

2. Explanation of Financial Condition

[Assets, Liabilities and Equity]

(Billions of yen)

	Year-end FY2013 (As of March 31, 2014)	Second Quarter FY2014 (As of Sept. 30, 2014)	Change vs. Year- end FY2013	Second Quarter FY2013 (As of Sept. 30, 2013)
Current Assets	1,785.1	1,685.1	-100.0	1,650.1
[Cash and Cash Equivalents]	[301.1]	[306.9]	[5.7]	[331.7]
[Receivables, trade]	[980.2]	[843.7]	[-136.5]	[785.1]
[Inventories]	[330.2]	[361.5]	[31.3]	[370.1]
Non-current Assets	1,320.7	1,335.0	14.3	1,306.4
[Property, plant and equipment, net of accumulated depreciation]	[622.4]	[630.1]	[7.6]	[621.8]
[Intangible assets (excluding goodwill)]	[158.8]	[163.3]	[4.4]	[158.3]
[Other investments]	[166.9]	[179.5]	[12.6]	[164.7]
Total Assets	3,105.9	3,020.2	-85.7	2,956.5
Current Liabilities	1,483.4	1,321.3	-162.0	1,512.3
[Payables, trade]	[641.2]	[542.3]	[-98.8]	[541.7]
[Other payables]	[396.3]	[375.9]	[-20.4]	[347.8]
[Short-term borrowings, current portion of long-term debt and lease obligations]	[142.6]	[115.2]	[-27.3]	[322.5]
Non-current Liabilities	924.5	932.1	7.6	861.8
[Long-term debt and lease obligations]	[417.6]	[476.1]	[58.5]	[358.4]
[Net defined benefit liability]	[412.6]	[363.9]	[-48.6]	[415.5]
Total Liabilities	2,407.9	2,253.5	-154.4	2,374.1
Total Equity Attributable to Owners of the Parent	566.5	633.8	67.3	459.1
[Retained earnings]	[-54.3]	[-3.7]	[50.5]	[-159.2]
[Other components of equity]	[63.1]	[80.0]	[16.8]	[58.0]
Non-controlling Interests	131.4	132.8	1.3	123.2
Total Equity	697.9	766.6	68.6	582.4
Total Liabilities and Equity	3,105.9	3,020.2	-85.7	2,956.5

[Cash Flows]

(Billions of yen)

	First Half FY2013 (4/1/2013 ~ 9/30/2013)	First Half FY2014 (4/1/2014 ~ 9/30/2014)	Change vs. 1H FY2013
I. Net Cash provided by Operating Activities	4.2	88.4	84.1
[Profit before income taxes]	[34.6]	[42.6]	[7.9]
[Depreciation, amortization and impairment loss]	[86.3]	[86.8]	[0.5]
[Increase (decrease) in provisions]	[-34.6]	[-20.9]	[13.7]
[Increase (decrease) in net defined benefit liability]	[-19.5]	[-1.4]	[18.1]
[Income taxes paid]	[-24.8]	[5.0]	[29.8]
II. Net Cash Used in Investing Activities	-58.7	-93.1	-34.4
[Purchases of property, plant and equipment, and intangible assets]	[-86.9]	[-92.9]	[-5.9]
[Proceeds from sale of available-for-sale financial assets]	[10.6]	[1.5]	[-9.0]
[Proceeds from transfer of business]	[10.8]	[-]	[-10.8]
I+II. Free Cash Flow	-54.5	-4.7	49.7
III. Net Cash provided by Financing Activities	90.5	10.7	-79.8
[Increase (decrease) in short-term borrowings]	[-4.2]	[21.9]	[26.1]
[Proceeds from long-term debt and issuance of bonds]	[151.4]	[70.4]	[-81.0]
[Repayments of long-term debt and bonds]	[-46.1]	[-64.0]	[-17.9]
IV. Cash and Cash Equivalents at End of Period	331.7	306.9	-24.7

(1) Assets, Liabilities and Equity

Consolidated total assets at the end of the first half of fiscal 2014 were 3,020.2 billion yen (US\$27,708 million), a decline of 85.7 billion yen from the end of fiscal 2013. Current assets decreased by 100.0 billion yen, compared with the end of fiscal 2013, to 1,685.1 billion yen. Trade receivables decreased by 136.5 billion yen compared to the end of the prior fiscal year on collections from the large concentration of revenue toward the end of the prior fiscal year. In preparation for future expected sales, particularly in the services business, inventories at the end of the first half of fiscal 2014 increased to 361.5 billion yen, rising 31.3 billion yen from the ending balance of fiscal 2013. Non-current assets increased by 14.3 billion yen, from the end of fiscal 2013, to 1,335.0 billion yen.

Consolidated total liabilities amounted to 2,253.5 billion yen (US\$20,674 billion), a decline of 154.4 billion yen compared to the end of fiscal 2013. The decline was attributable to payment of trade payables relating to the concentration of sales at the end of the prior fiscal year, in addition to a decline in the net defined benefit liability due to an improvement in the funded status of defined benefit plans. The balance of interest-bearing loans, however, increased to 591.4 billion yen, an increase of 31.2 billion yen from the end of fiscal 2013. A portion of working capital was financed with short-term borrowings. The D/E ratio was 0.93 times, a decrease of 0.06 of a point compared to the end of fiscal 2013, due to increase of total equity attributable to owners of the parent. The net D/E ratio was 0.45 times, essentially unchanged compared to the end of fiscal 2013.

The balance of equity was 766.6 billion yen (US\$7,033 million), an increase of 68.6 billion yen from the end of fiscal 2013. While payment of the year-end dividend subtracted from this balance, equity increased with the profit recorded for the quarter and because of an improvement in the funded status of defined benefit plans. Equity Attributable to Owners of the Parent Ratio was 21.0%, representing an improvement of 2.8 percentage points compared to the end of fiscal 2013.

[Reference: Effect of the Remeasurement of the Net Defined Benefit Liability (Asset)]

	(Billions of yen)		
	FY2013 (As of March 31, 2014)	2Q FY2014 (As of September 30, 2014)	Change vs. FY2013
Total	-455.1	-410.1	44.9
In Japan	-288.0	-256.7	31.3
Outside Japan	-167.0	-153.4	13.5

Equity) Retained Earnings, Net of Taxes	-366.4	-331.7	34.7
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Note: Defined benefit plan liabilities and defined benefit plan assets are remeasured every quarter. As a result of the remeasurement, any actuarial gain or loss is, after adjusting for tax effects, recognized in other comprehensive income and immediately transferred from other components of equity into retained earnings.

[Reference: Financial Indices]

(Billions of yen)

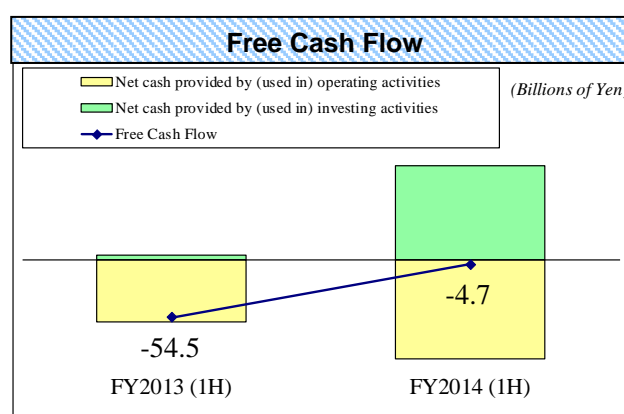
	FY2013 (March 31, 2014)	2Q FY2014 (September 30, 2014)	Change vs. FY2013	2Q FY2013 (September 30, 2013)
Cash and Cash Equivalents	301.1	306.9	5.7	331.7
Interest-bearing Loans	560.2	591.4	31.2	680.9
Net Interest-bearing Loans	259.0	284.5	25.4	349.1
Equity Attributable to Owners of the Parent	566.5	633.8	67.3	459.1

D/E Ratio (Times)	0.99	0.93	-0.06	1.48
Net D/E Ratio (Times)	0.46	0.45	-0.01	0.76
Equity Attributable to Owners of the Parent Ratio (%)	18.2 %	21.0 %	2.8 %	15.5 %

1. Interest-bearing loans consist of short-term borrowings, current portion of long-term debt, long-term debt and lease obligation.
2. Equity attributable to owners of the parent consists of share capital, capital surplus, treasury stock, retained earnings and other components of equity.
3. D/E ratio: Interest-bearing loans/ Equity attributable to owners of the parent
4. Net D/E ratio: (Interest-bearing loans – Cash and cash equivalents)/ Equity attributable to owners of the parent

(2) Cash Flows

Net cash provided by operating activities in the first half amounted to 88.4 billion yen (US\$811 million). This represents an increase in cash inflows of 84.1 billion yen compared to the first half of fiscal 2013. In addition to an improvement in profit before income taxes, there was a reduction of approximately 30 billion yen in payment outflows for structural reform expenses relating to the LSI device business and businesses outside of Japan. In addition, the amount of income taxes paid declined, partly because of a refund of approximately 26 billion yen in income withheld in the second half of the prior fiscal year in relation to dividends received from subsidiaries in Japan.



Net cash used in investing activities was 93.1 billion yen (US\$854 million). Outflows mainly consisted of the acquisition of property, plant and equipment, primarily related to the infrastructure services business in and outside of Japan and production equipment for electronic components, and the acquisition of intangible assets, the combination of which amounted to 92.9 billion yen in cash outflows. Compared to the same period in fiscal 2013, net outflows increased by 34.4 billion yen. The reason for this decrease was that in the first half of fiscal 2013 there was an inflow of cash from the proceeds of transferring businesses, primarily the microcontroller and analogue device business, in relation to the restructuring of the LSI device business and also because, during this period, there were lower proceeds from the sale of available-for-sale financial assets.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 4.7 billion yen (US\$43 million), representing an increase of 49.7 billion yen compared with the same period in the previous fiscal year.

Net cash provided by financing activities was 10.7 billion yen (US\$98 million). A portion of working

capital was financed through short-term borrowings. In addition, Fujitsu issued 70.0 billion yen in straight bonds during the first half of fiscal 2014, partly finance the redemption of 60.0 billion yen in straight bonds that matured during the first half. Compared to the first half of fiscal 2013, cash inflows declined by 79.8 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first half of fiscal 2014 were 306.9 billion yen (US\$2,816 million), an increase of 5.7 billion yen compared to the end of fiscal 2013.