NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements and the principles of consolidation

The accompanying consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the regulations under the Financial Instruments and Exchange Law of Japan and accounting principles and practices generally accepted in Japan. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries.

The Company's consolidated subsidiaries outside Japan prepare their financial statements in accordance with IFRS (International Financial Reporting Standards). However, certain items, such as amortization of goodwill and amortization of actuarial gains and losses associated with defined benefits, are adjusted in the process of consolidation based on "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan, Practical Issues Task Force, No. 18 dated February 19, 2010).

The acquisition of companies is accounted for by the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies.

Investments in affiliates, with minor exceptions, are accounted for by the equity method.

(Changes in the Accounting Policies for the Consolidated Financial Statements for the year ended March 31, 2014)

<Application of Accounting Standard for Retirement Benefits>

Effective from the end of the year ended March 31, 2014, the Company and its consolidated subsidiaries in Japan have applied "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, Statement No. 26, issued May 17, 2012, hereafter "Accounting Standard for Retirement Benefits") and "Implementation Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, Guidance No. 25, issued May 17, 2012, hereafter "Guidance on Accounting Standard for Retirement Benefits"). The Company and its consolidated subsidiaries in Japan have chosen to forgo the earlier application of provisions on retirement benefit obligations and service costs (paragraphs 16 through 21 in Accounting Standard for Retirement Benefits, and paragraphs 4 through 16 and paragraphs 22 through 32 in Guidance on Accounting Standard for Retirement Benefits).

Switching to a method by which the amount of plan assets are subtracted from retirement benefit obligations and the balance is recorded in net defined benefit liability (asset), unrecognized actuarial gains and losses and past service costs are reflected in remeasurements of defined benefit plans, net of taxes, under net assets, and recorded in net defined benefit liability (asset) as of March 31, 2014.

In accordance with the provision for transitional treatment as stated in paragraph 37 of the Accounting Standard for Retirement Benefits, the Company and its consolidated subsidiaries in Japan have not applied the standard retrospectively, and the amount of the impact stemming from this change is added to or subtracted from remeasurements of defined benefit plans, net of taxes, under accumulated other comprehensive income as of March 31, 2014.

As a result, investments and other non-current assets as of March 31, 2014 have declined by ¥37,793 million ($366,922 thousand), non-current liabilities have increased by ¥114,246 million ($1,109,184 thousand), and net assets fell by ¥152,039 million ($1,476,107 thousand), of which accumulated other comprehensive income declined by ¥146,756 million ($1,424,816 thousand) and minority interests in consolidated subsidiaries declined by ¥5,283 million ($51,291 thousand). There is no impact on the amounts of operating income, income before income taxes and minority interests, net income, other comprehensive income and comprehensive income for the year ended March 31, 2014. The impact of these changes on earnings per share data can be found in "20. Earnings per Share."

<Application of IAS 19 "Employee Benefits">

The Company's consolidated subsidiaries outside Japan have applied IAS 19 "Employee Benefits" (issued June 16, 2011) at the beginning of the year ended March 31, 2014.

The main changes resulting from the application of the accounting standard are as follows: 1) Regarding remeasurements of the net defined benefit liability (asset), including actuarial gains and losses, the option of partial recognition is abolished, and instead immediate recognition through net assets, as remeasurements of defined benefit plans (net of tax effects) under accumulated other comprehensive income, is required. The funded status is recognized as a liability or asset. 2) Consolidated subsidiaries outside Japan had applied the corridor approach for recognizing a portion of actuarial gains and losses as an expense. Under the corridor approach, when the net cumulative unrecognized actuarial gains and losses at the end of the previous fiscal year exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets, the excess amount is recognized as an expense over the expected average remaining service lives of employees. Starting this fiscal year, consolidated subsidiaries outside Japan recognize actuarial gains and losses in accumulated other comprehensive income and do not recycle to the income statement in accordance with the application of IAS 19. However, in the process of the Group's consolidation, actuarial gains and losses are recycled to the income statement in line with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan, Practical Issues Task Force, No. 18 dated February 19, 2010). Actuarial gains and losses are periodically recognized as an expense over the expected average remaining service lives of employees. 3) Recognition of the net interest on the net defined benefit liability (asset) replaces the recognition of the interest cost and the expected return on plan assets previously required.

These changes in accounting policies are applied retrospectively, and the consolidated financial statements for the year ended March 31, 2013 reflect this retrospective application.

As a result of retrospective application of these changes in the accounting policy, the amounts for operating income, income before income taxes and minority interests, and net income have all been decreased by ¥7,006 million for the year ended March 31, 2013, respectively. Other comprehensive income has decreased by ¥40,651 million and comprehensive income has decreased by ¥47,657 million.

The balance as of March 31, 2013 for investments and other non-current assets decreased by ¥128,728 million, long-term liabilities increased by ¥28,643 million, net assets decreased by ¥157,371 million (of which retained earnings decreased by ¥7,006 million and accumulated other comprehensive income decreased by ¥150,365 million). In addition, the balance of net assets as of the beginning of the year ended March 31, 2013 decreased by ¥109,714 million (because accumulated other comprehensive income decreased by ¥109,714 million) as a result of reflecting the cumulative effects. The impact of these changes on earnings per share data and segment information can be found under "20. Earnings per Share" and "18. Segment Information," respectively.

(b) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates.

The assets and liabilities accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Income and expense accounts are translated at the average exchange rate during the year. The resulting translation adjustments are recorded in a separate component of accumulated other comprehensive income as "foreign currency translation adjustments."

(c) Revenue recognition

Revenue from sales of ICT systems and products excluding customized software under development contracts (the "customized software") is recognized upon acceptance by the customers, whereas, revenue from sales of PCs, other equipment and electronic devices is recognized when the products are delivered to the customers. Revenue from sales of the customized software is recognized by reference to the percentage-of-completion method.

(d) Cash equivalents

Cash equivalents consist of short-term highly liquid investments with original maturities of three months or less from the date of acquisition and an insignificant risk of fluctuation in value, as well as overdrafts. Overdrafts are included in "Short-term borrowings and current portion of long-term debt" under "Current liabilities" in the consolidated balance sheets.

(e) Investment securities

Investment securities included in "cash and cash equivalents," "Investments in and long-term loans to affiliates" and "Others" under "Investments and other non-current assets" are classified as investments in affiliates; held-to-maturity investments, which are the debt securities that the Group has the positive intent and ability to hold to maturity; or available-for-sale securities, which are investment securities not classified as investments in affiliates or held-to-maturity investments.

Investments in affiliates are accounted for by the equity method. Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premiums or accretion of discounts to maturity. Available-for-sale securities are basically carried at fair value. However, unlisted securities are carried at the acquisition cost and classified as "financial instruments for which it is extremely difficult to determine the fair value," as no market price is available and it is not possible to estimate the future cash flow. The cost of available-for-sale securities sold is calculated by the moving-average method.

Available-for-sale securities are carried at fair market value, with the unrealized gains or losses, net of taxes, included in accumulated other comprehensive income.

(f) Derivative financial instruments

The Group uses derivative financial instruments mainly for the purpose of hedging against the risk of fluctuations in foreign exchange rates and interest rates on receivables and payables denominated in foreign currencies.

The hedging instruments consist of forward exchange, option and swap contracts and related complex contracts.

Derivative financial instruments are stated at fair value, and gains or losses on changes in fair values of the hedging instruments are recognized as "Other income (expenses)."

However, gains or losses on changes in fair values of derivative financial instruments, which qualify for deferral hedge accounting, are deferred on the balance sheet until gain or loss on the hedged items are recognized.

(g) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

(h) Inventories

Finished goods are mainly stated at cost determined by the moving-average method.

Work in process is mainly stated at cost determined by the specific identification method or the average cost method.

Raw materials and supplies are mainly stated at cost determined by the moving-average method.

Inventories are stated at the lower of cost or market.

(i) Property, plant and equipment (excluding lease assets)

Property, plant and equipment, including renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the straight-line method over the estimated useful lives, reflected by the likely period over which the value of the asset can be realized under actual business conditions.

Certain property, plant and equipment are evaluated for impairment based on consideration of their future usefulness. Accumulated impairment loss is subtracted directly from each asset.

(j) Intangible assets

Goodwill, including the goodwill acquired by consolidated subsidiaries, representing the premium paid to acquire a business is amortized using the straight-line method over periods not exceeding 20 years as these are periods over which the Group expects to benefit from the acquired business.

Computer software for sale is amortized based on the current year sales units to the projected total products' sales units. Computer software for internal use is amortized by the straight-line method over the estimated useful lives.

Other intangible assets are amortized by the straight-line method over the estimated useful lives of the respective assets.

(k) Leases

Assets acquired by lessees in finance lease transactions are recorded in the corresponding asset accounts. As for lease transactions in which the title is not transferred to the lessees, the leased assets are depreciated over the lease term by the straight-line method.

Operating lease payments are recognized as expenses over the lease term.

(l) Provision for product warranties

Provision for product warranties is recognized at the same period when related sales of the products are made at an amount which represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period.

(m) Provision for construction contract losses

Provision for construction contract losses is recorded at the estimated amount of future losses on customized software or construction contracts whose costs are probable to exceed total contract revenues.

(n) Provision for bonuses to board members

Provision for the bonuses to board members is recorded based on an estimated amount.

(o) Provision for loss on repurchase of computers

Certain computers manufactured by the Group are sold to JECC Corporation and other leasing companies for leasing to ultimate users under contracts which require the Group to repurchase the computers if they are returned by the users after a certain period. Based on past experience, an estimated amount for the loss arising from such repurchases is provided at the point of sales and is charged to income.

(p) Provision for recycling expenses

A provision for anticipated recycling expenses has been made based on the regime for PC recycling enforced in Japan to prepare for recycling expenses incurred upon collection of consumer PCs sold.

(q) Provision for restructuring charges

Provision for restructuring charges is recorded at the estimated amounts of losses incurred for the personnel rationalization and the disposal of business.

(r) Provision for environmental measures

Provision for environmental measures, such as disposal of PCB (polychlorobiphenyl) embedded products and purification of soil, is recorded at an estimated amount for future costs.

(Changes in presentation for the year ended March 31, 2014)

The provision for environmental measures, which as of March 31, 2013 was included in “Others” under current liabilities and “Others” under non-current liabilities, has increased in its financial significance. Accordingly, as of March 31, 2014, it is presented separately on the consolidated balance sheet. To reflect this change, consolidated balance sheet amounts as of March 31, 2013 have been reclassified.

As a result of the reclassification, the consolidated balance sheet amounts, as of March 31, 2013, of ¥251,731 million for “Others” under current liabilities and ¥56,150 million for “Others” under non-current liabilities have been restated as ¥219 million for the provision for environmental measures and ¥251,512 million for “Others” under current liabilities and ¥5,453 million for the provision for environmental measures and ¥50,697 million for “Others” under non-current liabilities.

(s) Retirement benefit plan

The Company and the majority of the consolidated subsidiaries have retirement benefit plans.

To prepare for disbursement of employees’ retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized.

To attribute the expected benefit to periods of service, the Company and its subsidiaries in Japan attribute the benefit to periods of service on a straight-line basis while the subsidiaries outside Japan do so under the plan’s benefit formula in accordance with “Employee Benefits” (IAS 19, 16 June 2011).

Past service costs are amortized on a straight-line basis (over 10 years).

Actuarial gains and losses are amortized on a straight-line basis (over the expected average remaining service period of employees) from the year after the actuarial gains and losses are recognized.

(Changes in presentation for the year ended March 31, 2014)

As a result of the application of IAS 19 "Employee Benefits" (issued June 16, 2011) for the year ended March 31, 2014, the method of presentation has changed. In addition, together with the change in the method of presentation, the method of presentation for "Prepaid pension cost" and "Accrued retirement benefits" for the Company and its consolidated subsidiaries in Japan has been changed. Further, the change in the amount of accrued retirement benefits and prepaid pension costs, which were included in "Increase (decrease) in provisions" and "Other, net," respectively, in the consolidated statements of cash flows, are presented as "Retirement benefit expenses (net of contribution)" to show net increase or decrease in the net defined benefit liability (asset). To reflect these changes in the method of presentation, the consolidated financial statements for the year ended March 31, 2013 have been reclassified.

As a result of the reclassification, in the consolidated balance sheets as of March 31, 2013, ¥180,121 million in "Prepaid pension costs" under "Investments and other non-current assets" and ¥178,482 million in "Accrued retirement benefits" under "Long-term liabilities" have been reclassified as ¥51,393 million in "Net defined benefit asset" under "Investments and other non-current assets" and ¥207,125 million in "Net defined benefit liability" under "Long-term liabilities," ¥(7,006) million in retained earnings under "Shareholders' equity," ¥(641) million in "Foreign currency translation adjustments" and ¥(149,724) million in "Remeasurements of defined benefit plans, net of taxes" under "Accumulated other comprehensive income."

In addition, in the consolidated statements of cash flows for the year ended March 31, 2013, ¥(45,113) million in "Income (loss) before income taxes and minority interests," ¥41,771 million in "Increase (decrease) in provisions" and ¥(137,905) million in "Other, net" under "Cash flows from operating activities" are reclassified as ¥(52,119) million in "Income (loss) before income taxes and minority interests," ¥46,027 million in "Increase (decrease) in provisions," ¥(116,484) million in "Retirement benefit expenses (net of contribution)" and ¥(18,671) million in "Other, net," respectively.

(t) Income taxes

The Group has mainly adopted the asset and liability method of tax effect accounting in order to recognize income tax effect of all temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes.

(u) Earnings per share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted earnings per share is computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stocks issuable upon the exercise of subscription rights to shares and the conversion of convertible bonds.

(v) Accounting standards issued but not yet effective

The following accounting standards were issued but not yet effective up to June 23, 2014, the filing date of the Annual Securities Report, regulated by the Financial Instruments and Exchange Law of Japan. The Group has not yet applied these standards as of March 31, 2014.

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, Statement No. 26, issued May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, Guidance No. 25, issued May 17, 2012)

(1) Overview

With respect to the amortization method of the expected benefit, the plan's benefit formula basis is newly allowed as an option, in addition to the straight-line basis. In addition, with respect to the period that is a basis for determining the discount rate, it was required to use an average period based on the expected date of benefit payment, but it is now required to use the discount rate that reflects the estimated timing and amount of benefit payments so that retirement benefit obligations, which comprise payments of different timing and amounts, are discounted more appropriately.

(2) Date of application and impact from adoption

The Group has not assessed the impact from application for the consolidated financial statements because it will voluntarily apply IFRS from the year ending March 31, 2015.

2. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥103 = US$1, the approximate exchange rate at March 31, 2014.

The U.S. dollar amounts are presented solely for the convenience of readers and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31, 2013 and 2014 consist of the following:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Finished goods	¥122,258	**¥131,330**	**$1,275,049**
Work in process	113,362	**106,368**	**1,032,699**
Raw materials and supplies	87,472	**92,504**	**898,097**
Total inventories	¥323,092	**¥330,202**	**$3,205,845**

Amounts above are net of write-downs.

The amounts of write-downs recognized as cost of sales for the years ended March 31, 2013 and 2014 were ¥20,578 million and ¥33,472 million ($324,971 thousand), respectively.

4. Property, Plant and Equipment

Changes in property, plant and equipment, net of accumulated depreciation (including lease assets) are as follows:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Land			
Balance at beginning of year	¥115,614	**¥108,947**	**$1,057,738**
Additions	287	**90**	**874**
Impairment loss	5,430	**234**	**2,272**
Translation differences	709	**601**	**5,835**
Other, net	(2,233)	**(1,732)**	**(16,816)**
Balance at end of year	¥108,947	**¥107,672**	**$1,045,359**
Buildings			
Balance at beginning of year	¥284,631	**¥274,932**	**$2,669,243**
Additions	28,689	**23,685**	**229,951**
Depreciation	22,916	**24,052**	**233,515**
Impairment loss	16,319	**3,489**	**33,874**
Translation differences	6,109	**5,453**	**52,942**
Other, net	(5,262)	**(2,457)**	**(23,854)**
Balance at end of year	¥274,932	**¥274,072**	**$2,660,893**

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Machinery and equipment			
Balance at beginning of year	¥215,601	**¥206,594**	**$2,005,767**
Additions	85,759	**100,529**	**976,010**
Depreciation	93,649	**91,128**	**884,738**
Impairment loss	6,520	**3,717**	**36,087**
Translation differences	6,196	**6,364**	**61,786**
Other, net	(793)	**(5,142)**	**(49,922)**
Balance at end of year	¥206,594	**¥213,500**	**$2,072,816**
Construction in progress			
Balance at beginning of year	¥ 25,097	**¥ 27,987**	**$ 271,718**
Additions*1	7,031	**(2,022)**	**(19,631)**
Impairment loss	34	**67**	**650**
Translation differences	467	**143**	**1,388**
Other, net	(4,574)	**(1,659)**	**(16,107)**
Balance at end of year	¥ 27,987	**¥ 24,382**	**$ 236,718**
Total of balance at end of year	¥618,460	**¥619,626**	**$6,015,786**
Total of additions	¥121,766	**¥122,282**	**$1,187,204**
Total of depreciation	116,565	**115,180**	**1,118,252**
Total of impairment loss	28,303	**7,507**	**72,883**

*1 Additions to construction in progress are offset by the amounts transferred to buildings and machinery and equipment.

5. Goodwill

An analysis of goodwill is presented below:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Balance at beginning of year	¥67,526	**¥29,574**	**$287,126**
Additions	620	**4,836**	**46,951**
Amortization	14,231	**9,708**	**94,252**
Impairment loss	26,600	**85**	**825**
Translation differences and others	2,259	**2,886**	**28,019**
Balance at end of year	¥29,574	**¥27,503**	**$267,019**

6. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt at March 31, 2013 and 2014 consist of the following:

Short-term borrowings

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Short-term borrowings, principally from banks, with a weighted average interest rate of 0.67% at March 31, 2013 and 1.08% at March 31, 2014:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured	210,657	**35,043**	**340,223**
Total short-term borrowings (A)	¥210,657	**¥ 35,043**	**$ 340,223**

Long-term debt (including current portion)

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
a) Long-term borrowings			
Long-term borrowings, principally from banks and insurance companies, due from 2013 to 2018 with a weighted average interest rate of 0.95% at March 31, 2013 and due from 2014 to 2020 with a weighted average interest rate of 0.53% at March 31, 2014:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured	94,010	**194,297**	**1,886,379**
Total long-term borrowings	¥94,010	**¥194,297**	**$1,886,379**
b) Bonds and notes			
Bonds and notes issued by the Company:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured			
3.0% unsecured bonds due 2018	30,000	**30,000**	**291,262**
1.73% unsecured bonds due 2014	40,000	**40,000**	**388,350**
0.307% unsecured bonds due 2013	20,000	**–**	**–**
0.42% unsecured bonds due 2015	30,000	**30,000**	**291,262**
0.398% unsecured bonds due 2014	20,000	**20,000**	**194,175**
0.623% unsecured bonds due 2016	30,000	**30,000**	**291,262**
0.331% unsecured bonds due 2015	40,000	**40,000**	**388,350**
0.476% unsecured bonds due 2017	20,000	**20,000**	**194,175**
0.267% unsecured bonds due 2016	–	**30,000**	**291,262**
0.41% unsecured bonds due 2018	–	**35,000**	**339,806**
0.644% unsecured bonds due 2020	–	**15,000**	**145,631**
Bonds and notes issued by consolidated subsidiaries:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured			
[Japan]			
zero coupon unsecured convertible bonds due 2013	200	**–**	**–**
zero coupon unsecured convertible bonds due 2015	100	**100**	**971**
zero coupon unsecured convertible bonds due 2016	–	**200**	**1,942**
Total bonds and notes	¥230,300	**¥290,300**	**$2,818,447**
Total long-term debt (including current portion) (a+b)	¥324,310	**¥484,597**	**$4,704,825**
Current portion (B)	79,065	**94,036**	**912,971**
Non-current portion (C)	245,245	**390,561**	**3,791,854**
Total short-term borrowings and long-term debt (including current portion)	¥534,967	**¥519,640**	**$5,045,049**
Short-term borrowings and current portion of long-term debt (A+B)	289,722	**129,079**	**1,253,194**
Long-term debt (excluding current portion) (C)	245,245	**390,561**	**3,791,854**

Convertible bonds are treated solely as liabilities and the conversion option is not recognized as equity in accordance with accounting principles and practices generally accepted in Japan.

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 are summarized as follows:

Years ended March 31	Yen (millions)	U.S. Dollars (thousands)
2015	¥ 94,036	$ 912,971
2016	112,707	1,094,243
2017	117,073	1,136,631
2018	70,383	683,330
2019 and thereafter	90,398	877,650
Total	¥484,597	$4,704,825

At March 31, 2014, the Group had committed facility contracts with banks aggregating ¥197,700 million ($1,919,417 thousand) and all of it was unused.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2013 and 2014 are principally presented below:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Property, plant and equipment, net	¥2,484	**¥2,429**	**$23,583**

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under bank transaction agreements which stipulate that, at the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned. These bank transaction agreements further stipulate that the banks have the right to offset deposits at the banks against indebtedness which matures or becomes due prematurely by default owed to the banks.

7. Supplementary Information to the Consolidated Income Statements

The amounts of write-downs of inventories recognized within "Cost of sales" for the years ended March 31, 2013 and 2014 were ¥20,578 million and ¥33,472 million ($324,971 thousand), respectively. The provision for construction contract losses charged to "Cost of sales" for the same periods were ¥4,759 million and ¥14,166 million ($137,534 thousand), respectively.

Major items that comprise "Selling, general and administrative expenses" are salaries and research and development expenses. The salaries for the years ended March 31, 2013 and 2014 were ¥316,284 million and ¥327,817 million ($3,182,689 thousand), respectively. The research and development expenses for the same periods were ¥231,052 million and ¥221,389 million ($2,149,408 thousand), respectively.

"Other, net" of "Other income (expenses)" for the years ended March 31, 2013 and 2014 consists of the following:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Foreign exchange gains, net	¥ 8,299	**¥ 4,101**	**$ 39,816**
Gain on sales of investment securities	–	**6,847**	**66,476**
Gain on sales of property, plant and equipment and intangible assets	–	**4,726**	**45,883**
Gain on negative goodwill	199	**–**	**–**
Restructuring charges	(116,221)	**(31,176)**	**(302,680)**
Loss on reversal of foreign currency translation adjustments	–	**(21,651)**	**(210,204)**
Impairment loss	(34,285)	**(6,482)**	**(62,932)**
Loss on disposal of property, plant and equipment and intangible assets	(1,981)	**(3,581)**	**(34,767)**
Environmental measures expenses	(13)	**(2,683)**	**(26,049)**
Loss on changes in retirement benefit plan	(245)	**–**	**–**
Other, net	(77)	**(4,991)**	**(48,456)**
Total	¥(144,324)	**¥(54,890)**	**$(532,913)**

For the year ended March 31, 2014

Gain on Sales of Investment Securities

Gain on sales of investment securities primarily consists of sales of available-for-sale securities, including shares in Kyowa Exeo Corporation and Yokohama Rubber Co., Ltd., as well as sales of shares in affiliate Fujitsu General Limited, in accordance with Fujitsu General's solicitation to repurchase its own shares.

Gain on Sales of Property, Plant and Equipment and Intangible Assets

Gain on sales of property, plant and equipment and intangible assets primarily consists of sales of underutilized real estate adjacent to the Akashi Plant and sales of underutilized real estate of the Minami-Tama Plant.

Restructuring charges

Losses of ¥21,069 million ($204,553 thousand) were recorded in relation to the structural reforms of the LSI device business, of which ¥7,056 million ($68,504 thousand) are losses on the transfer and integration of businesses and ¥14,013 million ($136,049 thousand) are from the restructuring of 200 mm line and other standard logic device production facilities of the Mie Plant and facilities in the Aizu-Wakamatsu region. The loss on the transfer and integration of businesses primarily consists of expenses to cover the settlement of retirement benefit obligations and losses on the disposal of assets for the system LSI business, for which the Group signed a memorandum of understanding with Panasonic Corporation and Development Bank of Japan (DBJ), in which it has agreed to integrate its system LSI (SoC) business with that of Panasonic in a new fabless company to be established, to which DBJ will provide equity capital and debt financing. The loss associated with the restructuring of the standard logic device production facilities primarily consists of expenses for consolidating the 200 mm production lines and losses on the disposal of assets.

In addition, ¥4,912 million ($47,689 thousand) in charges were recorded for losses on the disposal of assets and the costs of reallocating employees in relation to the integration of production sites in the mobile phone business. Regarding businesses outside of Japan, ¥4,215 million ($40,922 thousand) in charges were recorded for losses on workforce rationalization primarily in the Nordic region.

The restructuring charges include impairment losses of ¥3,139 million ($30,476 thousand) recorded for the LSI device business and the mobile phone business.

Loss on Reversal of Foreign Currency Translation Adjustments

Loss on the reversal of foreign currency translation adjustments stemming from the liquidation of a US subsidiary, Fujitsu Management Services of America, Inc.

Impairment Loss

Impairment losses primarily from the following asset groups are recorded.

Purpose: Idle assets
Category: Software, buildings, machinery and equipment and other fixed assets
Location: Kanagawa and Tochigi prefectures, Japan

Purpose: Production facilities for the printed circuit board business
Category: Machinery and equipment and other fixed assets
Location: Vietnam

Purpose: Development/production facilities for the power electronics system
Category: Buildings, machinery and equipment and other fixed assets
Location: Kanagawa and Fukushima prefectures, Japan

In principle, the Group's business-use assets are grouped based on units that management uses to make decisions, and idle assets are grouped on an individual asset basis.

The Group has continually promoted structural reforms for the year ended March 31, 2014, as well as for the year ended March 31, 2013, to set a clear direction for underperforming businesses and shift to a leaner management structure. For the LSI business, the Group promoted integration of the system LSI (SoC) business and sold its microcontroller and analog device business. For the mobile phone business, the Group integrated two subsidiaries producing mobile phone handsets and consolidated volume production capabilities.

As a result of these structural reforms, the Group recognized impairment losses on asset groups no longer used for business. The losses consist of ¥2,919 million ($28,340 thousand) of restructuring charges and ¥140 million ($1,359 thousand) of impairment losses and are included in "Other, net" under "Other income (expenses)" in the consolidated income statement.

In addition, the Group recognized impairment losses on asset groups related to the printed circuit board business and the power electronics systems business, of which profitability declined significantly due to decrease in demand. The losses of ¥3,797 million ($36,864 thousand) are recorded as impairment losses and are included in "Other, net" under "Other income (expenses)" in the consolidated income statements.

Further, the consolidated subsidiaries outside Japan recognized impairment losses on business assets of which profitability declined significantly and on assets that were not expected to be used in the future due to changes in business environment. The losses consist of ¥2,545 million ($24,709 thousand) of impairment losses and ¥220 million ($2,136 thousand) of restructuring charges and are included in "Other, net" under "Other income (expenses)" in the consolidated income statements.

Total impairment losses consist of ¥3,489 million ($33,874 thousand) for buildings, ¥3,717 million ($36,087 thousand) for machinery and equipment, ¥1,929 million ($18,728 thousand) for software and ¥486 million ($4,718 thousand) for other assets.

The recoverable amount is measured at fair value less costs of disposal or value in use. The fair value less costs of disposal is measured based on the amount obtainable from the sale of assets less any costs of disposal, except for assets that are difficult to be sold. The fair value less costs of disposal for those assets are measured at the residual value.

The future cash flows are discounted using a rate of between 5.0–7.5% in the determination of value in use. The asset groups with negative future cash flows are measured at the residual value.

For the year ended March 31, 2013

Restructuring Charges

Restructuring charges of ¥90,308 million were recorded relating to structural reforms in the LSI device business. These include ¥33,146 million in losses relating to the transfer of production facilities, ¥28,685 million in impairment losses and other losses for the standard logic LSI devices production line, and ¥28,477 million relating to personnel-related expenses attributed to implementation of an early retirement incentive plan. Losses relating to the transfer of production facilities consist of two items. One is ¥20,895 million of guarantees, for a set period of time, on a portion of the operational costs of the Iwate Plant and the LSI assembly and testing facilities that were transferred. The other is ¥12,251 million of personnel-related expenses and impairment losses 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 are mainly related to 200 mm lines of the Mie and Fukushima regions, for which capacity utilization rates have been declining.

In addition, restructuring charges related to the business outside Japan in the amount of ¥20,074 million were recorded mainly for personnel-related rationalization charges related to the European subsidiary Fujitsu Technology Solutions (Holding) B.V. Other than the above, ¥5,839 million of restructuring charges was recorded mainly for the personnel-related charges incurred for an early retirement incentive plan targeting managerial levels in Japan.

The restructuring charges include impairment losses of ¥28,266 million from mostly the LSI device business.

Impairment Loss

Referred mainly to losses on the following asset groups;

Purpose: Production facilities for the LSI device business
Category: Buildings, machinery and equipment, land and other fixed assets
Location: Fukushima, Mie and Kagoshima prefectures, Japan

Purpose: Assets used in European business
Category: Goodwill and other intangible assets
Location: Germany and other countries

In principle, the Group's business-use assets are grouped based on units that management uses to make decisions, and idle assets are grouped on an individual asset basis.

The Group has continually promoted structural reforms of its LSI devices business, as the LSI devices business has been confronted with an extraordinarily difficult operating environment, such as fast-deteriorating market conditions and an increasingly severe competitive situation, resulting in the declining sales. The Group transferred the Iwate Plant to DENSO Corporation in October 2012, and also transferred the LSI assembly and testing facilities to J-Devices Corporation in December 2012. In February 2013, the Group made decisions to establish a new fabless company in system LSI business, in which capital participation from outside investors will be accepted, and transfer the business to the new company. Furthermore, the Group decided to transfer 300 mm line of the Mie Plant to a new foundry company.

In conjunction with transfers stated above, the Group reviewed the grouping of assets within LSI device business. As a result, the Group recognized impairment losses on asset groups of standard logic LSI devices production line, such as 200 mm lines in the Mie and Fukushima regions and assets group of the LSI assembly and testing facilities. The losses of ¥28,123 million were recorded as restructuring charges and included in "Other, net" under "Other income (expenses)" in the consolidated income statements. Impairment losses for the Iwate Plant were already recognized in the year ended March 31, 2012.

Other than those described above, the Group recognized impairment losses of ¥24,895 million on the remaining unamortized balance of goodwill and ¥3,154 million on other intangible assets recorded at the time when the remaining shares of Fujitsu Technology Solutions (Holding) B.V. were acquired. In the standalone financial statements of the Company, impairment losses on the investments in the subsidiaries* were recognized. Due to the recession in Europe and intensification of price competition in PCs and x86 servers, the Group determined that it would not be able to achieve its original return on its investment planned for ten years in April 2009 (date of acquisition). The losses are recorded as impairment losses and included in "Other, net" under "Other income (expenses)" in the consolidated income statements.

In addition, consolidated subsidiaries in Japan recognized impairment losses related to assets used in businesses with low profitability and welfare facilities for employees planned to be sold. The losses consists of ¥6,236 million of impairment losses and ¥143 million of restructuring charges included in "Other, net" under "Other income (expenses)" in the consolidated income statements.

Total impairment losses consist of ¥26,600 million for goodwill, ¥16,319 million for buildings, ¥5,430 million for land, ¥6,520 million for machinery and equipment, ¥3,826 million for other intangible assets and ¥3,856 million for other assets.

The recoverable amount is measured at fair value less costs of disposal or value in use. The fair value less costs of disposal is measured based on the amount obtainable from the sale of assets less any costs of disposal. Regarding the LSI device business, the recoverable amount calculated by value in use is measured at the residual value because negative future cash flow is expected.

*In the standalone financial statements of the Company, the Company has adopted a cost method for valuation of the investments in its subsidiaries. The impairment losses on such investments are generally recognized when the net assets of its subsidiaries decrease significantly due to a deterioration of subsidiaries' financial condition and when the decline is deemed to be irrecoverable.

Loss on Changes in Retirement Benefit Plan

Loss on changes in retirement benefit plan includes the costs related to changes to a defined contribution pension plan by a consolidated subsidiary in Japan.

8. Supplementary Information to the Consolidated Statements of Comprehensive Income

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Unrealized gain and loss on securities			
Gains (losses) during the term	¥ 19,569	**¥ 21,554**	**$ 209,262**
Reclassification adjustments	(1,774)	**(4,611)**	**(44,767)**
Amount before related income tax effects	17,795	**16,943**	**164,495**
Income tax effect	(6,250)	**(6,133)**	**(59,544)**
Unrealized gain and loss on securities, net of taxes	11,545	**10,810**	**104,951**
Deferred gains or losses on hedges and others			
Gains (losses) during the term	(1,287)	**(52)**	**(505)**
Reclassification adjustments	1,288	**–**	**–**
Amount before related income tax effects	1	**(52)**	**(505)**
Income tax effect	26	**(3)**	**(29)**
Deferred gains or losses on hedges and others, net of taxes	27	**(55)**	**(534)**
Foreign currency translation adjustments			
Gains (losses) during the term	22,040	**38,403**	**372,845**
Reclassification adjustments	176	**21,651**	**210,204**
Amount before related income tax effects	22,216	**60,054**	**583,049**
Income tax effect	–	**–**	**–**
Foreign currency translation adjustments	22,216	**60,054**	**583,049**
Remeasurements of defined benefit plans			
Gains (losses) during the term	(51,195)	**(47,200)**	**(458,252)**
Reclassification adjustments	11,185	**22,318**	**216,680**
Amount before related income tax effects	(40,010)	**(24,882)**	**(241,573)**
Income tax effect	–	**(206)**	**(2,000)**
Remeasurements of defined benefit plans	(40,010)	**(25,088)**	**(243,573)**
Share of other comprehensive income of affiliates accounted for using the equity method			
Gains (losses) during the term	3,090	**3,105**	**30,146**
Reclassification adjustments*1	(1,105)	**208**	**2,019**
Share of other comprehensive income of affiliates accounted for using the equity method	1,985	**3,313**	**32,165**
Total other comprehensive income	¥ (4,237)	**¥ 49,034**	**$ 476,058**

*1 The reclassification adjustments of the share of other comprehensive income of affiliates accounted for using the equity method include the adjustment for purchase price of assets.

At the beginning of the year ended March 31, 2014, the Company's consolidated subsidiaries outside Japan applied IAS 19 "Employee Benefits" (issued June 16, 2011). These changes in accounting policies are applied retrospectively, and the consolidated financial statements for the year ended March 31, 2013 reflect this retrospective application.

9. Supplementary Information to the Consolidated Statements of Cash Flows

Cash and cash equivalents

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Cash and cash equivalents in consolidated balance sheets	¥286,602	**¥301,162**	**$2,923,903**
Short-term borrowings (Overdrafts)	(2,054)	**–**	**–**
Cash and cash equivalents in consolidated statements of cash flows	¥284,548	**¥301,162**	**$2,923,903**

(Additional information)

For the year ended March 31, 2014

Cash flows from operating activities:

Gain on Sales of Investment Securities

Gain on sales of investment securities primarily consists of sales of available-for-sale securities, including shares in Kyowa Exeo Corporation and Yokohama Rubber Co., Ltd., as well as sales of shares in affiliate Fujitsu General Limited, in accordance with Fujitsu General's solicitation to repurchase its own shares.

Cash flows from investing activities:

Proceeds from Transfer of Business

Proceeds from transfer of business primarily include proceeds from the transfer of the microcontroller and analog device businesses.

For the year ended March 31, 2013

Cash flows from operating activities:

Other, net

"Other, net" in cash flows from operating activities includes a special payment of ¥114,360 million (800 million Pound Sterling) into defined benefit pension schemes of Fujitsu Services Holdings PLC (including its consolidated subsidiaries).

Cash flows from investing activities:

Proceeds from Transfer of Business

Proceeds from transfer of business include proceeds from sales of property, plant and equipment in conjunction with transfer of the Iwate Plant and LSI assembly and testing facilities.

10. Leases

The following is a summary of assets and liabilities related to finance lease transactions at March 31, 2013 and 2014, which includes acquisition cost, accumulated depreciation and book value of leased assets, future minimum lease payments required under finance leases, and the present value of lease obligations.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Acquisition cost	¥68,449	**¥64,425**	**$625,485**
Accumulated depreciation	36,624	**33,271**	**323,019**
Book value	31,825	**31,154**	**302,466**
Future minimum lease payments			
Within one year	15,225	**14,506**	**140,835**
Over one year but within five years	24,529	**25,513**	**247,699**
Over five years	6,701	**7,331**	**71,175**
Total future minimum lease payments	¥46,455	**¥47,350**	**$459,709**
Less: Interest	(5,306)	**(6,222)**	**(60,408)**
Present value of lease obligations	¥41,149	**¥41,128**	**$399,301**
Lease obligations (current)	14,385	**13,549**	**131,544**
Lease obligations (long-term)	26,764	**27,579**	**267,757**

The following is a summary of future minimum lease payments required under non-cancelable operating leases in the aggregate and for each of the following periods.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Within one year	¥19,951	**¥24,324**	**$236,155**
Over one year but within five years	42,012	**47,862**	**464,680**
Over five years	22,836	**22,277**	**216,282**
Total	¥84,799	**¥94,463**	**$917,117**

11. Financial Instruments

1. Status of Financial Instruments

(1) Policies for Financial Instruments

The Group carries out its financial activities in accordance with the "Fujitsu Group Treasury Policy," and primarily obtains funds through bank borrowing and the issuance of corporate bonds based on funding requirements of its business activities. After the adequate liquidity for its business activities has been ensured, the Group invests temporary excess funds in financial assets with low risks. The Group utilizes derivative transactions only for hedging purposes and not for speculative or dealing purposes.

(2) Description and Risks of Financial Instruments

Trade receivables are exposed to customer credit risk. Additionally, some trade receivables are denominated in foreign currencies in conjunction with the export of products and exposed to exchange rate fluctuation risk. Investment securities are comprised primarily of certificates of deposit and available-for-sale securities issued by the customers. The certificates of deposit are held for fund management and the shares are held for maintaining and strengthening business relationships with customers. Shares are exposed to market price fluctuation risk and financial risk of the company invested. The Group also provides loans to customers.

Trade liabilities such as payables, trade and accrued expenses are generally payable within one year. Some trade liabilities are denominated in foreign currencies in conjunction with the import of components and exposed to exchange rate fluctuation risk. Borrowings, corporate bonds, and lease obligations related to finance lease transactions are mainly for the purpose of obtaining working capital and preparing for capital expenditures. Because some of the foregoing have a floating interest rate, they are exposed to interest rate fluctuation risk.

Derivative transactions consist primarily of the use of exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and trade liabilities, currency swap contracts for the purpose of hedging exchange rate fluctuation risk related to foreign currency denominated cash flow, and interest swap contracts for the purpose of hedging interest rate fluctuation risk related to borrowings and corporate bonds.

(3) Risk Management of Financial Instruments

(i) Management of Credit Risk

The Group strives to mitigate collection risk in accordance with credit management standards and procedures in selling goods and services. A unit independent from the sales units assesses the credit standing of customers and manages collection dates and the balance outstanding for each customer to ensure smooth and dependable collection of trade receivables. Regarding the loan receivable, the Group periodically assesses debtor's financial condition and reviews the terms of the loan if needed. The counterparties to derivative transactions are selected upon assessment of their credit risk. The amounts of the largest credit risks as of the reporting date are indicated in the balance sheet values of the financial assets that are exposed to credit risk.

(ii) Management of Market Risk

The Group utilizes mainly exchange forward contracts in respect to trade receivables and trade liabilities denominated in foreign currencies to mitigate exchange rate fluctuation risk monitored by each currency respectively, currency swap contracts to mitigate the foreign currency exchange rate fluctuation risk of cash flow denominated in foreign currency, and interest swap contracts in respect to borrowings and corporate bonds to mitigate interest rate fluctuation risk. The Group regularly monitors the market price and the financial condition of the issuer in respect to its securities and continuously reconsiders investment in each company, taking into account its relationship with the counterparty.

The Group enters into derivative transactions based on regulations established by the Company. Based on policies approved by the Chief Financial Officer (CFO), the finance division undertakes particular transactions and records them and also confirms the balance of transactions with counterparties. In addition, the finance division reports on the content of transactions undertaken and changes in transaction balances to the CFO and the chief of the accounting department.

(iii) Management of Liquidity Risk in Financing Activities

The Group prepares a cash flow projection and monitors its funding requirements. The Group also strives to diversify its sources of financing in order to reduce liquidity risk.

(4) Supplementary Explanation of Fair Value of Financial Instruments

The fair value of financial instruments is based on the market price, but in the case a market price is not available, the fair value is reasonably estimated. As variable factors are incorporated in the estimation of values, fair values may vary depending on the assumptions used. The contract amount related to derivative transactions under "13. Derivative Financial Instruments" does not represent the market risk related to the derivative transactions.

2. Fair Value of Financial Instruments

Amounts recorded on the consolidated balance sheet as of March 31, 2013 and 2014, fair values, and the variances between the two are as shown below. Unlisted securities, categorized within "Investments in and long-term loans to affiliates" and "Others" of "Investments and other non-current assets," are not included in the table below, as it is extremely difficult to determine the fair value. Financial instruments categorized within "Others" of both "Current assets" and "Investments and other non-current assets" are not included, except for available-for-sale securities and held-to-maturity investments stated at fair value.

	Yen (millions)			U.S. Dollars (thousands)		
At March 31, 2014	Carrying value in consolidated balance sheet	Fair value	Variance	Carrying value in consolidated balance sheet	Fair value	Variance
Current assets						
(1) Cash and cash equivalents	¥ 301,162	¥ 301,162	¥ –	$2,923,903	$ 2,923,903	$ –
(2) Short-term investments	4,488	4,488	–	43,573	43,573	–
(3) Receivables, trade	991,071			9,622,049		
Allowance for doubtful accounts*1	(10,824)			(105,087)		
	980,247	980,247	–	9,516,961	9,516,961	–
Investments and other non-current assets*2						
(4) Investments in and long-term loans to affiliates	33,716	63,008	29,292	327,340	611,728	284,388
(5) Others	102,413	102,413	–	994,301	994,301	–
Total assets	1,422,026	1,451,318	29,292	13,806,078	14,090,466	284,388
Current liabilities						
(1) Short-term borrowings and current portion of long-term debt	129,079	129,079	–	1,253,194	1,253,194	–
(2) Lease obligations	13,549	13,549	–	131,544	131,544	–
(3) Payables, trade	641,211	641,211	–	6,225,350	6,225,350	–
(4) Accrued expenses	339,836	339,836	–	3,299,379	3,299,379	–
Long-term liabilities						
(5) Long-term debt	390,561	395,631	5,070	3,791,854	3,841,078	49,223
(6) Lease obligations	27,579	27,687	108	267,757	268,806	1,049
Total liabilities	1,541,815	1,546,993	5,178	14,969,078	15,019,350	50,272
Derivative transactions*3						
(i) Transactions which do not qualify for hedge accounting	[853]	[853]	–	[8,282]	[8,282]	–
(ii) Transactions which qualify for hedge accounting	588	588	–	5,709	5,709	–
Total derivative transactions	[265]	[265]	–	[2,573]	[2,573]	–

			Yen (millions)
At March 31, 2013	Carrying value in consolidated balance sheet	Fair value	Variance
Current assets			
(1) Cash and cash equivalents	¥ 286,602	¥ 286,602	¥ —
(2) Short-term investments	18,363	18,363	—
(3) Receivables, trade	895,984		
Allowance for doubtful accounts*1	(12,079)		
	883,905	883,905	—
Investments and other non-current assets*2			
(4) Investments in and long-term loans to affiliates	29,483	50,046	20,563
(5) Others	95,666	95,666	—
Total assets	1,314,019	1,334,582	20,563
Current liabilities			
(1) Short-term borrowings and current portion of long-term debt	289,722	289,722	—
(2) Lease obligations	14,385	14,385	—
(3) Payables, trade	566,757	566,757	—
(4) Accrued expenses	322,765	322,765	—
Long-term liabilities			
(5) Long-term debt	245,245	251,026	5,781
(6) Lease obligations	26,764	26,917	153
Total liabilities	1,465,638	1,471,572	5,934
Derivative transactions*3			
(i) Transactions which do not qualify for hedge accounting	1,326	1,326	—
(ii) Transactions which qualify for hedge accounting	674	674	—
Total derivative transactions	2,000	2,000	—

*1 It comprises the allowance for doubtful accounts in respect to Receivables, trade, short-term loan receivable and others.

*2 Unlisted securities classified as shares in affiliates or available-for-sale securities are defined as "financial instruments for which it is extremely difficult to determine the fair value," because no market price is available and it is not possible to estimate the future cash flow in accordance with "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan, Statement No. 10, dated March 10, 2008) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan, Guidance No. 19, dated March 25, 2011). Accordingly unlisted securities are not included in "Investments and other non-current assets" stated above. The carrying values of the stocks in the consolidated balance sheet as of March 31, 2013 and 2014 are ¥46,643 million and ¥51,260 million ($497,670 thousand), consisting of Investments in and long-term loans to affiliates: ¥19,118 million and ¥22,394 million ($217,417 thousand) and Others: ¥27,525 million and ¥28,866 million ($280,252 thousand), respectively.

*3 The net amount of the assets and liabilities is shown. If the net amount is a liability, it is written in parentheses [ ].

Calculation method relating to fair value of Financial Instruments

Current assets:

(1) Cash and cash equivalents, (2) Short-term investments and (3) Receivables, trade

The fair value of these items approximates the carrying value due to the short maturity of these instruments.

Investments and other non-current assets:

(4) Investments in and long-term loans to affiliates and (5) Others

The fair value of securities is based on the market price on the stock exchanges, and the fair value of bonds is based on quotes obtained from the financial institutions or on the market price on the stock exchanges.

Current liabilities:

(1) Short-term borrowings and current portion of long-term debt, (2) Lease obligations, (3)Payables, trade and (4) Accrued expenses

The fair value of these items approximates the carrying value due to the short maturity of these instruments.

Long-term liabilities:

(5) Long-term debt and (6) Lease obligations

The fair value of bonds which have a market price is based on the market price. The fair value of bonds for which there is no market price is calculated by discounting the sum of future principal and interest payments to the present value at a rate taking into account the remaining term and the credit risk of bonds.

The fair value of long-term debt and lease obligations is calculated by discounting the sum of future principal and interest payments to the present value at the rate expected in another loan or lease transaction with the same conditions.

Impairment losses on investment securities
For the years ended March 31, 2013 and 2014
No significant losses were recorded.

Available-for-sale securities with fair value that has declined by 50% or more against their acquisition costs are generally booked as an impairment loss. Those that have declined in a range of 30% or more but less than 50% are impaired if the decline is deemed to be irrecoverable. Available-for-sale securities with no available fair value are generally impaired when issuers' net assets in the balance sheet decrease to more than 50% below the acquisition cost due to a deterioration of issuers' financial conditions.

12. Available-for-sale Securities

At March 31, 2013 and 2014, available-for-sale securities included in " Cash and cash equivalents," "Short-term investments" and "Others" of "Investments and other non-current assets" are stated as follows. Unlisted securities for which it is extremely difficult to determine the fair value are not included in the table.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Available-for-sale securities			
Acquisition costs	¥160,292	**¥118,305**	**$1,148,592**
Carrying value (Market value)	198,129	**173,473**	**1,684,204**
Net unrealized gain and loss	¥ 37,837	**¥ 55,168**	**$ 535,612**

13. Derivative Financial Instruments

1. Derivative transactions which do not qualify for hedge accounting

<Currency-related transactions>

At March 31, 2014	Yen (millions)				U.S. Dollars (thousands)			
	Contract amount	Contract amount over 1 year	Fair value	Gain/Loss	Contract amount	Contract amount over 1 year	Fair value	Gain/Loss
Foreign Exchange								
Forward Contracts								
To buy foreign currencies								
U.S. Dollars	**¥60,138**	**¥435**	**¥(903)**	**¥(903)**	**$583,864**	**$4,223**	**$(8,767)**	**$(8,767)**
Euro	**41,226**	**–**	**(108)**	**(108)**	**400,252**	**–**	**(1,049)**	**(1,049)**
Other currencies	**5,820**	**–**	**20**	**20**	**56,505**	**–**	**194**	**194**
To sell foreign currencies								
U.S. Dollars	**8,012**	**47**	**24**	**24**	**77,786**	**456**	**233**	**233**
Euro	**3,129**	**–**	**(13)**	**(13)**	**30,379**	**–**	**(126)**	**(126)**
Other currencies	**4,990**	**257**	**23**	**23**	**48,447**	**2,495**	**223**	**223**
Foreign Exchange								
Option Contracts								
To buy options								
U.S. Dollar puts	**17,516**	**–**			**170,058**	**–**		
	<162>	**<–>**	**241**	**79**	**<1,573>**	**<–>**	**2,340**	**767**
To sell options								
U.S. Dollar calls	**17,516**	**–**			**170,058**	**–**		
	<(162)>	**<–>**	**(99)**	**63**	**<(1,573)>**	**<–>**	**(961)**	**612**
Foreign Exchange								
Swap Contracts								
Receive Pound Sterling	**14,558**	**–**	**(108)**	**(108)**	**141,340**	**–**	**(1,049)**	**(1,049)**
Pay Pound Sterling	**6,202**	**–**	**95**	**95**	**60,214**	**–**	**922**	**922**
Others	**10,488**	**29**	**(25)**	**(25)**	**101,825**	**282**	**(243)**	**(243)**
Total			**¥(853)**	**¥(853)**			**$(8,282)**	**$(8,282)**

At March 31, 2013	Contract amount	Contract amount over 1 year	Fair value	Gain/Loss
				Yen (millions)
Foreign Exchange Forward Contracts				
To buy foreign currencies				
Pound Sterling	¥111,715	¥ –	¥ 2,036	¥ 2,036
U.S. Dollars	34,837	371	616	616
Euro	40,638	–	567	567
Other currencies	5,513	–	(42)	(42)
To sell foreign currencies				
U.S. Dollars	27,585	–	(1,789)	(1,789)
Euro	6,731	736	72	72
Other currencies	4,365	44	(77)	(77)
Foreign Exchange Option Contracts				
To buy options				
U.S. Dollar puts	3,002	–		
	<33>	<–>	20	(13)
To sell options				
U.S. Dollar calls	3,002	–		
	<(33)>	<–>	(187)	(154)
Foreign Exchange Swap Contracts				
Receive Pound Sterling	15,672	–	110	110
Pay Pound Sterling	15,647	–	38	38
Others	15,024	834	(38)	(38)
Total			¥ 1,326	¥ 1,326

1) The method for estimating the fair value is principally based on obtaining quotes provided by financial institutions.
2) In the column "Contract amount," option premiums are disclosed in brackets < >, and corresponding fair value and valuation gains and losses are disclosed on the same line.

2. Derivative transactions which qualify for hedge accounting

(i) Currency-related transactions

At March 31, 2014

Not applicable for the year

At March 31, 2013

Not applicable for the year

(ii) Interest-related transactions

At March 31, 2014

Not applicable for the year

At March 31, 2013 Type of hedge accounting	Type of transaction	Principal item hedged	Contract amount	Contract amount over 1 year	Fair value
					Yen (millions)
Deferral hedge	Interest rate swap transaction Pay fixed/ Receive variable	Borrowings	¥1,224	¥245	¥(14)

The fair value is based on quotes obtained from the financial institutions.

(iii) Stock-related transactions

At March 31, 2014					Yen (millions)			U.S. Dollars (thousands)
Type of hedge accounting	Type of transaction	Principal item hedged	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge	Option transaction to sell a stock	**Investment Securities**	**¥555**	**¥555**	**¥588**	**$5,388**	**$5,388**	**$5,709**

At March 31, 2013					Yen (millions)
Type of hedge accounting	Type of transaction	Principal item hedged	Contract amount	Contract amount over 1 year	Fair value
Deferral hedge	Option transaction to sell a stock	Investment Securities	¥555	¥555	¥688

The fair value is based on an option pricing model.

14. Retirement Benefits

The Company and the majority of the consolidated subsidiaries in Japan have unfunded lump-sum retirement plans which, in general, cover all employees who retire before a retirement age prescribed in their internal labor codes. The employees are entitled to the benefits primarily based on their length of service and base salary as of the retirement date.

In addition, the Company and the majority of the consolidated subsidiaries in Japan participate in contributory defined benefit plans which cover substantially all employees. The major contributory defined benefit plan (the "Plan"), which is referred to as the Fujitsu Corporate Pension Fund, entitles employees upon retirement at the normal retirement age to either a lump-sum payment or pension annuity payments for life commencing at age 60, or a combination of both based on their length of service, base salary and the number of years of participation in the Plan. The contributions of the Company and the subsidiaries covered by the Plan and their employees are made to the Fujitsu Corporate Pension Fund which is an external organization.

The Fujitsu Welfare Pension Fund, in which the Company and certain consolidated subsidiaries in Japan participated, received approval of an elimination of the future benefit obligations of the substitutional portion on March 23, 2004, and then received approval of transfer of past benefit obligation of the substitutional portion on September 1, 2005 from the Minister of Health, Labour and Welfare. Accordingly, Fujitsu Welfare Pension Fund changed to the Defined Benefit Corporate Plan based on the Japanese Defined Benefit Corporate Pension Law from the Japanese Welfare Pension Plan based on the Japanese Welfare Pension Insurance Law, and concurrently a part of the pension system was revised.

In April 2014, the Group decided to convert a part of the defined benefit plan to a cash balance plan and a defined contribution plan, effective from October 2014.

The majority of the consolidated subsidiaries outside Japan have defined benefit plans and/or defined contribution plans covering substantially all their employees. The major defined benefit pension plans provided outside Japan are the plans that Fujitsu Services Holdings PLC (including its consolidated subsidiaries, "FS") and Fujitsu Technology Solutions (Holding) B.V. (including its consolidated subsidiaries) provide. The major defined contribution pension plans provided outside Japan are the plans that FS and Fujitsu Australia Limited (including its consolidated subsidiaries) provide. The defined benefit pension plan provided by FS entitles employees to payments based on their length of service and salary. The defined benefit section of the plan was closed to new entrants effective the year ended March 31, 2001. New employees are, however, eligible for membership of the defined contribution section of the plan. For the year ended March 31, 2011, FS started to switch future accrual of benefits relevant to the employees participating in the defined benefit section of the plan to the defined contribution section of the plan and completed for the year ended March 31, 2012. For the year ended March 31, 2013, a special payment of ¥114,360 million (800 million Pound Sterling) was made into pension schemes of FS so as to make up the deficit—projected benefit obligation in excess of plan assets—. Also, the investment portfolio of plan assets was shifted toward bonds for the purpose of asset-liability matching.

The Company and its consolidated subsidiaries in Japan are fully compliant with the Generally Accepted Accounting Principles in Japan. The Company recognizes the funded status (the balance of the present value of the defined obligation minus the fair value of the plan assets) as a net defined benefit liability or asset, as a result of the application of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, Statement No. 26, issued May 17, 2012) at the end of the fiscal year ended March 31, 2014. The Company does not restate its financial statements for the prior period in accordance with the provision for transitional treatment.

The Company's consolidated subsidiaries outside Japan prepare their financial statements in accordance with IFRS. They applied "Employee Benefits" (IAS 19, issued June 16, 2011) from the beginning of the fiscal year ended March 31, 2014. Remeasurements of the net defined benefit liability (asset), including actuarial gains and losses, are immediately recognized through net assets, net of tax effects. The funded status is fully recognized as a liability or an asset. Though the option to recycle actuarial gains and losses from other comprehensive income to profit or loss is eliminated in IAS19, the actuarial gains and losses are recycled periodically and the amortization expense is recognized over the employees' average remaining service period in the process of the Group's consolidation, in line with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." In addition, recognition of the net interest on the net defined benefit liability (asset) replaces recognition of the interest cost and the expected return on plan assets previously required. The requirements of IAS 19 are applied retrospectively and the Group restated the financial statements for the year ended March 31, 2013 accordingly.

The balances of the "Projected benefit obligation and plan assets" and the "Components of net periodic benefit cost" in the plans in both Japan and outside Japan are summarized as follows:

<In Japan>

Projected benefit obligation and plan assets

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Projected benefit obligation*[1]	¥ 1,432,021	**¥ 1,427,352**	**$ 13,857,786**
Plan assets*[2]	(1,068,535)	**(1,175,777)**	**(11,415,311)**
Projected benefit obligation in excess of plan assets	363,486	**251,575**	**2,442,476**
Net defined benefit liability	¥ 104,768	**¥ 253,107**	**$ 2,457,350**
Net defined benefit asset	(50,022)	**(1,532)**	**(14,874)**
Net amount of defined benefit liability and asset on the balance sheet	¥ 54,746	**¥ 251,575**	**$ 2,442,476**

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Unrecognized past service cost (reduced obligation)*[3, 4]	¥ (45,309)	**¥ (28,600)**	**$ (277,670)**
Unrecognized actuarial loss*[4]	354,049	**241,211**	**2,341,854**
Total	¥308,740	**¥212,611**	**$2,064,184**
Remeasurements of defined benefit plans (before tax effects)	¥ –	**¥212,611**	**$2,064,184**

*[1] Defined benefit obligation for the funded plan and the unfunded plan is ¥1,309,870 million ($12,717,184 thousand) and ¥117,482 million ($1,140,602 thousand), respectively, as of March 31, 2014.

*[2] Plan assets include ¥44,623 million ($433,233 thousand) of a retirement benefit trust established for the corporate pension plan as of March 31, 2013.

*[3] As a result of pension revisions, unrecognized past service cost (reduced obligation) occurred for the year ended March 31, 2006 in Fujitsu Corporate Pension Fund in which the Company and certain consolidated subsidiaries in Japan participate.

*[4] The Company and its consolidated subsidiaries in Japan have applied "Accounting Standard for Retirement Benefits" effective from the end of the year ended March 31, 2014. Accordingly, unrecognized actuarial gains and losses and past service cost are reflected in remeasurements of defined benefit plans, net of taxes, under net assets, and the funded status is fully recognized as a defined benefit liability or asset. This accounting standard is not applied retrospectively to financial statements of the prior years in accordance with the provision for transitional treatment.

The asset allocation of the plan assets as of March 31, 2014 is as follows: equity securities: 31%, fixed income securities: 44%, life insurance general accounts: 20%, cash and deposits: 3%, other: 2%. Domestic plan assets include a retirement benefit trust established for the corporate pension plan, accounting for 4% of the total domestic plan assets.

To determine the long-term expected rate of return on plan assets, the Company considers the current and expected asset allocation, as well as the current and long-term expected rates of return on various categories of plan assets.

Components of net periodic benefit cost

Years ended March 31	Yen (millions) 2013	2014	U.S. Dollars (thousands) 2014
Service cost*5	¥ 40,204	**¥ 44,803**	**$ 434,981**
Interest cost	32,074	**23,359**	**226,786**
Expected return on plan assets	(27,411)	**(30,691)**	**(297,971)**
Amortization of actuarial gains and losses	43,528	**44,374**	**430,816**
Amortization of past service cost	(18,967)	**(18,213)**	**(176,825)**
Net periodic benefit cost	69,428	**63,632**	**617,786**
Loss on termination of retirement benefit plan	245	**3,972**	**38,563**
Total	¥ 69,673	**¥ 67,604**	**$ 656,350**

*5 Service cost includes net periodic benefit costs related with multi-employer plans.

In addition to the net periodic benefit cost stated above, contributions to defined contribution plans of ¥566 million and ¥764 million ($7,417 thousand) were recorded for the years ended March 31, 2013 and 2014, respectively.

Further, extra retirement benefits of ¥36,377 million and ¥5,737 million ($55,699 thousand) were recorded for the years ended March 31, 2013 and 2014, respectively.

Assumptions used in accounting for the plans

At March 31	2013	2014
Discount rate	1.7%	**1.7%**
Long-term expected rate of return on plan assets	2.9%	**2.9%**
Method of allocating actuarial gains and losses	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**
Method of allocating past service cost	Straight-line method over 10 years	**Straight-line method over 10 years**

Reconciliation of beginning and ending balances of defined benefit obligation and plan assets

March 31	Yen (millions) 2014	U.S. Dollars (thousands) 2014
Change in defined benefit obligation:		
Defined benefit obligation at beginning of year	**¥1,432,021**	**$13,903,117**
Service cost	**52,388**	**508,621**
Interest cost	**23,359**	**226,786**
Actuarial gains and losses incurred during the year	**4,276**	**41,515**
Payments from plan assets*6	**(52,372)**	**(508,466)**
Payments from company*6	**(11,679)**	**(113,388)**
Past service cost incurred during the year	**(1,930)**	**(18,738)**
Adjustments for plan termination and business restructurings	**(18,711)**	**(181,660)**
Defined benefit obligation at end of year	**¥1,427,352**	**$13,857,786**
Change in plan assets:		
Plan assets at beginning of year	**¥1,068,535**	**$10,374,126**
Expected return on plan assets	**30,691**	**297,971**
Actuarial gains and losses incurred during the year	**65,719**	**638,049**
Employer contributions	**61,934**	**601,301**
Employee contributions	**7,585**	**73,641**
Payments from plan assets*6	**(52,372)**	**(508,466)**
Adjustments for plan termination and business restructurings	**(6,315)**	**(61,311)**
Plan assets at end of year	**¥1,175,777**	**$11,415,311**

*6 Payments from plan assets and payments from company related to plan termination and business restructuring are included in "Adjustments for plan termination and business restructurings."

<Outside Japan>

Projected benefit obligation and plan assets

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Defined benefit obligation*1	¥ 719,178	**¥ 821,111**	**$ 7,971,951**
Plan assets	(618,440)	**(689,351)**	**(6,692,728)**
Asset ceiling adjustments*2	248	**244**	**2,369**
Projected benefit obligation in excess of plan assets	100,986	**132,004**	**1,281,592**
Net defined benefit liability	¥102,357	**¥133,187**	**$1,293,078**
Net defined benefit asset	(1,371)	**(1,183)**	**(11,485)**
Net amount of defined benefit liability and asset on the balance sheet	¥100,986	**¥132,004**	**$1,281,592**

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Unrecognized actuarial gains and losses*3	¥150,278	**¥175,164**	**$1,700,621**
Movements of asset ceiling adjustments*3	(554)	**(558)**	**(5,417)**
Total	¥149,724	**¥174,606**	**$1,695,204**
Remeasurements of defined benefit plans (Amount before related income tax effects)	¥149,724	**¥174,606**	**$1,695,204**

*1 Defined benefit obligation for the funded plan and the unfunded plan is ¥712,414 million ($6,916,641 thousand) and ¥108,697 million ($1,055,311 thousand), respectively, as of March 31, 2014.

*2 If the fair value of the plan assets exceeds the defined benefit obligation, net defined benefit asset is adjusted for any effect of limiting it to the asset ceiling in accordance with "Employee Benefits" (IAS 19, issued June 16, 2011).

*3 The Company's consolidated subsidiaries outside Japan have applied IAS 19 "Employee Benefits" (issued June 16, 2011) at the beginning of the year ended March 31, 2014. Accordingly, unrecognized actuarial gains and losses are reflected in remeasurements of defined benefit plans, net of taxes under net assets, and the funded status is fully recognized as a defined benefit liability or asset. These changes in accounting standard are applied retrospectively, and the consolidated financial statements for the year ended March 31, 2013 reflect this retrospective application.

The asset allocation of the plan assets for the year ended March 31, 2014 is as follows: equity securities: 12%, fixed income securities: 50%, life insurance general accounts: 1%, Liability Driven Investment portfolios: 31%, other: 6%. Liability Driven Investment portfolios are portfolios that consist primarily of fixed income securities and swap contracts, designed to hedge the interest rate and inflation risks associated with the scheme obligations.

Components of net periodic benefit cost

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Service cost*4	¥ 3,471	**¥ 4,961**	**$ 48,165**
Net interest cost	7,265	**3,754**	**36,447**
Amortization of actuarial gains and losses*5	11,185	**22,318**	**216,680**
Amortization of past service cost	151	**(75)**	**(728)**
Net periodic benefit cost	22,072	**30,958**	**300,563**
Loss on termination of retirement benefit plan	(120)	**(5,753)**	**(55,854)**
Total	¥21,952	**¥25,205**	**$244,709**

*4 Service cost includes net periodic benefit costs related with multi-employer plans.

*5 Amortization of actuarial gains and losses includes ¥4,550 million ($44,175 thousand) of one-time amortization expense stemming from a partial buyout of the retirement benefit plans at a European subsidiary for the year ended March 31, 2014.

In addition to the net periodic benefit cost above, contributions to defined contribution plans of ¥14,642 million and ¥17,693 million ($171,777 thousand) were recorded for the years ended March 31, 2013 and 2014, respectively.

Assumptions used in accounting for the plans

At March 31	2013	2014
Discount rate	Mainly 4.4%	**Mainly 4.4%**
Method of allocating actuarial gains and losses	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**
Past service cost	Immediate recognition	**Immediate recognition**

The long-term expected rate of return on plan assets is not disclosed as a result of the application of "Employee Benefits" (IAS 19, issued June 16, 2011), under which recognition of the net interest on the net defined benefit liability (asset) replaces recognition of the interest cost and the expected return on plan assets previously required.

Reconciliation of beginning and ending balances of defined benefit obligation and plan assets

	Yen (millions)	U.S. Dollars (thousands)
March 31	**2014**	**2014**
Change in defined benefit obligation:		
Defined benefit obligation at beginning of year	**¥719,178**	**$6,982,311**
Service cost	**5,375**	**52,184**
Interest cost	**32,396**	**314,524**
Actuarial gains and losses incurred during the year	**(21,305)**	**(206,845)**
Payments from plan assets*6	**(22,909)**	**(222,417)**
Payments from company*6	**(2,507)**	**(24,340)**
Past service cost incurred during the year	**(75)**	**(728)**
Amount of impact stemming from exchange rate fluctuations	**137,417**	**1,334,146**
Adjustments for plan termination and business restructurings	**(26,459)**	**(256,883)**
Defined benefit obligation at end of year	**¥821,111**	**$7,971,951**
Change in plan assets:		
Plan assets at beginning of year	**¥618,440**	**$6,004,272**
Interest income*7	**28,642**	**278,078**
Return on plan assets excluding interest income	**(41,326)**	**(401,223)**
Employer contributions	**6,653**	**64,592**
Employee contributions	**414**	**4,019**
Payments from plan assets*6	**(22,909)**	**(222,417)**
Amount of impact stemming from exchange rate fluctuations	**120,252**	**1,167,495**
Adjustments for plan termination and business restructurings	**(20,815)**	**(202,087)**
Plan assets at end of year	**¥689,351**	**$6,692,728**

*6 Payments from plan assets and payments from company related to plan termination and business restructuring are included in "Adjustments for plan termination and business restructurings."
*7 Interest income is the amount that multiples the fair value of plan assets at the beginning of year by discount rate.

15. Share-based Payment Plans

No significant transactions.

16. Income Taxes

The components of income taxes are as follows:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Current	¥31,726	**¥35,040**	**$340,194**
Deferred	(7,466)	**2,021**	**19,621**
Income taxes	¥24,260	**¥37,061**	**$359,816**

MANAGEMENT PERFORMANCE RESPONSIBILITY FACTS & FIGURES

The reconciliations between the statutory income tax rates and the effective income tax rates for the years ended March 31, 2013 and 2014 are as follows:

Years ended March 31	2013	**2014**
Statutory income tax rates	37.9%	**37.9%**
Increase (Decrease) in tax rates:		
Decrease in deferred tax assets in accordance with changes in tax rate	—	**4.7%**
Amortization and impairment loss of goodwill	(28.1%)	**4.0%**
Tax credit	6.3%	**(3.8%)**
Non-deductible expenses for tax purposes	(5.6%)	**3.3%**
Tax effect on equity in earnings of affiliates, net	4.9%	**(2.6%)**
Non-taxable income	1.6%	**(0.9%)**
Valuation allowance for deferred tax assets	(59.7%)	**(0.8%)**
Other	(3.8%)	**(1.9%)**
Effective income tax rates	(46.5%)	**39.9%**

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2014 are as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Deferred tax assets:			
Net defined benefit liability	¥ 163,277	**¥ 236,351**	**$ 2,294,670**
Tax loss carryforwards	168,947	**185,716**	**1,803,068**
Excess of depreciation and amortization and impairment loss, etc.	57,949	**55,092**	**534,874**
Accrued bonus	40,164	**40,887**	**396,961**
Inventories	25,751	**27,579**	**267,757**
Intercompany profit on inventories and property, plant and equipment	6,039	**5,636**	**54,718**
Loss on revaluation of investment securities	4,845	**5,535**	**53,738**
Provision for product warranties	8,026	**5,318**	**51,631**
Provision for loss on repurchase of computers	4,555	**4,188**	**40,660**
Other	65,774	**70,172**	**681,282**
Gross deferred tax assets	545,327	**636,474**	**6,179,359**
Less: Valuation allowance	(311,301)	**(337,320)**	**(3,274,951)**
Total deferred tax assets	234,026	**299,154**	**2,904,408**
Deferred tax liabilities:			
Gains from establishment of stock holding trust for retirement benefit plan	¥ (96,860)	**¥ (96,887)**	**$ (940,650)**
Unrealized gains on securities	(13,551)	**(19,810)**	**(192,330)**
Tax allowable reserves	(734)	**(165)**	**(1,602)**
Other	(7,679)	**(8,322)**	**(80,796)**
Total deferred tax liabilities	(118,824)	**(125,184)**	**(1,215,379)**
Net deferred tax assets	¥ 115,202	**¥ 173,970**	**$ 1,689,029**

As described in "1. Significant Accounting Policies," from the beginning of the year ended March 31, 2014, the Company's consolidated subsidiaries outside Japan have applied IAS 19 "Employee Benefits" (issued June 16, 2011). These changes in accounting policies are applied retrospectively, and the consolidated financial statements for the year ended March 31, 2013 reflect this retrospective application.

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Current assets–Deferred tax assets	¥ 81,988	**¥ 81,360**	**$ 789,903**
Investments and other non-current assets–Deferred tax assets	67,018	**104,688**	**1,016,388**
Current liabilities–Others	(23)	**(147)**	**(1,427)**
Long-term liabilities–Deferred tax liabilities	(33,781)	**(11,931)**	**(115,835)**
Net deferred tax assets	¥115,202	**¥173,970**	**$1,689,029**

The Company and its wholly owned subsidiaries in Japan have adopted the consolidated tax return system of Japan.

In Japan, tax losses generated before March 31, 2008 and on and after April 1, 2008 can be carried forward up to 7 and 9 years, respectively. Tax losses can be carried forward up to 20 years in the United States, and indefinitely in the United Kingdom.

Realization depends on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. With respect to deferred tax assets, we recorded a valuation allowance to cover the amount in excess of what we are likely to recover in the future.

Revisions in the Amounts of Deferred Tax Assets and Liabilities as a Result of a Change in the Corporate Tax Rate

On March 31, 2014, the Act to Partially Revise the Income Tax Act (Act No. 10 of 2014) was promulgated, according to which the Special Reconstruction Corporation Tax will no longer be imposed with the fiscal year ended March 31, 2015. In addition, the Local Corporate Tax Act (Act No. 11 of 2014) was also promulgated on March 31, 2014, according to which, with the fiscal year ended March 31, 2016, in lieu of a reduction in the residents tax rate, a Local Corporate Tax that is considered a national tax will be imposed. For the year ended March 31, 2014, the statutory income tax rate used for calculating deferred tax assets and deferred tax liabilities (limited to those reversing after April 1, 2014) has been reduced from the previous fiscal year's rate of 37.9% to 35.6%.

As a result, the amount of deferred tax assets (after subtracting deferred tax liabilities) decreased by ¥4,357 million ($42,301 thousand), and the amount of corporate tax adjustment recorded in the fiscal year ended March 31, 2014 increased by the same amount. In addition, the amount of deferred tax assets (after subtracting deferred tax liabilities) increased by ¥1,697 million ($16,476 thousand), resulting in an increase of ¥1,667 million ($16,184 thousand) in remeasurements of defined benefit plans, net of taxes and an increase of ¥30 million ($291 thousand) in unrealized gain and loss on securities, net of taxes, under net assets.

17. Business Combinations

No significant transactions.

18. Segment Information

1. Reportable Segments Overview

The Company's reportable segments consist of components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Group's executive decision-making body to make decisions about resource allocation to the segments and assess their performance.

In the field of information and communication technology (ICT), while delivering wide varieties of services, the Group offers comprehensive solutions, from the development, manufacturing, and sales, to the maintenance and operations of cutting-edge, high-performance and high-quality products, and electronic devices that support services. The Group's business is organized into three reportable segments—Technology Solutions, Ubiquitous Solutions, and Device Solutions—based on the Group's managerial structure, characteristics of the products and services, and the similarities of the sales market within each operating segment. Managerial structure and product and service classification in each reportable segment are as follows.

(1) Technology Solutions

To optimally deliver to customers comprehensive services that integrate products, software, and services, the segment is organized in a matrix management structure comprised of business departments that are organized by product and service type in order to manage costs and devise global business strategies, and sales departments that are organized along industry and geographic lines.

This reportable segment consists 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.

(2) Ubiquitous Solutions

The segment is organized into independent business management units along product lines and includes the sales departments.

This reportable segment contains ubiquitous terminals—including personal computers and mobile phones, as well as car audio and navigation systems, mobile communication equipment, and automotive electronic equipment—that collect 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).

(3) Device Solutions

The segment is organized by product in independent business management units which include the respective sales departments and contains the cutting-edge technologies, including LSI devices used in digital home appliances, automobiles, mobile phones and servers, as well as electronic components, such as semiconductor packages and batteries.

2. Method Used to Calculate Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Accounting methods applied to reportable segments are almost the same as that presented in "1. Significant Accounting Policies."

Income figures for operating segments are based on operating income. The Group's financing (including financial expense and income) as well as other items such as corporate tax are managed by the whole Group and have not been allocated within the operating segments.

Inter-segment transactions are based on an arm's length basis.

As described in "1. Significant Accounting Policies," from the the year ended March 31, 2014, the Company's consolidated subsidiaries outside Japan have applied IAS 19 "Employee Benefits" (issued June 16, 2011).

These changes in accounting policies are applied retrospectively, and the consolidated financial statements for the year ended March 31, 2013 reflect this retrospective application. As a result, operating income for "Technology Solutions" for the year ended March 31, 2013 decreased by ¥7,006 million, compared to the amount before the retrospective application.

3. Amounts of Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Yen (millions)

Years ended March 31	Reportable segments: Technology Solutions	Reportable segments: Ubiquitous Solutions	Reportable segments: Device Solutions	Reportable segments: Total	Other Operations	Elimination & Corporate	Consolidated
2014							
Net sales							
External customers	**¥3,192,928**	**¥ 987,976**	**¥547,709**	**¥4,728,613**	**¥12,466**	**¥ 21,366**	**¥4,762,445**
Inter-segment	**50,085**	**137,486**	**52,571**	**240,142**	**44,955**	**(285,097)**	**–**
Total sales	**3,243,013**	**1,125,462**	**600,280**	**4,968,755**	**57,421**	**(263,731)**	**4,762,445**
Operating income (loss)	**209,133**	**(22,105)**	**28,394**	**215,422**	**(8,384)**	**(64,471)**	**142,567**
Total assets	**1,519,694**	**387,317**	**372,291**	**2,279,302**	**23,370**	**776,862**	**3,079,534**
Other items							
Capital expenditure (including intangible assets)	**118,773**	**23,200**	**37,914**	**179,887**	**1,597**	**5,660**	**187,144**
Depreciation	**107,219**	**20,761**	**38,056**	**166,036**	**1,635**	**8,388**	**176,059**
Amortization of goodwill for the year	**9,829**	**56**	**(177)**	**9,708**	**–**	**–**	**9,708**
Balance of goodwill at end of the fiscal year	**25,969**	**83**	**1,451**	**27,503**	**–**	**–**	**27,503**
2013							
Net sales							
External customers	¥2,890,376	¥ 972,971	¥483,896	¥4,347,243	¥18,379	¥ 16,106	¥4,381,728
Inter-segment	52,002	117,278	56,478	225,758	46,333	(272,091)	–
Total sales	2,942,378	1,090,249	540,374	4,573,001	64,712	(255,985)	4,381,728
Operating income (loss)	173,967	9,626	(14,246)	169,347	(6,922)	(74,153)	88,272
Total assets	1,442,810	335,747	383,418	2,161,975	20,562	737,789	2,920,326
Other items							
Capital expenditure (including intangible assets)	104,585	23,851	45,828	174,264	1,873	10,155	186,292
Depreciation	102,784	21,496	44,023	168,303	1,703	8,385	178,391
Amortization of goodwill for the year	14,115	49	67	14,231	–	–	14,231
Balance of goodwill at end of the fiscal year	30,181	119	(726)	29,574	–	–	29,574

U.S. Dollars (thousands)

Year ended March 31	Reportable segments: Technology Solutions	Reportable segments: Ubiquitous Solutions	Reportable segments: Device Solutions	Reportable segments: Total	Other Operations	Elimination & Corporate	Consolidated
2014 (in U.S. Dollars)							
Net sales							
External customers	**$30,999,301**	**$ 9,592,000**	**$5,317,563**	**$45,908,864**	**$121,029**	**$ 207,437**	**$46,237,330**
Inter-segment	**486,262**	**1,334,816**	**510,398**	**2,331,476**	**436,456**	**(2,767,932)**	**–**
Total sales	**31,485,563**	**10,926,816**	**5,827,961**	**48,240,340**	**557,485**	**(2,560,495)**	**46,237,330**
Operating income (loss)	**2,030,417**	**(214,612)**	**275,670**	**2,091,476**	**(81,398)**	**(625,932)**	**1,384,146**
Total assets	**14,754,311**	**3,760,359**	**3,614,476**	**22,129,146**	**226,893**	**7,542,350**	**29,898,388**
Other items							
Capital expenditure (including intangible assets)	**1,153,136**	**225,243**	**368,097**	**1,746,476**	**15,505**	**54,951**	**1,816,932**
Depreciation	**1,040,961**	**201,563**	**369,476**	**1,612,000**	**15,874**	**81,437**	**1,709,311**
Amortization of goodwill for the year	**95,427**	**544**	**(1,718)**	**94,252**	**–**	**–**	**94,252**
Balance of goodwill at end of the fiscal year	**252,126**	**806**	**14,087**	**267,019**	**–**	**–**	**267,019**

Notes 1. The "Other Operations" segment consists of operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, facility services and the development of information systems for the Group companies and welfare benefits for the Group employees.

2. Operating income (loss) of "Elimination & Corporate" consists of corporate expenses and elimination.
Amounts incurred for the years ended March 31, 2013 and 2014 were corporate expenses of ¥70,750 million and ¥68,261 million ($662,728 thousand) and elimination of ¥3,403 million and –¥3,790 million (–$36,796 thousand), respectively.
Corporate expenses mainly consist of strategic expenses such as basic research and development expenses which are not attributable to the reportable segments and group management shared expenses incurred by the Company.

3. Total assets of "Elimination & Corporate" consist of corporate assets and elimination. Balances at March 31, 2013 and 2014 were corporate assets of ¥819,043 million and ¥865,088 million ($8,398,913 thousand) and elimination of ¥81,254 million and ¥88,226 million ($856,563 thousand), respectively.
Corporate assets mainly consist of temporary excess funds, certificates of deposit, shares of corporate customers held for maintaining and strengthening business ties, deferred tax assets and net defined benefit asset.

4. The Group has applied "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan, Statement No. 21) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan, Guidance No. 10) effective the year ended March 31, 2011. The negative goodwill generated by the business combination before the application of the standards is included in "Amortization of goodwill" and "Balance of goodwill at end of the fiscal year."

4. Related Information

(1) Information by products and services

Sales to external customers

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Technology Solutions			
Services	¥2,356,780	**¥2,594,829**	**$25,192,515**
System Platforms	533,596	**598,099**	**5,806,786**
Ubiquitous Solutions			
Personal Computers and Mobile Phones	711,468	**668,116**	**6,486,563**
Mobilewear	261,503	**319,860**	**3,105,437**
Device Solutions			
LSI	255,558	**296,812**	**2,881,670**
Electronic Components	228,338	**250,897**	**2,435,893**
Other Operations	18,379	**12,466**	**121,029**
Elimination & Corporate	16,106	**21,366**	**207,437**
Total	¥4,381,728	**¥4,762,445**	**$46,237,330**

Note: The details on products and services are presented in "Business Overview" (page 36).

(2) Geographic information

a. Net sales

	Yen (millions)				U.S. Dollars (thousands)
Years ended March 31	2013		**2014**		**2014**
Japan	¥2,883,513	65.8%	**¥2,960,954**	**62.2%**	**$28,747,126**
Outside Japan					
EMEA	768,149	17.5%	**926,005**	**19.4%**	**8,990,340**
The Americas	287,742	6.6%	**387,444**	**8.1%**	**3,761,592**
APAC & China	442,324	10.1%	**488,042**	**10.3%**	**4,738,272**
Sub Total	1,498,215	34.2%	**1,801,491**	**37.8%**	**17,490,204**
Total	¥4,381,728	100.0%	**¥4,762,445**	**100.0%**	**$46,237,330**

b. Property, plant and equipment

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2013	**2014**	**2014**
Japan	¥496,916	**¥490,775**	**$4,764,806**
Outside Japan			
EMEA	48,052	**52,500**	**509,709**
The Americas	21,332	**24,172**	**234,680**
APAC & China	52,160	**52,179**	**506,592**
Sub Total	121,544	**128,851**	**1,250,981**
Total	¥618,460	**¥619,626**	**$6,015,786**

Notes: 1. The principal countries and regions included in the Outside Japan segment are as follows:
(1) EMEA (Europe, Middle East and Africa) .... U.K., Germany, Spain, Finland, Sweden
(2) The Americas .... U.S.A., Canada
(3) APAC & China (APAC = Asia-Pacific) .... Australia, Singapore, Korea, Taiwan, China
2. There is no country which is required to be disclosed individually.
3. Net sales are classified by countries or regions based on locations of customers.
4. The property, plant and equipment are classified by countries or regions based on locations of the Group.

(3) Information about major customers

Net Sales

	Yen (millions)
Year ended March 31	2013
NTT Group	¥523,908

Related segment: .... Technology Solutions, Ubiquitous Solutions and other segments
Notes: 1. NIPPON TELEGRAPH AND TELEPHONE CORPORATION, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, NTT DOCOMO, Inc. and NTT DATA CORPORATION are included in NTT Group.
2. Information for the year ended March 31, 2014 is not disclosed because no specific customer reached 10% of net sales in the consolidated income statement.

19. Related-party Transactions

(Related-party transactions)
No significant transactions.

(Note to significant affiliate)
Not applicable for the year.

20. Earnings per Share

	Yen		U.S. Dollars
Years ended March 31	2013	**2014**	**2014**
Basic earnings (losses) per share	¥(38.62)	**¥23.49**	**$0.228**
Diluted earnings per share	–	**23.49**	**0.228**

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2013	**2014**	**2014**
Net income (loss)	¥(79,919)	**¥48,610**	**$471,942**
Net income not attributable to common stock holders	–	**–**	**–**
Net income (loss) attributable to common stock holders	(79,919)	**48,610**	**471,942**
Effect of dilutive securities	–	**(8)**	**(78)**
[Adjustment related to dilutive securities issued by subsidiaries and affiliates]	[–]	**[(8)]**	**[(78)]**
Diluted net income (loss)	(–)	**¥48,602**	**$471,864**

	thousands	
Basic weighted average number of shares	2,069,330	**2,069,210**
Effect of dilutive securities	–	**–**
Diluted weighted average number of shares	–	**2,069,210**

Diluted earnings per share for the year ended March 31, 2013 are not disclosed due to the recording at a net loss in accordance with "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan, Statement No. 2), although the Company has potentially diluted share.

As described in "1. Significant Accounting Policies," the Company and its consolidated subsidiaries in Japan have applied "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, Statement No. 26, issued May 17, 2012, hereafter "Accounting Standard for Retirement Benefits") and "Implementation Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, issued May 17, 2012). In accordance with the provision for transitional treatment as stated in paragraph 37 of the Accounting Standard for Retirement Benefits, the Company and its consolidated subsidiaries in Japan have not applied the standard retrospectively. As a result, there is no impact on the 2013 consolidated fiscal year figures for basic earnings (losses) per share.

From the beginning of the year ended March 31, 2014, the company's consolidated subsidiaries outside Japan have applied IAS 19 "Employee Benefits" (issued June 16, 2011). These changes in accounting policies are applied retrospectively, and the consolidated financial statements for the year ended March 31, 2013 reflect this retrospective application. As a result, basic loss per share for the year ended March 31, 2013 increased by ¥3.38, compared to the amount before the retrospective application.

21. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2013 and 2014 for purchases of property, plant and equipment and intangible assets were approximately ¥11,615 million and ¥6,641 million ($64,476 thousand), respectively.

Contingent liabilities for guarantee contracts at March 31, 2013 and 2014 amounted to ¥1,716 million and ¥1,205 million ($11,699 thousand), respectively, and referred mainly to guarantees given for employees' housing loans.

22. Events after the Reporting Period

The Company issued unsecured straight bonds on June 12, 2014.

1. Thirty-Fifth Series Unsecured Straight Bonds

Total amount of issue	: ¥40,000 million ($388,350 thousand)
Interest rate	: 0.339%
Issue price	: 100% of the denomination of each bond
Term and redemption method	: June 12, 2019 (5 years), bullet repayment
Issue date	: June 12, 2014
Collateral	: The bonds are not secured by any pledge, mortgage or other charge on any assets or revenues of the Company or of others, nor are they guaranteed. There are no assets reserved as security for the bonds.
Application of funds	: The amount is scheduled to be allocated for redemption and repayment of the bonds and loans that will reach maturity by the end of March 2015.

2. Thirty-Sixth Series Unsecured Straight Bonds

Total amount of issue	: ¥30,000 million ($291,262 thousand)
Interest rate	: 0.562%
Issue price	: 100% of the denomination of each bond
Term and redemption method	: June 11, 2021 (7 years), bullet repayment
Issue date	: June 12, 2014
Collateral	: The bonds are not secured by any pledge, mortgage or other charge on any assets or revenues of the Company or of others, nor are they guaranteed. There are no assets reserved as security for the bonds.
Application of funds	: The amount is scheduled to be allocated for redemption and repayment of the bonds and loans that will reach maturity by the end of March 2015.