

2. Explanation of Financial Condition

[Assets, Liabilities and Equity]

(Billions of yen)

| | Year-end FY2013 (As of March 31, 2014) | First Quarter FY2014 (As of June 30, 2014) | Change vs. Year- end FY2013 | First Quarter FY2013 (As of June 30, 2013) |
|---|---|--|--------------------------------|--|
| Current Assets | 1,785.1 | 1,733.1 | -51.9 | 1,615.2 |
| [Cash and Cash Equivalents] | [301.1] | [375.0] | [73.8] | [387.2] |
| [Receivables, trade] | [980.2] | [791.6] | [-188.5] | [707.9] |
| [Inventories] | [330.2] | [358.6] | [28.4] | [374.1] |
| Non-current Assets | 1,320.7 | 1,315.0 | -5.7 | 1,298.6 |
| [Property, plant and equipment, net of accumulated depreciation] | [622.4] | [618.4] | [-4.0] | [620.6] |
| [Intangible assets (excluding goodwill)] | [158.8] | [159.6] | [0.7] | [157.3] |
| [Other investments] | [166.9] | [172.7] | [5.8] | [161.0] |
| Total Assets | 3,105.9 | 3,048.2 | -57.7 | 2,913.9 |
| Current Liabilities | 1,483.4 | 1,377.5 | -105.9 | 1,446.7 |
| [Payables, trade] | [641.2] | [525.8] | [-115.3] | [490.7] |
| [Other payables] | [396.3] | [336.0] | [-60.3] | [329.5] |
| [Short-term borrowings, current portion of long-term debt and lease obligations] | [142.6] | [192.8] | [50.2] | [267.7] |
| Non-current Liabilities | 924.5 | 958.6 | 34.1 | 898.5 |
| [Long-term debt and lease obligations] | [417.6] | [475.8] | [58.2] | [408.1] |
| [Net defined benefit liability] | [412.6] | [389.2] | [-23.4] | [410.4] |
| Total Liabilities | 2,407.9 | 2,336.2 | -71.7 | 2,345.3 |
| Total Equity Attributable to Owners of the Parent | 566.5 | 582.5 | 16.0 | 447.6 |
| [Retained earnings] | [-54.3] | [-41.9] | [12.4] | [-165.6] |
| [Other components of equity] | [63.1] | [66.8] | [3.6] | [52.9] |
| Non-controlling Interests | 131.4 | 129.4 | -1.9 | 120.9 |
| Total Equity | 697.9 | 711.9 | 14.0 | 568.5 |
| Total Liabilities and Equity | 3,105.9 | 3,048.2 | -57.7 | 2,913.9 |

[Cash Flows]

(Billions of yen)

| | First Quarter FY2013 (4/1/2013 ~ 6/30/2013) | First Quarter FY2014 (4/1/2014 ~ 6/30/2014) | Change vs. 1Q FY2013 |
|--|---|---|-------------------------|
| I. Net Cash provided by Operating Activities | 21.2 | 29.5 | 8.2 |
| [Profit before income taxes] | [-6.2] | [10.4] | [16.6] |
| [Depreciation, amortization and impairment loss] | [42.2] | [42.7] | [0.4] |
| [Increase (decrease) in net defined benefit liability] | [-5.2] | [0.8] | [6.1] |
| II. Net Cash Used in Investing Activities | -18.0 | -49.3 | -31.2 |
| [Purchases of property, plant and equipment, and intangible assets] | [-35.6] | [-36.5] | [-0.9] |
| I+II. Free Cash Flow | 3.2 | -19.7 | -23.0 |
| III. Net Cash provided by Financing Activities | 89.4 | 94.8 | 5.4 |
| [Increase (decrease) in short-term borrowings] | [-17.9] | [42.2] | [60.2] |
| [Proceeds from long-term debt and issuance of bonds] | [140.0] | [70.0] | [-70.0] |
| [Repayments of long-term debt and bonds] | [-25.7] | [-3.7] | [21.9] |
| IV. Cash and Cash Equivalents at End of Period | 387.2 | 375.0 | -12.2 |

(1) Assets, Liabilities and Equity

Consolidated total assets at the end of the first quarter of fiscal 2014 were 3,048.2 billion yen (US\$30,180 million), a decline of 57.7 billion yen from the end of fiscal 2013. Current assets decreased by 51.9 billion yen compared with the end of fiscal 2013, to 1,733.1 billion yen. Trade receivables decreased by 188.5 billion yen compared to the end of the prior fiscal year on collections from the large concentration of revenue toward the end of prior fiscal year. In preparation for future expected sales, particularly in the services business, inventories at the end of the quarter increased to 358.6 billion yen, rising 28.4 billion yen from the ending balance of fiscal 2013. Non-current assets declined by 5.7 billion yen from the end of fiscal 2013, to 1,315.0 billion yen.

Consolidated total liabilities amounted to 2,336.2 billion yen (US\$23,131 billion), a decline of 71.7 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, as well as a lower amount of other payables, including salary bonuses. The balance of interest-bearing loans was 668.6 billion yen, an increase of 108.4 billion yen from the end of fiscal 2013. Fujitsu issued 70.0 billion yen in straight bonds during the quarter, in part to finance the redemption and repayment of the bonds and loans that will reach maturity by the end of fiscal 2014. As a result, the D/E ratio was 1.15 times, an increase of 0.16 compared to the end of fiscal 2013, and the net D/E ratio was 0.50 times, essentially unchanged compared to the end of fiscal 2013.

The balance of equity was 711.9 billion yen (US\$7,049 million), an increase of 14.0 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.

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

| | (Billions of yen) | | |
|---|--|---|----------------------|
| | FY2013 (As of March 31, 2014) | 1Q FY2014 (As of June 30, 2014) | Change vs. FY2013 |
| Total | -455.1 | -434.2 | 20.8 |
| In Japan | -288.0 | -267.1 | 20.9 |
| Outside Japan | -167.0 | -167.0 | -0.0 |
| Equity) Retained Earnings, Net of Taxes | -366.4 | -352.6 | 13.8 |

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)

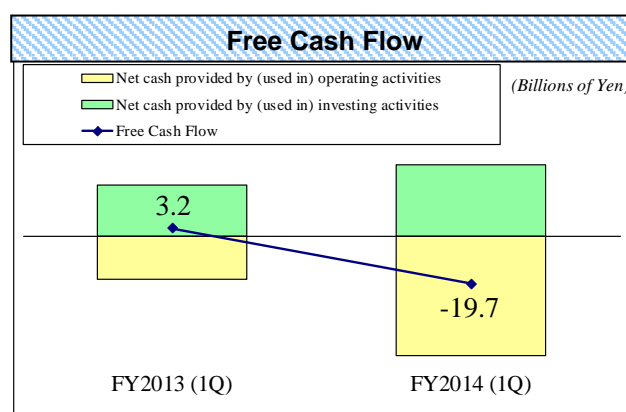
| | FY2013 (March 31, 2014) | 1Q FY2014 (June 30, 2014) | Change vs. FY2013 | 1Q FY2013 (June 30, 2013) |
|---|-----------------------------------|-------------------------------------|----------------------|-------------------------------------|
| Cash and Cash Equivalents | 301.1 | 375.0 | 73.8 | 387.2 |
| Interest-bearing Loans | 560.2 | 668.6 | 108.4 | 675.9 |
| Net Interest-bearing Loans | 259.0 | 293.6 | 34.5 | 288.6 |
| Equity Attributable to Owners of the Parent | 566.5 | 582.5 | 16.0 | 447.6 |

| | | | | |
|---|--------|--------|-------|--------|
| D/E Ratio (Times) | 0.99 | 1.15 | 0.16 | 1.51 |
| Net D/E Ratio (Times) | 0.46 | 0.50 | 0.04 | 0.64 |
| Equity Attributable to Owners of the Parent Ratio (%) | 18.2 % | 19.1 % | 0.9 % | 15.4 % |

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 quarter amounted to 29.5 billion yen (US\$292 million). This represents an increase in cash inflows of 8.2 billion yen compared to the first quarter of fiscal 2013. The impact of improved profitability in the mobile phone business stemming from structural reforms, and increased revenues, led to an improvement in profit before income taxes. This consequently led to an increase in cash flows.



Net cash used in investing activities was 49.3 billion yen (US\$488 million). Outflows mainly consisted of the acquisition of property, plant and equipment, primarily related to datacenters and production equipment for electronic components, and the acquisition of intangible assets, the combination of which amounted to 36.5 billion yen in cash outflows. Compared to the same period in fiscal 2013, net outflows increased by 31.2 billion yen. One reason for this difference was the maturity of time deposits on temporary surplus funds that resulted in an inflow of cash in the first quarter of fiscal 2013.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 19.7 billion yen (US\$195 million), representing a decrease in net cash inflows of 23.0 billion yen compared with the same period in the previous fiscal year.

Net cash provided by financing activities was 94.8 billion yen (US\$939 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 quarter, in part to finance the redemption of bonds that will mature by the end of fiscal 2014. Compared to the first quarter of fiscal 2013, cash inflows increased by 5.4 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2014 were 375.0 billion yen (US\$3,713 million), an increase of 73.8 billion yen compared to the end of fiscal 2013.