

# Part I: Financial Results

## 1. Explanation of Financial Results

### <Business Environment>

During the first quarter of fiscal 2013 (April 1, 2013 – June 30, 2013), the global economy continued to experience a weak recovery. In Europe, economic conditions continued to deteriorate as a result of fiscal austerity measures and rising unemployment. Although the US is experiencing a mild recovery, expectations that quantitative easing would be scaled down resulted in instability in financial markets. The rate of economic growth in emerging market countries continued to slow on account of depressed consumer spending and lower exports.

In Japan, the economy saw a partial improvement in consumer spending 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. Exports also displayed signs of recovery as a result of the improved economic environment due to yen depreciation.

Although companies in Japan continue to take a cautious stance toward investments in information and communication technology (ICT), there were signs of a partial recovery. Outside of Japan, primarily in Europe, economic conditions continued to deteriorate, and companies have persisted in putting constraints on investment spending.

### FY2013 First-Quarter Financial Results

(Billion Yen)

	1Q FY2012 (Before Revisions)	1Q FY2012 4/1/12- 6/30/12	1Q FY2013 4/1/13- 6/30/13	Change vs. 1Q FY 2012	
					Change (%)
Net Sales	957.3	957.3	999.2	41.8	< -2 > 4.4
Cost of Sales	706.7	706.7	739.6	32.8	4.7
Gross Profit	250.6	250.6	259.6	8.9	3.6
[Gross Profit Margin]	[ 26.2%]	[ 26.2%]	[ 26.0%]	[ -0.2%]	
Selling, General and Administrative Expenses	275.6	<u>* 277.3</u>	282.4	5.0	1.8
Operating Income (Loss)	-25.0	<u>* -26.7</u>	-22.8	3.9	-
[Operating Income Margin]	[ -2.6%]	[ -2.8%]	[ -2.3%]	[ 0.5%]	
Other Income and Expenses	0.1	0.1	4.1	3.9	-
Income (Loss) Before Income Taxes and Minority Interests	-24.9	<u>* -26.6</u>	-18.7	7.8	-
Income Taxes	-1.8	-1.8	1.2	3.1	-
Minority Interests (Loss)	0.7	0.7	2.0	1.2	167.0
Net Income (Loss)	-23.7	<u>* -25.4</u>	-21.9	3.5	-

< > Change (%) Constant Currency

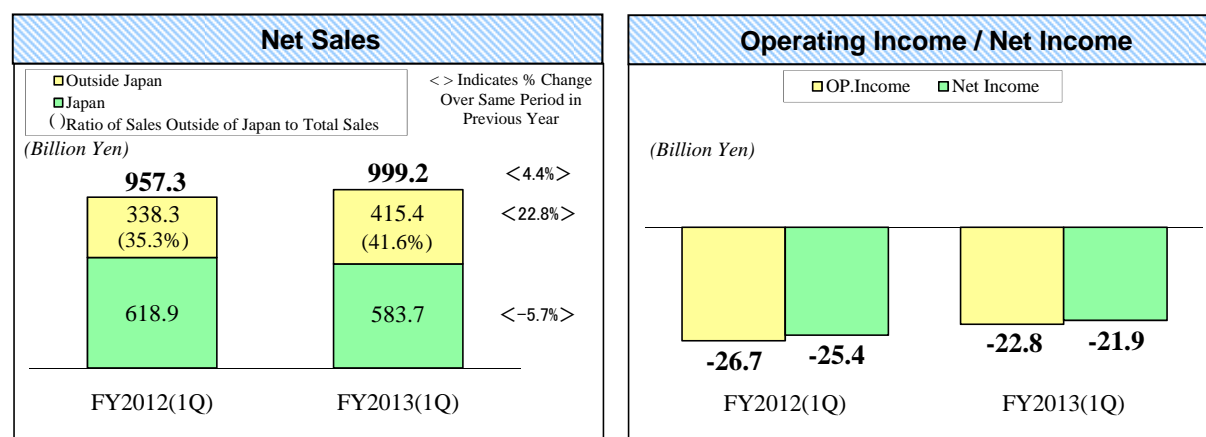
\*In accordance with the amended IAS 19 *Employee Benefits*, of the International Financial Reporting Standards (IFRS), which the Fujitsu Group's consolidated subsidiaries outside of Japan have adopted, the figures for the first

quarter of fiscal 2012 have been retroactively revised. As a result, selling, general and administrative expenses have increased by 1.6 billion yen, and operating income has been reduced by 1.6 billion yen. Similarly, other income statement figures, including net income, have also been revised.

Net assets have been reduced due to the unrecognized obligation for retirement benefits of subsidiaries outside Japan as of the end of fiscal 2012, which amounted to 157.3 billion yen, has been brought onto the consolidated balance sheet. For further details, please see “Retroactive Revisions from Changes in Accounting Standards” on page 12.

## <Profit and Loss>

*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=99 yen, the approximate Tokyo foreign exchange market rate on June 30, 2013. 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 first quarter of fiscal 2012 to translate the current period's net sales outside Japan into yen.*



Consolidated net sales for the first quarter of fiscal 2013 were 999.2 billion yen (US\$10,093 million), an increase of 4.4% from the first quarter of fiscal 2012 as a result of foreign exchange fluctuations and other factors. Net sales in Japan declined by 5.7%. The decline in sales was primarily in hardware products, such as mobile phones and PCs. On the other hand, sales of system integration services rose in such sectors as manufacturing, financial services, and the public sector. Sales outside of Japan rose 22.8%. Excluding the impact of foreign exchange fluctuations, sales rose by 3%. Sales increased largely on a recovery in demand for optical transmission systems in North America, and there were also higher sales of LSI devices and electronic components.

For the first quarter of fiscal 2013, the average yen exchange rates against major currencies were 99 yen for the US dollar (representing yen depreciation of 19 yen from the first quarter of fiscal 2012), 129 yen for the euro (depreciation of 26 yen), and 152 yen for the British pound (depreciation of 25 yen). The impact of foreign exchange movements was to increase net sales by approximately 65.0 billion yen compared to the first quarter of fiscal 2012. Sales generated outside Japan as a percentage of total sales were 41.6%, an increase of 6.3 percentage points compared to the first quarter of the previous fiscal year, mainly as a result of foreign exchange fluctuations and a reduction in hardware sales in Japan.

Gross profit was 259.6 billion yen, an increase of 8.9 billion yen from the first quarter of fiscal 2012.

Despite the adverse impact from the decline in sales of mobile phones and other products, gross profit increased because of foreign exchange movements and a variety of measures implemented to reduce costs. The gross profit margin was 26%, a decline of 0.2 of a percentage point from the first quarter of the prior fiscal year.

Selling, general and administrative expenses were 282.4 billion yen, an increase of 5.0 billion yen from the first quarter of fiscal 2012. The increase was the result of the weaker yen, despite the implementation of Group-wide measures to generate cost efficiencies, and decline on a constant currency basis.

Fujitsu recorded an operating loss of 22.8 billion yen (US\$230 million), an improvement of 3.9 billion yen from the previous fiscal year's first quarter. While there was the adverse impact stemming from lower sales of mobile phones, the improvement was the result of the impact of a weaker yen and emergency workforce-related measures. In addition, the impact of structural reforms in the LSI business and businesses outside Japan has gradually begun to contribute to earnings.

There was 4.1 billion yen in other income and expenses, representing a year-on-year improvement of 3.9 billion yen, primarily the result of an improvement in foreign currency translation adjustments and a gain on the sale of equity securities.

Fujitsu reported a consolidated net loss of 21.9 billion yen (US\$221 million), representing an improvement of 3.5 billion yen compared to the loss posted in the first quarter of fiscal 2012.

# FY2013 First-Quarter Consolidated Business Segment Information

## <Net Sales\* and Operating Income>

(Billion Yen)

		1Q FY2012 〔 4/1/2012 ~ 6/30/2012 〕	1Q FY2013 〔 4/1/2013 ~ 6/30/2013 〕	Change vs. 1Q FY2012		
					Change(%)	Change(%) Constant Currency**
Technology Solutions	Sales	627.1	677.5	50.4	8.0	1
	Japan	402.2	405.2	2.9	0.7	1
	Outside Japan	224.8	272.3	47.5	21.1	3
	Operating Income	● -0.8	2.5	3.4	-	
	[Operating Income Margin]	[-0.1%]	[0.4%]	[0.5%]		
Services	Sales	513.6	554.9	41.3	8.0	1
	Operating Income	● 3.2	5.5	2.2	70.0	
	[Operating Income Margin]	[0.6%]	[1.0%]	[0.4%]		
System Platforms	Sales	113.4	122.5	9.1	8.1	2
	Operating Income	-4.0	-2.9	1.1	-	
	[Operating Income Margin]	[-3.6%]	[-2.4%]	[1.2%]		
Ubiquitous Solutions	Sales	234.6	215.9	-18.6	-8.0	-12
	Japan	175.8	146.1	-29.6	-16.9	-17
	Outside Japan	58.7	69.7	11.0	18.7	2
	Operating Income	-2.0	-17.1	-15.1	-	
	[Operating Income Margin]	[-0.9%]	[-7.9%]	[-7.0%]		
Device Solutions	Sales	130.3	145.3	15.0	11.5	1
	Japan	72.0	67.4	-4.6	-6.4	-6
	Outside Japan	58.3	77.9	19.6	33.6	10
	Operating Income	-3.6	7.6	11.2	-	
	[Operating Income Margin]	[-2.8%]	[5.3%]	[8.1%]		
LSI	Operating Income	-5.7	3.2	8.9	-	
Electronic Components	Operating Income	2.0	4.3	2.3	110.7	
Other/Elimination and Corporate***	Sales	-34.7	-39.6	-4.9	-	-
	Operating Income	-20.2	-15.9	4.3	-	
Total	Sales	957.3	999.2	41.8	4.4	-2
	Japan	618.9	583.7	-35.2	-5.7	-6
	Outside Japan	338.3	415.4	77.0	22.8	3
	Operating Income	● -26.7	-22.8	3.9	-	
	[Operating Income Margin]	[-2.8%]	[-2.3%]	[0.5%]		

● Amounts of retroactive adjustments; -1.6 billion yen

<Net Sales\* by Principal Products and Services>

(Billion Yen)

		1Q FY2012	1Q FY2013	Change vs. 1Q FY2012		
		〔 4/1/2012 ~ 6/30/2012 〕	〔 4/1/2013 ~ 6/30/2013 〕		Change(%)	Change(%) Constant Currency**
	Technology Solutions	627.1	677.5	50.4	8.0	1
	Services	513.6	554.9	41.3	8.0	1
	Solutions / SI	170.5	182.7	12.2	7.2	7
	Infrastructure Services	343.1	372.2	29.1	8.5	-1
	System Platforms	113.4	122.5	9.1	8.1	2
	System Products	49.1	47.6	-1.5	-3.1	-7
	Network Products	64.3	74.9	10.6	16.6	9
	Ubiquitous Solutions	234.6	215.9	-18.6	-8.0	-12
	PCs / Mobile Phones	170.6	142.5	-28.0	-16.4	-20
	Mobilewear	63.9	73.3	9.4	14.7	9
	Device Solutions	130.3	145.3	15.0	11.5	1
	LSI****	67.8	77.6	9.8	14.5	5
	Electronic Components	62.7	68.4	5.7	9.1	-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 the first quarter of FY2012 to translate the current period's 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.

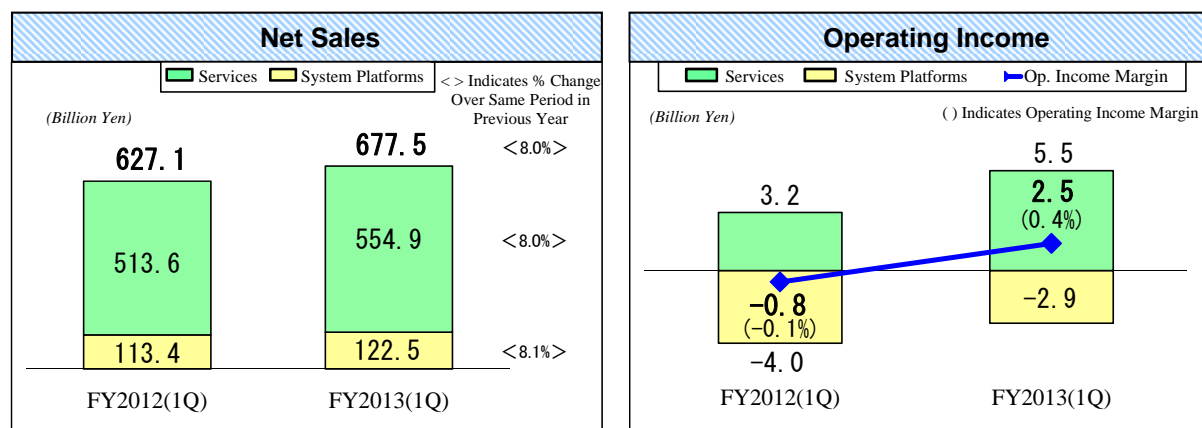
\*\*\*\* Sales figures for LSI include intrasegment sales to the electronic components segment.

\*\*\*\*\* Figures for the first quarter of FY2012 have been retroactively revised as a result of the adoption of the amended IAS19. For further details, please see "Retroactive Revisions from Changes in Accounting Standards" on page 12.

## <Results by Business Segment>

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

### Technology Solutions



Consolidated net sales in the Technology Solutions segment amounted to 677.5 billion yen (US\$6,843 million), an increase of 8% from the same period in fiscal 2012. Sales in Japan were essentially unchanged. Server-related sales declined due to a slower-than-expected initial launch period for new UNIX server products. In network products, despite

higher spending by telecommunications carriers to expand LTE coverage, sales as a whole were on par with the first quarter of fiscal 2012, when there was higher demand for 3G communications equipment to handle increasing volumes of communications traffic. In infrastructure services, outsourcing services grew steadily, but overall sales were weak compared to the first quarter of the previous fiscal year, when demand related to network services increased as telecommunications carriers tried to keep up with higher volumes of communications traffic. For systems integration services, despite the adverse impact of a shift toward spending on hardware by telecommunications carriers, sales grew on account of increased spending, primarily in the manufacturing, financial services and public sectors. Sales outside Japan increased 21.1%. On a constant currency basis, sales increased by 3%. Infrastructure service sales declined due to the impact of corporate spending restraints from the economic downturn in Europe. In addition, sales of new UNIX server models were weak. Sales of optical transmission systems in the US increased on a recovery in spending by telecommunications carriers.

The segment posted operating income of 2.5 billion yen (US\$25 million), up 3.4 billion yen compared to the first quarter of fiscal 2012. In Japan, operating income was positively impacted by higher sales of system integration services, while network-related sales fell and upfront R&D spending increased. Outside Japan, operating income rose as a result of cost reductions, primarily for x86 servers and in the European services business, as well as the impact of higher sales of network products.

	(Billion Yen)	
	First Quarter FY2013	Change vs. 1Q FY2012
Net Sales	677.5	8.0 %
Japan	405.2	0.7 %
Outside Japan	272.3	21.1 %
Operating Income	2.5	3.4

## (a) Services

Net sales in the Services sub-segment amounted to 554.9 billion yen (US\$5,605 million), an increase of 8% from the first quarter of the previous fiscal year. Sales in Japan rose 1.7%. In systems integration services, despite the adverse impact of a shift toward spending on hardware by telecommunications carriers, sales rose due to increased spending, primarily in the manufacturing,

financial services and public sectors. In infrastructure services, outsourcing services grew steadily, but overall sales were weak due to a drop in subscribers in the ISP business and a shift away from packaged products that include connection fees to stand-alone products. Also impacting comparisons was the increased demand related to network services in the first quarter of fiscal 2012, when telecommunications carriers tried to keep up with higher volumes of communications traffic. Sales outside Japan increased 18.2%. On a constant currency basis, sales were on par with the same period in fiscal 2012. Sales were adversely affected by lower corporate spending stemming from the economic downturn in Europe.

Operating income for the Services sub-segment was 5.5 billion yen (US\$56 million), an increase of 2.2 billion yen compared to the first quarter of the previous fiscal year. In Japan, despite a decline in network service sales, operating income as a whole increased on the positive impact of higher sales of system integration services. Outside Japan, progress was made in achieving cost efficiencies in the European business, and goodwill amortization expenses declined.

In accordance with the amended IAS 19 *Employee Benefits*, of the International Financial Reporting Standards (IFRS), comparisons of operating income in the first quarter of fiscal 2012 reflect the retroactive revision of fiscal 2012 first quarter figures. For further details, please see “Retroactive Revisions from Changes in Accounting Standards” on page 12. In this quarter, the change in the accounting standards caused retirement benefit expenses to increase by approximately 2.4 billion yen.

## (b) System Platforms

Net sales in the System Platforms sub-segment were 122.5 billion yen (US\$1,237 million), an increase of 8.1% from the same period of the year earlier. Sales in Japan fell 2.8%. Server-related sales declined due to delays in the launch of new UNIX server products. In network products, despite higher spending by telecommunications carriers to expand LTE coverage, sales as a whole were on par with the first quarter of fiscal 2012, when there was higher demand for 3G communications equipment to handle growing volumes of communications traffic. Sales outside Japan increased 42.8%. On a constant currency basis, sales significantly increased by 17%. Sales of new UNIX server models were weak. Optical transmission system sales in the US increased on a recovery in spending by telecommunications carriers.

The System Platforms sub-segment posted an operating loss of 2.9 billion yen (US\$29 million), representing an improvement of 1.1 billion yen compared to the same period of fiscal 2012. In Japan, operating income decreased due to lower sales and higher upfront R&D spending in network products. Outside Japan, income was positively impacted by cost efficiencies, primarily in the x86 server business, and higher sales of network products.

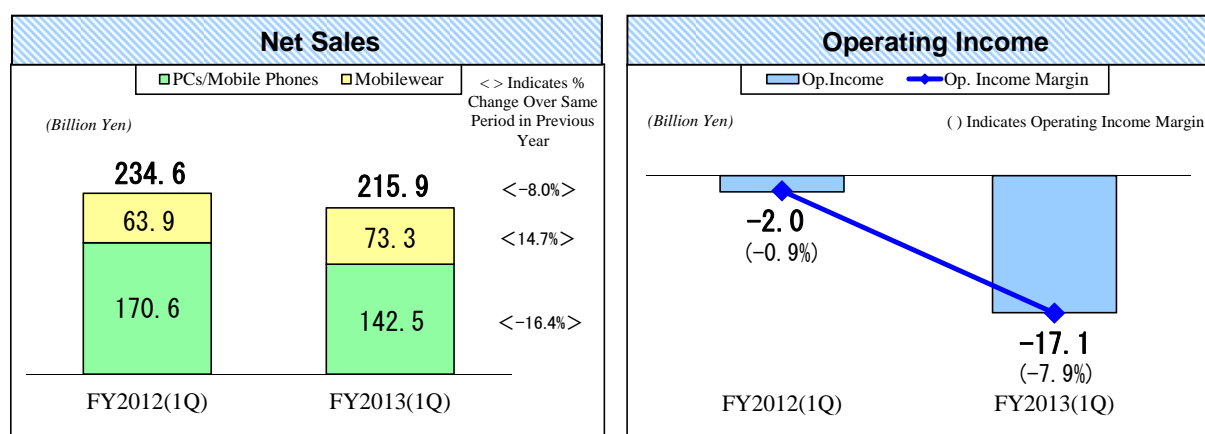
(Billion Yen)

	First Quarter FY2013	Change vs. 1Q FY2012
Net Sales	554.9	8.0 %
Japan	321.1	1.7 %
Outside Japan	233.8	18.2 %
Operating Income	5.5	2.2

(Billion Yen)

	First Quarter FY2013	Change vs. 1Q FY2012
Net Sales	122.5	8.1 %
Japan	84.0	-2.8 %
Outside Japan	38.5	42.8 %
Operating Income	-2.9	1.1

## Ubiquitous Solutions



Net sales in the Ubiquitous Solutions segment were 215.9 billion yen (US\$2,181 million), a decline of 8% from the first quarter of fiscal 2012. Sales in Japan were down by 16.9%. PC sales declined as unit sales fell on account of the shrinking consumer PC market, and on account of the large-volume orders received during the first quarter of the previous fiscal year from customers in the financial services industry. In mobile phones, sales fell on account of the shrinking market for feature phones, in addition to revisions in the smartphone sales strategies of telecommunications carriers. Sales of the Mobilewear sub-segment's car audio and navigation systems were adversely impacted by lower new vehicle sales due to the conclusion of the government's subsidy program for eco-friendly vehicles, but sales as a whole rose as a result of strong sales of luxury vehicles. Sales outside Japan increased 18.7%. On a constant currency basis, sales increased 2%. Unit sales in Europe declined due to an emphasis on profitability, but Mobilewear sales rose, primarily in North America.

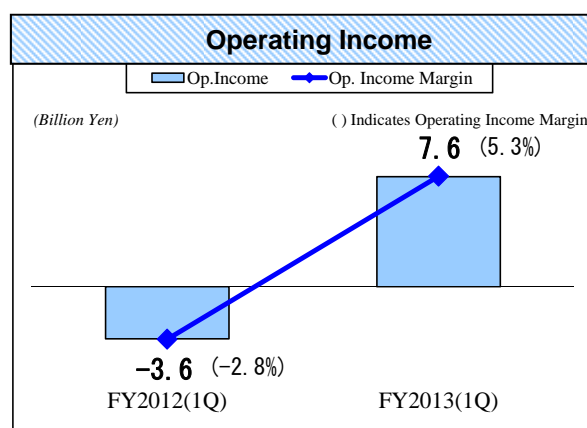
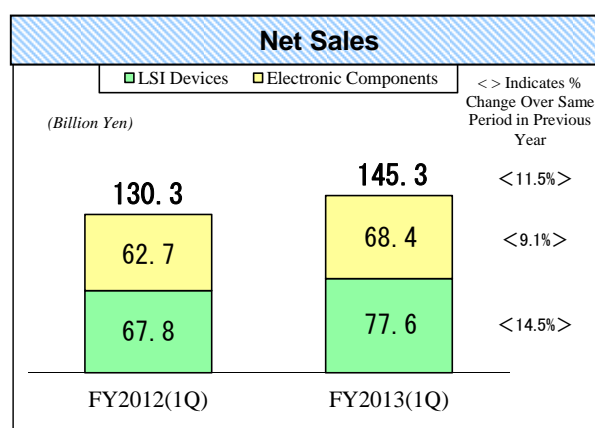
The Ubiquitous Solutions segment posted an operating loss of 17.1 billion yen (US\$173 million), down 15.1 billion yen from the first quarter of the previous fiscal year. In Japan, unit sales of mobile phones declined and procurement costs rose. In addition, PC sales also fell on lower unit volumes and increased procurement costs as a result of yen depreciation. Despite the positive impact of higher sales, operating income for Mobilewear remained essentially unchanged from the first quarter of last year due to higher development expenses. Outside Japan, operating income benefitted from an emphasis on profitability for sales of PCs, as well as cost reductions in parts procurement. Mobilewear was also positively impacted by increased sales.

(Billion Yen)

	First Quarter FY2013	Change vs. 1Q FY2012
Net Sales	215.9	-8.0 %
Japan	146.1	-16.9 %
Outside Japan	69.7	18.7 %
Operating Income	-17.1	-15.1



## Device Solutions



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

Net sales in Device Solutions amounted to 145.3 billion yen (US\$1,468 million), an increase of 11.5% compared to the first quarter of fiscal 2012. Sales in Japan declined 6.4%. Sales of LSI devices used in smartphones increased, but sales of LSI devices used in digital audio-visual equipment and manufacturing equipment decreased. Sales of electronic components, including semiconductor packages and batteries, also decreased.

Sales outside Japan increased by 33.6%. On a constant currency basis, sales increased 10%. Sales of LSI devices for smartphones, particularly in Asia, increased. For electronic components, sales of semiconductor packages, primarily to China, declined, but sales of batteries increased.

	(Billion Yen)	
	First Quarter FY2013	Change vs. 1Q FY2012
Net Sales	145.3	11.5 %
Japan	67.4	-6.4 %
Outside Japan	77.9	33.6 %
Operating Income	7.6	11.2

The Device Solutions segment recorded operating income of 7.6 billion yen (US\$77 million), an improvement of 11.2 billion yen compared to the first quarter of fiscal 2012, and representing the second straight quarter of profitable results. In Japan, results for LSI devices were adversely affected by lower sales, but overhead expenses decreased because of the sale of production facilities in the prior fiscal year. Capacity utilization on the production lines for 300mm wafers remained high because of an increase in demand for use in smartphones, but capacity utilization rates on the production lines for standard logic devices continued to be low. Fujitsu is consolidating the production lines for standard logic devices in the Aizu-Wakamatsu region and thereby raise capacity utilization rates. Results for electronic components were adversely affected by lower sales and the burden of development expenditures incurred by an affiliate developing semiconductors for communications equipment. Operating income outside of Japan improved on higher demand and the impact of higher sales resulting from the weaker yen.

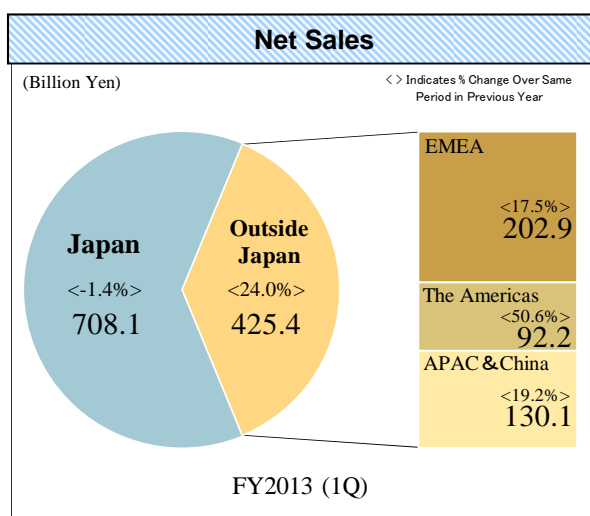
As part of the structural reforms to its LSI business, Fujitsu implemented an early retirement incentive plan with the aim of adjusting the headcount in the business to an optimal level. In Japan, 1,963 employees enrolled in the program, of which approximately 1,600 retired by the end of June. Employees working on production lines for standard logic devices who signed up for an early retirement incentive plan are expected to retire after the production lines have been consolidated in the Aizu-Wakamatsu region.

## Other/Elimination and Corporate

This segment recorded an operating loss of 15.9 billion yen (US\$161 million), representing an improvement of 4.3 billion yen from the first quarter of fiscal 2012 as a result of Group-wide progress in generating cost efficiencies.

### <Results by Geographic Segments>

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



**Operating Income** (Billion Yen)

	First Quarter FY2012	First Quarter FY2013	Change vs. 1Q FY2012
Japan	5.9 [0.8%]	2.2 [0.3%]	-3.6 [-0.5%]
Outside Japan	-14.1 [-4.1%]	-5.7 [-1.4%]	8.4 [2.7%]
EMEA	-12.5 [-7.3%]	-8.7 [-4.3%]	3.8 [3.0%]
The Americas	-2.3 [-3.8%]	1.5 [1.7%]	3.8 [5.5%]
APAC & China	0.7 [0.7%]	1.4 [1.1%]	0.6 [0.4%]

Note: Numbers inside brackets indicate operating income margin.

The figures for the first quarter of fiscal 2012 have been retroactively revised in accordance with the adoption of the amended IAS 19 *Employee Benefits*. As a result, operating income outside of Japan has been reduced by 1.6 billion yen, primarily from the EMEA region.

## <Retroactive Revisions from Changes in Accounting Standards>

The Fujitsu Group's consolidated subsidiaries outside of Japan, which prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), have adopted the amended IAS 19 *Employee Benefits* from the beginning of FY2013. As a result, for comparison figures, we have retroactively revised the financial statement figures stated for fiscal 2012.

A summary of the revised standards and their impact on the consolidated financial statement figures for fiscal 2012 are as follows.

### 1. Summary of the Revisions

- i. Unrecognized obligation for retirement benefits are reflected on the consolidated balance sheets after adjusting for tax effects.
- ii. The corridor approach for amortizing actuarial gains or losses is eliminated under IFRS, but it is necessary to reflect these amortized amounts under Japanese accounting standards, and amortization expenses have increased because of amounts that previously had not been recognized under the corridor approach.
- iii. Net interest on the net defined benefit liability (asset) has been adopted. (Gains in pension assets are also calculated by the discount rate, so costs have increased.)

### 2. Retroactive Revisions to Fiscal 2012 Results

(Consolidated Balance Sheets)

(Billion Yen)

	<b>FY 2012</b>		<b>FY 2012</b>
	Before Revisions	Retroactive Revisions	After Revisions
Total Assets	3,049.0	-128.7	2,920.3
Total Liabilities	2,139.2	28.6	2,167.8
Net Assets	909.8	-157.3	752.4
Owner's Equity	781.4	-157.3	624.0

Reference: Unrecognized Obligation for Retirement Benefits (Off Balance Sheet)

Total	466.1	-157.3	308.7
In Japan (*1)	308.7	-	308.7
Outside Japan	157.3	-157.3	-

1. i

\*1 Unrecognized obligation for retirement benefits in Japan are expected to be reflected on the consolidated balance sheets at the end of fiscal 2013 after adjusting for tax effects.

## (Consolidated Income Statement)

(Billion Yen)

	<b>FY 2012</b>		<b>FY 2012</b>	<b>1Q FY 2012</b>		<b>1Q FY 2012</b>
	Before Revisions	Retroactive Revisions	After Revisions	Before Revisions	Retroactive Revisions	After Revisions
Net Sales	4,381.7	-	4,381.7	957.3	-	957.3
Operating Income (*2)	95.2	-7.0	88.2	-25.0	-1.6	-26.7
Net Income	-72.9	-7.0	-79.9	-23.7	-1.6	-25.4

\*2 The impact on segment income stems from the changes to income in the Services sub-segment of Technology Solutions.

## Reference: Pension Expenses Outside Japan (the Defined Benefit portion)

Service Cost	3.6	-	3.6	
(Net) Interest costs / Expected return	27.3	-	27.3	1. iii
	-22.6	2.5	-20.0	
Amortization of unrecognized obligation (corridor)	6.5	-6.5	-	1. ii
Amortization expenses under Japanese accounting standards	-	11.1	11.1	
Total	14.9	7.0	21.9	

Upper: Expenses from retirement benefit obligations  
Lower: Returns from pension assets

[Actuarial assumptions in FY 2012]  
Discount rate: primarily 4.4%  
Expected rate of return on plan assets: primarily 5.7%

### 3. Projections for Fiscal 2013

The projections for fiscal 2013 announced in April 2013 already reflected the impact of the change in accounting standards (which served to reduce operating income and net income each by approximately 9.5 billion yen).

(Billion Yen)

	<b>FY 2012</b>		<b>FY 2012</b>	<b>FY 2013</b>	
	Before Revisions	Retroactive Revisions	After Revisions	(April Forecast)	Change
Operating Income	95.2	-7.0	88.2	140.0	51.7
Services	131.6	-7.0	124.6	138.0	13.3