MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

The following section, Management's Discussion and Analysis of Operations, provides an overview of the consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") for the year ended March 31, 2013 (fiscal 2012). Forward-looking statements in this section are based on management's understanding and best judgment as of March 31, 2013. The impact of exchange rate fluctuations is calculated by taking the average exchange rates in fiscal 2011 for the U.S. dollar, euro and British pound and applying them to foreign currency-denominated transactions in fiscal 2012.

1. Analysis of Results

Business Environment

During fiscal 2012, 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. In the United States, concerns over fiscal policy resulted in continued uncertainty. The rate of economic growth in emerging markets moderated on account of depressed consumer spending, although there were signs of improvement in investment as a result of expanded public sector spending and monetary easing.

In Japan, the economy stagnated due to the global economic slowdown. Despite rising expectations for an economic rebound due to a stock market rally and yen depreciation spurred on by economic policy and monetary easing from the fourth quarter (January–March, 2013), the impact on the real economy in fiscal 2012 has been limited.

With regard to investment in information and communication technology (ICT) in Japan, spending on services has been recovering, although investment in hardware related to servers and so forth has remained soft. Outside of Japan, economic conditions in Europe continued to deteriorate, mainly during the first half of fiscal 2012, and companies put firmer constraints on investment spending.

Condensed Consolidated Income Statements (Unit: billion yen)

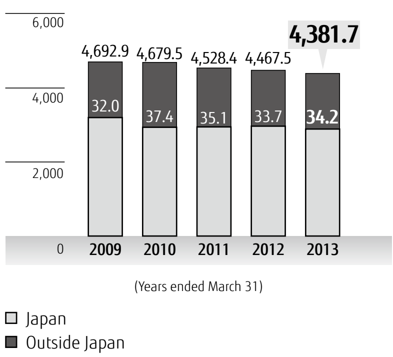
Years ended March 31	2012	**2013**	YoY Change	Change (%)
Net sales	4,467.5	**4,381.7**	(85.8)	(1.9)
Cost of sales	3,232.1	**3,177.9**	(54.1)	(1.7)
Gross profit	1,235.4	**1,203.7**	(31.6)	(2.6)
Selling, general and administrative expenses	1,130.1	**1,108.4**	(21.6)	(1.9)
Operating income	105.3	**95.2**	(10.0)	(9.5)
Other income (expenses)	(38.5)	**(140.3)**	(101.8)	–
Income (loss) before income taxes and minority interests	66.7	**(45.1)**	(111.8)	–
Income taxes	29.9	**24.2**	(5.7)	(19.1)
Minority interests in income (loss) of consolidated subsidiaries	(5.9)	**3.5**	9.5	–
Net income (loss)	42.7	**(72.9)**	(115.6)	–

Reference: Financial Indicators (Unit: billion yen)

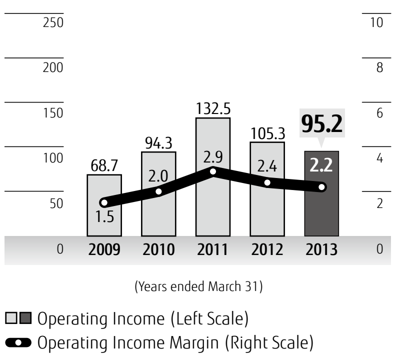
Years ended March 31	2012	**2013**	YoY Change
Net sales	4,467.5	**4,381.7**	(85.8)
Sales outside Japan	[1,506.0]	**[1,498.2]**	[(7.8)]
Ratio of sales outside Japan	[33.7%]	**[34.2%]**	[0.5%]
Gross profit margin	27.7%	**27.5%**	(0.2%)
Operating income margin	2.4%	**2.2%**	(0.2%)
Return on equity (ROE)	5.1%	**(9.0%)**	(14.1%)

Notes: Owners' equity: Net assets – Subscription rights to shares – Minority interests
Return on equity (ROE): Net income ÷ {(Owners' equity at beginning of period + Owners' equity at end of period) ÷ 2}

Net Sales and Ratio of Net Sales Outside Japan



Operating Income and Operating Income Margin



FACTS & FIGURES

Reference: Quarterly Breakdown of Net Sales and Operating Income for the year ended March 31, 2013 (Unit: billion yen)

Consolidated	1Q	2Q	3Q	4Q	Full Year
Net sales	957.3	1,114.4	1,048.2	1,261.6	4,381.7
YoY Change	(28.7)	8.1	(31.4)	(33.8)	(85.8)
Operating income	(25.0)	32.7	(4.1)	91.7	95.2
YoY Change	(7.9)	8.5	(7.3)	(3.3)	(10.0)

Breakdown by Main Business Segment

(Unit: billion yen)

Technology Solutions	1Q	2Q	3Q	4Q	Full Year
Net sales	627.1	713.3	700.6	901.3	2,942.3
YoY Change	(32.0)	(12.9)	14.4	37.9	7.4
Operating income	0.8	46.2	23.5	110.2	180.9
YoY Change	(1.6)	3.0	(2.3)	10.6	9.6

Ubiquitous Solutions	1Q	2Q	3Q	4Q	Full Year
Net sales	234.6	314.7	266.5	274.3	1,090.2
YoY Change	(0.8)	34.4	(34.6)	(62.9)	(64.0)
Operating income	(2.0)	12.4	(2.0)	1.2	9.6
YoY Change	(2.0)	8.0	(4.1)	(12.2)	(10.3)

Device Solutions	1Q	2Q	3Q	4Q	Full Year
Net sales	130.3	138.3	129.5	142.1	540.3
YoY Change	(10.5)	(9.2)	(8.6)	(15.8)	(44.3)
Operating income	(3.6)	(3.3)	(9.3)	2.1	(14.2)
YoY Change	(2.6)	0.4	(0.9)	(0.9)	(4.0)

Net Sales

Consolidated net sales for fiscal 2012 were ¥4,381.7 billion ($46,614 million), a decline of 1.9% from fiscal 2011. On a constant currency basis, sales were down by 3%. Net sales in Japan fell by 2.6%. The primary reason for the decrease was a drop in sales of PCs, mobile phones, LSI devices, and electronic components, along with a decline in sales revenues stemming from Japan's Next-Generation Supercomputer System, for which deliveries peaked in fiscal 2011. On the other hand, there was an increase in revenues of Network Services and Network Products. Outside of Japan, sales were essentially unchanged from the previous fiscal year, and on a constant currency basis, sales decreased by 3%. Sales of infrastructure services, particularly in Europe, were buffeted by deteriorating economic conditions, and sales of PCs in Europe and optical transmission systems in North America were lower.

The Technology Solutions segment comprises the Group's core businesses, including services, server-related, and Network Products businesses. Consolidated segment net sales increased year on year, mainly around the services businesses in Japan, with steady year-round performance from Infrastructure Services such as network services, and Systems Integration. First and second quarter net sales were down year on year, mainly due to a lag in ICT investment recovery in the server-related business and the services businesses outside Japan. Sales began to rise year on year in the third quarter, however, with the recovery of the services businesses outside Japan and other factors. The fourth quarter saw a significant increase in sales with the added boost of the yen's depreciation. On the other hand, the Ubiquitous Solutions segment, which involves PCs, mobile phones, and so forth, saw sales decline sharply year on year in the third and fourth quarters, under increasing pressure from competition, while the LSI device business, which is the core of the Device Solutions segment, saw sales decline year on year in each quarter.

In fiscal 2012, the average yen exchange rates against the U.S. dollar, the euro, and the British pound were ¥83, ¥107, and ¥131, respectively, representing a year-on-year depreciation of ¥4 against the U.S. dollar, appreciation of ¥2 against the euro, and depreciation of ¥5 against the British pound. Exchange rate fluctuations versus the U.S. dollar and British pound caused increases in net sales of approximately ¥20.0 billion and ¥10.0 billion respectively, while the effect of fluctuation versus the euro was negligible. As a result, currency exchange rate fluctuations had a positive impact of approximately ¥30.0 billion on net sales for fiscal 2012. The ratio of sales outside Japan was 34.2%, an increase of 0.5 of a percentage point compared to the previous fiscal year.

Cost of Sales, Selling, General & Administrative Expenses, and Operating Income

The cost of sales totaled ¥3,177.9 billion ($33,808 million), with gross profit of ¥1,203.7 billion ($12,806 million), for a gross profit margin of 27.5%. Gross profit decreased ¥31.6 billion compared to the previous fiscal year, due mainly to revenue declines in PCs, mobile phones and LSI devices. The decline was partially offset by increases in revenues from Network Services and Network Products, and the impact of cost reductions, mainly in x86 servers. The gross profit margin was 27.5%, a decline of 0.2 of a percentage point compared to the prior fiscal year.

Selling, general and administrative, (SG&A) expenses were ¥1,108.4 billion ($11,792 million), a decrease of ¥21.6 billion from the previous year. Among SG&A expenses, research and development spending amounted to ¥231.0 billion ($2,458 million), a decrease of ¥7.3 billion compared to the previous year. The decrease was primarily as a result of efforts across the Group to generate cost efficiencies. There was also an increase in strategic investment in network-related technologies and cloud services. The ratio of R&D expenses to sales was essentially unchanged from the previous fiscal year at 5.3%.

As a result, operating income amounted to ¥95.2 billion ($1,014 million), a decrease of ¥10.0 billion compared to fiscal 2011. The operating income margin was 2.2%, a decline of 0.2 of a percentage point, mainly because of intensifying competition for hardware products centered on PCs and mobile phones and impacts on foreign exchange fluctuations.

The Technology Solutions segment achieved income substantially on par with the previous year up until the third quarter, after which income saw more than 10% growth in the fourth quarter to finish with a year-on-year increase. Meanwhile, the Ubiquitous

Solutions segment posted a significant decline in operating income for fiscal 2012 after encountering intensifying competition over PCs and mobile phones going into the second half. In addition, performance in the Device Solutions segment was lackluster, mainly due to a continuing operating loss in the core LSI device business.

The Group strives to minimize the impact of currency exchange rate fluctuations on earnings. During fiscal 2012, fluctuations in currency exchange rates had the effect of lowering operating income by approximately ¥5.0 billion relative to the previous year. Losses in the LSI device and electronic components businesses were improved as the yen weakened against the U.S. dollar, however, the appreciation of the euro against the U.S. dollar, seen mainly in the first half of fiscal 2012, increased the procurement cost of U.S. dollar-denominated materials at European subsidiaries. For fiscal 2012, a one yen (¥1) fluctuation in the currency exchange rate translated into an impact on operating income of approximately ¥0.2 billion for the U.S. dollar, ¥0.1 billion for the euro, and ¥0.0 billion for the British pound.

Other Income (Expenses), Net Income and Comprehensive Income

Other income (expenses) amounted to a net loss of ¥140.3 billion ($1,494 million), a deterioration of ¥101.8 billion from the previous fiscal year. Although foreign exchange losses improved due to yen's appreciation, primarily in the second half and an increase in equity in earnings of affiliates, net, the Group recorded restructuring charges of ¥116.2 billion ($1,236 million) and an impairment loss of ¥34.2 billion ($364 million) as other expenses.

The restructuring costs stem from ¥90.3 billion ($961 million) for the LSI device business, ¥20.0 billion ($214 million) for business outside Japan, and ¥5.8 billion ($62 million) for other businesses. Restructuring costs for the LSI devices business consist of losses relating to transfer of production facilities and personnel rationalization expenses. The losses relating to transfer of production facilities consist of two items. One is guarantees, for a set period of time, on a portion of the operational costs of the Iwate Plant and test facilities that were transferred. The other is personnel-related expenses in accordance with the transfer of the LSI assembly and testing facilities. The personnel rationalization included an early retirement scheme for approximately 2,400 employees in and outside Japan (under which, 1,963 people had applied in Japan as of the application deadline in April 2013). The restructuring costs for business outside Japan consist of personnel-related expenses, primarily for the European subsidiary Fujitsu Technology Solutions (Holding) B.V. (FTS) (including its consolidated subsidiaries). Other restructuring charges include the losses mainly related to the personnel-related expenses associated with rationalizations at managerial levels in Japan conducted through an early retirement scheme (under which, 491 people had applied as of the application deadline in May 2013).

The impairment loss stems mainly from the European subsidiary FTS (including its consolidated subsidiaries). In light of continued deterioration of economic conditions in Europe, the business plan of FTS was revised as investments planned at the time of acquisition are less likely to be collectible, and an impairment loss was recorded on the unamortized balance of goodwill and other intangible assets.

The Group reported a consolidated net loss of ¥72.9 billion ($776 million), representing a deterioration of ¥115.6 billion from fiscal 2011. Income (loss) before income taxes and minority interests amounted to a ¥45.1 billion loss ($480 million), a year-on-year deterioration of ¥111.8 billion. However, income taxes decreased only ¥5.7 billion year-on-year to ¥24.2 billion ($258 million). The tax burden was relatively high due to the expanded net loss recorded by underperforming subsidiaries that have limits on recognition of deferred tax assets. The Group posted income of ¥3.5 billion ($38 million) from minority interests, representing an improvement of ¥9.5 billion from the previous fiscal year, as a result of the recovering financial performance of a car audio and navigation equipment joint venture.

The Group views profitability and efficiency of invested capital in businesses as important management indicators. For fiscal 2012, the return on equity, calculated by dividing net income by average owners' equity, was negative 9.0%, a change from positive 5.1% in the previous fiscal year. The change was mainly due to recording large amounts under other expenses for business restructuring costs and other items in the fiscal year under review.

Other comprehensive income totaled ¥36.4 billion ($387 million), primarily as a result of an improvement in foreign currency translation adjustment stemming from the ongoing depreciation of the yen. Because the Group's global business development primarily revolves around service businesses, foreign currency fluctuations in the value of the net assets of subsidiaries outside Japan are recorded in other comprehensive income. Unrealized gain and loss on securities, net of taxes, recorded a gain following a rise in stock prices, mainly in the second half.

Comprehensive income, representing the total of other comprehensive income and income before minority interests, was a loss of ¥32.9 billion ($351 million).

2. Segment Information

Information by Operating Segment

Sales and Operating Income by Segment

The reportable segments were consolidated into the three segments of "Technology Solutions," "Ubiquitous Solutions," and "Device Solutions," based on organizational structure, the characteristics of the products and services, and the similarities in sales markets. The "Other Operations" segment includes operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, facility services and the development of information systems for Group companies, and welfare benefits for Group employees.

Sales (including intersegment sales) and operating income by segment for fiscal 2012 are shown as follows.

(Unit: billion yen)

Years ended March 31		2012	**2013**	YoY Change	Change (%)
Technology Solutions	Net sales	2,934.9	**2,942.3**	7.4	0.3
	Operating income	171.2	**180.9**	9.6	5.6
	[Operating income margin]	[5.8%]	**[6.2%]**	[0.4%]	
Ubiquitous Solutions	Net sales	1,154.2	**1,090.2**	(64.0)	(5.5)
	Operating income	19.9	**9.6**	(10.3)	(51.7)
	[Operating income margin]	[1.7%]	**[0.9%]**	[(0.8%)]	
Device Solutions	Net sales	584.7	**540.3**	(44.3)	(7.6)
	Operating income	(10.1)	**(14.2)**	(4.0)	–
	[Operating income margin]	[(1.7%)]	**[(2.6%)]**	[(0.9%)]	
Other Operations/ Elimination & Corporate	Net sales	(206.3)	**(191.2)**	15.0	–
	Operating income	(75.7)	**(81.0)**	(5.3)	–
Consolidated	Net sales	4,467.5	**4,381.7**	(85.8)	(1.9)
	Operating income	105.3	**95.2**	(10.0)	(9.5)
	[Operating income margin]	[2.4%]	**[2.2%]**	[(0.2%)]	

Technology Solutions

The Technology Solutions segment delivers products, software, and services to customers in an optimal, integrated package of comprehensive services. These consist of Solutions/Systems Integration, which are services for the construction of information and communication systems, Infrastructure Services, which are primarily outsourcing and maintenance services, System Products, which covers mainly the servers and storage systems that comprise ICT platforms, and Network Products, which are used to build communications infrastructure, such as mobile phone base stations and optical transmission systems.

Consolidated segment net sales amounted to ¥2,942.3 billion ($31,302 million), essentially unchanged from fiscal 2011. Sales in Japan increased 1.2%. Server-related sales declined due to the high-volume production of dedicated servers for use in the K computer, Japan's Next-Generation Supercomputer, during the first half of fiscal 2011. A decline in large-scale system deals also had an adverse impact. Sales of Network Products increased, mainly in routers, due to higher spending by telecommunications carriers to handle larger volumes of communications traffic and to expand LTE*[1] coverage. In system integration services, despite the impact of fewer large-scale system deals, mainly in the financial sector, and a shift toward spending on hardware in response to increased communications traffic by telecommunications carriers, sales as a whole increased due to a recovery in spending, primarily in the manufacturing and public sectors. Sales of infrastructure services also rose on steady growth of outsourcing services, in addition to higher demand related to network services, as telecommunications carriers tried to keep up with higher volumes of communications traffic. Sales outside Japan declined 1.6%. On a constant currency basis, sales fell by 4%. Infrastructure services sales declined as businesses tightened up on investment due to the economic downturn in Europe, primarily in the first half, despite steady growth in the datacenter business in Australia and North America. Meanwhile, sales of optical transmission systems in the first half of this fiscal year declined due to a shift toward spending on wireless networks by North American telecommunications carriers. In addition, sales of UNIX servers decreased in anticipation of the introduction of new models.

Segment operating income amounted to ¥180.9 billion ($1,925 million), up ¥9.6 billion compared to fiscal 2011. In Japan, there was a decline in deals for large-scale systems in the Solutions/System Integration and server-related fields, in addition to upfront R&D spending for network products. Nevertheless, income rose overall on the back of higher revenues in Network Service and Network Products, and the impact of cost reduction, mainly for x86 servers. Outside Japan, operating income declined as a result of the impact of lower sales in the European business, reduced sales of optical transmission systems in North America and UNIX servers, as well as increased expenses related to retirement benefit obligations at a UK subsidiary.

In light of continued deterioration of economic conditions in Europe and intensified competition, the Group has revised the business plan for FTS, the wholly owned European subsidiary acquired in April 2009 (including its subsidiaries). This revision is due to the likelihood that the investment at acquisition will not be recoverable within 10 years as initially planned. As a result, the Group recorded an impairment loss of ¥28.0 billion ($298 million), on the unamortized balance of goodwill and other intangible assets recognized under other expenses. With the business environment deteriorating, the Group decided to implement workforce rationalization as a part of structural reforms to improve FTS's profitability, and recorded other expenses of ¥18.4 billion ($196 million) on restructuring costs including for personnel-related expenses.

*[1] LTE: An abbreviation for Long Term Evolution, a next-generation standard for high-speed mobile communications which improves upon the third-generation (3G) standard.

Ubiquitous Solutions

The Ubiquitous Solutions segment contains ubiquitous terminals or sensors-including personal computers and mobile phones, as well as car audio and navigation systems, mobile communication equipment, and automotive electronic equipment that collect and utilize various information and knowledge generated from the behavioral patterns of people and organizations needed to achieve the Group's vision of a "Human Centric Intelligent Society" (a society that enjoys the benefits of the value generated by ICT without requiring anyone to be conscious of the technological complexities involved).

Net sales in this segment were ¥1,090.2 billion ($11,598 million), a decline of 5.5% from fiscal 2011. Sales in Japan were down by 7.0%. In spite of large-volume orders received from corporations, sales of PCs declined due to lower sales prices. In mobile phones, sales of smartphones stagnated as a result of the intensifying competition, while the market for feature phones*[2] contracted. Sales of the mobilewear sub-segment's car audio and navigation systems decreased due to lower sales of consumer-market car navigation products and the impact of lower vehicle sales on account of the government's subsidy program for eco-friendly vehicles having ended in September 2012. Sales in the first half of fiscal 2012 increased from the same period of the previous fiscal year, due to the impact of disruptions during the previous fiscal year, when vehicle production was temporarily suspended in the wake of the Great East Japan Earthquake. Sales outside Japan were essentially unchanged from fiscal 2011. Unit sales of PCs fell due to implementing a sales strategy focusing on profitability, however, sales of mobilewear rose compared to fiscal 2011, when there was a temporary suspension of automobile production outside Japan because of the flooding in Thailand.

Segment operating income amounted to ¥9.6 billion ($102 million), down ¥10.3 billion from the previous fiscal year. Despite the effect of restructuring initiatives in mobilewear, operating income declined on account of lower sales of PCs and mobile phones and the impact of increased procurement costs. Foreign-currency denominated procurement costs for materials used in PCs and mobile phones for sale in Japan rose with the yen's continued depreciation. Meanwhile, depreciation of the euro against the U.S. dollar, primarily in the first half, produced a similar rise in procurement costs for materials used in PCs for the European market. Moreover, the Group recorded a one-off gain on a review of the provision for PC recycling expenses, based on the impact of the start of a recycling system for small home appliances from April 2013.

*[2] A standard mobile handset which is distinguishable from smartphones, which have functions of personal digital assistants (PDA) and can be customized like a PC.

Device Solutions

The Device Solutions segment provides cutting-edge technology products, such as LSI devices used in digital home appliances, automobiles, mobile phones and servers, as well as electronic components consisting chiefly of semiconductor packages and batteries.

Net sales in this segment totaled ¥540.3 billion ($5,749 million), a decline of 7.6% compared to fiscal 2011. Sales in Japan fell 13.7%. LSI device sales decreased due to delayed market recovery, particularly for digital AV systems and sluggish sales of LSI devices for use in the Group's own servers. In addition, shipments of CPUs for Japan's Next-Generation Supercomputer system were completed during fiscal 2011. Sales of electronic components, particularly of batteries and semiconductor packages, also fell. Sales outside Japan increased 1.1%. On a constant currency basis, sales decreased 3%. LSI device sales declined, mainly to Asia. For electronic components, sales of batteries, particularly to the United States, declined, but sales of semiconductor packages to Asia increased, primarily in the first half.

The segment posted an operating loss of ¥14.2 billion ($152 million), representing a deterioration of ¥4.0 billion from fiscal 2011. The change reflected the impacts of lower earnings from LSI devices and a decline in capacity utilization on production lines following a drop in demand. Production lines for 300 mm wafers maintained high utilization rates, but capacity utilization rates on the production lines for products of standard logic LSI devices continued to decline. Operating income for electronic components was also impacted by the burden of development expenditures incurred by an affiliate developing semiconductors for communications equipment.

Since being reorganized as a wholly owned subsidiary of the Company in March 2008, the LSI device business has continually been optimizing its manufacturing resources. In response to a sudden deterioration in the market, however, there was a heightened need to accelerate structural reforms in order to strengthen the fundamentals of the business. Accordingly, in October 2012 the Iwate Plant was transferred to DENSO Corporation, and in December 2012 the LSI assembly and test line facilities were transferred to J-Devices Corporation. The Group has reached a basic agreement with Panasonic Corporation to integrate their system LSI (SoC: System on a Chip) businesses in February 2013, and the transfer of the 300 mm line of the Mie Plant to a new foundry company, including Taiwan Semiconductor Manufacturing Company, Limited, is under consideration. In April 2013 a definitive agreement was reached to transfer the microcontroller and analog device business to U.S.-based Spansion Inc. In addition, to rationalize the size of the workforce, an early retirement scheme was implemented for approximately 2,400 employees in and outside of Japan (under which, 1,963 people had applied in Japan as of the application deadline in April 2013).

The Group recorded ¥90.3 billion ($961 million) in business restructuring costs under other expenses: ¥33.1 billion for losses relating to the transfer of production facilities, ¥28.6 billion for impairment losses relating to the standard logic LSI devices production line and ¥28.4 billion for personnel-related expenses relating to an early retirement scheme. Losses relating to transfer of production facilities include guarantees, for a set period of time, on a portion of the operational costs of the Iwate Plant and the LSI assembly and test facilities that were transferred, and personnel-related expenses and impairment losses and others in accordance with the transfer of the LSI assembly and testing facilities. Impairment losses and other losses of the standard logic LSI devices production line relate mainly to 200 mm lines of Mie and Fukushima (Aizu-wakamatsu) regions, for which capacity utilization rates have been declining.

Other Operations/Elimination and Corporate

This category includes operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, facility services and the development of information systems for Group companies, and welfare benefits for Group employees.

This category also includes expenses which are not classified into an operating segment. The expenses consist of strategic expenses such as basic research and development expenses, as well as group management shared expenses incurred by the Company.

The category posted an operating loss of ¥81.0 billion ($863 million), representing a deterioration of ¥5.3 billion over fiscal 2011. This was due mainly to upfront investments for new business development.

Geographic Information

One of the Group's management priorities is to increase sales and raise profitability of its business in growing markets outside Japan. Geographic financial information is important to the Group's business management and is useful for shareholders and investors in understanding the Group's financial overview.

(Unit: billion yen)

Years ended March 31		2012	**2013**	YoY Change	Change (%)
Japan	Net sales	3,396.2	**3,306.4**	(89.7)	(2.6)
	Operating income	177.8	**178.4**	0.6	0.4
	[Operating income margin]	[5.2%]	**[5.4%]**	[0.2%]	
Europe, Middle East, Africa (EMEA)	Net sales	817.5	**785.2**	(32.3)	(4.0)
	Operating income	(0.0)	**(12.4)**	(12.4)	–
	[Operating income margin]	[(0.0%)]	**[(1.6%)]**	[(1.6%)]	
The Americas	Net sales	277.5	**273.7**	(3.8)	(1.4)
	Operating income	0.4	**(2.2)**	(2.7)	–
	[Operating income margin]	[0.2%]	**[(0.8%)]**	[(1.0%)]	
Asia-Pacific (APAC) & China	Net sales	421.9	**468.7**	46.8	11.1
	Operating income	7.6	**10.4**	2.8	37.7
	[Operating income margin]	[1.8%]	**[2.2%]**	[0.4%]	
Elimination & Corporate	Net sales	(445.7)	**(452.4)**	(6.6)	–
	Operating income	(80.6)	**(79.0)**	1.5	–
Consolidated	Net sales	4,467.5	**4,381.7**	(85.8)	(1.9)
	Operating income	105.3	**95.2**	(10.0)	(9.5)
	[Operating income margin]	[2.4%]	**[2.2%]**	[(0.2%)]	

Japan

Net sales amounted to ¥3,306.4 billion ($35,175 million), a decrease of 2.6% compared to fiscal 2011. Sales of PCs and mobile phones decreased due to intensifying competition and LSI devices were impacted by lower demand, although sales of Network Products and Infrastructure Services, primarily in network-related sales, increased. Operating income was ¥178.4 billion ($1,899 million), a year-on-year increase of ¥0.6 billion. The positive impact of higher sales in the network-related business, yen depreciation for electronic components and the effect of restructuring initiatives in car audio and navigation systems were offset by lower revenue from PCs, mobile phones, and LSI devices.

EMEA

Net sales amounted to ¥785.2 billion ($8,354 million), a decrease of 4.0% from fiscal 2011. Sales of Infrastructure Services were adversely affected by constrained corporate spending stemming from the economic downturn, mainly in the first half, and sales volumes of PCs decreased. Operating loss was ¥12.4 billion ($132 million), representing a deterioration of ¥12.4 billion from fiscal 2011. Infrastructure services were adversely impacted by lower revenues and an increase in retirement benefit costs at a UK subsidiary. In addition to falling PCs sales, there was an adverse impact from higher procurement costs in Europe for components and materials denominated in U.S. dollars due to depreciation of the euro against the dollar mainly in the first half of the fiscal year.

The Americas

Net sales amounted to ¥273.7 billion ($2,912 million), a decline of 1.4% from fiscal 2011. On a constant currency basis, sales declined 5%. Sales of optical transmission systems decreased due to constrained investment by North American telecommunications carriers, mainly in the first half of the fiscal year. Sales of UNIX servers declined in anticipation of the introduction of new models. Operating loss for the region amounted to ¥2.2 billion ($24 million), a deterioration of ¥2.7 billion from fiscal 2011. Income declined as a result of lower revenue from optical transmission systems.

APAC & China

Net sales amounted to ¥468.7 billion ($4,987 million), a year-on-year increase of 11.1%. Sales of car audio and navigation systems increased due to a recovery in automobile production, which had stalled following the floods in Thailand in the previous fiscal year. Sales of Infrastructure Services also increased. Operating income was ¥10.4 billion ($112 million), an increase of ¥2.8 billion from fiscal 2011.

3. Analysis of Capital Resources and Liquidity

Assets, Liabilities and Net Assets

Condensed Consolidated Balance Sheets

(Unit: billion yen)

As of March 31	2012	**2013**	YoY Change
Assets			
Current assets	1,701.7	**1,722.2**	20.5
Property, plant and equipment	640.9	**618.4**	(22.4)
Intangible assets	230.2	**187.3**	(42.9)
Investments 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
Long-term liabilities	558.5	**570.7**	12.1
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 and cash equivalents at end of year	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)

Notes: Year-end balance of interest-bearing loans: Short-term borrowings and current portion of bonds payable (Current liabilities) + Long-term borrowings and bonds payable (Long term liabilities) *
Net interest-bearing loans: Interest-bearing loans – cash and cash equivalents
Owners' equity: Net assets – Subscription rights to shares – Minority interests in consolidated subsidiaries
* ¥284.5 billion of cash and cash equivalents in consolidated statements of cash flows as of the end of the fiscal year is calculated by deducting ¥2.0 billion of overdrafts, which is categorized within short-term borrowings in current liabilities, from cash and cash equivalents in the consolidated balance sheets.

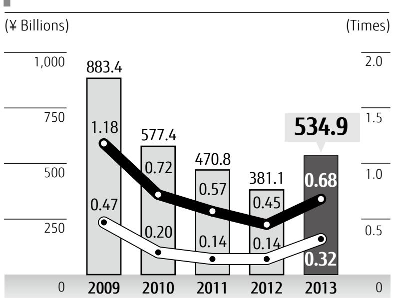
Reference: Financial Indicators

Years ended March 31	2012	**2013**	YoY Change
Inventories (billion yen)	334.1	**323.0**	(11.0)
[Inventory turnover ratio]	[13.23]	**[13.33]**	[0.10]
[Monthly inventory turnover rate]	[1.01]	**[1.00]**	[(0.01)]
[Total assets turnover rate]	[1.50]	**[1.46]**	[0.04]
Shareholders' equity ratio	31.4%	**27.3%**	(4.1%)
Owners' equity ratio	28.6%	**25.6%**	(3.0%)
D/E ratio (times)	0.45	**0.68**	0.23
Net D/E ratio (times)	0.14	**0.32**	0.18

Notes: Inventory turnover ratio: Net sales ÷ {(Beginning balance of inventories + Year-end balance of inventories) ÷ 2}
Monthly inventory turnover: Net sales ÷ Average inventories during period* ÷ 12
Total assets turnover rate: 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
D/E ratio: Interest-bearing loans ÷ Owners' equity
Net D/E ratio: (Interest-bearing loans – Cash and cash equivalents) ÷ Owners' equity

* 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.

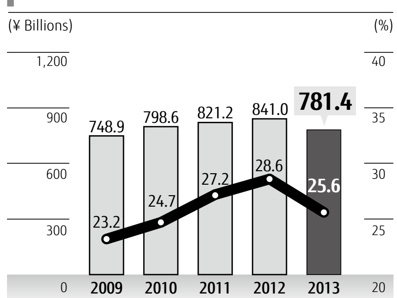
Interest-Bearing Loans, D/E Ratio and Net D/E Ratio



(As of March 31)

Interest-bearing loans (Left Scale)
D/E ratio (Right Scale)
Net D/E ratio (Right Scale)

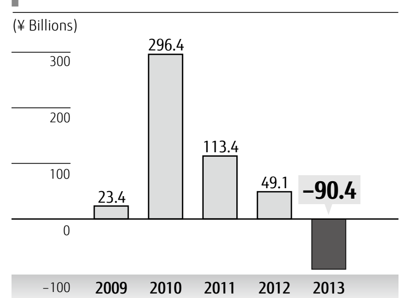
Owners' Equity/Owners' Equity Ratio



(As of March 31)

Owners' Equity (Left Scale)
Owners' Equity Ratio (Right Scale)

Free Cash Flow



(Years ended March 31)

Reference: Status of Retirement Benefit Plans (Unit: billion yen)

Years ended March 31	2012	**2013**	YoY 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%)

Consolidated total assets at the end of fiscal 2012 amounted to ¥3,049.0 billion ($32,437 million), an increase of ¥103.5 billion from the end of fiscal 2011. This represented an increase of approximately ¥110.0 billion as a result of yen depreciation. Current assets increased by ¥20.5 billion compared with the end of fiscal 2011, to ¥1,722.2 billion ($18,322 million). Notes and accounts receivable, trade decreased by ¥5.3 billion as sales in the fourth quarter (January to March) of fiscal 2012 were lower than in the same period of fiscal 2011. As shipments of Japan's Next-Generation Supercomputer system were completed, inventories at the end of fiscal 2012 decreased to ¥323.0 billion ($3,437 million), down ¥11.0 billion 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. Fixed assets increased by ¥83.0 billion from the end of fiscal 2011, to ¥1,326.7 billion ($14,115 million). Property, plant and equipment decreased by ¥22.4 billion 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 from the end of fiscal 2011, primarily as a result of the impairment of goodwill relating to FTS (including its consolidated subsidiaries). Investments and other non-current assets increased ¥148.4 billion, mainly due to an increase in prepaid pension expense associated with a special contribution into a defined benefit corporate pension fund for the Company's UK-based subsidiary.

Total liabilities amounted to ¥2,139.2 billion ($22,758 million), an increase of ¥160.3 billion compared to the end of fiscal 2011. The balance of interest-bearing loans was ¥534.9 billion ($5,691 million), an increase of ¥153.8 billion from the end of fiscal 2011. Short-term borrowings increased to finance a portion of working capital and a special contribution into defined benefit corporate pension fund of the Company's UK-based subsidiary. 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, provision for restructuring charges increased ¥66.8 billion due to structural reforms in the LSI device business and businesses outside Japan.

Net assets amounted to ¥909.8 billion ($9,679 million), a decrease of ¥56.7 billion from the end of fiscal 2011. The decline in net assets reflects a decrease in shareholders' equity of ¥93.4 billion, resulting mainly from the net loss recorded and the payment of dividends during fiscal 2012. Accumulated other comprehensive income increased by ¥33.8 billion, 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%.

Non-consolidated net assets of the Company were ¥410.3 billion ($4,365 million), down ¥348.3 billion from the end of the previous fiscal year. The decline was due primarily to the Company recording negative retained earnings of ¥104.3 billion ($1,110 million) in its non-consolidated results for the year, stemming from a non-consolidated net loss of ¥338.0 billion ($3,596 million) after a write-down of shares of subsidiaries related to the LSI devices business and the Company's operations in Europe.

The unrecognized obligation for retirement benefits*3 is ¥465.8 billion ($4,955 million). For retirement benefit plans in Japan, the amount of unrecognized obligation for retirement benefits is ¥308.7 billion ($3,284 million). Although plan assets increased as a result of good investment performance, the amount of unrecognized obligation for retirement benefits increased by ¥16.7 billion since the end of the prior fiscal year because a decline in the discount rate*4 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 since the end of the prior fiscal year, to ¥157.1 billion ($1,672 million), because of lower discount rates and a weaker yen. The future minimum lease payment required under non-cancelable operating leases at the end of fiscal 2012 amounted to ¥84.7 billion ($902 million). In addition, commitments outstanding at March 31, 2013 for purchases of property, plant and equipment and intangible assets were ¥11.6 billion ($124 million), and contingent liabilities for guarantee contracts amounted to ¥1.7 billion ($18 million).

*3 Unrecognized obligations consist primarily of unrecognized actuarial losses. "Actuarial losses" refer to disparities that occur chiefly as the result of differences between expected and actual returns from pension plan assets, differences between the estimates used for the actuarial calculation of retirement benefit obligations and actual obligations, and changes in estimates. Of these differences, those that have not yet been expensed are referred to as "unrecognized actuarial losses." The Group expenses actuarial losses over the average remaining service period of its employees.

Up to June 24, 2013, the filing date of the Annual Securities Report, accounting standards for retirement benefits were revised. Net assets are expected to decrease when the Group adopts the revised accounting standards. The details are noted in "Notes to Consolidated Financial Statements, 1. Significant Accounting Policies, (u) Accounting standards issued but not yet effective."

*4 Refers to the rate used to discount to present value the amount of expected retirement benefits deemed to be incurred for each projected retirement period incurred by the fiscal year-end. The rate is decided with reference to interest on high-quality corporate bonds as of the balance-sheet date.

Under the Japanese Companies Act, the entire amount paid for new shares is required to be designated as common stock in principal. However, a company may designate a maximum 50% of the amount of the new shares as capital reserve, which is included in capital surplus. The Companies Act also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve, which is included in retained earnings, or as a capital reserve, which is included in capital surplus, until the aggregated amount of legal reserve and capital reserve equals 25% of common stock. The Companies Act also requires that legal reserve, capital reserve, other capital surplus and other retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

Capital surplus in consolidated financial statements includes capital reserve and other capital surplus of non-consolidated financial statements, and other retained earnings of consolidated basis include legal reserve and retained earnings of non-consolidated financial statements. The maximum amount that a company can distribute as dividends is calculated based on its non-consolidated financial statements in accordance with the Companies Act and Generally Accepted Accounting Principles in Japan.

Shareholders' equity in the non-consolidated financial statements as of March 31, 2013 is ¥387.0 billion ($4,117 million) and consists of common stock of ¥324.6 billion ($3,453 million), capital reserve of ¥167.1 billion ($1,777 million), legal reserve of ¥10.1 billion ($108 million) and other retained earnings of negative ¥114.5 billion ($1,218 million). The Company decided not to distribute year-end dividends, as other retained earnings turned negative due to impairment losses on subsidiaries' stock relating to LSI device business and business outside Japan. Total amounts of dividend for the year ended March 31, 2013 is solely ¥10.3 billion (¥5 per share) of interim dividend. The Company paid ¥20.6 billion ($220 million) in cash dividends for the year ended March 31, 2013. The amount consists of year-end dividends for the year ended March 31, 2012 of ¥10.3 billion ($110 million) and interim dividends for the year ended March 31, 2013 of ¥10.3 billion ($110 million), and both payments equated to ¥5 ($0.053) per share.

Cash Flows

Condensed Consolidated Statements of Cash Flows

(Unit: billion yen)

Years ended March 31	2012	**2013**	YoY Change
I Cash flows from operating activities	240.0	**71.0**	(169.0)
II Cash flows from 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	(138.9)	**100.3**	239.3
IV Cash and cash equivalents at end of year	266.6	**284.5**	17.8

Note: "Free cash flow excluding one-time items" refers to free cash flow excluding 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; and,
- A special contribution (¥114.3 billion) during the year ended March 31, 2013 into pension schemes of the Company's UK subsidiary.

Net cash provided by operating activities during fiscal 2012 amounted to ¥71.0 billion ($755 million), a year-on-year decrease of ¥169.0 billion. There was an outflow of ¥114.3 billion ($1,217 million) for a special payment to the defined benefit corporate pension fund of the Company's UK subsidiary. Working capital increased due to sluggish sales of hardware such as PCs and mobile phones. Regarding business restructuring costs relating to the LSI device business and business outside Japan, cash outflows are expected in and after fiscal 2013.

Net cash used in investing activities was ¥161.4 billion ($1,718 million). Outflows mainly consisted of capital expenditure for purchases of property, plant and equipment amounting to ¥111.5 billion ($1,187 million), primarily related to datacenters, and purchases of intangible assets amounting to ¥64.4 billion ($686 million), primarily software. A cash inflow of ¥10.9 billion ($117 million) in proceeds from transfer of business, primarily represents the sales proceeds for fixed and other assets stemming from the transfer of the Iwate Plant and the LSI assembly and test line facilities of the LSI device business. Compared to fiscal 2011, net outflows decreased by ¥29.3 billion, 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 ($962 million), representing a decrease in net cash inflows of ¥139.6 billion compared to the previous fiscal year. Excluding one-time items such as the special contribution to the pension fund of a UK subsidiary company (¥114.3 billion), free cash flow amounted to ¥8.4 billion, which was ¥35.0 billion less than the previous fiscal year.

Net cash provided by financing activities was ¥100.3 billion ($1,068 million). Short-term borrowings were used to fund a contribution made to the defined benefit corporate pension fund of a UK subsidiary. This represents an increase in net cash inflows of ¥239.3 billion 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 ($3,027 million), an increase of ¥17.8 billion compared to the end of fiscal 2011.

To ensure efficient funding when the need for funds arises, the Group views the maintenance of an appropriate level of liquidity as an important policy with respect to its financing activities. "Liquidity" refers to cash and cash equivalents and the total unused balance of financing frameworks based on commitment lines established with multiple financial institutions. As of March 31, 2013, the Group had liquidity of ¥482.3 billion ($5,131 million), of which ¥284.5 billion ($3,027 million) was cash and cash equivalents and ¥197.7 billion ($2,104 million) was the yen value of unused commitment lines.

To raise funds from global capital markets, the Group has acquired bond ratings from Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Rating and Investment Information, Inc. (R&I). As of March 31, 2012, the Company had bond ratings (long-term/short-term) of A3 (long-term) from Moody's, A– (long-term) from S&P, and A+ (long-term) and a-1 (short-term) from R&I. As of March 31, 2013, the Company's bond ratings (long-term/short-term) were A3 (long-term) from Moody's, BBB+ (long-term) from S&P, and A (long-term) and a-1 (short-term) from R&I.

4. Capital Expenditure

In fiscal 2012, capital expenditure totaled ¥121.7 billion ($1,295 million), a decrease of 13.4% from ¥140.6 billion spent in the previous fiscal year. In the Technology Solutions segment, capital expenditures totaled ¥59.5 billion ($633 million) for expansion of datacenters in Japan, along with renewals of datacenters and plant facilities in Europe and other regions overseas. In the Ubiquitous Solutions segment, the Group spent ¥14.6 billion ($156 million), mainly for manufacturing facilities for new models of PCs and mobile phones, and for car audio and navigation systems. In the Device Solutions segment, expenditures totaled ¥40.4 billion ($431 million), mainly for LSI device and electronic components manufacturing facilities.

5. Consolidated Subsidiaries

At the end of fiscal 2012, the number of consolidated subsidiaries in Japan totaled 197, and the number outside Japan totaled 317, for a total of 514 subsidiaries. This represents a net decrease of 24 subsidiaries from 538 at the end of fiscal 2011, comprising 19 subsidiaries added through acquisition or establishment, and 43 subsidiaries removed through liquidation or sale.

The number of affiliated companies accounted for by the equity method as of the fiscal year-end totaled 26, 8 more than a year earlier.

6. Critical Accounting Policies and Estimates

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Financial Instruments and Exchange Law of Japan. The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the amount of the assets, liabilities, contingent assets and contingent liabilities reported at the end of the fiscal year, as well as the amount of revenue and expenses recognized during that term. Actual results may differ from these estimates. The following assumptions and estimates based on the application of accounting principles are those that the management believes may have a material impact on the consolidated financial statements.

Revenue Recognition

Revenue from sales of ICT systems and products, excluding customized software under development contracts, is recognized upon acceptance by the customers, whereas revenue from sales of personal computers, other peripheral equipment and electronic devices is recognized when the products are delivered to the customers. Revenue from customized software under development contracts is recognized on a percentage-of-completion basis.

The Group stringently assesses the potential revenue recoverable on projects for which estimated costs have exceeded estimated revenue, and recognizes the amounts assessed as non-recoverable as losses. If the estimated costs relating to such contracts increase further in the future, additional losses may be recognized.

Inventories

Inventories are carried at the acquisition cost. However, should the net realizable value ("NRV") at the fiscal year-end fall below that of the acquisition cost, inventories are subsequently measured based on the NRV, with the difference in value between the acquisition cost and the NRV, in principle, booked as cost of sales. Inventories outside the normal operating cycle are calculated at an NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where the NRV drops dramatically as a result of deterioration in the market environment compared to forecasts.

Property, Plant and Equipment

Depreciation for property, plant and equipment is computed principally by the straight-line method at rates based on the estimated useful lives of the respective assets, reflecting the likely period over which the value of the assets can be realized under normal business conditions. In the future, some equipment and facilities may become obsolete or may be repurposed as a result of technical innovation or other factors. In such cases, their actual useful lives may be reduced to shorter than their originally estimated useful lives. As such, there is a risk that depreciation expenses may increase.

In addition, impairment losses may be recognized in cases in which there is a decline in expected future cash flows from assets due to production facilities becoming idle and a decrease in the capacity utilization rate, associated with rapid changes in the operating environment or other factors, and business realignment.

Software

Computer software for sale is amortized by a method based on projected sales volume over the estimated life. Computer software for internal use is amortized by the straight-line method over the useful life. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment, etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses may increase.

Goodwill

Goodwill arising from the acquisition of a business, including those purchased by consolidated subsidiaries, is amortized by the straight-line method over the period corresponding to the premium of the acquired business. Losses may be recognized if the profitability of the acquired business decreases, or if the Group withdraws from or sells the business during the period the Group expected the return.

Investment Securities

Held-to-maturity investments are stated at amortized cost, while available-for-sale securities with market value are carried at fair market value as of the balance sheet date. Available-for-sale securities without market value are carried at cost based on the moving-average method. Fluctuations in the value of available-for-sale securities with market value cause fluctuations in the carrying value of investment securities, resulting in increases or decreases in net assets. Impairment loss is recognized on available-for-sale securities when the market value or the net worth falls significantly and is considered to be unrecoverable. If a significant decline in market value or net worth occurs and is expected to be unrecoverable in the future, additional impairment losses may need to be recognized.

Deferred Tax Assets

The Group records an appropriate balance of deferred tax assets against losses carried forward and temporary differences. Future increases or decreases in the balance of deferred tax assets may occur if projected taxable income decreases or increases as a result of trends in future business results. In addition, changes in the effective tax rate due to future revisions to taxation systems could result in increases or decreases of deferred tax assets.

Provision for Product Warranties

Some of the Group's products are covered by contracts that require the Group to repair or exchange them free of charge during a set period of time. Based on past records, the Group recognizes a provision for estimated repair and exchange expenses at the time of sale. The Group is taking steps to strengthen quality management during the product development, manufacturing and procurement stages. However, should product defects or other problems occur at a level in excess of that covered by the estimated expenses, additional expenses may be incurred.

Provision for Construction Contract Losses

The Group records provisions for projected losses on customized software under development contracts and construction contracts that show an acute deterioration in profitability as of the fiscal year-end. The Group is taking steps to curtail the emergence of new, unprofitable projects by moving ahead with the standardization of its business processes, establishing a check system as a dedicated organizational component, and conducting risk management throughout the entire progression of a project (beginning with business negotiations). Notwithstanding these efforts, the Group may incur additional losses in the event of an increase in estimated project costs in the future.

Retirement Benefits

Retirement benefit costs and obligations are determined based on certain actuarial assumptions. These assumptions include the discount rate, rates of retirement, mortality rates, and the expected rate of return on the plan assets. In the event an actuarial loss arises, it is amortized using a straight-line method over employees' average remaining service period. When actual results differ from the assumptions or when the assumptions are changed, retirement benefit costs and obligations can be affected. In cases in which revised accounting standards pertaining to retirement benefits are applied, net assets and retirement benefit expenses are most likely to be impacted.

Provision for Loss on Repurchase of Computers

Certain computers manufactured by the Group are sold to Japan Electronic Computer Co., Ltd. (JECC) and other leasing companies. Contracts with these companies require the buyback of the computers once lease contracts are terminated. An estimated amount for the loss arising from such buybacks is provided at the time of sale and is recorded as a provision. Any future changes in the usage trends of end-users may result in changes to the provision.