2. Explanation of Financial Condition

[Assets,Liabilities and Net Assets]

(Billion Yen)

	FY2011 (at March 31, 2012)	FY2012 (at March 31, 2013)	Change
Assets			
Curent assets	1,701.7	1,722.2	20.5
(Cash and time deposits and Marketable securities)	273.9	304.9	31.0
(Notes and accounts receivable, trade)	901.3	895.9	-5.3
(Inventories)	334.1	323.0	-11.0
Non-current assets	1,243.7	1,326.7	83.0
(Property, plant and equipment)	640.9	618.4	-22.4
(Intangible assets)	230.2	187.3	-42.9
(Investment securities and other non-current assets)	372.4	520.9	148.4
Total Assets	2,945.5	3,049.0	103.5
Liabilities			
Current liabilities	1,420.3	1,568.5	148.1
(Notes and accounts payables, trade)	617.7	566.7	-50.9
(Short-term borrowings and Current portion of bonds payable)	128.9	289.7	160.8
(Provision for business structure improvement)	9.6	64.0	54.3
Long-term liabilities	558.5	570.7	12.1
(Long-term debt)	252.2	245.2	-6.9
(Accrued retirement benefits)	177.5	178.4	0.8
(Provision for business structure improvement)	1.2	13.8	12.5
Total Liabilities	1,978.9	2,139.2	160.3
Net Assets			
Shareholders' equity	926.0	832.5	-93.4
Accumulated other comprehensive income	-85.0	-51.1	33.8
Minority interests in consolidated subsidiaries	125.4	128.3	2.8
Total Net Assets	966.5	909.8	-56.7
Total Liabilities and Net Assets	2,945.5	3,049.0	103.5

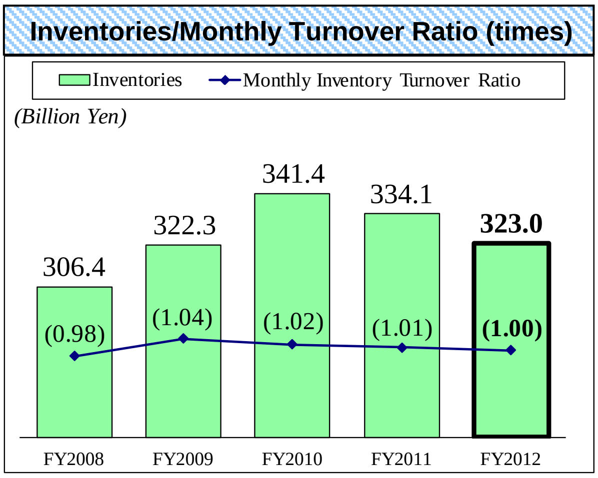
[Cash Flows]

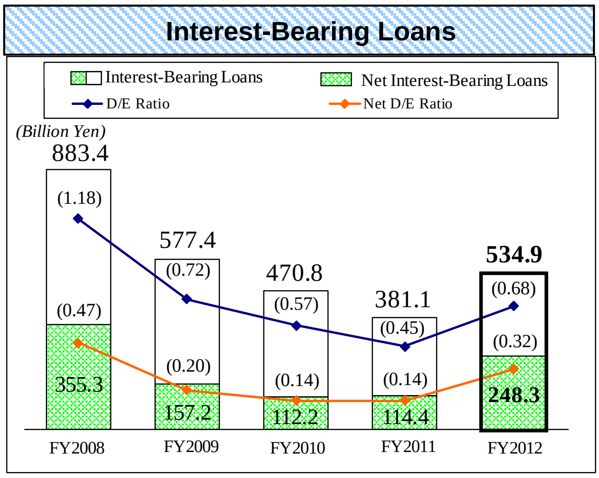
(Billion Yen)

	FY2011 (4/1/11～3/31/12)	FY2012 (4/1/12～3/31/13)	Change
Ⅰ.Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	66.7	-45.1	-111.8
Depreciation and amortization, including goodwill amortization	209.5	192.6	-16.9
Impairment loss	3.2	62.5	59.3
Increase (decrease) in provisions	-11.6	41.7	53.4
(Increase) decrease in receivables, trade	-33.9	34.1	68.0
(Increase) decrease in inventories	4.6	17.2	12.5
Increase (decrease) in payables, trade	20.8	-71.6	-92.4
Income taxes paid	-34.6	-19.9	14.7
Other, net	15.2	-140.6	-155.9
Net cash provided by operating activities	240.0	71.0	-169.0
Ⅱ.Cash flows from investing activities:			
Purchases of property, plant and equipment	-137.7	-111.5	26.2
Purchases of intangible assets	-57.5	-64.4	-6.9
Proceeds from transfer of business	-	10.9	10.9
Other, net	4.4	3.5	-0.9
Net cash used in investing activities	-190.8	-161.4	29.3
Ⅰ+Ⅱ Free Cash Flow	49.1	-90.4	-139.6
Excluding one-time items	43.5	8.4	-35.0
Ⅲ.Cash flows from financing activities:			
Net increase in borrowings(decrease)	-40.6	142.6	183.2
Bond issue and redemption	-48.2	-2.4	45.8
Dividends Paid	-22.6	-23.1	-0.4
Other, net	-27.4	-16.7	10.7
Net cash provided by (used in) financing activities	-138.9	100.3	239.3
Cash and cash equivalents at end of period	266.6	284.5	17.8

Note: "Free cash flow excluding one-time items" excludes proceeds from sale of investment securities, Proceeds from transfer of busines
Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation, and a special contribution
into pension schemes of UK subsidiary.

(1) Assets, Liabilities and Net Assets





Note: The monthly turnover ratio is calculated by taking sales for the fiscal year, dividing by the average balance of inventories during the period, and then dividing by 12. The average balance of inventories for the fiscal year is calculated by taking the average of the balances at the end of the first, second, and third quarters and the end of the fiscal year.

Consolidated total assets at the end of fiscal 2012 amounted to 3,049.0 billion yen (US$32,436 million), an increase of 103.5 billion yen from the end of fiscal 2011. This represented an increase of approximately 110.0 billion yen as a result of yen depreciation. Current assets increased by 20.5 billion yen compared with the end of fiscal 2011, to 1,722.2 billion yen. Notes and accounts receivable decreased by 5.3 billion yen as sales in the fourth quarter of fiscal 2012 were lower than in the same period of fiscal 2011. As shipments of CPUs for the next-generation supercomputer system were completed, inventories at the end of fiscal 2012 decreased to 323.0 billion yen, down 11.0 billion yen from the ending balance of fiscal 2011. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 1.00 times, essentially unchanged from the end of fiscal 2011.

Non-current assets increased by 83.0 billion yen from the end of fiscal 2011, to 1,326.7 billion yen. Tangible fixed assets decreased by 22.4 billion yen compared with the end of fiscal 2011, primarily as a result of the impairment of fixed assets in the LSI device business. Intangible assets decreased by 42.9 billion yen from the end of fiscal 2011, primarily as a result of the impairment of goodwill of a European subsidiary. Other non-current assets increased 148.4 billion yen, mainly due to an increase in prepaid pension expense associated with a special contribution into benefit pension schemes for the Company's UK-based subsidiary.

Consolidated total liabilities amounted to 2,139.2 billion yen (US$22,757 billion), an increase of 160.3 billion yen compared to the end of fiscal 2011. The balance of interest-bearing loans was 534.9 billion yen, an increase of 153.8 billion yen from the end of fiscal 2011. Short-term borrowings increased to finance a portion of working capital and a special contribution into UK pension schemes. As a result, the D/E ratio was 0.68 times, an increase of 0.23 of a percentage point compared to the end of fiscal 2011, and the net D/E ratio was 0.32 times, an increase of 0.18 of a percentage point compared to the end of fiscal 2011. In addition, the provision for business structure improvement increased 66.8 billion yen due to structural reform in the LSI device business and businesses outside Japan.

Net assets were 909.8 billion yen (US$9,679 million), a decrease of 56.7 billion yen from the end of fiscal 2011. The decline in net assets reflects a decrease in shareholders' equity of 93.4 billion yen resulting mainly from the net loss recorded and the payment of dividends during fiscal 2012. Accumulated other comprehensive income increased by 33.8 billion yen, primarily as a result of yen depreciation and rising share prices. The decline in owners' equity lowered the owners' equity ratio by 3 percentage points compared to the end of fiscal 2011, to 25.6%.

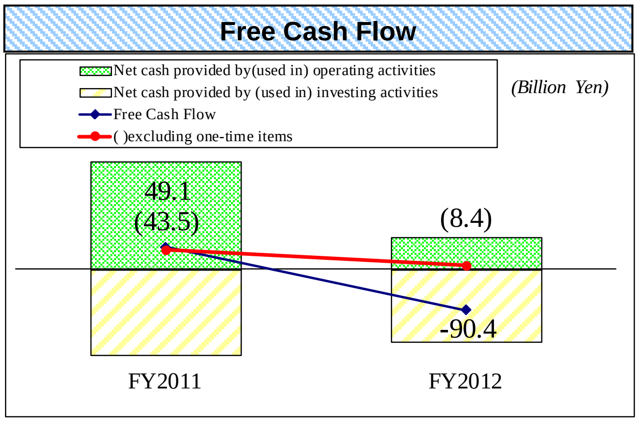
(Billion Yen)

	FY2011 (March 31, 2012)	**FY2012** (March 31, 2013)	Change
Cash and Cash Equivalents at End of Period *	266.6	286.6	19.9
Interest-bearing Loans	381.1	534.9	153.8
Net Interest-bearing Loans	114.4	248.3	133.9
Owners' Equity	841.0	781.4	-59.6

Note (*); The difference of cash and cash equivalents at end of period between balance sheet and cash flow statement is overdraft.
It is included in interest-bearing loans as short-term borrowings.

(2) Cash Flows

Net cash provided by operating activities during fiscal 2012 amounted to 71.0 billion yen (US$755 million), a year-on-year decrease of 169.0 billion yen. There was an outflow of 114.3 billion for a special payment to the pension scheme of Fujitsu's UK subsidiary. Working capital increased due to sluggish sales of PCs and mobile phones. Regarding restructuring charges relating to the LSI device business and business outside Japan, cash outflows are expected in fiscal 2013.



Note: Free cash flow excluding one-time items is free cash flow minus proceeds from the sale of investment securities, proceeds from the transfer of business, income from the acquisition of subsidiaries' stock, and a special contribution during FY2012 to the pension scheme of Fujitsu's UK subsidiary.

Net cash used in investing activities was 161.4 billion yen (US$1,717 million). Outflows mainly consisted of the acquisition of property, plant and equipment amounting to 111.5 billion yen, primarily related to datacenters, and the acquisition of intangible assets amounting to 64.4 billion yen, primarily software. A cash inflow of 10.9 billion yen primarily represents the sales proceeds for fixed and other assets stemming from the transfer of the Iwate Plant and the LSI assembly and test facilities of the LSI device business. Compared to fiscal 2011, net outflows decreased by 29.3 billion yen, reflecting lower capital expenditures on property, plant and equipment.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 90.4 billion yen (US$962 million), representing a decrease in net cash inflows of 139.6 billion yen compared with the same period in the previous fiscal year. Excluding one-time items such as the contribution to the pension fund held by a UK subsidiary company, cash inflows amounted to 8.4 billion yen, which was 35.0 billion yen less than the previous fiscal year.

Net cash provided by financing activities was 100.3 billion yen (US$1,067 million). Short-term borrowings financed capital associated with a contribution made to the pension scheme of a UK subsidiary. This represents an increase in net cash inflows of 239.3 billion yen compared to the previous fiscal year.

As a result of the above factors, cash and cash equivalents at the end of fiscal 2012 were 284.5 billion yen (US$3,027 million), an increase of 17.8 billion yen compared to the end of fiscal 2011.

(3) Status of Retirement Benefit Plans

The balance of unrecognized obligation for retirement benefits is 465.8 billion yen. For retirement benefit plans in Japan, the amount of unrecognized obligation for retirement benefits is 308.7 billion yen. Although plan assets increased as a result of good investment performance, the amount of unrecognized obligation for retirement benefits increased by 16.7 billion yen since the end of the prior fiscal year because a decline in the discount rate raised the amount of projected benefit obligation. Similarly, for retirement benefit plans outside of Japan, even though plan assets increased as a result of good investment performance, the amount of unrecognized obligation for retirement benefits increased by 48.2 billion yen since the end of the prior fiscal year, to 157.1 billion yen, because of lower discount rates and a weaker yen.

(Billion Yen)

	FY2011 (March 31, 2012)	**FY2012** (March 31, 2013)	Change
a. Projected Benefit Obligation	-1,868.4	-2,151.1	-282.7
b. Plan Assets	1,352.0	1,686.9	334.9
c. Projected Benefit Obligation in Excess of Plan Assets (a) + (b)	-516.3	-464.2	52.1
Net of Prepaid Pension Cost and Allowance for Retirement Benefits	-115.4	1.6	117.1
Unrecognized Obligation for Retirement Benefits	-400.9	-465.8	-64.9
In Japan	-292.0	-308.7	-16.7
Outside Japan	-108.9	-157.1	-48.2

(Assumptions used in accounting for the plans)

Discount Rates	In Japan	2.5%	1.7%	-0.8%
	Outside Japan (Mainly in UK)	Mainly 5.0%	Mainly 4.4%	-0.6%

<Reference> Major Financial Indices

(Billion Yen, except ratio and period items)

	FY2008	FY2009	FY2010	FY2011	FY2012
Net Sales	4,692.9	4,679.5	4,528.4	4,467.5	4,381.7
Sales Outside of Japan	1,499.8	1,748.3	1,587.3	1,506.0	1,498.2
[Ratio of Sales Outside of Japan to Total Sales]	[32.0%]	[37.4%]	[35.1 %]	[33.7 %]	[34.2 %]
Operating Income Margin	1.5%	2.0%	2.9%	2.4%	2.2%
Return on Equity	-13.2%	12.0%	6.8%	5.1%	-9.0%
Inventories	306.4	322.3	341.4	334.1	323.0
[Inventory Turnover Ratio]	[13.61]	[14.88]	[13.65]	[13.23]	[13.33]
[Monthly Inventory Turnover]	[0.98 times]	[1.04 times]	[1.02 times]	[1.01 times]	[1.00 times]
Total Assets	3,221.9	3,228.0	3,024.0	2,945.5	3,049.0
[Total Assets Turnover Ratio]	[1.33]	[1.45]	[1.45]	[1.50]	[1.46]
Shareholders' Equity	782.9	865.8	903.9	926.0	832.5
[Shareholders' Equity Ratio]	[24.3%]	[26.8%]	[29.9%]	[31.4%]	[27.3%]
Owners' Equity	748.9	798.6	821.2	841.0	781.4
[Owners' Equity Ratio]	[23.2%]	[24.7%]	[27.2%]	[28.6%]	[25.6%]
Market Value-based Shareholders' Equity Ratio	23.4%	39.1%	32.2%	30.6%	26.3%
Interest-Bearing Loans	883.4	577.4	470.8	381.1	534.9
Net Interest Bearing Loans	355.3	157.2	112.2	114.4	248.3
D/E Ratio	1.18	0.72	0.57	0.45	0.68
Net D/E Ratio	0.47	0.20	0.14	0.14	0.32
Cash Flows From Operating Activities	248.0	295.3	255.5	240.0	71.0
Free Cash Flow	23.4	296.4	113.4	49.1	-90.4
[Excluding one-time items]*1	[7.8]	[111.6]	[73.3]	[43.5]	[8.4]
Loans/Cash Flows From Operating Activities	3.6 years	2.0 years	1.8 years	1.6 years	7.5 years
Interest Coverage Ratio	14.2	18.1	21.8	25.9	9.7

Note:

Owners' Equity:	*Net Assets – Share Warrants – Minority Interests*
Return on Equity:	*Net Income ÷ {(Owners' Equity at Start of Period + Owners' Equity at End of Period) ÷ 2}*
Inventory Turnover Ratio:	*Net Sales ÷ {(Beginning Balance of Inventories + Ending Balance of Inventories) ÷ 2}*
Monthly Inventory Turnover:	*Net Sales ÷ Average Inventories during Period(*2) ÷ 12*
Total Assets Turnover Ratio:	*Net Sales ÷ {(Beginning Balance of Total Assets + Ending Balance of Total Assets) ÷ 2}*
Shareholders' Equity Ratio:	*Shareholders' Equity ÷ Total Assets*
Owners' Equity Ratio:	*Owners' Equity ÷ Total Assets*
Market Value-based Shareholders' Equity Ratio:	*Market Capitalization ÷ Total Assets*
Net Interest-Bearing Loans:	*Interest-Bearing Loans – Cash Equivalents*
D/E Ratio:	*Interest-Bearing Loans ÷ Owners' Equity*
Net D/E Ratio:	*(Interest-bearing Loans - Cash Equivalents) ÷ Owners' Equity*
Loans / Cash Flows from Operating Activities:	*Interest-Bearing Loans ÷ Cash Flows from Operating Activities*
Interest Coverage Ratio:	*Cash Flows from Operating Activities ÷ Interest Expense*

**1: Free cash flow excluding one-time items excludes the following:*

- *Proceeds from sales of investment securities*
- *Proceeds from acquisitions of subsidiaries in line with changes to scope of consolidation*
- *Proceeds from business transfers*
- *A special contribution during FY2012 into pension schemes of Fujitsu's UK subsidiary*

**2: Average inventories during period are calculated as the average of the ending balance of inventories for each of the four quarters of the fiscal year.*