722 million), up 3.6% from fiscal 2006. Sales in Japan edged up 0.7% thanks to the ongoing strength of our Services business, which offset lower sales of mobile phone base stations. Sales outside of Japan rose 9.4%, due to ongoing growth of the Services business through acquisitions, as well as continued strength of existing businesses and higher sales of UNIX servers.

Operating income for the segment rose ¥16.5 billion year on year to ¥180.1 billion (US$1,801 million). (Excluding the impact of accounting policy changes, operating income would have been ¥188.3 billion (US$1,883 million), up ¥24.6 billion.) Despite a provision for losses from an unprofitable project outside of Japan, as well as higher upfront strategic investments in optical transmission systems and other Next-Generation Network equipment, operating income was boosted by higher sales in our Services business, excellent cost efficiencies in our server business, and other factors.

Seeking to optimize resources and step up integration of our product development and sales organizations, in August 2007, we made Fujitsu Access Limited and Fujitsu Wireless Systems Limited—two subsidiaries responsible for manufacturing, development, and sales of networking products—into wholly owned subsidiaries through exchanges of shares. In addition, in April 2008, we decided to consolidate the sales divisions of our domestic photonics business into Fujitsu Limited, and consolidate our domestic photonics development and manufacturing operations into Fujitsu Access, with these changes scheduled to take effect in July 2008. Integrating our sales divisions will enhance our sales capabilities, while the merged product development and manufacturing functions will improve and speed up those processes, enabling us to deliver higher-quality services to customers at competitive prices.

We are also pursuing our "Field Innovation" approach in the Services business. In October 2007, for example, we began training selected employees to become "Field Innovators," with the aim of strengthening and expanding our relationships with our customers. In addition, we are promoting the "industrialization" of IT services to advance the standardization and automation of processes used in the building of IT infrastructure. Specific measures include the establishment of the Infrastructure Technology Center, spearheaded by subsidiary Fujitsu FSAS Inc. We will continue to enhance various technologies that support Field Innovation. At the same time, we will focus on the development of new business solutions based on internal practices.

In fiscal 2007, the Fujitsu Group continued working proactively to strengthen its ability to deliver services on a global scale. During the year, we acquired via public tender offer Mandator AB, which provides application and other IT services in Scandinavia, primarily in its home country of Sweden. We also acquired a company that provides infrastructure services in Oceania. In Canada, meanwhile, we acquired two companies—a provider of business process optimization services and a provider of IT consulting and solutions. In Japan, we reinforced the service delivery capabilities of our remote data centers, which meet the security needs of customers for top-level security and business continuity in the event of natural disasters. In December 2007, we began operation of our Fujitsu Tokyo No. 2 Systems Center, a city center-based data facility designed to meet growing demand for Internet Data Center (IDC) services.

Ubiquitous Product Solutions

Sales in this segment in fiscal 2007 reached ¥1,188.9 billion (US$11,889 million), up 6.3% from fiscal 2006. Sales in Japan rose 7.2% amid solid demand for PCs and a growing market for mobile phones. Sales outside of Japan increased 4.8% on the back of higher sales of notebook PCs, primarily in North America and Asia, as well as strong sales of HDDs for notebook computers, where we set a new record in unit sales.

Segment operating income rose ¥10.9 billion, to ¥52.5 billion (US$525 million). (Excluding the impact of accounting policy changes, operating income would have been ¥54.2 billion (US$542 million), up ¥12.6 billion.) Profitability in our PC business was boosted by increased sales and lower component costs, combined with enhanced cost efficiency. With respect to HDDs, conditions in the second half of the year improved as we launched a new perpendicular magnetic recording model and benefited from the alleviation of price declines for HDDs used in notebook PCs. However, sharp price decreases in the first half of the period had a negative impact on full-year earnings.

Despite signs of stabilization buoyed by rising demand for PCs, competition in the market for HDDs for notebook PCs remains intense. In 2.5-inch HDDs, we developed two new models launched in May 2008—a 500GB model offering the highest capacity of any 2.5-inch HDD on the market, and a 320GB model with a built-in encryption function. We will continue honing our competitiveness in HDDs by targeting further cost reductions and launching a steady stream of innovative products.

In PCs, Shimane Fujitsu Limited, our PC manufacturing subsidiary in Japan, passed the cumulative production milestone of 20 million computers during the year. We will continue pursuing further improvements and efficiencies throughout our PC operations, from manufacturing to distribution. At the same time, we will seek to create a manufacturing organization that can quickly meet market needs with high-quality offerings, and consistently deliver products that guarantee customer satisfaction.

In January 2008, we established a new company by consolidating the parent company's mobile phone production management division and customer service center with the manufacturing and maintenance divisions of several subsidiaries, including Fujitsu Wireless Systems Limited, a wholly owned company. By strengthening the Fujitsu Group's mobile phone production and maintenance organization, we aim to become more responsive to customer needs and enhance the quality of our services.

Device Solutions

This segment reported a 4.5% year-on-year increase in sales, to ¥796.7 billion (US$7,967 million). Despite sluggish demand for standard technology logic devices, sales in Japan increased 14.1%. This was due to expanded production of 90nm advanced technology logic devices at the Mie Plant Fab No. 1, as well as increased sales of flash memory devices following the start of contractual production at facilities purchased from Spansion Japan Limited. Sales outside of Japan declined 9.9%, largely due to lower billings through the Company's overseas sales subsidiaries following a realignment of our overseas flash memory sales organization.

Segment operating income totaled ¥18.2 billion (US$182 million), mostly unchanged from fiscal 2006. (Excluding the impact of accounting policy changes, operating income would have been ¥7.9 billion (US$79 million), down ¥11.0 billion year on year.) Despite benefiting from increased sales of advanced technology logic devices for our LSI device business, operating income was impacted by higher depreciation expenses associated with the production launch at Mie Plant Fab No. 2, which uses 65nm process technology, as well as a delay in the rebound of demand for standard technology logic devices. The profitability of our electronic components business declined due to the yen's sharp appreciation at the end of the fiscal year, as well as intensified price competition and higher upfront investments.

To strengthen our integrated production and sales business structure, in October 2007, we transformed Fujitsu Devices Inc. into a wholly owned subsidiary through an exchange of shares. We then changed that company's name to Fujitsu Electronics Inc. and consolidated our sales division into it, thereby integrating our sales organization under one roof. In March 2008, we integrated the development and mass-production prototyping functions for advanced process technologies (90nm-generation and beyond) at our Mie Plant. In addition, we reorganized our LSI operations into an independent, wholly owned subsidiary, Fujitsu Microelectronics Limited, in order to create an organization capable of rapid and timely management decisions. In addition to our core

ASIC*[1] and COT*[2] operations, we are strengthening our sales of general-purpose devices, including ASSPs*[3], microcontrollers, and analog devices, for which demand is growing, especially in Asia. The goal of the restructuring is to increase the proportion of sales derived from high-value-added, general-purpose offerings and build a stronger, more efficient business foundation.

*[1] ASIC : Application-specific integrated circuit
*[2] COT : Customer owned tooling (contract production of LSI devices designed and developed by the customer)
*[3] ASSP: Application-specific standard product

Net Sales and Operating Income by Business Segment (including intersegment sales)

(¥ Billions)

Years ended March 31	2007	**2008**	Increase Rate (%)
Net sales			
Technology Solutions	¥3,157.0	**¥3,272.2**	3.6%
Ubiquitous Product Solutions	1,118.3	**1,188.9**	6.3
Device Solutions	762.6	**796.7**	4.5
Other Operations	490.3	**526.8**	7.4
Intersegment elimination	(428.2)	**(453.9)**	
Consolidated net sales	¥5,100.1	**¥5,330.8**	4.5%

(¥ Billions)

Years ended March 31	2007	**2008**	Increase (Decrease)
Operating income (loss)			
Technology Solutions	¥163.6	**¥180.1**	¥16.5
Ubiquitous Product Solutions	41.6	**52.5**	10.9
Device Solutions	19.0	**18.2**	(0.7)
Other Operations	10.5	**14.2**	3.7
Unallocated operating costs and expenses/ intersegment elimination	(52.7)	**(60.3)**	(7.5)
Consolidated operating income	¥182.0	**¥204.9**	¥22.9

Geographical Segment Information

The following section provides information on sales (including intersegment sales) and operating income in each of our principal operating regions.

Japan

In Japan, the Fujitsu Group reported sales of ¥4,229.7 billion (US$42,297 million), up 3.7% from fiscal 2006. Lower sales of mobile phone base stations and other products were outweighed by higher sales of services, PCs, and mobile phones. Operating income grew a substantial ¥49.0 billion, to ¥240.9 billion (US$2,409 million). Despite intensified price competition in HDDs for notebook PCs and lower sales of mobile phone base stations, operating income increased owing to higher sales and increased efficiency in the services, server, and PC businesses following cost-cutting measures.

EMEA

In EMEA, sales increased 4.6%, to ¥769.9 billion (US$7,699 million). Growth was particularly strong in Germany and Scandinavia, where our Services business expanded on the back of acquisitions. Operating income declined ¥23.4 billion, to ¥0.7 billion (US$7 million). Despite the beneficial effect of increased sales, operating income was negatively affected by several factors. These included a provision for losses from an unprofitable project in the United Kingdom, higher goodwill amortization costs associated with acquisitions in the Services business, and investments in the development of optical transmission systems and other Next-Generation Network (NGN) equipment.

The Americas

Sales in the Americas rose 6.3%, to ¥469.9 billion (US$4,699 million). Higher sales of optical transmission systems, servers, HDDs, and notebook PCs contributed to the overall revenue increase. Operating income remained mostly unchanged, at ¥9.2 billion (US$92 million). Despite higher development costs for NGN and increased marketing expenses related to the launch of IA servers, operating income was boosted by higher sales and cost-cutting in the retail solutions business.

APAC & China

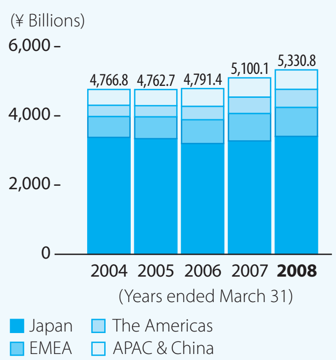
In APAC & China, sales grew 5.9%, to ¥855.0 billion (US$8,550 million). Due in part to an acquisition in Oceania, the Services business expanded, while our HDD manufacturing subsidiaries also posted higher sales. Operating income climbed ¥3.1 billion, to ¥14.8 billion (US$148 million), owing mainly to the revenue increase.

Net Sales and Operating Income by Geographic Segment (including intersegment sales) (¥ Billions)

Years ended March 31	2007	**2008**	Increase Rate (%)
Net sales			
Japan	¥4,077.1	**¥4,229.7**	3.7%
EMEA	736.3	**769.9**	4.6
The Americas	442.3	**469.9**	6.3
APAC & China	807.1	**855.0**	5.9
Intersegment elimination	(962.8)	**(993.8)**	
Consolidated net sales	¥5,100.1	**¥5,330.8**	4.5%

Years ended March 31	2007	**2008**	Increase (Decrease)
Operating income (loss)			
Japan	¥191.8	**¥240.9**	¥49.0
EMEA	24.1	**0.7**	(23.4)
The Americas	8.4	**9.2**	0.7
APAC & China	11.6	**14.8**	3.1
Unallocated operating costs and expenses/ intersegment elimination	(54.0)	**(60.7)**	(6.7)
Consolidated operating income	¥182.0	**¥204.9**	¥22.9

FOR REFERENCE: NET SALES BY CUSTOMERS' GEOGRAPHIC LOCATION



3. Capital Resources and Liquidity

Improvement in Financial Condition

In fiscal 2007, the Fujitsu Group continued to improve the soundness of its financial position, including by bolstering the profitability of its core businesses and boosting cash flows through more efficient deployment of working capital.

The total asset turnover ratio for the year was 1.37 times, up 0.05 of a point, and the monthly inventory turnover rate was 1.03 times, an improvement of 0.10 of a point. Free cash flow—the sum of cash flows from operating and investing activities—was positive ¥38.1 billion (US$381 million). (Excluding the impact of the previous fiscal year-end falling on a business holiday, free cash flow would have been positive ¥144.7 billion (US$1,447 million).)

Assets, Liabilities, and Net Assets

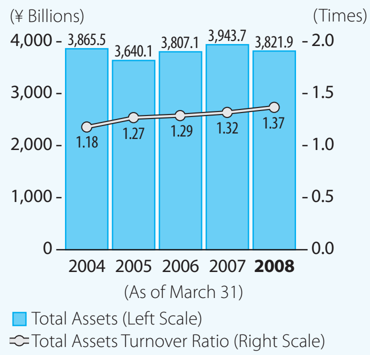
Total assets at fiscal year-end amounted to ¥3,821.9 billion (US$38,219 million), down ¥121.7 billion from a year earlier. The decline stemmed primarily from a fall in non-current assets. Among current assets, cash and cash equivalents increased in line with the issue of convertible bonds in August 2007 to prepare for redemption of convertible bonds maturing in 2009. Inventories declined ¥29.2 billion, to ¥383.1 billion (US$3,831 million), and the monthly inventory turnover rate, which is an indication of asset efficiency, rose to 1.03 times, an improvement of 0.10 of a point. Among non-current assets, investments and long-term loans declined, due mainly to falling prices of our holdings of listed shares.

Total liabilities stood at ¥2,691.7 billion (US$26,917 million), down ¥91.2 billion from a year earlier. (Excluding the impact of the previous fiscal year-end falling on a business holiday, which resulted in the payment of trade payables being carried over into fiscal 2007, liabilities would have increased ¥36.7 billion.)

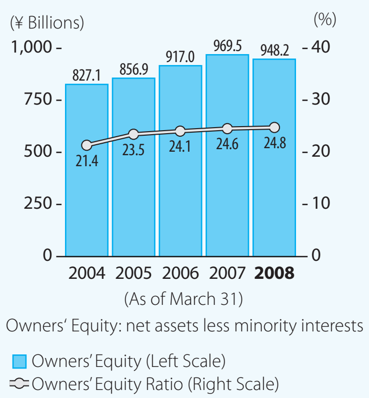
Interest-bearing loans rose to ¥887.3 billion (US$8,873 million), due to the issue of convertible bonds to finance redemption of existing debt. Net interest-bearing debt (after subtracting cash and cash equivalents) was ¥339.4 billion (US$3,394 million). The D/E ratio was 0.94 times, and the net D/E ratio was 0.36 times.

Net assets amounted to ¥1,130.1 billion (US$11,301 million), down ¥30.5 billion. This was mainly due to a decline in valuation and translation adjustments stemming from the yen's sharp appreciation toward the end of the year, as well as falling prices of listed shares. Shareholders' equity rose ¥36.6 billion, to ¥911.6 billion (US$9,116 million). At its meeting held in May 2007, the Board of Directors approved a resolution to transfer ¥240.4 billion (US$2,404 million) from "capital surplus" to "retained earnings."

TOTAL ASSETS/TOTAL ASSETS TURNOVER RATIO



OWNERS' EQUITY/ OWNERS' EQUITY RATIO



Cash Flows

Net cash provided by operating activities amounted to ¥322.0 billion (US$3,220 million), down ¥86.6 billion from the previous fiscal year. (Excluding the impact of the previous fiscal year-end falling on a business holiday, which resulted in the payment of trade payables being carried over into fiscal 2007, net cash provided by operating activities would have been ¥63.7 billion higher, due to increased income from core business operations and progress in the collection of trade receivables.)

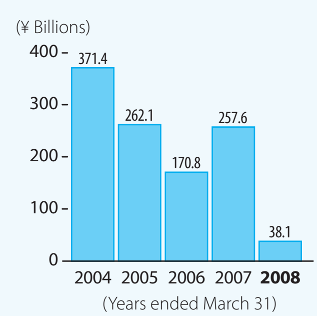
Net cash used in investing activities totaled ¥283.9 billion (US$2,839 million), up ¥132.8 billion from the previous year. The comparative increase in outflows stemmed from the sale of shares in Fanuc Ltd. in fiscal 2006, which generated an inflow of ¥69.8 billion (US$698 million) in that year.

Free cash flow (the sum of operating and investment cash flows) was positive ¥38.1 billion (US$381 million). (Excluding the impact of the previous fiscal year-end falling on a holiday, free cash flow would have been positive ¥147.7 billion (US$1,477 million).)

Net cash provided by financing activities totaled ¥62.3 billion (US$623 million). During the year, the Company undertook share buybacks in order to convert subsidiaries into wholly owned companies via exchanges of shares. By contrast, it also issued ¥200.0 billion (US$2,000 million) in convertible bonds to even out obligations associated with the potential redemption of convertible bonds maturing in 2009.

As a result of the above factors, cash and cash equivalents at the end of fiscal 2007 totaled ¥547.8 billion (US$5,478 million), up ¥99.1 billion from a year earlier.

FREE CASH FLOW



4. Capital Expenditure

In fiscal 2007, capital expenditure, which was concentrated on growth fields such as logic LSI technologies and outsourcing services, as well as on building the base for future business development, totaled ¥249.0 billion (US$2,490 million). By business segment, capital expenditure was ¥81.6 billion (US$816 million) in Technology Solutions, ¥27.6 billion (US$276 million) in Ubiquitous Product Solutions, ¥117.3 billion (US$1,173 million) in Device Solutions, and ¥22.5 billion (US$225 million) for corporate and others.

Capital Expenditure

(¥ Billions)

Years ended March 31	2007	**2008**	Increase (Decrease) Rate (%)
Technology Solutions	¥91.3	**¥81.6**	(10.6)%
Ubiquitous Product Solutions	24.8	**27.6**	11.3
Device Solutions	166.2	**117.3**	(29.4)
Corporate and others*	22.8	**22.5**	(1.3)
Total	¥305.2	**¥249.0**	(18.4)%
Japan	254.6	**189.6**	(25.5)
Overseas	50.6	**59.4**	17.4

* Non-allocable capital expenditure for shared R&D and parent company management divisions

5. Consolidated Subsidiaries

At the end of fiscal 2007, the Company had 430 consolidated subsidiaries, comprising 136 companies in Japan and 294 overseas, representing an increase of 37 from last year's total of 393. The increase in new companies in the Group primarily reflected M&A activity by UK subsidiary Fujitsu Services Holdings PLC as well as the establishment of new companies due to the spin-off of LSI and other business divisions.

The number of affiliated companies accounted for by the equity method as of the fiscal year-end totaled 23, four less than a year earlier.

6. Critical Accounting Policies and Estimates

Accounting Principles and Practices

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Financial Instruments and Exchange Law of Japan. The accounting principles and practices adopted by consolidated subsidiaries outside Japan conform to those of their respective countries.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amount of the assets, liabilities, contingent assets and contingent liabilities reported at the end of the fiscal year, as well as the amount of revenue and expenses recognized during that term. Actual results may differ from these estimates.

Losses, moreover, may occur as a result of changes in accounting standards.

Revenue Recognition

Revenue from sales of IT systems and products, excluding software development contracts, 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 customers. Revenue from software development contracts is recognized on a percentage-of-completion basis.

We stringently assess the potential revenue recoverable on projects for which estimated costs have exceeded estimated revenue, and recognize as losses the amounts assessed as non-recoverable. If the estimated costs relating to such contracts increase further in the future, additional losses may be recognized.

Property, Plant and Equipment

Depreciation for property, plant and equipment is computed principally by the straight-line method at rates based on the estimated useful lives of the respective assets, reflecting the likely period over which the value of the assets can be realized under normal business conditions. In the future, some equipment and facilities may become obsolete as a result of technical innovation or other factors, and some equipment and facilities may no longer be required as the result of withdrawal from certain businesses, in which case their actual useful lives may be recognized as shorter than their originally estimated useful lives. Losses may occur as a result.

In addition, impairment losses may be recognized in cases in which there is a decline in expected future cash flows from assets due to production facilities becoming idle or a decrease in the capacity utilization rate associated with rapid changes in the operating environment or other factors.

Intangible Assets (Software)

Computer software for sale is amortized based on projected unit sales volume during the period for which the projections are made. The projected unit sales volume is estimated based on a feasible sales plan, but one-time losses may occur if anticipated unit sales fall short of the original sales plan. Computer software for internal use is amortized by the straight-line method over its estimated useful life. Losses may occur if the actual useful life falls short of the initially estimated useful life.

Goodwill

Goodwill arising from the acquisition of a business, including those purchased by consolidated subsidiaries, is amortized by the straight-line method over the period corresponding to the premium of the acquired business. Losses may be recognized if the business is withdrawn or sold by the Group, or if the profitability of the acquired business decreases during the period the Group expected the return.

Marketable Securities

Held-to-maturity investments are stated at amortized cost, while available-for-sale securities with market value are carried at fair market value as of the balance sheet date. Available-for-sale securities without market value are carried at cost based primarily on the moving-average method. Fluctuations in the value of available-for-sale securities with market value cause fluctuations in the carrying value of investment securities, resulting in increases or decreases in shareholders' equity. Impairment loss is recognized on available-for-sale securities when the market value or the net worth falls significantly and is considered to be unrecoverable. If a significant decline in market value or net worth occurs and is expected to be unrecoverable in the future, additional impairment losses may need to be recognized.

Deferred Tax Assets

We record an appropriate balance of deferred tax assets against losses carried forward and temporary differences. Future increases or decreases in the balance of deferred tax assets may occur if projected taxable income decreases or increases as a result of trends in future business results. In addition, changes in the effective tax rate due to future revisions to taxation systems could result in increases or decreases of deferred tax assets.

Provision for Product Warranties

Some of the Company's products are covered by contracts that require us to repair or exchange them free of charge during a set period of time. Based on past experience, we record a provision for estimated repair and exchange expenses at the time of sale. The Group is taking steps to strengthen quality management during the product development, manufacturing and procurement stages. However, should product defects or other problems occur at a level in excess of that covered by the estimated expenses, additional expenses may be incurred.

Retirement Benefits

Retirement benefit costs and obligations are determined based on certain actuarial assumptions. These assumptions include the discount rate, rates of retirement, mortality rates, and the expected rate of return on the plan assets. When actual results differ from the assumptions or when the assumptions are changed, retirement benefit costs and obligations can be affected. In the event an actuarial loss arises, the actuarial loss is amortized using a straight-line method over employees' average remaining service period. Furthermore, revisions to accounting standards in countries where overseas subsidiaries are located and in Japan could potentially impact the Company's retirement benefit costs and obligations, as well as net assets.

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. Contracts with these companies require the buyback of the computers if lease contracts are terminated. An estimated amount for the loss arising from such buybacks is provided at the time of sale and is recorded as a provision. Any future changes in the usage trends of end-users may result in additions or reductions to the provision.

CONSOLIDATED BALANCE SHEETS

Fujitsu Limited and Consolidated Subsidiaries

At March 31	Yen (millions) 2007	Yen (millions) 2008	U.S. Dollars (thousands) (Note 2) 2008
Assets			
Current assets:			
Cash and cash equivalents	¥ 448,705	**¥ 547,844**	**$ 5,478,440**
Short-term investments (Note 3)	720	**1,564**	**15,640**
Receivables, trade (Notes 15 and 19)	1,054,048	**1,017,916**	**10,179,160**
Allowance for doubtful accounts	(6,906)	**(5,245)**	**(52,450)**
Inventories (Note 4)	412,387	**383,106**	**3,831,060**
Others (Notes 10 and 19)	223,069	**224,752**	**2,247,520**
Total current assets	2,132,023	**2,169,937**	**21,699,370**
Investments and long-term loans:			
Affiliates (Note 5)	120,956	**104,586**	**1,045,860**
Others (Notes 3, 5, 9 and 10)	613,316	**488,121**	**4,881,210**
Total investments and long-term loans	734,272	**592,707**	**5,927,070**
Property, plant and equipment (Notes 6, 8 and 14)**:**			
Land	111,421	**105,584**	**1,055,840**
Buildings	768,981	**797,356**	**7,973,560**
Machinery and equipment	1,987,726	**1,861,929**	**18,619,290**
Construction in progress	31,332	**23,586**	**235,860**
	2,899,460	**2,788,455**	**27,884,550**
Less accumulated depreciation	(2,056,971)	**(1,948,691)**	**(19,486,910)**
Property, plant and equipment, net	842,489	**839,764**	**8,397,640**
Intangible assets (Note 14)**:**			
Software	133,250	**134,435**	**1,344,350**
Goodwill (Note 7)	82,887	**68,411**	**684,110**
Others	18,803	**16,709**	**167,090**
Total intangible assets	234,940	**219,555**	**2,195,550**
Total assets	¥ 3,943,724	**¥ 3,821,963**	**$ 38,219,630**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

* "Lease obligation" had been included as a component of "others" under "current liabilities" and "long-term liabilities" in consolidated balance sheets prior to and for the year ended March 31, 2007. The item is separately presented at March 31, 2008 in accordance with the early adoption of accounting standards for leases in Japan.

The amounts in the consolidated balance sheets at March 31, 2007 have been reclassified.

At March 31	Yen (millions) 2007	Yen (millions) 2008	U.S. Dollars (thousands) (Note 2) 2008
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 8)	¥ 226,250	**¥ 160,227**	**$ 1,602,270**
Lease obligation (Note 14)	39,059	**38,535**	**385,350**
Payables, trade (Notes 15 and 19)	824,825	**772,164**	**7,721,640**
Accrued expenses (Note 19)	390,888	**367,321**	**3,673,210**
Customers' advances	76,407	**69,319**	**693,190**
Accrued income taxes	32,821	**26,529**	**265,290**
Provision for product warranties	16,922	**19,961**	**199,610**
Others (Notes 10 and 19)	200,393	**157,284**	**1,572,840**
Total current liabilities	1,807,565	**1,611,340**	**16,113,400**
Long-term liabilities:			
Long-term debt (Note 8)	519,567	**727,109**	**7,271,090**
Lease obligation (Note 14)	86,699	**62,632**	**626,320**
Accrued retirement benefits (Note 9)	197,143	**155,578**	**1,555,780**
Provision for loss on repurchase of computers	38,649	**27,082**	**270,820**
Provision for recycling expenses	3,923	**4,856**	**48,560**
Others (Note 10)	129,459	**103,190**	**1,031,900**
Total long-term liabilities	975,440	**1,080,447**	**10,804,470**
Net assets			
Shareholders' equity:			
Common stock (Note 11)			
Authorized—5,000,000,000 shares			
Issued			
2007—2,070,018,213 shares			
2008—2,070,018,213 shares	324,625	**324,625**	**3,246,250**
Capital surplus	498,029	**249,038**	**2,490,380**
Retained earnings	54,319	**338,903**	**3,389,030**
Treasury stock, at cost	(1,969)	**(869)**	**(8,690)**
Total shareholders' equity	875,004	**911,697**	**9,116,970**
Valuation and translation adjustments:			
Unrealized gain and loss on securities, net of taxes	122,770	**89,879**	**898,790**
Revaluation surplus on land and others, net of taxes	2,613	**2,573**	**25,730**
Foreign currency translation adjustments	(30,865)	**(55,945)**	**(559,450)**
Total valuation and translation adjustments	94,518	**36,507**	**365,070**
Minority interests in consolidated subsidiaries	191,197	**181,972**	**1,819,720**
Total net assets	1,160,719	**1,130,176**	**11,301,760**
Commitments and contingent liabilities (Note 12)			
Total liabilities and net assets	¥3,943,724	**¥3,821,963**	**$38,219,630**

CONSOLIDATED STATEMENTS OF OPERATIONS

Fujitsu Limited and Consolidated Subsidiaries

			Yen (millions)	U.S. Dollars (thousands) (Note 2)
Years ended March 31	2006	2007	**2008**	**2008**
Net sales	¥4,791,416	¥5,100,163	**¥5,330,865**	**$53,308,650**
Operating costs and expenses:				
Cost of sales	3,523,421	3,781,647	**3,959,561**	**39,595,610**
Selling, general and administrative expenses (Note 17)	1,086,507	1,136,428	**1,166,315**	**11,663,150**
	4,609,928	4,918,075	**5,125,876**	**51,258,760**
Operating income	181,488	182,088	**204,989**	**2,049,890**
Other income (expenses):				
Interest income	5,912	7,894	**10,090**	**100,900**
Dividend income	4,583	6,291	**7,669**	**76,690**
Equity in earnings of affiliates, net	(1,478)	6,996	**9,192**	**91,920**
Interest charges	(19,084)	(18,429)	**(21,277)**	**(212,770)**
Other, net (Note 17)	(53,337)	29,655	**(101,219)**	**(1,012,190)**
	(63,404)	32,407	**(95,545)**	**(955,450)**
Income before income taxes and minority interests	118,084	214,495	**109,444**	**1,094,440**
Income taxes (Note 10)**:**				
Current	36,831	44,104	**39,736**	**397,360**
Deferred	196	52,139	**7,534**	**75,340**
	37,027	96,243	**47,270**	**472,700**
Income before minority interests	81,057	118,252	**62,174**	**621,740**
Minority interests in income of consolidated subsidiaries	(12,512)	(15,837)	**(14,067)**	**(140,670)**
Net income	¥ 68,545	¥ 102,415	**¥ 48,107**	**$ 481,070**

			Yen	U.S. Dollars (Note 2)
Amounts per share of common stock:				
Basic earnings (Note 16)	¥32.83	¥49.54	**¥23.34**	**$0.233**
Diluted earnings (Note 16)	29.54	44.95	**19.54**	**0.195**
Cash dividends	6.00	6.00	**8.00**	**0.080**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fujitsu Limited and Consolidated Subsidiaries

Yen (millions)

	Shareholders' equity					Valuation and translation adjustments				
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock, at cost	Total Shareholders' equity	Unrealized gain and loss on securities, net of taxes	Revaluation surplus on land and others, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2005	¥ 324,625	¥ 497,882	¥ (7,823)	¥ (1,243)	¥ 813,441	¥ 98,076	¥ 3,453	¥ (57,980)	¥ 164,207	¥ 1,021,197
Increase (decrease) during the term:										
Cash dividends from retained earnings			(12,408)		(12,408)					(12,408)
Bonuses to directors and statutory auditors			(596)		(596)					(596)
Net income			68,545		68,545					68,545
Decrease as a result of changes in accounting principles and practices in UK subsidiaries			(85,980)		(85,980)					(85,980)
Increase as a result of business acquisition		183			183					183
Purchase of treasury stock				(436)	(436)					(436)
Sales of treasury stock		13		214	227					227
Decrease as a result of deconsolidation of consolidated subsidiaries		(59)			(59)					(59)
Others			(2,223)		(2,223)					(2,223)
Net increase (decrease) during the term, except for items under shareholders' equity						81,638	(949)	12,113	8,823	101,625
Net increase (decrease) during the term	—	137	(32,662)	(222)	(32,747)	81,638	(949)	12,113	8,823	68,878
Balance at March 31, 2006	¥ 324,625	¥ 498,019	¥ (40,485)	¥ (1,465)	¥ 780,694	¥ 179,714	¥ 2,504	¥ (45,867)	¥ 173,030	¥ 1,090,075
Increase (decrease) during the term:										
Cash dividends from retained earnings			(12,405)		(12,405)					(12,405)
Bonuses to directors and statutory auditors			(665)		(665)					(665)
Net income			102,415		102,415					102,415
Purchase of treasury stock				(529)	(529)					(529)
Sales of treasury stock		10		25	35					35
Increase and decrease of equity method affiliates			(3,715)		(3,715)					(3,715)
Others			9,174		9,174					9,174
Net increase (decrease) during the term, except for items under shareholders' equity						(56,944)	109	15,002	18,167	(23,666)
Net increase (decrease) during the term	—	10	94,804	(504)	94,310	(56,944)	109	15,002	18,167	70,644
Balance at March 31, 2007	¥ 324,625	¥ 498,029	¥ 54,319	¥ (1,969)	¥ 875,004	¥ 122,770	¥ 2,613	¥ (30,865)	¥ 191,197	¥ 1,160,719
Increase (decrease) during the term:										
Transfer of capital surplus to retained earnings*		**(240,464)**	**240,464**		**—**					**—**
Cash dividends from capital surplus and retained earnings		**(6,201)**	**(6,207)**		**(12,408)**					**(12,408)**
Net income			**48,107**		**48,107**					**48,107**
Purchase of treasury stock				**(27,231)**	**(27,231)**					**(27,231)**
Sales of treasury stock		**(2,326)**		**28,331**	**26,005**					**26,005**
Increase in consolidated subsidiaries			**896**		**896**					**896**
Others			**1,324**		**1,324**					**1,324**
Net increase (decrease) during the term, except for items under shareholders' equity						**(32,891)**	**(40)**	**(25,080)**	**(9,225)**	**(67,236)**
Net increase (decrease) during the term	**—**	**(248,991)**	**284,584**	**1,100**	**36,693**	**(32,891)**	**(40)**	**(25,080)**	**(9,225)**	**(30,543)**
Balance at March 31, 2008	**¥ 324,625**	**¥ 249,038**	**¥ 338,903**	**¥ (869)**	**¥ 911,697**	**¥ 89,879**	**¥ 2,573**	**¥ (55,945)**	**¥ 181,972**	**¥ 1,130,176**

U.S. Dollars (thousands) (Note 2)

	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock, at cost	Total Shareholders' equity	Unrealized gain and loss on securities, net of taxes	Revaluation surplus on land and others, net of taxes	Foreign currency translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007 (in U.S. Dollars)	$ 3,246,250	$ 4,980,290	$ 543,190	$ (19,690)	$ 8,750,040	$ 1,227,700	$ 26,130	$ (308,650)	$ 1,911,970	$ 11,607,190
Increase (decrease) during the term:										
Transfer of capital surplus to retained earnings*		**(2,404,640)**	**2,404,640**		**—**					**—**
Cash dividends from capital surplus and retained earnings		**(62,010)**	**(62,070)**		**(124,080)**					**(124,080)**
Net income			**481,070**		**481,070**					**481,070**
Purchase of treasury stock				**(272,310)**	**(272,310)**					**(272,310)**
Sales of treasury stock		**(23,260)**		**283,310**	**260,050**					**260,050**
Increase in consolidated subsidiaries			**8,960**		**8,960**					**8,960**
Others			**13,240**		**13,240**					**13,240**
Net increase (decrease) during the term, except for items under shareholders' equity						**(328,910)**	**(400)**	**(250,800)**	**(92,250)**	**(672,360)**
Net increase (decrease) during the term	**—**	**(2,489,910)**	**2,845,840**	**11,000**	**366,930**	**(328,910)**	**(400)**	**(250,800)**	**(92,250)**	**(305,430)**
Balance at March 31, 2008 (in U.S. Dollars)	**$3,246,250**	**$ 2,490,380**	**$3,389,030**	**$ (8,690)**	**$9,116,970**	**$ 898,790**	**$25,730**	**$(559,450)**	**$1,819,720**	**$11,301,760**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

* At the Board of Directors meeting held on May 24, 2007, the Company resolved to appropriate the Company's "other capital surplus" and "other retained earnings" in accordance with the Japanese Corporate Law. As a result, in the non-consolidated financial statements, "other capital surplus" decreased by ¥240,464 million (US$ 2,404,640 thousand) and "other retained earnings" increased by the same amount. Accordingly, in the consolidated financial statements, "capital surplus" decreased by ¥240,464 million (US$ 2,404,640 thousand), and "retained earnings" increased by the same amount.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fujitsu Limited and Consolidated Subsidiaries

Years ended March 31	2006	2007	Yen (millions) 2008	U.S. Dollars (thousands) (Note 2) 2008
Cash flows from operating activities (A):				
Income before income taxes and minority interests	¥ 118,084	¥ 214,495	**¥ 109,444**	**$ 1,094,440**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization, including goodwill amortization	242,376	278,784	**279,298**	**2,792,980**
Impairment loss	—	9,991	**18,756**	**187,560**
Increase (decrease) in provisions	3,422	(20,686)	**(24,611)**	**(246,110)**
Interest income	(5,912)	(7,894)	**(10,090)**	**(100,900)**
Dividend income	(4,583)	(6,291)	**(7,669)**	**(76,690)**
Interest charges	19,084	18,429	**21,277**	**212,770**
Equity in earnings of affiliates, net	1,478	(6,996)	**(9,192)**	**(91,920)**
Disposal of non-current assets	28,625	27,879	**17,314**	**173,140**
Gain on sales of marketable securities, net	—	(75,062)	**(17,308)**	**(173,080)**
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**
(Increase) decrease in receivables, trade (Note 19)	10,719	(116,659)	**(26,452)**	**(264,520)**
(Increase) decrease in inventoriesd	5,746	(7,445)	**(8,361)**	**(83,610)**
(Increase) decrease in other current assets (Note 19)	(836)	8,706	**7,530**	**75,300**
Increase (decrease) in payables, trade (Note 19)	21,196	49,263	**(22,892)**	**(228,920)**
Increase (decrease) in other current liabilities (Note 19)	26,123	75,695	**(13,832)**	**(138,320)**
Other, net	(11,877)	3,927	**5,215**	**52,150**
Cash generated from operations	454,874	450,839	**368,604**	**3,686,040**
Interest received	5,814	7,938	**10,038**	**100,380**
Dividends received	4,589	7,368	**7,836**	**78,360**
Interest paid	(20,302)	(18,835)	**(19,388)**	**(193,880)**
Income taxes paid	(39,396)	(38,545)	**(45,018)**	**(450,180)**
Net cash provided by operating activities	405,579	408,765	**322,072**	**3,220,720**
Cash flows from investing activities (B):				
Purchases of property, plant and equipment (Note 19)	(221,100)	(258,631)	**(268,955)**	**(2,689,550)**
Proceeds from sales of property, plant and equipment	50,710	62,296	**3,986**	**39,860**
Purchases of intangible assets	(62,173)	(59,132)	**(62,085)**	**(620,850)**
Purchases of investment securities	(70,981)	(22,813)	**(20,985)**	**(209,850)**
Proceeds from sales of investment securities	22,353	117,121	**55,470**	**554,700**
Other, net	46,507	10,076	**8,643**	**86,430**
Net cash used in investing activities	(234,684)	(151,083)	**(283,926)**	**(2,839,260)**
A+B*	170,895	257,682	**38,146**	**381,460**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(44,503)	(27,071)	**16,099**	**160,990**
Proceeds from long-term debt	38,477	14,160	**336,862**	**3,368,620**
Repayment of long-term debt	(150,628)	(173,867)	**(202,707)**	**(2,027,070)**
Dividends paid	(12,408)	(16,572)	**(15,875)**	**(158,750)**
Increase (decrease) in minority interests	(3,250)	5,297	**757**	**7,570**
Other, net**	(35,528)	(36,900)	**(72,811)**	**(728,110)**
Net cash provided by (used in) financing activities	(207,840)	(234,953)	**62,325**	**623,250**
Effect of exchange rate changes on cash and cash equivalents	3,323	4,424	**(2,313)**	**(23,130)**
Net increase (decrease) in cash and cash equivalents	(33,622)	27,153	**98,158**	**981,580**
Cash and cash equivalents at beginning of year	454,516	420,894	**448,705**	**4,487,050**
Cash and cash equivalents of newly consolidated subsidiaries	—	658	**981**	**9,810**
Cash and cash equivalents at end of year	¥ 420,894	¥ 448,705	**¥ 547,844**	**$ 5,478,440**
Non-cash investing and financing activities:				
Acquisition of assets under finance leases	¥ 55,149	¥ 75,079	**¥ 19,015**	**$ 190,150**
Increase or decrease in capital surplus as a result of stock exchange	6	—	**(2,323)**	**(23,230)**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

* This is referred to as "free cash flow" in Management's Discussion and Analysis of Operations.

** "Other, net" of cash flows from financing activities for the year ended March 31, 2008 related mainly to an expenditure of ¥26,531 million ($265,310 thousand), approved by the Board of Directors on May 24, 2007 for purchase of treasury stock used for the exchange of shares required to make Fujitsu Access Limited, Fujitsu Devices Inc. and Fujitsu Wireless Systems Limited wholly owned subsidiaries. The purchased treasury stock was exchanged for shares in these companies. Fujitsu Devices Inc. changed its corporate name to Fujitsu Electronics Inc. in October 2007. The details of the exchange of shares are set forth in Note 22.

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**

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2007	**2008**	**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

Years ended March 31	Technology Solutions	Ubiquitous Product Solutions	Device Solutions	Other Operations	Elimination & Corporate	Consolidated
						Yen (millions)
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	Consolidated
						U.S. Dollars (thousands)
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:

At March 31	Yen (millions) 2007	Yen (millions) 2008	U.S. Dollars (thousands) 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.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
FUJITSU LIMITED

We have audited the accompanying consolidated balance sheets of Fujitsu Limited (the "Company") and consolidated subsidiaries (the "Group") as of March 31, 2007 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in yen. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly, in all material respects, the consolidated financial position of the Group at March 31, 2007 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

As described in Note 1 to the consolidated financial statements, the Group changed its accounting policies for measurement of inventories, depreciation method, and estimation of useful lives and residual values for property, plant and equipment, the accounting for leases, revenue recognition, and the presentation of the amortization of unrecognized obligation for retirement benefits.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon
June 19, 2008

A MEMBER OF ERNST & YOUNG GLOBAL

DIRECTOR'S RESPONSIBILITY STATEMENT PURSUANT TO THE U.K. DTR 4

I, Kuniaki Nozoe, being Representative Director of Fujitsu Limited confirm, to the best of my knowledge, that:

(i) the financial statements, prepared in accordance with Japanese GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of Fujitsu Limited and the undertakings included in the consolidation taken as a whole; and

(ii) the management report includes a fair review of the development and performance of the business and the position of Fujitsu Limited and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Kuniaki Nozoe

PRINCIPAL SUBSIDIARIES AND AFFILIATES

(As of March 31, 2008)

Consolidated Subsidiaries (430 companies)

JAPAN

Listed

Shinko Electric Industries Co., Ltd.
NIFTY Corporation
Fujitsu Component Ltd.
Fujitsu Broad Solution & Consulting Inc.
Fujitsu Business Systems Ltd.
Fujitsu Frontech Ltd.

Unlisted

Shimane Fujitsu Limited
PFU Limited
Fujitsu Isotec Limited
Fujitsu IT Products Ltd.
Fujitsu Access Limited
Fujitsu FIP Corporation
Fujitsu FSAS Inc.
Fujitsu Electronics Inc.
Fujitsu Laboratories Ltd.
Fujitsu TEN Limited
Fujitsu Personal System Limited
Fujitsu Microelectronics Limited
Fujitsu Mobile-phone Products Limited

THE AMERICAS

Unlisted

Fujitsu Computer Products of America, Inc.
Fujitsu Computer Systems Corporation
Fujitsu Consulting Holdings, Inc.
Fujitsu Network Communications, Inc.

EMEA

Unlisted

Fujitsu Europe Limited
Fujitsu Services Holdings PLC

APAC• China

Unlisted

Fujitsu Taiwan Ltd.
Fujitsu Asia Pte. Ltd.
Fujitsu Australia Limited
Fujitsu Computer Products Corporation of the Philippines
Fujitsu Microelectronics Asia Pte. Ltd.
Fujitsu (Thailand) Co., Ltd.

Equity-method Affiliates (23 companies)

JAPAN

Listed

Fujitsu General Ltd.
FDK Corporation

Unlisted

Fujitsu Leasing Co., Ltd.

EMEA

Unlisted

Fujitsu Siemens Computers (Holding) B.V.

SHAREHOLDERS' DATA

(As of March 31, 2008)

Capital:	¥324,625 million
Common Stock:	Authorized: 5,000,000,000 shares
	Issued: 2,070,018,213 shares
Number of Shareholders:	209,393

Principal Shareholders	Number of shares held (thousands)	Percentage of total shares outstanding (%)
State Street Bank and Trust Company (Standing proxy, Mizuho Corporate Bank, Ltd. Kabutocho Custody & Proxy Department)	135,379	6.54
The Master Trust Bank of Japan, Ltd. (for trust)	102,825	4.97
Fuji Electric Holdings Co., Ltd.	94,663	4.57
Japan Trustee Services Bank, Ltd. (for trust)	87,260	4.22
Fuji Electric Systems Co., Ltd.	60,978	2.95
Asahi Mutual Life Insurance Company	40,743	1.97
State Street Bank and Trust Company 505103 (Standing proxy, Mizuho Corporate Bank, Ltd. Kabutocho Custody & Proxy Department)	37,894	1.83
Fuji Electric FA Components & Systems Co., Ltd.	36,886	1.78
Mizuho Corporate Bank, Ltd.	32,654	1.58
Fujitsu Employee Shareholding Association	23,772	1.15
Total	653,058	31.55

Notes: 1. The shares held by The Master Trust Bank of Japan, Ltd. (for trust) and Japan Trustee Services Bank, Ltd. (for trust) are related to the institutions' trust business.

2. Of the shares held by Fuji Electric Holdings Co., Ltd., Fuji Electric Systems Co., Ltd., and Fuji Electric FA Components & Systems Co., Ltd., 1,412 thousand shares, 52,857 thousand shares and 29,556 thousand shares, respectively, are trust assets entrusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights attached to these shares are exercised upon instructions of the respective shareholders. The shares held by the Fuji Electric Group, including the shares indicated above, in the form of retirement benefit trust assets total 123,042 thousand shares (which accounts for 5.94% of outstanding shares).

3. Of the shares held by the Mizuho Corporate Bank, Ltd., 212 thousand shares are trust assets entrusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights attached to these shares are exercised upon instructions of Mizuho Corporate Bank, Ltd.

4. Barclays Global Investors Japan Trust & Banking, Ltd. and seven of its affiliates jointly submitted a change in large shareholding report dated August 21, 2007, to the Director General of the Kanto Local Finance Bureau containing the following information which the companies were obligated to report as of August 15, 2007. Because Fujitsu was unable to verify the effective shareholdings of Barclays Global Investors Japan Trust & Banking as of the fiscal year-end, the company has not been included in the above list of principal shareholders. The details of the change in shareholding report are as follows:

Shareholder	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Barclays Global Investors, N.A.	24,202	1.17
Barclays Global Investors Japan Limited	19,845	0.96
Barclays Global Fund Advisors	14,657	0.71
Barclays Global Investors Limited	11,287	0.55
Barclays Capital Securities Limited	5,722	0.28
Barclays Global Investors Japan Trust & Banking, Ltd.	4,818	0.23
Barclays Capital Japan, Ltd.	407	0.02
Barclays Bank PLC	252	0.01
Total	81,193	3.92

5. Mosso Finance submitted a large shareholding report dated September 5, 2007 to the Director General of the Kanto Local Finance Bureau containing the following information which the company was obligated to report as of August 31, 2007. Because Fujitsu was unable to verify the effective shareholdings of Mosso Finance as of the fiscal year-end, the company has not been included in the above list of principal shareholders. The details of the large shareholding report are as follows:

Shareholder	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Mosso Finance	222,222	9.69

Note: The number of shares held represents residual shares issuable upon the exercise of warrants for the shares.

6. AllianceBernstein Japan Ltd., in conjunction with two affiliates, submitted a change in large shareholding report dated October 18, 2007 to the Director General of the Kanto Local Finance Bureau containing the following information that the companies were obligated to report as of October 12, 2007. The Company cannot verify the status of voting rights held by Alliance Bernstein Japan Ltd. or its two affiliates. However, the Company judged that based on this report, these entities had sufficient voting rights to be viewed as principal shareholders. Accordingly, the Company submitted an extraordinary report to the Director General of the Kanto Local Finance Bureau dated October 19, 2007. The details of the change in shareholding report are as follows:

Shareholder	Number of shares held (thousands)	Percentage of total shares outstanding (%)
AllianceBernstein L.P.	206,214	9.96
AXA Rosenberg Investment Management Ltd.	19,981	0.97
AllianceBernstein Japan Ltd.	4,902	0.24
Total	231,097	11.16

AllianceBernstein Japan Ltd. and two of its affiliates again jointly submitted a change in large shareholding report dated February 7, 2008 to the Director General of the Kanto Local Finance Bureau containing the following information which the companies were obligated to report as of January 31, 2008. Because Fujitsu was unable to verify the effective shareholdings of AllianceBernstein Japan Ltd. as of the fiscal year-end, the company has not been included in the above list of principal shareholders. The details of the change in shareholding report are as follows:

Shareholder	Number of shares held (thousands)	Percentage of total shares outstanding (%)
AllianceBernstein L.P.	247,182	11.94
AXA Rosenberg Investment Management Ltd.	19,102	0.92
AllianceBernstein Japan Ltd.	6,751	0.33
Total	273,035	13.19

7. Nikko Citigroup Limited and two of its affiliates jointly submitted a change in large shareholding report dated November 7, 2007 to the Director General of the Kanto Local Finance Bureau containing the following information which the companies were obligated to report as of October 31, 2007. Because Fujitsu was unable to verify the effective shareholdings of Nikko Citigroup Limited as of the fiscal year-end, the company has not been included in the above list of principal shareholders. The details of the change in shareholding report are as follows:

Shareholder	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Nikko Citigroup Limited	237,887	10.38
Nikko Asset Management Co., Ltd.	9,736	0.47
Citigroup Global Markets Limited	3,799	0.18
Total	251,422	10.95

Note: The number of shares held includes 226,622 thousand residual shares issuable upon the exercise of warrants.

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Stock Exchange Listings:
Japan: Tokyo, Osaka, Nagoya
Overseas: Frankfurt, London, Switzerland

Independent Auditors:
Ernst & Young ShinNihon LLC

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