Part I: Financial Results

1. Explanation of Financial Results

<Business Environment>

During fiscal 2013 (April 1, 2013 – March 31, 2014), the global economy continued to experience a moderate recovery. In Europe, there was a resumption of economic growth, and signs of an economic recovery, particularly in Germany and the UK. In the US, uncertainties over the federal government's fiscal policies eased, and the economy continues to recover, especially consumer spending and corporate capital investment.

In Japan, due to a stock market rally and yen depreciation spurred on by the government's economic policy and monetary easing by the Bank of Japan, the economy is undergoing a moderate recovery. Consumer spending rose, in part spurred by a demand for purchases prior to an increase in the consumption tax rate. There has been a moderate recovery in exports resulting from the improved environment of the weaker yen and the economic recovery in overseas markets.

Investment in information and communication technology (ICT) is gradually increasing on signs of a rebound in corporate capital investment resulting from a recovery in corporate earnings.

FY2013 Full-Year Financial Results (Billion Yen)

	FY2012 *4/1/12-3/31/13*	**FY2013** *4/1/13-3/31/14*	Change vs. FY 2012	Change (%)	Change vs. Jan. Forecast
Net Sales	4,381.7	4,762.4	380.7	[2] 8.7	82.4
Cost of Sales	3,177.9	3,493.2	315.2	9.9	
Gross Profit	1,203.7	1,269.1	65.4	5.4	
[Gross Profit Margin]	[27.5%]	[26.7%]	[-0.8%]		
Selling, General and Administrative Expenses	1,115.4	1,126.6	11.1	1.0	
Operating Income (Loss)	88.2	142.5	54.2	61.5	2.5
[Operating Income Margin]	[2.0%]	[3.0%]	[1.0%]		
Other Income and Expenses	-140.3	-49.6	90.7	-	-4.6
Income (Loss) Before Income Taxes and Minority Interests	-52.1	92.9	145.0	-	
Income Taxes	24.2	37.0	12.8	52.8	
Minority Interests	3.5	7.2	3.7	105.2	
Net Income (Loss)	-79.9	48.6	128.5	-	3.6

< > Change (%) Constant Currency

Quarterly Breakdown of Results

(Billion Yen)

		1Q	2Q	3Q	4Q	FY2013 Full-Year	Change vs. Jan. Forecast
Consolidated	Sales	999.2	1,152.3	1,200.7	1,410.1	4,762.4	82.4
	Change from FY2012	41.8	37.9	152.4	148.4	380.7	
	Operating Income	-22.8	33.6	26.1	105.5	142.5	2.5
	Change from FY2012	3.9	2.5	32.0	15.7	54.2	

[Results by Business Segment]

		1Q	2Q	3Q	4Q	FY2013 Full-Year	Change vs. Jan. Forecast
Technology Solutions	Sales	677.5	785.3	786.3	993.7	3,243.0	53.0
	Change from FY2012	50.4	72.0	85.7	92.4	300.6	
	Operating Income	2.5	55.7	44.4	106.3	209.1	-0.8
	Change from FY2012	3.4	11.1	22.6	-2.0	35.1	
Device Solutions	Sales	145.3	159.0	146.0	149.7	600.2	5.2
	Change from FY2012	15.0	20.7	16.5	7.5	59.9	
	Operating Income	7.6	10.4	4.2	6.1	28.3	1.3
	Change from FY2012	11.2	13.8	13.5	3.9	42.6	
Ubiquitous Solutions	Sales	215.9	262.7	321.2	325.4	1,125.4	35.4
	Change from FY2012	-18.6	-52.0	54.7	51.1	35.2	
	Operating Income	-17.1	-11.6	-5.4	12.0	-22.1	4.8
	Change from FY2012	-15.1	-24.0	-3.3	10.8	-31.7	

FY2013 Full-Year Major Items in Other Income and Expenses (Billion Yen)

Item	9 Months	4Q	Full Year	Description	Change vs. Jan. Forecast
Other Expenses (Special Items)	-26.2	-33.0	-59.3		-2.7
Restructuring Charges	-5.5	-25.5	-31.1		7.0
LSI Devices Business	-2.8	-18.2	-21.0	Loss on sale and integration of businesses and restructuring of standard logic device plants	8.9
Mobile Phone Business	-	-4.9	-4.9	Loss primarily on the disposal of assets in integrating manufacturing subsidiaries	-
Global Business	-2.3	-1.9	-4.2	Workforce rationalization expenses primarily in the Nordic region	-1.9
Impairment Loss	-0.0	-6.3	-6.4	Impairment loss on the property, plant and equipment of manufacturing subsidiaries	-6.3
Loss on Reversal of Foreign Currency Translation Adjustments	-20.5	-1.0	-21.6	Loss on the reversal of the foreign currency translation adjustments because of the liquidation of US-based subsidiary Fujitsu Management Services of America, Inc.	-1.0
Other Income (Special Items)	5.6	5.9	11.5		-
Gain on Sale of Investment Securities	3.5	3.3	6.8	Gain on sale of investment securities	-
Gain on Sale of Property, Plant and Equipment and Intangible Assets	2.1	2.5	4.7	Gain primarily on sale of land adjacent to the Akashi Plant	-

<Issues and Initiatives in FY 2013>

At a management direction briefing in February 2013, Fujitsu announced measures to address issues with its LSI device business and businesses outside of Japan, and to go on the offense with such structural reforms as personnel measures and streamlining its corporate operations.

In setting its fiscal 2013 financial projections at the beginning of fiscal 2013, Fujitsu anticipated that its core businesses would experience a moderate recovery, and it factored in steady progress in the implementation of a variety of reform measures, including the structural reforms that it launched in fiscal 2012. In operating income, it projected approximately 25 billion yen in improvements from the structural reforms in its LSI device business and a business outside of Japan, and approximately 20 billion yen on the effect of personnel measures, including emergency actions, and reductions in corporate expenses. In its financial projections announced at the beginning of the fiscal year, it projected net sales of 4,550.0 billion yen, a 3.8% increase over the previous fiscal year, an operating income of 140.0 billion yen, an increase of 44.7 billion yen from fiscal 2012, and a net income of 45.0 billion yen.

Actual results for fiscal 2013 were consolidated net sales of 4,762.4 billion yen, 212.4 billion yen above initial projections, and consolidated operating income of 142.5 billion yen, 2.5 billion yen above initial projections. Changes in the operating environment for mobile phones caused the Ubiquitous Solutions segment to fall short of projections by 29.1 billion yen, but the Technology Solutions segment exceeded projections by 19.1 billion yen, primarily on a recovery in IT investments in Japan. Results in the Device Solutions segment also improved, bolstered by the impact of the weaker yen. In addition, there was company-wide progress in reducing costs. As a result, overall consolidated operating income exceeded initial projections.

Consolidated net income was 48.6 billion yen, exceeding projections made at the beginning of the fiscal year and returning the company to profitability. Structural reforms in its LSI device business and businesses outside of Japan proceeded essentially as planned, and, while extraordinary losses of 59.3 billion yen were recorded to consolidate the manufacturing locations in the mobile phone business and implement a shift in resources, these were accompanied by sales of underutilized real estate and shareholdings.

In the LSI device business, following on the measures implemented in fiscal 2012, including the sale of the Iwate Plant and the LSI assembly and testing facility, as well as the implementation of an early retirement incentive plan to bring the size of the workforce back into balance, Fujitsu moved forward on further initiatives in fiscal 2013. In addition to selling its microcontroller and analog device business to Spansion Group in August 2013, Fujitsu integrated its gallium-nitride (GaN) power device business with that of US-based Transphorm, Inc. in February 2014. In addition, Development Bank of Japan has agreed to provide equity capital and debt financing to a new company that will be formed to integrate Fujitsu's system LSI (SoC) business with that of Panasonic Corporation, for which the two companies signed a memorandum of understanding in February 2013. Fujitsu is also working to consolidate its standard logic device production lines, for which capacity utilization rates had been falling, in Japan's Aizu-Wakamatsu region to increase cost-competitiveness and bring greater stability to the business.

In the mobile phone business, in April 2014 Fujitsu integrated subsidiaries producing mobile phone handsets, and consolidated volume production capabilities in Yashiro, Hyogo Prefecture where tablet PC development and manufacturing takes place. Fujitsu is taking an increasingly shared and more efficient approach to its mobile phone business, and is moving forward on shifting resources to new business areas.

With respect to business operations outside Japan, a series of workforce-related measures have been implemented to strengthen management fundamentals. In fiscal 2012, these measures were primarily implemented in Fujitsu's hardware business on the European continent, whereas in fiscal 2013 these were mainly undertaken at the services businesses in the Nordic region, the Americas, and Australia.

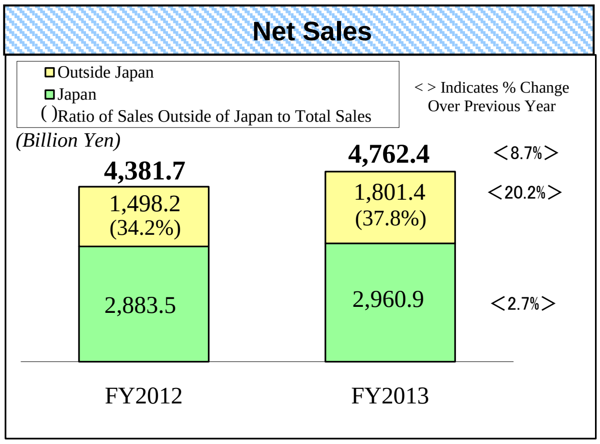
Consolidated owners’ equity fell by 50.8 billion yen from the end of fiscal 2012, to 573.2 billion yen, resulting in an owners’ equity ratio of 18.6%. The decline was primarily the result of bringing the unrecognized obligation for retirement benefits for plans in Japan on the balance sheet, in accordance with an accounting standard revision, reducing net assets by 146.7 billion yen on an after-tax basis. The decline in owners’ equity, however, was lower than originally anticipated as Fujitsu recorded consolidated net income in fiscal 2013 that exceeded initial projections, and because accumulated other comprehensive income declined less than anticipated due to a reversal in foreign currency translation adjustments and the impact of the weaker yen and higher stock prices.

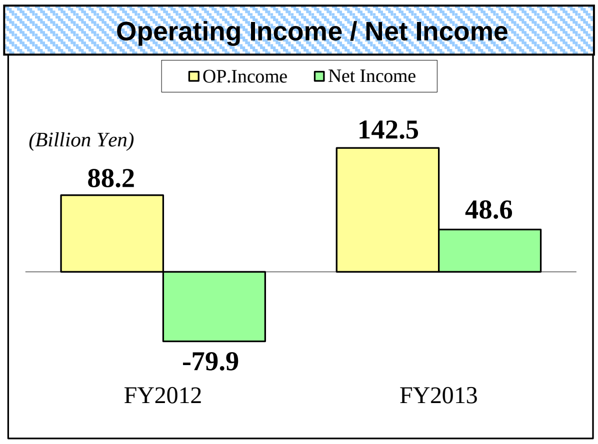
In an organizational change implemented on April 1, 2014, Fujitsu enhanced its matrix organization to enable it to keep pace with the globalization of its business. In addition, it has decided to voluntarily adopt International Financial Reporting Standards (IFRS) starting from fiscal 2014. By adopting a unified accounting standard globally, Fujitsu seeks to accelerate its transformation into a truly global company.

To further restore its consolidated owners’ equity and enable it to continue to pay stable dividends, Fujitsu will continue to pursue improvements in management efficiency, including through structural reforms, and shift resources into growth areas. The company is still in the process of devising its IFRS-based performance targets.

Note: In these explanatory materials, the yen figures for net sales, operating income, and other figures are converted into US$ amounts, for reference purposes, at a rate of $1=103 yen, the approximate Tokyo foreign exchange market rate on March 31, 2014. Figures for and comparisons to prior reporting periods are provided only for reference. The impact of foreign exchange fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for the fiscal 2012 to translate the current period's net sales outside Japan into yen.

<Profit and Loss>





Consolidated net sales for fiscal 2013 were 4,762.4 billion yen (US$46,237 million), up 8.7% from fiscal 2012. Excluding the impact of foreign exchange fluctuations, sales increased by 2%.

Net sales in Japan rose by 2.7%. Although sales of mobile phones dropped sharply, particularly in the first half of the fiscal year, sales of system integration services increased, primarily to the public sector and financial services sector, and there were also higher sales of network products and PCs. Outside of Japan, sales rose by 20.2%, up by 1% on a constant currency basis. In North America, sales of car audio and navigation systems and optical transmission systems increased.

For fiscal 2013, the average yen exchange rates against major currencies were 100 yen to the US dollar (representing a yen depreciation of 17 yen over the previous fiscal year), 134 yen to the euro (a depreciation of 27 yen from fiscal 2012), and 159 yen to the British pound (a depreciation of 28 yen from fiscal 2012). As a result, the impact of foreign exchange fluctuations for the period was to increase net sales by approximately 280 billion yen compared to fiscal 2012. Sales generated outside Japan as a percentage of total sales were 37.8%, an increase of 3.6 percentage points compared to the previous fiscal year.
Gross profit was 1,269.1 billion yen, up 65.4 billion yen from fiscal 2012. Despite the decline in mobile phone sales, gross profit increased on the impact of foreign exchange movements and the beneficial effect of initiatives implemented to improve profitability. The gross profit margin was 26.7%, a decline of 0.8 of a percentage point compared to the prior fiscal year, primarily the result of deteriorating profitability in mobile phones.

Selling, general and administrative expenses were 1,126.6 billion yen, an increase of 11.1 billion yen from fiscal 2012, attributable to the weaker yen and other factors. Progress was made in generating Group-wide cost efficiencies, and selling, general and administrative expenses declined on a constant-currency basis.

As a result of the above factors, Fujitsu recorded operating income of 142.5 billion yen (US$1,383 million), an increase of 54.2 billion yen from the previous fiscal year. In addition to structural reforms in the LSI device business and a business outside of Japan having contributed approximately 30 billion yen to this increase, workforce-related measures contributed approximately 20 billion yen.

Fujitsu also recorded a 6.8 billion yen gain on the sales of investment securities, and a 4.7 billion yen gain on the sale of property, plant and equipment. The company recorded restructuring costs of 31.1 billion yen, a loss on the reversal of foreign currency translation adjustments of 21.6 billion yen, which stemmed from the liquidation of Fujitsu Management Services of America, Inc., and an impairment loss of 6.4 billion yen recorded under other expenses, relating to operational assets of manufacturing subsidiaries.

The main components of the restructuring charges were 21.0 billion yen associated with the LSI device business, 4.9 billion yen for the mobile phone business, and 4.2 billion yen for businesses outside Japan. In the LSI device business, the charges were mainly attributable to the system LSI (SoC) business, which is scheduled to be integrated, and consisted of the costs for covering retirement benefit liabilities and losses on the disposal of assets. There were also charges stemming from the cost of restructuring the production lines for standard logic devices as well as losses on the disposal of assets. In the mobile phone business, the charges stemmed from losses on the disposal of assets in the process of integrating production sites as well as expenses incurred in reallocating personnel. The charges for businesses outside of Japan were primarily in the Nordic region, and consisted of workforce rationalization expenses.

Income before income taxes and minority interests amounted to a 92.9 billion yen, an improvement of 145.0 billion yen compared to the previous fiscal year. In addition, minority interests in income of consolidated subsidiaries was 7.2 billion yen, a year-on-year improvement of 3.7 billion yen, as there was a rebound in the financial performance of a listed subsidiary in the electronic components business.

Fujitsu reported consolidated net income of 48.6 billion yen (US$472 million), representing an improvement of 128.5 billion yen from fiscal 2012. While the liquidation of a subsidiary in the US served to reduce the company's tax burden by approximately 13 billion yen, the early termination of the Special Reconstruction Corporation Tax contributed to a one-time increase in tax expenses by approximately 4 billion yen.

Statement of Comprehensive Income (Billion Yen)

	FY2012	FY2013
Income(loss) before Minority Interests	-76.3	55.8
Other Comprehensive Income	-4.2	49.0
Unrealized Gain and Loss on Securities, Net of Taxes	11.5	10.8
Foreign Currency Translation Adjustments	22.2	60.0
Remeasurements of defined benefit plans, net of taxes	-40.0	-25.0
Share of Other Comprehensive Income of Associates Accounted for Using the Equity Method	1.9	3.3
Comprehensive Income	-80.6	104.9

Note:
The effect of the reflection on the balance sheet, as of the end of fiscal 2013, of the unrecognized obligation for retirement benefits for plans in Japan of 146.7 billion yen (on an after-tax basis) is not reflected in fiscal 2013 comprehensive income. Instead, it is reflected directly on the consolidated balance sheet under net assets (accumulated other comprehensive income).

Other comprehensive income in fiscal 2013 was 49.0 billion yen. In addition to higher income in unrealized gain and loss on securities because of higher stock prices, net of taxes, and higher income in foreign currency translation adjustments because of the weaker yen, there was also the impact of the balance reversal on the liquidation of a US subsidiary. For pension plans outside of Japan that were reflected on Fujitsu's balance at the beginning of fiscal 2013, the impact of the increased liability caused by the weaker yen is included in remeasurements of defined benefit plans, net of taxes. As a result, comprehensive income for fiscal 2013 was 104.9 billion yen (US$1,018 million).

Comparison to Consolidated Earnings Projections Announced in January 2014

Compared with the projections announced in January 2014, net sales were higher by 82.4 billion yen on higher sales of services and PCs in Japan. Operating income exceeded projections by 2.5 billion yen. Although there was an increase in upfront investment expenses, these were covered mainly by the impact of higher sales. Despite the adverse impact of certain one-time charges, such as the recording of an impairment loss on the assets of manufacturing subsidiaries, the reduction in tax expenses contributed to fiscal 2013 net income exceeding the previous projection by 3.6 billion yen.

FY2013 Full-Year Consolidated Business Segment Information

<Net Sales* by Principal Products and Services> (Billion Yen)

	FY2012 (4/1/2012 ～ 3/31/2013)	FY2013 (4/1/2013 ～ 3/31/2014)	Change vs. FY2012	Change(%)	Change(%) Constant Currency**	Change vs. Previous Forecast***
Technology Solutions	2,942.3	3,243.0	300.6	10.2	4	53.0
Services	2,387.2	2,627.2	240.0	10.1	4	37.2
Solutions / SI	837.1	920.4	83.3	10.0	10	20.4
Infrastructure Services	1,550.0	1,706.7	156.6	10.1	1	16.7
System Platforms	555.1	615.7	60.6	10.9	6	15.7
System Products	262.9	272.7	9.8	3.7	-0	7.7
Network Products	292.2	343.0	50.7	17.4	12	8.0
Ubiquitous Solutions	1,090.2	1,125.4	35.2	3.2	-1	35.4
PCs / Mobile Phones	822.8	799.3	-23.4	-2.8	-6	29.3
Mobilewear	267.4	326.0	58.6	21.9	16	6.0
Device Solutions	540.3	600.2	59.9	11.1	1	5.2
LSI*****	289.6	321.6	32.0	11.1	2	6.6
Electronic Components	252.5	280.2	27.6	10.9	0	0.2

Notes:

* Net sales include intersegment sales.

** The impact of exchange rate fluctuation has been calculated by using the average U.S. dollar, euro and British pound exchange rates for FY2012 to translate the current period’s net sales outside Japan into yen.

*** Previous forecast as of January 30, 2014.

**** "Other/Elimination and Corporate" includes Japan's next-generation supercomputer project; facility services and the development of information services for Fujitsu Group companies; and welfare benefits for Fujitsu Group employees, as well as strategic expenses such as basic research and joint costs associated with Group management conducted by the parent company.

***** Sales figures for LSI include intrasegment sales to the electronic components segment.

****** In accordance with the adoption of the amended IAS 19, the figures for FY2012 have been retroactively revised. As a result, operating income for the Services sub-segment has decreased by 7.0 billion yen.

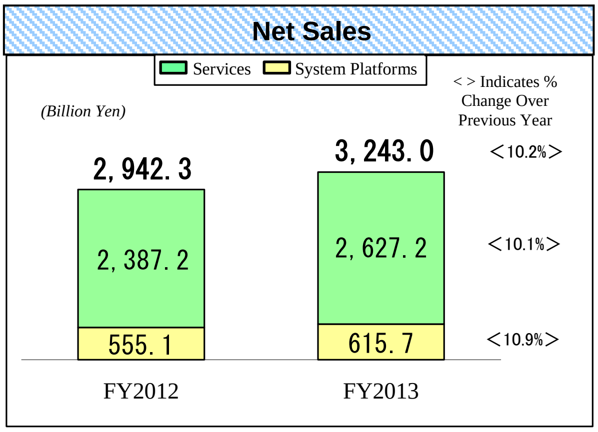
<Net Sales* and Operating Income> (Billion Yen)

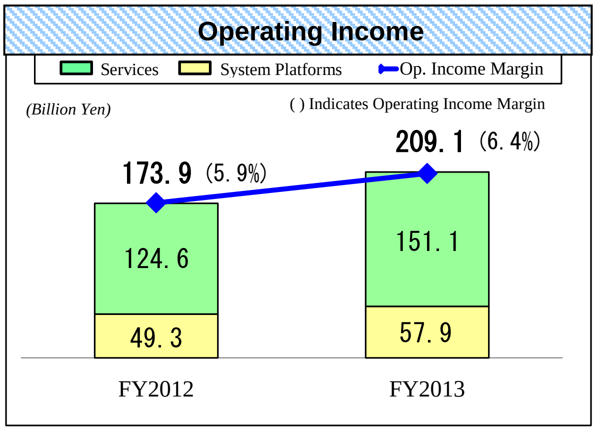
		FY2012 (4/1/2012 ～ 3/31/2013)	FY2013 (4/1/2013 ～ 3/31/2014)	Change vs. FY2012			Change vs. Previous Forecast***
					Change(%)	Change(%) Constant Currency**	
Technology Solutions	Sales	2,942.3	3,243.0	300.6	10.2	4	53.0
	Japan	1,936.4	2,054.2	117.8	6.1	6	44.2
	Outside Japan	1,005.9	1,188.7	182.7	18.2	0	8.7
	Operating Income	173.9	209.1	35.1	20.2		-0.8
	[Operating Income Margin]	[5.9%]	[6.4%]	[0.5%]			[-0.2%]
Services	Sales	2,387.2	2,627.2	240.0	10.1	4	37.2
	Operating Income	124.6	151.1	26.5	21.3		-1.8
	[Operating Income Margin]	[5.2%]	[5.8%]	[0.6%]			[-0.1%]
System Platforms	Sales	555.1	615.7	60.6	10.9	6	15.7
	Operating Income	49.3	57.9	8.6	17.5		0.9
	[Operating Income Margin]	[8.9%]	[9.4%]	[0.5%]			[-0.1%]
Ubiquitous Solutions	Sales	1,090.2	1,125.4	35.2	3.2	-1	35.4
	Japan	823.0	794.4	-28.6	-3.5	-3	29.4
	Outside Japan	267.1	331.0	63.8	23.9	7	6.0
	Operating Income	9.6	-22.1	-31.7	-		4.8
	[Operating Income Margin]	[0.9%]	[-2.0%]	[-2.9%]			[0.5%]
Device Solutions	Sales	540.3	600.2	59.9	11.1	1	5.2
	Japan	295.9	291.9	-3.9	-1.3	-1	-8.0
	Outside Japan	244.4	308.3	63.8	26.1	5	13.3
	Operating Income	-14.2	28.3	42.6	-		1.3
	[Operating Income Margin]	[-2.6%]	[4.7%]	[7.3%]			[0.2%]
LSI	Operating Income	-13.8	16.6	30.5	-		1.6
Electronic Components	Operating Income	-0.3	11.7	12.1	-		-0.2
Other/Elimination and Corporate****	Sales	-191.2	-206.3	-15.0	-	-	-11.3
	Operating Income	-81.0	-72.8	8.2	-		-2.8
Total	Sales	4,381.7	4,762.4	380.7	8.7	2	82.4
	Japan	2,883.5	2,960.9	77.4	2.7	3	60.9
	Outside Japan	1,498.2	1,801.4	303.2	20.2	1	21.4
	Operating Income	88.2	142.5	54.2	61.5		2.5
	[Operating Income Margin]	[2.0%]	[3.0%]	[1.0%]			[- %]
<Ratio of Sales outside Japan>		34.2%	37.8%	3.6%			

<Results by Business Segment>

Information on fiscal 2013 consolidated net sales (including intersegment sales) and operating income broken out by business segment is presented as follows.

Technology Solutions





(Billion Yen)

	FY2013	Change vs. FY2012
Net Sales	3,243.0	10.2 %
Japan	2,054.2	6.1 %
Outside Japan	1,188.7	18.2 %
Operating Income	209.1	35.1

Consolidated net sales in the Technology Solutions segment amounted to 3,243.0 billion yen (US$31,485 million), an increase of 10.2% from fiscal 2012.

Sales in Japan increased 6.1%. In system integration services, sales increased, primarily in the public sector and financial services sector, as customers expanded their investment spending. In network products, while demand for 3G communications equipment to deal with the larger volume of communications traffic has passed its peak, overall sales increased on spending by telecommunications carriers to expand LTE service area coverage and increase transmission speeds. Server-related sales rose due to the contribution of large-scale systems deals in the public sector. In infrastructure services, although sales of outsourcing services remained steady, sales were adversely impacted by a shift from packaged products that include connection fees to stand-alone products in the ISP business, along with a greater emphasis on profitability that resulted in a loss of subscribers. Sales outside Japan increased 18.2% but were essentially unchanged on a constant-currency basis. Sales of optical transmission systems increased in North America as investment by telecommunications carriers rebounded, but sales of the new UNIX server model were weak.

The segment posted operating income of 209.1 billion yen (US$2,030 million), up 35.1 billion yen compared to fiscal 2012. In Japan, despite a higher burden of upfront development expenditures in network products and the effect of higher server-related procurement costs due to the weaker yen, operating income rose on increased sales of system integration services and network products, in addition to the impact of workforce-related measures. Outside Japan, although profitability deteriorated for certain projects in Australia, operating income benefited from the impact of structural reforms in Europe, higher sales of optical transmission systems in North America, and lower amortization expenses for goodwill.

(a) Services

(Billion Yen)

	FY2013	Change vs. FY2012
Net Sales	2,627.2	10.1 %
Japan	1,600.5	5.5 %
Outside Japan	1,026.6	17.9 %
Operating Income	151.1	26.5

Net sales in the Services sub-segment were 2,627.2 billion yen (US$25,507 million), up 10.1% from fiscal 2012. In Japan, sales increased 5.5%. In system integration services, sales increased, primarily in the public sector and financial services sector, as customers expanded their investment spending. In infrastructure services, although sales of outsourcing services continued to be strong, sales were adversely impacted by a shift away from packaged products that include connection fees to stand-alone products in the ISP business, along with a greater emphasis on profitability that resulted in a loss of subscribers. Sales outside Japan increased 17.9% but were essentially unchanged on a constant-currency basis.

Operating income for the Services sub-segment was 151.1 billion yen (US$1,467 million), up 26.5 billion yen compared to fiscal 2012. In Japan, operating income rose on higher sales of system integration services, in addition to the impact of workforce-related measures. Outside Japan, although profitability deteriorated for certain projects in Australia, operating income in Europe benefited from the impact of structural reforms and lower amortization expenses for goodwill.

(b) System Platforms

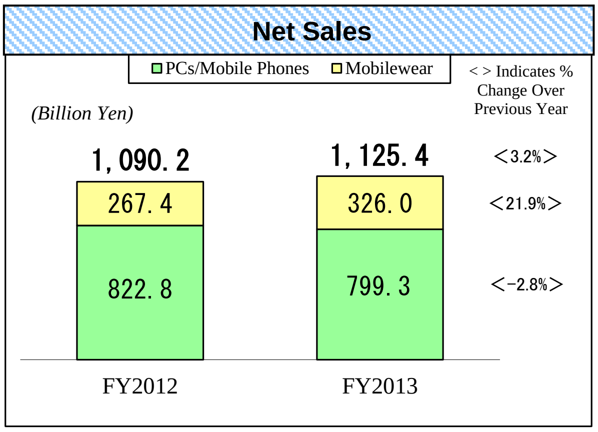
(Billion Yen)

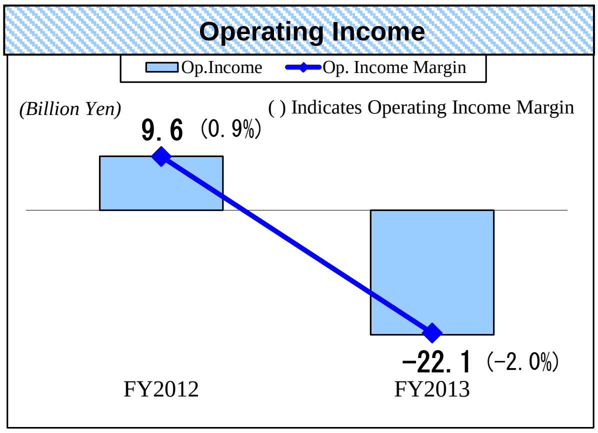
	FY2013	Change vs. FY2012
Net Sales	615.7	10.9 %
Japan	453.7	8.0 %
Outside Japan	162.0	19.9 %
Operating Income	57.9	8.6

Net sales in the System Platforms sub-segment were 615.7 billion yen (US$5,978 million), up 10.9% from the previous fiscal year. Sales in Japan were up 8%. In network products, while demand for 3G communications equipment to deal with the larger volume of communications traffic has passed its peak, overall sales increased as a result of spending by telecommunications carriers to expand LTE service area coverage and increase transmission speeds. Server-related sales increased due to the contribution of large-scale systems deals in the public sector. Sales outside Japan increased 19.9% but were essentially unchanged on a constant-currency basis. Sales of optical transmission systems increased in North America on a rebound in investment by telecommunications carriers, but sales of a new model of UNIX server were weak.

The System Platforms sub-segment posted operating income of 57.9 billion yen (US$562 million), up 8.6 billion yen from fiscal 2012. In Japan, despite a higher burden of upfront development expenditures in network products and higher server-related procurement costs due to the weaker yen, operating income increased on the impact of higher sales. Outside Japan, operating income benefited from the impact of higher sales of optical transmission systems in North America.

Ubiquitous Solutions





(Billion Yen)

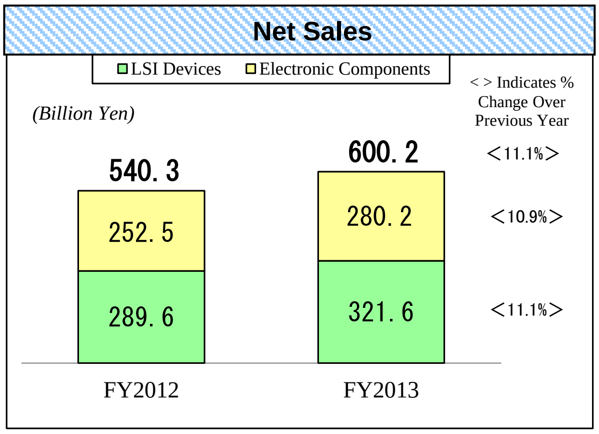
	FY2013	Change vs. FY2012
Net Sales	1,125.4	3.2 %
Japan	794.4	-3.5 %
Outside Japan	331.0	23.9 %
Operating Income	-22.1	-31.7

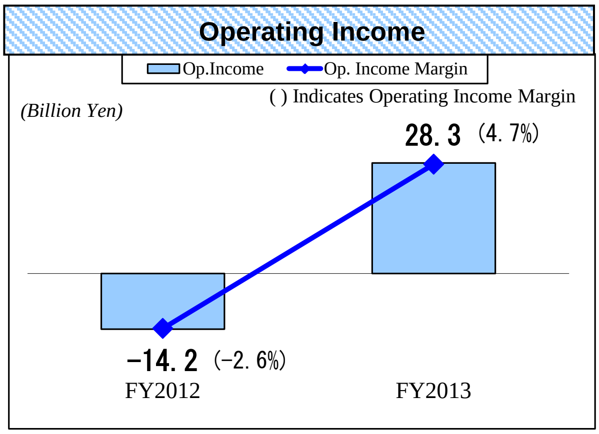
Net sales in the Ubiquitous Solutions segment were 1,125.4 billion yen (US$10,926 million), up 3.2% from fiscal 2012. Sales in Japan were down by 3.5%. There was a significant increase in enterprise PC sales on higher demand for upgrades as a consequence of the ending of support for an operating system product. Unit sales of consumer PCs declined due to the shrinking market, although the value of sales was essentially unchanged from fiscal 2012. This was due to the impact of the weaker yen leading to higher sales prices, and higher demand for purchases in the fourth quarter prior to an increase in consumption tax. In mobile phones, sales in the first half of the fiscal year fell sharply on the impact of the revised smartphone sales strategies of telecommunications carriers, but recovered in the second half as one of Fujitsu's smartphones was selected by a telecom carrier as a recommended model, resulting in year-on-year sales being essentially unchanged from fiscal 2012. Sales of the Mobilewear sub-segment's car audio and navigation systems had been sluggish in the wake of the conclusion of the government's subsidy program for eco-friendly vehicles, but sales rose on a rebound in the number of new vehicles sold and on the impact of higher demand prior to the increase in the consumption tax. Sales outside Japan increased 23.9%. On a constant-currency basis, sales increased 7%. Unit sales of PCs in Europe declined due to a shift in the sales strategy to emphasize profitability, but Mobilewear sales rose, primarily in North America.

The Ubiquitous Solutions segment posted an operating loss of 22.1 billion yen (US$215 million), a deterioration of 31.7 billion yen from fiscal 2012. In Japan, operating income for mobile phones was adversely impacted by the sharp decline in unit sales, as well as by higher costs due to functionality enhancements and the weaker yen. Operating income in PCs benefited by higher sales. Although there was an increase in procurement costs as a result of the weaker yen, progress was made in passing these on in higher sales prices. Sales in the Mobilewear sub-segment also increased, although they were adversely impacted by higher development expenses. Outside of Japan, euro weakness against the dollar in the previous year caused dollar-denominated parts procurement costs to rise for PCs in Europe, but there was a temporary reduction in the estimated expenses from copyright levies imposed on PCs in Germany as a result of a settlement with a copyright organization. In addition, operating income benefited from the rise in sales of the Mobilewear sub-segment.

In its mobile phone business, in April 2014 Fujitsu integrated the production facilities of two of its mobile phone manufacturing subsidiaries, Fujitsu Mobile-phone Products Limited (Tochigi Prefecture) and Fujitsu Peripherals Limited (Hyogo Prefecture), with volume production capacity consolidated into Fujitsu Peripherals Limited. Fujitsu aims to increase productivity and create a highly flexible production facility agile enough to withstand volume fluctuations. For product development, Fujitsu aims to streamline operations through a shared development model, enabling staff to be reallocated to new business areas, such as enterprise solutions and automotive-related businesses. Fujitsu is committed to continuing to offer superior mobile devices along with the services with which they can be used.

Device Solutions





Note: LSI devices sales include intrasegment sales to the electronic components business.

(Billion Yen)

	FY2013	Change vs. FY2012
Net Sales	600.2	11.1 %
Japan	291.9	-1.3 %
Outside Japan	308.3	26.1 %
Operating Income	28.3	42.6

Net sales in Device Solutions amounted to 600.2 billion yen (US$5,827million), an increase of 11.1% compared to fiscal 2012. Sales in Japan fell 1.3%. Sales of LSI devices used in mobile phones increased, but those used in digital audio-visual equipment and IT equipment decreased. In electronic components, while sales of semiconductor packages and batteries declined, sales of optical transceiver modules for telecommunications equipment increased, resulting in overall sales of electronic components being essentially unchanged from fiscal 2012. Sales outside Japan increased 26.1%. On a constant-currency basis, sales increased by 5%. Sales of LSI devices, primarily those used in smartphones, increased.

The Device Solutions segment recorded operating income of 28.3 billion yen (US$275 million), representing an improvement of 42.6 billion yen from fiscal 2012. In Japan, operating income benefited from lower overhead expenses owing to an early retirement incentive plan and other factors in the LSI device business. High capacity utilization rates were maintained in the Mie plant’s 300mm line on higher demand for use in smartphones, but low capacity utilization rates continued in the production lines for standard logic devices. Fujitsu is working to consolidate its standard logic device production lines in Japan’s Aizu-Wakamatsu region to enhance capacity utilization. Outside Japan, results were bolstered by higher demand for LSI devices and electronic components as well as by the impact of higher sales because of the weaker yen.
In accordance with a restructuring plan decided in fiscal 2012, Fujitsu made progress on the structural transformation of its LSI device business. In August 2013, it sold its microcontroller and analog device business to Spansion Group, and in February 2014 Fujitsu integrated its gallium-nitride (GaN) power device business with that of Transphorm, Inc. of the US. In April 2014, Fujitsu signed a memorandum of

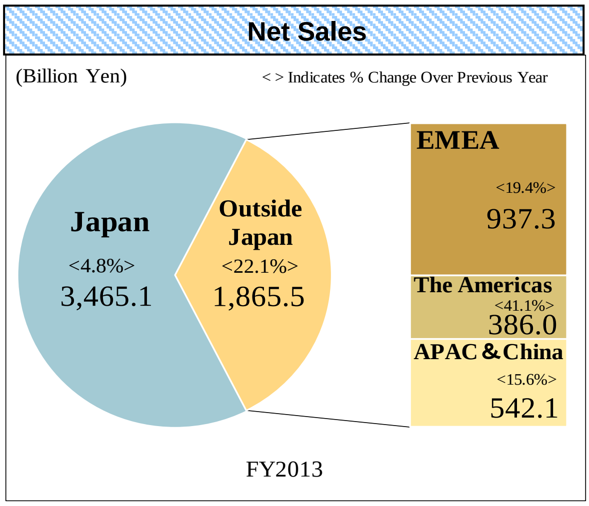
understanding with Panasonic Corporation and Development Bank of Japan (DBJ), in which it has agreed to integrate its system LSI (SoC) business with that of Panasonic in a new fabless company to be established, to which DBJ will provide equity capital and debt financing. A final agreement is expected to be reached by the end of the first quarter of fiscal 2014, and it is expected in the third quarter that the integration will be completed and the new company will start business. It is expected that Fujitsu will hold a 40% share of voting rights in the new company, to be operated as an independent business, with the aim to go public through an initial public offering a few years later.

Other/Elimination and Corporate

This segment recorded an operating loss of 72.8 billion yen (US$707 million), an improvement of 8.2 billion yen from fiscal 2012. This was on account of company-wide progress in generating cost efficiencies.

<Geographic Information>

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



Operating Income (Billion Yen)

		FY2012	FY2013	Change vs. FY2012
Japan		178.4 [5.4%]	202.8 [5.9%]	24.3 [0.5%]
Outside Japan		-11.1 [-0.7%]	18.2 [1.0%]	29.4 [1.7%]
	EMEA	-19.2 [-2.5%]	2.6 [0.3%]	21.9 [2.8%]
	The Americas	-2.3 [-0.9%]	6.6 [1.7%]	9.0 [2.6%]
	APAC & China	10.4 [2.2%]	8.9 [1.6%]	-1.5 [-0.6%]

Note: Numbers inside brackets indicate operating income margin.

In Japan, net sales amounted to 3,465.1 billion yen (US$33,642 million), an increase of 4.8% compared to fiscal 2012. Sales of mobile phones were down sharply, but sales of systems integration services, mainly to public-sector and financial institutions, increased, as did sales of PCs and network products. Operating income in Japan was 202.8 billion yen (US$1,969 million), a year-on-year increase of 24.3 billion yen. Despite deteriorating profitability in mobile phones, operating income increased on the impact of workforce-related measures as well the restructuring of the LSI device business, in addition to the benefits of higher sales of systems integration services.

Net sales outside Japan were 1,865.5 billion yen (US$18,112 million), up 22.1% from fiscal 2012. On a constant-currency basis, sales increased 8%. Operating income outside Japan was 18.2 billion yen (US$177 million), an improvement of 29.4 billion yen from fiscal 2012, mainly in EMEA, and all regions returned to profitability.

Net sales in EMEA amounted to 937.3 billion yen (US$9,100 million), an increase of 19.4% from fiscal 2012, although, on a constant-currency basis, sales fell by 2%. The sales strategy for PCs switched to an emphasis on profitability over volume, and sales declined primarily in emerging markets. Operating income was 2.6 billion yen (US$25 million), representing an improvement of 21.9 billion yen from fiscal 2012. In addition to improved profitability in PCs, there was also a temporary reduction in the estimated expenses from copyright levies imposed on PCs in Germany as a result of a settlement with a copyright organization. Operating income for infrastructure services improved owing to structural reforms. It should also be noted that, to adjust for differences in accounting between Japanese accounting standards and IFRS, fiscal 2013 operating income reflects approximately 5 billion yen in goodwill amortization expenses and approximately 17 billion yen in amortization expenses for retirement benefits.

Net sales in the Americas were 386.0 billion yen (US$3,748 million), an increase of 41.1% from fiscal 2012, and an increase of 25% on a constant-currency basis. Sales rose for car audio and navigation equipment and optical transmission systems. Operating income for the region amounted to 6.6 billion yen (US$64 million), an improvement of 9.0 billion yen from fiscal 2012. In addition to the effects of higher sales, lower goodwill amortization expenses and improved profitability in infrastructure services contributed to the improvement of operating income.

In APAC and China, net sales were 542.1 billion yen (US$5,263 million), a year-on-year increase of 15.6%. Sales of car audio and navigation systems and infrastructure services increased. Operating income was 8.9 billion yen (US$86 million), a decrease of 1.5 billion yen from fiscal 2012. Despite higher sales, operating income was adversely affected by the deteriorating profitability of certain infrastructure services projects in Australia.