

2. Explanation of Financial Condition

(1) Assets, Liabilities and Equity

(Billions of yen)

	Year-end FY2014	End of 1Q FY2015	Change vs. year-end FY2014
Total assets	3,271.1	3,149.2	-121.8
Total liabilities	2,336.7	2,240.9	-95.8
Total equity	934.3	908.3	-26.0
Total equity attributable to owners of the parent	790.0	763.2	-26.8

Reference;

Cash and cash equivalents	362.0	378.3	16.3
Interest-bearing loans	578.4	607.6	29.1
Net interest-bearing loans	216.4	229.2	12.8
D/E ratio (times)	0.73	0.80	0.07
Net D/E ratio (times)	0.27	0.30	0.03
Equity attributable to owners of the parent ratio (%)	24.2%	24.2%	- %

Consolidated total assets at the end of the first quarter of fiscal 2015 were 3,149.2 billion yen, down 121.8 billion yen from the end of fiscal 2014. Inventories increased in preparation for expected sales, particularly in the services business, but trade receivables declined on collections from the concentration of revenue booked toward the end of prior fiscal year.

Consolidated total liabilities amounted to 2,240.9 billion yen, a 95.8 billion yen decrease compared to the end of fiscal 2014. The decline was attributable to payment of trade payables relating to the concentration of sales at the end of the prior fiscal year, as well as a lower amount of other payables because of payments made for salary bonuses. The balance of interest-bearing loans increased to 607.6 billion yen, as a portion of working capital was financed with borrowings.

The balance of total equity was 908.3 billion yen, a decline of 26.0 billion yen from the end of fiscal 2014. Retained earnings declined because of the loss recorded for the quarter and payment of the year-end dividend. Equity attributable to owners of the parent ratio was 24.2%, unchanged from the end of fiscal 2014.

(2) Cash Flows

(Billions of yen)

	1Q FY2014	1Q FY2015	Change
I Net cash provided by operating activities	29.5	29.3	-0.1
II Net cash used in investing activities	-49.3	-28.3	20.9
I+II Free cash flow	-19.7	0.9	20.7
III Net cash provided by financing activities	94.8	12.1	-82.7
IV Cash and cash equivalents at end of period	375.0	378.3	3.3

Net cash provided by operating activities in the first quarter amounted to 29.3 billion yen, essentially unchanged from the first quarter of fiscal 2014. Profit for the period before income taxes deteriorated, but there were improvements in working capital efficiency.

Net cash used in investing activities was 28.3 billion yen, primarily reflecting capital expenditures in datacenters. Compared to the same period in fiscal 2014, net outflows declined by 20.9 billion yen. In the first quarter of fiscal 2014, time deposits were placed to utilize temporary surplus funds.

Free cash flow, the sum of cash flows from operating and investing activities, was 0.9 billion yen, representing an increase in cash inflows of 20.7 billion yen compared with the first quarter of fiscal 2014.

Net cash provided by financing activities was 12.1 billion yen. Compared to the first quarter of fiscal 2014, cash inflows declined by 82.7 billion yen. Cash inflows declined because, in the first quarter of fiscal 2014, Fujitsu issued 70.0 billion yen in straight bonds, in part to finance the redemption of bonds maturing later in the fiscal year.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2015 were 378.3 billion yen, an increase of 16.3 billion yen compared to the end of fiscal 2014.