

## 2. Explanation of Financial Condition

### [Assets, Liabilities and Net Assets]

(Billion Yen)

	Year-end FY2012 (at March 31, 2013)	Second Quarter FY2013 (at Sept. 30, 2013)	Change	Second Quarter FY2012 (at Sept. 30, 2012)
Assets				
Current assets	1,722.2	1,727.1	4.8	1,562.7
(Cash and time deposits and Marketable securities)	304.9	341.4	36.5	281.2
(Notes and accounts receivable, trade)	895.9	797.7	-98.2	736.7
(Inventories)	323.0	370.1	47.1	361.2
Non-current assets	1,198.0	1,225.6	27.6	1,200.2
(Property, plant and equipment)	618.4	618.5	0.1	631.8
(Intangible assets)	187.3	186.8	-0.4	218.5
(Investment and other non-current assets)	392.2	420.2	27.9	349.8
Total Assets	2,920.3	2,952.7	32.4	2,763.0
Liabilities				
Current liabilities	1,568.5	1,483.8	-84.6	1,337.3
(Notes and accounts payables, trade)	566.7	541.7	-25.0	528.4
(Short-term borrowings and Current portion of bonds payable)	289.7	309.2	19.5	210.4
(Provision for restructuring charges)	64.0	31.0	-32.9	5.9
Long-term liabilities	599.3	697.7	98.4	599.9
(Long-term debt)	245.2	332.6	87.3	217.8
Total Liabilities	2,167.8	2,181.6	13.7	1,937.3
Net Assets				
Shareholders' equity	825.5	815.9	-9.6	901.4
Accumulated other comprehensive income	-201.5	-174.2	27.2	-199.2
Minority interests in consolidated subsidiaries	128.3	129.4	1.0	123.4
Total Net Assets	752.4	771.1	18.7	825.7
Total Liabilities and Net Assets	2,920.3	2,952.7	32.4	2,763.0

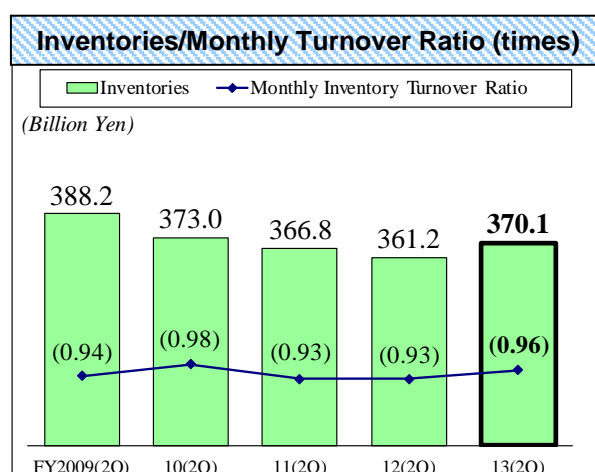
### [Cash Flows]

(Billion Yen)

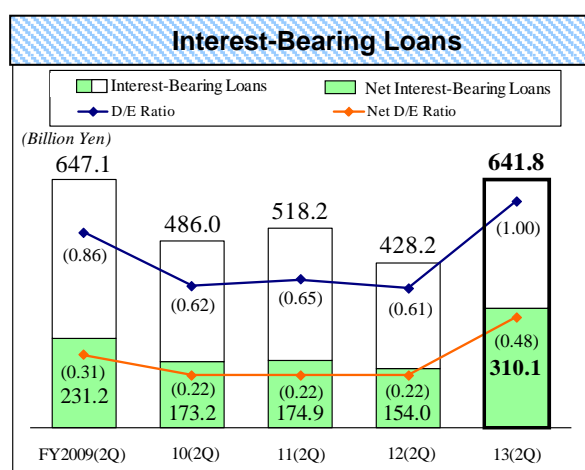
	First-Half FY2012 (4/1/12~9/30/12)	First-Half FY2013 (4/1/13~9/30/13)	Change
I. Net cash provided by operating activities	60.2	4.1	-56.1
[ Income (loss) before income taxes and minority interests ]	[ -0.2 ]	[ 10.0 ]	[ 10.3 ]
[ Depreciation and amortization, including goodwill amortization ]	[ 95.4 ]	[ 90.7 ]	[ -4.7 ]
[ Increase (decrease) in provisions ]	[ -15.8 ]	[ -34.3 ]	[ -18.4 ]
[ (Increase) decrease in receivables, trade ]	[ 148.9 ]	[ 115.0 ]	[ -33.9 ]
[ (Increase) decrease in inventories ]	[ -32.1 ]	[ -49.8 ]	[ -17.7 ]
[ Increase (decrease) in payables, trade ]	[ -79.1 ]	[ -38.3 ]	[ 40.7 ]
[ Income taxes paid ]	[ -8.2 ]	[ -24.8 ]	[ -16.5 ]
II. Net cash used in investing activities	-77.7	-59.2	18.5
[ Purchases of property, plant and equipment ]	[ -53.1 ]	[ -55.8 ]	[ -2.6 ]
[ Purchases of intangible assets ]	[ -28.0 ]	[ -31.0 ]	[ -3.0 ]
[ Proceeds from sales of investment securities ]	[ 0.2 ]	[ 10.6 ]	[ 10.3 ]
[ Proceeds from transfer of business ]	[ - ]	[ 10.8 ]	[ 10.8 ]
I+II. Free Cash Flow	-17.5	-55.1	-37.5
III. Net cash provided by financing activities	28.4	91.7	63.2
[ Net increase in borrowings (decrease) ]	[ 106.1 ]	[ 101.1 ]	[ -5.0 ]
[ Bond issue and redemption ]	[ -56.9 ]	[ - ]	[ 56.9 ]
[ Dividends paid ]	[ -11.5 ]	[ -1.5 ]	[ 10.0 ]
Cash and cash equivalents at end of period	274.1	331.7	57.5

Notes; Figures for the year-end FY2012, the first-half of FY2012, and the second quarter of FY2012 have been retroactively revised as a result of the adoption of the amended IAS 19.

## (1) Assets, Liabilities and Net Assets



Note: The monthly turnover ratio is calculated by taking first-half sales, dividing by the average balance of inventories in the first-half, and then dividing by 6. The average balance of inventories in the first-half is calculated using the average of the balances at the end of first quarter and second quarter.



Consolidated total assets at the end of the second quarter were 2,952.7 billion yen (US\$30,130 million), an increase of 32.4 billion yen from the end of fiscal 2012. The impact of the weaker yen caused the yen value of non-yen assets to increase by approximately 60 billion yen. Current assets increased by 4.8 billion yen compared with the end of fiscal 2012, to 1,727.1 billion yen. Notes and accounts receivable, trade decreased by 98.2 billion yen compared to the end of the prior fiscal year, reflecting the collection associated with the large concentration of sales at the end of the previous fiscal year. In preparation for future expected sales, particularly in the services business, inventories at the end of the quarter increased to 370.1 billion yen, an increase of 47.1 billion yen from the ending balance of fiscal 2012. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 0.96 times, an improvement 0.03 times compared to the end of the second quarter of fiscal 2012. Non-current assets increased by 27.6 billion yen from the end of fiscal 2012, to 1,225.6 billion yen. Investments and other non-current assets increased by 27.9 billion yen because the rise in stock prices increased the value of investment securities.

Consolidated total liabilities amounted to 2,181.6 billion yen (US\$22,261 million), an increase of 13.7 billion yen compared to the end of fiscal 2012. Trade notes and accounts payable decreased due to the payment reflecting sales that were concentrated at the end of the previous fiscal year. The payment of expenses associated with the restructuring of the LSI device business and businesses outside Japan caused the provision for business structure improvement to decline. The balance of interest-bearing loans was 641.8 billion yen, an increase of 106.9 billion yen from the end of fiscal 2012. Borrowings increased to finance a portion of working capital. As a result, the D/E ratio was 1.00 times, a deterioration of 0.14 of a percentage point compared to the end of fiscal 2012, and the net D/E ratio was 0.48 times, a deterioration of 0.08 of a percentage point compared to the end of fiscal 2012. Both ratios have deteriorated compared to the end of the second quarter of the previous fiscal year because of the deterioration in owners' equity resulting from the losses recorded in the second half of fiscal 2012 and the first half of fiscal 2013.

Net assets were 771.1 billion yen (US\$7,868 million), an increase of 18.7 billion yen from the end of fiscal 2012. Shareholders' equity decreased by 9.6 billion yen as a result of the net loss recorded in the

second quarter, but accumulated other comprehensive income increased by 27.2 billion yen as a result of yen depreciation and the rise in stock prices. The owners' equity ratio was 21.7%, essentially unchanged from end of fiscal 2012.

	<b>FY2012</b> (March 31, 2013)	<b>2Q FY2013</b> (Sept. 30, 2013)	<b>Change</b>	(Billion Yen) <b>2Q FY2012</b> (Sept. 30, 2012)
Cash and Cash Equivalents at End of Period	286.6	331.7	45.1	274.1
Interest-bearing Loans	534.9	641.8	106.9	428.2
Net Interest-bearing Loans	248.3	310.1	61.7	154.0
Owners' Equity	624.0	641.6	17.6	702.2

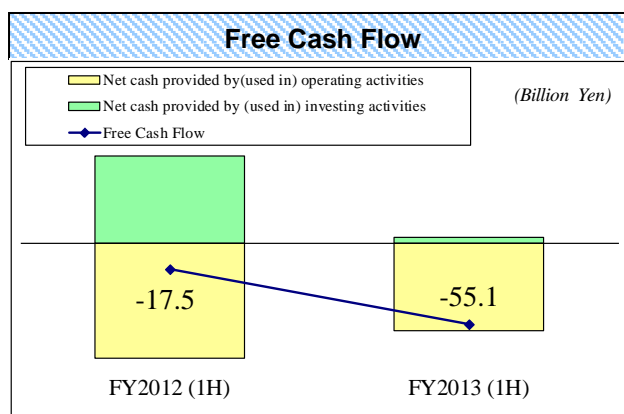
  

D/E Ratio (Times)	0.86	1.00	0.14	0.61
Net D/E Ratio (Times)	0.40	0.48	0.08	0.22
Shareholders' Equity Ratio	28.3 %	27.6 %	-0.7 %	32.6 %
Owners' Equity Ratio	21.4 %	21.7 %	0.3 %	25.4 %

1. D/E ratio: Interest-bearing loans/Owners' equity
2. Net D/E ratio: (Interest-bearing loans – Cash and cash equivalents at end of period)/Owner's equity
3. The figures for the second quarter of fiscal 2012 and full-year fiscal 2012 have been retroactively revised in accordance with the adoption of the amended IAS 19 *Employee Benefits*. Owners' equity for the second quarter of fiscal 2012 has been reduced by 103.0 billion yen, and it has been reduced by 157.3 billion yen for full-year fiscal 2012. D/E ratio and others are also revised.

## (2) Cash Flows

Net cash flows from operating activities in the first half amounted to 4.1 billion yen (US\$42 million). This represents a decrease in cash inflows of 56.1 billion yen compared to the first half of fiscal 2012. The decrease is attributable to the payment of expenses associated with the restructuring of the LSI device business and businesses outside Japan. In addition, in comparison with the first half of fiscal 2012, in which tax payments declined because of the liquidation of a subsidiary in Europe, payment of corporate income taxes and other taxes increased in the current period.



Net cash used in investing activities was 59.2 billion yen (US\$604 million). Outflows mainly consisted of the acquisition of property, plant and equipment amounting to 55.8 billion yen, mainly related to datacenters, and the acquisition of intangible assets, primarily software, amounting to 31.0 billion yen. Compared to the same period in fiscal 2012, net outflows decreased by 18.5 billion yen. The sale of investment securities and the sale of a business in conjunction with the restructuring of LSI device business resulted in an inflow of cash.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 55.1 billion yen (US\$562 million), representing a decrease in net cash inflows of 37.5 billion yen compared with the same period in the previous fiscal year, mainly due to the payment of business restructuring expenses.

Net cash provided by financing activities was 91.7 billion yen (US\$936 million). A portion of working capital was financed through short-term borrowings. In addition, short-term borrowings in the previous fiscal year that were used to finance a special contribution to the pension fund of a UK subsidiary were repaid and replaced by long-term borrowings. Compared to the first half of fiscal 2012, when cash on hand was used to redeem 60.0 billion yen in straight corporate bonds at maturity, cash inflows increased by 63.2 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the second quarter of fiscal 2013 were 331.7 billion yen (US\$3,385 million), an increase of 47.1 billion yen compared to the end of fiscal 2012.

### (3) Status of Retirement Benefit Plans

Of Fujitsu's unrecognized obligation for retirement benefits, 157.3 billion yen, representing the portion from the pension plans of subsidiaries outside Japan, was reflected on the consolidated balance sheets through other comprehensive income at the beginning of fiscal 2013. The portion from the pension plans of Fujitsu and its subsidiaries in Japan will be reflected on the consolidated balance sheets at the end of fiscal 2013.

The amortization expenses stemming from the actuarial losses in the pension plans of subsidiaries outside Japan are transferred from other comprehensive income.

(Billion Yen)

	<b>Unrecognized Obligation for Retirement Benefits (Off Balance Sheet)</b>		<b>Amortization Expenses</b>	
	<b>FY2012</b> (As of March 31, 2013)		<b>First-Half FY2013</b> (4/1/13-9/30/13)	
	(Before Revisions)	(After Revisions)		Amounts Transferred From Other Comprehensive Income
Total	466.1	308.7	21.7	8.5
In Japan	308.7	308.7	13.2	-
Outside Japan	157.3	-	8.5	8.5

Note: Amortization expenses exclude one-time amortization expenses of 4.5 billion yen stemming from a partial buyout in the retirement benefit plans at a European subsidiary.