

4. FY2014 Earnings Projections

Against the backdrop of a rebounding economic recovery in the United States, and even though Europe is still feeling the impact of fiscal austerity measures and emerging market economies face lingering uncertainty, the global economy, on the whole, appears to be maintaining a moderate recovery. In Japan, too, concerns exist over a temporary pause in consumer spending following a hike in the consumption tax and increased prices of imported materials on account of the weak yen. However, a solid economic recovery is expected to continue as a result of a series of economic measures taken by the government.

Starting in fiscal 2014, Fujitsu is voluntarily adopting IFRS for its consolidated financial statements. Outside of Japan, the Fujitsu Group has expanded its business across the globe, to regions such as Europe, the Americas, and Asia. As the importance of its business outside of Japan grows year by year, IFRS, a single, uniform accounting standard for Group companies, including those based outside of Japan, will enable coherent business management in and outside of Japan. In adopting IFRS, Fujitsu also seeks to facilitate international comparisons of financial information in global capital markets. Accordingly, Fujitsu's earnings projections for fiscal 2014 have been prepared based on IFRS, and results for fiscal 2013 have been revised in accordance with IFRS to facilitate comparison.

Earnings projections for fiscal 2014 assume yen exchange rates of 100 yen for the US dollar, 135 yen for the euro, and 160 yen for the British pound. In addition, because Fujitsu's SoC business will be merged into a newly integrated company in the third quarter, earnings of that integrated company have been factored into the projections using the equity method.

In light of these circumstances, Fujitsu's earnings projections for fiscal 2014 are as outlined below.

For the full fiscal year, Fujitsu is projecting consolidated net sales of 4,800 billion yen, an approximately 40 billion yen increase from fiscal 2013. Net sales in Japan for the Ubiquitous Solutions segment are projected to decline sharply by approximately 100 billion yen. In addition to an expected decline in consumer demand on account of the increased consumption tax, demand for PCs, which had risen owing to need for replacements prior to the end of support for an operating system product, is expected fall, and unit sales of mobile phones are projected to decline. On the other hand, sales in the services business are projected to see strong growth, and there is expected to be a recovery in the demand for electronic components both in Japan and internationally. Sales of network products and car audio and navigation equipment outside of Japan are projected to rise.

Fujitsu is projecting operating income of 185 billion yen for fiscal 2014, an increase of approximately 40 billion yen from fiscal 2013. The Technology Solutions segment is projected to account for approximately 5 billion yen of this increase. In addition to the effect of higher sales in the services business, structural reforms in businesses outside Japan are expected to yield further results, but the level of the overall increase is expected to be limited because of higher upfront expenses to expand business outside of Japan and enhance product competitiveness. The Ubiquitous Solutions segment is projected to return to profitability with 4 billion yen in operating income. In addition to a sharp decline in extraordinary costs in the mobile phone business, with progress in quality assurance and in eliminating excess inventories, Fujitsu is projecting cost savings from the integration of manufacturing sites it implemented last year, and from shifting development resources into growth areas. Operating income in the Device Solutions segment is projected to increase by approximately 15 billion yen. In addition to a rebound from the restructuring charges for the LSI device business recorded in fiscal 2013, operating income in this segment is projected to be higher because of higher sales of electronic components. In the Other/Elimination and Corporate segment, operating results are projected to deteriorate due to upfront

expenses to enhance and expand new business areas as part of Fujitsu's medium- to long-term growth strategy, and because results in fiscal 2013 reflected gains on the sales of property, plant and equipment.

In addition, Fujitsu is projecting 190 billion yen in income before taxes and minority interests, and profit for the year attributable to owners of the parent company is projected to be 125 billion yen.

FY2014 Full-Year Consolidated Forecast

(Billion Yen)

	IFRS			
	FY2013 (Actual)	FY2014 (Forecast)	Change	Change (%)
Sales	4,762.4	4,800.0	37.5	0.8
Operating Income	147.2	185.0	37.7	25.6
[Operating Income Margin]	[3.1%]	[3.9%]	[0.8%]	
Profit Attributable to Owners of the Parent	113.2	125.0	11.7	10.4

<Operating Income by Business Segment >

Technology Solutions	233.0	238.0	4.9	2.1
Ubiquitous Solutions	-26.8	4.0	30.8	-
Device Solutions	11.5	27.0	15.4	133.3
Other/Elimination and Corporate	-70.5	-84.0	-13.4	-

Note: Figures for actual results in fiscal 2013 are preliminary and are subject to change based on results of accounting audits.

Forecast for FY2014 Consolidated Business Segment Information [IFRS]

<Net Sales* by Principal Products and Services>

(Billion Yen)

		FY2013	FY2014	Change vs. FY2013		
		(Actual)	(Forecast)		Change(%)	Change(%) Constant Currency**
	Technology Solutions	3,243.0	3,290.0	46.9	1.4	1
	Services	2,627.2	2,660.0	32.7	1.2	1
	Solutions / SI	920.4	930.0	9.5	1.0	1
	Infrastructure Services	1,706.7	1,730.0	23.2	1.4	1
	System Platforms	615.7	630.0	14.2	2.3	2
	System Products	272.7	280.0	7.2	2.7	3
	Network Products	343.0	350.0	6.9	2.0	2
	Ubiquitous Solutions	1,125.4	1,050.0	-75.4	-6.7	-7
	PCs / Mobile Phones	799.3	720.0	-79.3	-9.9	-10
	Mobilewear	326.0	330.0	3.9	1.2	1
	Device Solutions	600.2	610.0	9.7	1.6	2
	LSI****	321.6	290.0	-31.6	-9.8	-10
	Electronic Components	280.2	320.0	39.7	14.2	14

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 FY2013 to translate the forecasted net sales outside Japan into yen.

*** "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.

***** Figures for actual results in fiscal 2013 are preliminary and are subject to change based on results of accounting audits.

<Net Sales* and Operating Income>

(Billion Yen)

		FY2013 (Actual)	FY2014 (Forecast)	Change vs. FY2013		
					Change(%)	Change(%) Constant Currency**
Technology Solutions	Sales	3,243.0	3,290.0	46.9	1.4	1
	Japan	2,054.2	2,080.0	25.7	1.3	1
	Outside Japan	1,188.7	1,210.0	21.2	1.8	2
	Operating Income	233.0	238.0	4.9	2.1	
	[Operating Income Margin]	[7.2%]	[7.2%]	[- %]		
Services	Sales	2,627.2	2,660.0	32.7	1.2	1
	Operating Income	173.8	178.0	4.1	2.4	
	[Operating Income Margin]	[6.6%]	[6.7%]	[0.1%]		
System Platforms	Sales	615.7	630.0	14.2	2.3	2
	Operating Income	59.2	60.0	0.7	1.3	
	[Operating Income Margin]	[9.6%]	[9.5%]	[-0.1%]		
Ubiquitous Solutions	Sales	1,125.4	1,050.0	-75.4	-6.7	-7
	Japan	794.4	700.0	-94.4	-11.9	-12
	Outside Japan	331.0	350.0	18.9	5.7	5
	Operating Income	-26.8	4.0	30.8	-	
	[Operating Income Margin]	[-2.4%]	[0.4%]	[2.8%]		
Device Solutions	Sales	600.2	610.0	9.7	1.6	2
	Japan	291.9	320.0	28.0	9.6	10
	Outside Japan	308.3	290.0	-18.3	-5.9	-6
	Operating Income	11.5	27.0	15.4	133.3	
	[Operating Income Margin]	[1.9%]	[4.4%]	[2.5%]		
	LSI	Operating Income	0.0	8.0	7.9	-
	Electronic Components	Operating Income	11.4	19.0	7.5	65.5
Other/Elimination and Corporate***	Sales	-206.3	-150.0	56.3	-	-
	Operating Income	-70.5	-84.0	-13.4	-	
Total	Sales	4,762.4	4,800.0	37.5	0.8	1
	Japan	2,960.9	2,960.0	-0.9	-0.0	-0
	Outside Japan	1,801.4	1,840.0	38.5	2.1	2
	Operating Income	147.2	185.0	37.7	25.6	
	[Operating Income Margin]	[3.1%]	[3.9%]	[0.8%]		

<Ratio of Sales outside Japan>

37.8%

38.3%

0.5%

[Miscellaneous Forecasts for FY2014]

a.Exchange rate

(Yen)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
U.S. Dollar	83	100	100
euro	107	134	135
British pound	131	159	160

Reference information:

A 1 yen appreciation had the following effect on operating income of FY2013.

U.S. dollar : Increase by approximately 0.3 billion yen.

euro: decrease by approximately 0.2 billion yen.

British pound: Increase/decrease by approximately 0 billion yen.

A 1 yen fluctuation appreciation is expected to have the following effect on operating income of FY2014.

U.S. dollar : decrease by approximately 0.6 billion yen.

euro: decrease by approximately 0.3 billion yen.

British pound: decrease by approximately 0.1 billion yen.

b.R&D Expenses

(Billion Yen)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
R&D Expenses	231.0	221.3	230.0
As % of Net sales	5.3%	4.6%	4.8%

c.Capital Expenditures and Depreciation

(Billion Yen)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
Technology Solutions	59.5	69.5	85.0
Ubiquitous Solutions	14.6	14.9	13.0
Device Solutions	40.4	33.9	44.0
Other/Corporate	7.0	3.7	3.0
Total	121.7	122.2	145.0
Depreciation	116.5	115.1	120.0

d.Cash Flows

(Billion Yen)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
Net income/profit (attributable to owners of the patent)	-79.9	48.6	125.0
Depreciation, amortization & impairment loss	240.9	185.6	185.0
Amortization of goodwill	14.2	9.7	-
Others**	-104.2	-68.4	-40.0
(A)Cash flows from operating activities	71.0	175.5	270.0
(B)Cash flows from investing activities	-161.4	-128.8	-190.0
(C)Free cash flow (A)+(B)	-90.4	46.6	80.0
[FCF excluding one-time items]*	[8.4]	[14.4]	[80.0]
(D)Cash flows from financing activities	100.3	-44.7	-30.0
(E)Total (C)+(D)	9.9	1.8	50.0

Notes:

* FCF excluding one-time items is free cash flow minus proceeds from the sale of investment securities, proceeds from the transfer of business, and a special contribution during FY2012 into pension schemes of UK subsidiary (114.3 billion yen).

** Others in cash flows from operating activities include expenditures regarding structural reforms in LSI devices and global businesses FY2013(Actual) approximately 50.0 billion yen. FY2014(forecast) approximately 25.0 billion yen.

For the actual amounts for fiscal 2012 and fiscal 2013, the figures based on Japanese accounting standards are presented for reference.□

For the actual amounts for fiscal 2013 based on IFRS figures, they are expected to be presented in the summary of financial results for the first quarter of fiscal 2014.

e.PC Shipments

(Million Units)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
PC Shipments	5.83	5.90	5.10

Change vs. previous forecast as of January 2014

0.2

f.Mobile Phone Shipments

(Million Units)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
Mobile Phone Shipments	6.50	3.70	3.10

Change vs. previous forecast as of January 2014

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g.Employees

(Thousands)

	FY2011 As of March 31, 2012 (Actual)	FY2012 As of March 31, 2013 (Actual)	FY2013 As of March 31, 2014 (Actual)
Japan	107	104	101
Outside Japan	66	65	61
Total	173	169	162

Notes: Through the implementation of an early retirement incentive plan in the LSI device business in Japan, 1.6 thousand employees had retired by the end of June 2013.

In addition, the sale of the microcontroller and analog device business reduced headcount in and outside of Japan by approximately one thousand of employees.

The reduction in the number of employees outside of Japan since the end of the previous fiscal year is primarily attributable to structural reforms and the sale of a subsidiary in the EMEA region.