MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

The following section, Management's Discussion and Analysis of Operations, provides an overview of the consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") for the year ended March 31, 2015. Forward-looking statements in this section are based on management's understanding and best judgments as of March 31, 2015.

1. Significant Accounting Policies and Estimates

As the consolidated financial statements of the Company are prepared based on the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976; hereinafter "Ordinance on Consolidated Financial Statements") and meet the requirements for "specified company" set forth in Article 1-2, items 1 and 2, they have been prepared in accordance with International Financial Reporting Standards (IFRS) as stipulated in Article 93 of the Ordinance on Consolidated Financial Statements. Regarding critical accounting policies applied to the consolidated financial statements, please refer to "Notes to Financial Statements 3. Significant accounting policies."

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions about the current situation and future prospects could change depending on the changes in the market or other circumstances that are out of the control of the Group. The assumptions are revised when such changes occur. The following assumptions and estimates based on the application of accounting principles are those that the management believes may have a material impact on the consolidated financial statements.

(1) Property, plant and equipment

Depreciation for property, plant and equipment is primarily computed by the straight-line method at rates based on the estimated useful lives of the respective assets, reflecting the likely period over which the value of the assets can be realized under normal business conditions. In the future, some equipment and facilities may become obsolete or may be repurposed as a result of technical innovation or other factors. In such cases, their actual useful lives may be reduced to shorter than their originally estimated useful lives. As such, there is a risk that depreciation expenses for the period may increase. In addition, impairment losses may be recognized in cases in which there is a decline in expected future cash flows from assets due to production facilities becoming idle and a decrease in the capacity utilization rate, associated with rapid changes in the operating environment or other factors, and business realignment.

(2) Goodwill

Goodwill is tested for impairment both annually and when there is an indication of impairment. An impairment loss is recognized if the recoverable amount of a cash-generating unit (CGU) to which the goodwill is allocated is less than its carrying amount. The recoverable amount of a CGU is in most cases measured at the value in use. The value in use of a CGU is calculated using the discounted cash flow model with assumptions such as future cash flow, growth rate, and discount rate. Future cash flow is based on the business plan. The discount rate is calculated based on the weighted average cost of capital of the Group company to which each CGU belongs.

These assumptions represent management's best estimates and judgment. Impairment losses could be recognized when the assumptions are revised as a result of a change in the market environment or other changes in circumstances.

(3) Intangible assets

Computer software for sale is amortized by a method based on projected sales volume over the estimated useful life. An intangible asset with a finite useful life, including software for internal use and other intangible assets, is amortized on a straight-line basis in principle to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment, etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

(4) Deferred tax assets

Reasonable estimates and judgments about various factors are necessary in the calculation of income taxes. Such factors include interpretation of tax regulations and revision of tax laws in the jurisdictions where the Group operates. A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. The amount of and the timing when the taxable profit occurs could be affected by uncertain changes in economic terms in the future. In addition, the carrying amount of a deferred tax asset could fluctuate if an effective tax rate changes as a result of an amendment to tax laws.

(5) Defined benefit plans

The Group has both defined benefit and defined contribution retirement benefit plans. Net defined benefit liability (the present value of the defined benefit obligation less the fair value of plan assets) is recognized, when remeasured, in other comprehensive income after adjusting for tax effects. The gains and losses recognized in other comprehensive income are immediately reclassified into retained earnings. Net defined benefit liability could be worsened if the fair value of plan assets decreases as a result of deterioration of return on plan assets or if a defined benefit liability increases as a result of a change in assumptions (such as discount rate, turnover ratio and mortality ratio) for determining the defined benefit liability, which could lead to a reduction in equity.

2. Analysis of Results

The Group voluntarily adopted International Financial Reporting Standards (IFRS), in place of JGAAP, for its consolidated financial statements starting from the year ended March 31, 2015. The Group is expanding its business across the globe to regions such as Europe, the Americas, and Asia, and the importance of its business outside of Japan grows year by year. Adopting IFRS on an uniform accounting standard enables coherent business management for Group companies, both in and outside of Japan. In addition, the Group also seeks to improve comparability of its financial information in global capital markets.

The impact of exchange rate fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for the year ended March 31, 2014 to translate revenue outside Japan for the year ended March 31, 2015 into yen.

(1) Issues and initiative results for the year ended March 31, 2015

The Group positioned the year ended March 31, 2015 as the year for accelerating the implementation of its growth strategy included in its management policy. As a growth strategy, the aim is to: 1) Expand the usage areas of Information and Communication Technology (ICT) for enterprises through modernization and business innovation; 2) Expand into new ICT usage areas such as healthcare, transportation, and agriculture through social innovation; and 3) Expand business areas globally. The target at the beginning of the year ended March 31, 2015 was to achieve steady profit growth, even while aggressively making anticipatory investments for medium- to long-term growth. The initial target for the year ended March 31, 2015 was revenue of ¥4,800.0 billion, an 0.8% increase year on year, operating profit of ¥185.0 billion, a ¥37.7 billion increase, and profit for the year attributable to owners of the parent of ¥125.0 billion, an ¥11.7 billion increase.

Results for the year ended March 31, 2015 were revenue of ¥4,753.2 billion, ¥46.7 billion below target, operating profit of ¥178.6 billion, ¥6.3 billion below target, and profit for the year attributable to owners of the parent of ¥140.0 billion, ¥15.0 billion above target. Although system integration exceeded its sales target due to a strong ICT investment climate in Japan, sales of network products fell below target due to customers reigning in investments both in and outside Japan, as well as declining demand for electronic components. Operating profit was below the initial forecast due to a decrease in sales and the effects of rising parts procurement costs at our European facilities resulting from the rapid weakening of the euro against the dollar entering the fourth quarter. Meanwhile, profit for the year attributable to owners of the parent exceeded the initial target by ¥15.0 billion, hitting a record high. This was mainly attributable to higher financial income from exchange rate gains and other factors.

Equity attributable to owners of the parent (owner's equity) increased by ¥223.5 billion from the end of the year ended March 31, 2014 to ¥790.0 billion at the end of the year ended March 31, 2015. This was due to the recording of profit for the year, as well as improvement in the funded status of defined benefit plans as a result of strong pension asset management. The equity attributable to owners of the parent ratio (owners' equity ratio) dropped to below 20% at the end of the year ended March 31, 2014 due to recording the unfunded amount of defined benefit plans on the balance sheet, but rebounded to 24% at the end of the year ended March 31, 2015. To strengthen its financial base, the Group seeks to quickly restore the owners' equity ratio to around 30%, the level it was at before the unfunded amount of defined benefit plans was recorded to the balance sheet.

The LSI device business continues to push ahead with structural reforms in line with its policy released in February 2013. The Company, Panasonic Corporation (Panasonic), and Development Bank of Japan Inc. (DBJ), together with Fujitsu Semiconductor Limited (Fujitsu Semiconductor), concluded an agreement in July 2014 to establish a new integrated fabless company for the design and development of system LSI (SoC: System on a Chip). In March 2015, integration of the Fujitsu Semiconductor and Panasonic LSI business was completed, and with DBJ's equity investment, Socionext Inc. (percentage of voting rights: The Company 40%, Panasonic 20%, DBJ 40%) started business.

The manufacturing facilities in the Mie and Aizu-Wakamatsu regions were split off from Fujitsu Semiconductor and began business in December 2014 as foundry companies. In March 2015, United Microelectronics Corporation (UMC) of Taiwan made a partial equity investment in the 300 mm production line in the Mie region, while ON Semiconductor of the United States made a partial equity

investment in the 200 mm production line in the Aizu-Wakamatsu region in December 2014. The Group will deepen its relationship with both of these strategic partners, increase cost competitiveness, and stabilize business.

The Group restructured and fortified its business with an eye to expanding business globally. In April 2014, the Group divided customer segments into the five regions of Japan, EMEIA (Europe, Middle East, India, and Africa), the Americas, Asia, and Oceania. For rapid decision making and execution, we appointed to each region a regional head who is accountable for earnings and reorganized the five regions into a flat organizational structure. Furthermore, we established the new Global Delivery group to bridge between customer segments and business lines. The Group will globally coordinate customer segments and business lines by consolidating service delivery functions from locations worldwide, including Japan, promoting global collaboration and expanding globally standardized products and services.

Summarized Consolidated Statement of Profit or Loss

(Billions of yen)

Years ended March 31	2014	**2015**	YoY change	Change (%)
Revenue	4,762.4	**4,753.2**	(9.2)	(0.2)
Cost of sales	(3,493.8)	**(3,471.7)**	22.1	(0.6)
Gross profit	1,268.5	**1,281.4**	12.9	1.0
Selling, general and administrative expenses	(1,097.4)	**(1,101.4)**	(4.0)	0.4
Other income (expenses)	(23.8)	**(1.3)**	22.4	–
Operating profit	147.2	**178.6**	31.3	21.3
Financial income (expenses)	5.4	**11.7**	6.2	114.0
Income from investments accounted for using the equity method, net	8.3	**8.4**	0.1	1.9
Profit before income taxes	161.1	**198.8**	37.7	23.4
Income tax expenses	(39.0)	**(53.8)**	(14.7)	37.8
Profit for the year	122.0	**145.0**	23.0	18.9
Profit for the year attributable to:				
Owners of the parent	113.2	**140.0**	26.8	23.7
Non-controlling interests	8.7	**4.9**	(3.8)	(43.3)

Reference: Financial Indicators

(Billions of yen)

Years ended March 31	2014	**2015**	YoY change
Revenue	4.762.4	**4,753.2**	(9.2)
Revenue outside Japan	[1,801.4]	**[1,879.9]**	[78.4]
Ratio of revenue outside Japan	[37.8%]	**[39.6%]**	[1.8%]
Gross profit margin	26.6%	**27.0%**	0.4%
Operating profit margin	3.1%	**3.8%**	0.7%
Return on equity attributable to owners of the parent (ROE)	23.2%	**20.6%**	(2.6%)

Note: ROE = Profit for the year attributable to owners of the parent ÷ [(Beginning balance of total equity attributable to owners of the parent (Owners' equity) + Ending balance of total equity attributable to owners of the parent (Owners' equity)) ÷ 2]

Reference: Quarterly Breakdown of Revenue and Operating Profit for the Year ended March 31, 2015

(Billions of yen)

Consolidated	1Q	2Q	3Q	4Q	Full year
Revenue	1,068.6	1,124.1	1,171.5	1,388.7	4,753.2
YoY change	69.4	(28.1)	(29.1)	(21.3)	(9.2)
Operating profit	7.2	24.9	33.1	113.1	178.6
YoY change	18.0	(16.1)	(3.0)	32.5	31.3

Breakdown by Reportable Segment

(Billions of yen)

	1Q	2Q	3Q	4Q	Full year
Technology Solutions					
Revenue	708.0	784.1	802.7	1,007.8	3,302.8
YoY change	30.4	(1.2)	16.4	14.1	59.7
Operating profit	11.4	39.3	44.6	127.0	222.4
YoY change	(2.9)	(21.1)	(6.5)	20.0	(10.6)
Ubiquitous Solutions					
Revenue	268.9	245.0	269.2	279.6	1,062.8
YoY change	52.9	(17.7)	(52.0)	(45.7)	(62.6)
Operating profit	8.7	0.9	(1.2)	0.3	8.7
YoY change	25.7	12.5	4.1	(6.8)	35.6
Device Solutions					
Revenue	135.2	145.1	153.7	161.5	595.6
YoY change	(10.1)	(13.9)	7.6	11.7	(4.6)
Operating profit	3.3	6.6	14.5	12.3	36.9
YoY change	(3.8)	(6.2)	11.3	24.0	25.3

(2) Revenue

Consolidated revenue for the year ended March 31, 2015 was ¥4,753.2 billion, essentially unchanged compared to the year ended March 31, 2014. Revenue in Japan declined 3%. Although revenue from system integration services and LSI devices increased, revenue from PCs, mobile phones, and network products decreased. Revenue outside of Japan rose 4.4%. Although revenue from LSI devices and PCs declined, overall results benefited from foreign exchange movements.

On a consolidated Group-wide basis, revenue steadily increased quarter after quarter, mainly in services such as in the Technology Solutions segment, from ¥1,068.6 billion in the first quarter to ¥1,388.7 billion in the fourth quarter. On the other hand, a comparison with the year ended March 31, 2014 shows a revenue decline from the second quarter, mainly in the Ubiquitous Solutions segment, due to replacement demand ending in the first quarter following the termination of support for a PC operating system. The Technology Solutions segment, which comprises the Group's core businesses including services, server-related, and network products businesses, saw revenue increase year on year as a whole. Although revenue from network products was sluggish as customers reigned in investments both in and outside Japan, system integration revenue was strong as customers expanded their investment spending, in addition to a steady performance from infrastructure services. In the Ubiquitous Solutions segment, which involves PCs, mobile phones, and other products, revenue declined year on year from the second quarter as a result of PC replacement demand coming to an end in the first quarter and the effects of a reduction in the number of new mobile phone models released due to the selection and focus of development resources for mobile phones. In the Device Solutions segment, revenue declined in the first half on the transfer of the LSI microcontroller and analog device businesses and falling demand for electronic components in the first half. However, in the second half, revenue shifted upward on the effects of higher dollar-denominated export revenue from the continued weakening of the yen against the US dollar as well as a recovery in demand for electronic components.

For the year ended March 31, 2015, the average yen exchange rates against the US dollar, the euro, and the British pound were ¥110, ¥139, and ¥177, respectively, representing a year-on-year depreciation of ¥10 against the US dollar, ¥5 against the euro, and ¥18 against the British pound. Exchange rate fluctuations versus the US dollar, euro, and British pound caused increases in revenue of approximately ¥60 billion, ¥20 billion, and ¥40 billion, respectively. As a result, currency exchange rate fluctuations had a positive impact of approximately ¥120.0 billion on revenue for the year ended March 31, 2015, lifting the overseas revenue ratio by 1.8 percentage points to 39.6%.

(3) Cost of sales, selling, general & administrative expenses, other income (expenses), and operating profit

For the year ended March 31, 2015, cost of sales totaled ¥3,471.7 billion, gross profit was ¥1,281.4 billion, and the gross profit margin was 27.0%. Gross profit increased ¥12.9 billion year on year mainly due to improved profitability in the mobile phone business and increased revenue from system integration services. The gross profit margin rose 0.4 of a percentage point year on year.

Selling, general and administrative (SG&A) expenses were ¥1,101.4 billion, an increase of ¥4.0 billion year on year. The increase was primarily the result of a surge in anticipatory investments in the service business, such as innovation solutions, and foreign exchange effects, despite a decrease in R&D spending for hardware such as mobile phones and network products. Among SG&A expenses, R&D spending amounted to ¥202.7 billion, a decrease of ¥19.7 billion year on year. The decrease was primarily the result of lower R&D spending on network products, which had been the focus of increased strategic investments in the year ended March 31, 2014, as well as the impact of narrowing down mobile phone development models and reduced development costs resulting from the liquidation of a communications semiconductor development company. The ratio of R&D expenses to revenue was 4.3%.

Other income (expenses) was a loss of ¥1.3 billion, an improvement of ¥22.4 billion year on year. This was mainly due to having recorded business restructuring costs as other expenses in the LSI and mobile phone businesses in the year ended March 31, 2014.

As a result, operating profit amounted to ¥178.6 billion, an increase of ¥31.3 billion compared to the year ended March 31, 2014. In addition, the impact of the mobile phone and LSI device businesses restructuring, together with such factors as the increased profit ratio in system integration services, the operating profit margin was 3.8%, an improvement of 0.7 of a percentage point compared to the year ended March 31, 2014.

Operating profit in the Technology Solutions segment decreased through the first three quarters compared to the corresponding period of the year ended March 31, 2014, especially for network products and system products such as servers, but turned upward in the fourth quarter due to higher service revenue. Network product operating profit was sluggish throughout the year as customers held back on investments both in and outside Japan, but server-related income had a positive impact from revenues in larger deals in the second half, especially the fourth quarter. In systems integration, operating profit was strong, mainly in the financial and public sectors. In the Ubiquitous Solutions segment, including PCs and mobile phones, operating profit continued to improve through the third quarter, especially mobile phones, which underwent restructuring in the year ended March 31, 2014, but declined in the fourth quarter. Regarding the

higher US dollar-denominated component procurement costs in Europe and Japan stemming from the weakness in the euro and the yen against the US dollar, The Group made progress stabilizing sales prices and reducing costs, but operating profit still declined due to the rapid weakening of the euro in the fourth quarter. In the Device Solutions segment, operating profit decreased year on year in the first half on weak revenue from electronic components but increased in the second half due to the depreciating yen, LSI restructuring effects, and a rebound in demand for electronic components.

The Group strives to minimize the impact of currency exchange rate fluctuations on earnings. For the year ended March 31, 2015, fluctuations in currency exchange rates had the effect of decreasing operating profit by approximately ¥5.0 billion compared to the year ended March 31, 2014. Exchange rate fluctuations of the US dollar, euro, and British pound against the Japanese yen had a negligible impact on operating profit in Japan. US dollar-denominated component procurement costs of products such as PCs and mobile phones increased, but US dollar-denominated export revenue from LSI and electronic components also increased, nearly offsetting each other. Their overall impact was negligible. On the other hand, as certain European locations saw the depreciation of the euro against the US dollar increase, procurement costs of US dollar-denominated materials rose, which led to deteriorated operating profit. For the year ended March 31, 2015, an depreciation of ¥1 in the currency exchange rate translated into an impact on operating profit of approximately ¥0.0 billion for the US dollar, ¥0.2 billion for the euro, and ¥0.1 billion for the British pound. In addition, a 0.01 fluctuation in the euro/US dollar exchange rate translated into an impact on operating profit of approximately ¥1.2 billion. A continued depreciation of the euro against the US dollar would have a negative impact on operating profit.

(4) Financial income (expenses), income from investments accounted for using the equity method, net, and profit before income taxes

Net financial income was ¥11.7 billion, an increase of ¥6.2 billion compared to the year ended March 31, 2014, resulting primarily from a net gain on foreign exchange. Income from investments accounted for using the equity method, net was ¥8.4 billion, essentially unchanged compared to the year ended March 31, 2014. As a result, profit before income taxes was ¥198.8 billion, up ¥37.7 billion compared to the year ended March 31, 2014.

(5) Income tax expenses, profit for the year, and profit for the year attributable to owners of the parent

Profit for the year came to ¥145.0 billion, an increase of ¥23.0 billion year on year. Of profit for the year, profit for the year attributable to owners of the parent came to a record ¥140.0 billion, a ¥26.8 billion increase year on year. Income tax expenses were ¥53.8 billion, up ¥14.7 billion year on year. This was mainly due a reduction of approximately ¥13.0 billion in the Company's tax burden in connection with the liquidation of a US subsidiary in the year ended March 31, 2014. The ratio of income taxes to profit before tax rose from 24.3% to 27.1% compared to the year ended March 31, 2014. The Group's tax burden was lower than the standard effective income tax rate in Japan, due to the impact of equity in earnings of affiliates and the tax effects recognized at certain subsidiaries as a result of improvement in earnings. In addition, the amount of profit for the year attributable to non-controlling interests was ¥4.9 billion, a decrease of ¥3.8 billion year on year stemming from deteriorating performance of a listed subsidiary in the electronic components business.

The Group views profitability and efficiency of invested capital in businesses as important management indicators. ROE, calculated by dividing profit for the year attributable to owners of the parent by equity attributable to owners of the parent (owners' equity), was 20.6%. ROE was high because owners' equity remained low due to the deduction of ¥304.8 billion from owners' equity after adjusting for tax effects for the unfunded amount of defined benefit plans. The Group aims to quickly restore the owners' equity ratio to around 30%, the level it was at before recording the unfunded amount of defined benefit plans to its balance sheet.

(6) Total other comprehensive income for the year, net of taxes and total comprehensive income for the year

Total other comprehensive income for the year, net of taxes was ¥105.2 billion. Despite the impact of the increase in defined benefit-type retirement benefit liabilities caused by a declining discount rate following an interest rate decrease, the remeasurement of defined benefit plans was a positive ¥63.1 billion because of better investment returns on plan assets. Moreover, available-for-sale financial assets were a positive ¥21.5 billion due to rising stock prices and foreign currency translation adjustments were a positive ¥17.2 billion on the yen's ongoing depreciation against the British pound and US dollar.

Total comprehensive income for the year, which combines profit for the year and other comprehensive income after taxes, was ¥250.2 billion. Of total comprehensive income, total comprehensive income attributable to owners of the parent came to ¥240.3 billion and total comprehensive income for the year attributable to non-controlling interests was ¥9.9 billion.

(7) Segment information

The reportable segments were consolidated into the three segments of "Technology Solutions," "Ubiquitous Solutions," and "Device Solutions, "based on organizational structure, the characteristics of the products and services, and the similarities in sales markets. The "Other Operations" segment includes operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, facility services and the development of information systems for Group companies, and welfare benefits for Group employees. Revenue (including intersegment revenue) and operating profit by segment for the year ended March 31, 2015 are shown as follows.

(Billions of yen)

Years ended March 31		2014	**2015**	YoY change	Change (%)
Technology Solutions	Revenue	3,243.0	**3,302.8**	59.7	1.8
	Operating profit	233.0	**222.4**	(10.6)	(4.6)
	[Operating profit margin]	[7.2%]	**[6.7%]**	[(0.5%)]	
Ubiquitous Solutions	Revenue	1,125.4	**1,062.8**	(62.6)	(5.6)
	Operating profit	(26.8)	**8.7**	35.6	–
	[Operating profit margin]	[(2.4%)]	**[0.8%]**	[3.2%]	
Device Solutions	Revenue	600.2	**595.6**	(4.6)	(0.8)
	Operating profit	11.5	**36.9**	25.3	219.1
	[Operating profit margin]	[1.9%]	**[6.2%]**	[4.3%]	
Other Operations/ Elimination & Corporate	Revenue	(206.3)	**(208.0)**	(1.7)	–
	Operating profit	(70.5)	**(89.5)**	(18.9)	–
Consolidated	Revenue	4,762.4	**4,753.2**	(9.2)	(0.2)
	Operating profit	147.2	**178.6**	31.3	21.3
	[Operating profit margin]	[3.1%]	**[3.8%]**	[0.7%]	

(a) Technology Solutions

The Technology Solutions segment delivers products, software, and services to customers in an optimal, integrated package of comprehensive services. These consist of Solutions/SI for system construction; 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.

Revenue in the Technology Solutions segment amounted to ¥3,302.8 billion, an increase of 1.8% compared to the year ended March 31, 2014. Revenue in Japan was essentially unchanged. In the Services sub-segment in Japan, revenue from system integration services rose on higher spending by customers in the financial sector and public services sector, and revenue from infrastructure services was also solid. In the System Platforms sub-segment, however, revenue from network products declined as investments by telecommunications carriers for LTE-related optical transmission equipment largely came to an end, and server-related revenue fell compared to the year ended March 31, 2014, when there were large-scale systems deals. Revenue outside Japan increased 5.6%. In the Services sub-segment, although revenue in continental Europe was weak, business in the UK and Australia was strong. In the System Platforms sub-segment, revenue from x86 servers rose in Europe, but revenue from optical transmissions systems in North America declined as investments by telecommunications carriers remained lackluster with regard to relevant segments of the Group's business.

The segment posted an operating profit of ¥222.4 billion, a decline of ¥10.6 billion compared to the year ended March 31, 2014. In the System Platforms sub-segment, operating profit declined on lower revenue and because of higher component costs in Japan and Europe stemming from the weakness in the yen and euro against the US dollar. In the Services sub-segment, on the other hand, even after having to absorb higher up-front investments to accommodate new business, operating profit increased because of the impact of higher revenues, among other factors.

In April 2015, the Company and Fujitsu FIP Corporation (FIP) undertook organizational integration and restructuring with the aim of streamlining the data center business and improving operational quality. The service delivery functions and service and tool development functions will be integrated into FIP and the facility planning and management functions will be integrated into the Company. Until now, those functions had been carried out separately by each company. While working toward optimal resource placement and cost reductions, we will switch to a business model that provides the data center business as a single platform, including facilities, networks, ICT equipment, and infrastructure operation that had previously been separately operated by the Company and FIP.

In May 2015, the Group decided to strengthen its network business structure so that it can further develop network virtualization, provide global, general-purpose products that make optimal use of cutting-edge technologies, and expand its service business. To integrate into the Company the network business's sales and development functions, which had been scattered throughout the Group, Fujitsu Telecom Networks Limited and Fujitsu Wireless Systems Limited will be absorbed and merged into the Company in October 2015. After integrating manufacturing functions of Fujitsu Telecom Networks and Fujitsu Wireless Systems, we will establish Fujitsu Telecom Networks Limited, a new company in charge of manufacturing all network products with the Oyama Plant in Oyama City, Tochigi Prefecture, as its primary production facility. We will review our existing business structure that is built around each product and restructure it according to function, and merge the technologies and know-how that we have so far developed. At the same time, we will strengthen our global competitiveness through greater productivity and investment efficiency.

(b) Ubiquitous Solutions

The Ubiquitous Solutions segment contains ubiquitous terminals or sensors, including personal computers and mobile phones, as well as car audio and navigation systems, mobile communication equipment, and automotive electronic equipment, that collect and utilize various information and knowledge generated from the behavioral patterns of

people and organizations needed to achieve the Group's vision of a "Human Centric Intelligent Society" (a society that enjoys the benefits of the value generated by ICT without requiring anyone to be conscious of the technological complexities involved).

Revenue in the Ubiquitous Solutions segment was ¥1,062.8 billion, down 5.6% compared to the year ended March 31, 2014. Revenue in Japan was down by 11.2%. For PCs, revenue declined as the cycle of higher demand for upgrades resulting from the ending of support for an operating system had peaked in the first quarter. For mobile phones, although revenue from the Raku-Raku series of both smartphones and feature phones rose, overall revenue from mobile phones declined, as fewer new models were launched in accordance with a policy of concentrating development resources in fewer select models. Revenue outside Japan increased 8%. Although there was a decline in unit sales of PCs in Europe, revenue from the Mobilewear sub-segment increased, primarily in North America.

The Ubiquitous Solutions segment posted an operating profit of ¥8.7 billion, an improvement of ¥35.6 billion compared to the year ended March 31, 2014. For PCs, facing the impact of lower revenue as well as the impact of higher component costs, operating profit declined. Regarding the higher component costs in Japan and Europe stemming from the weakness in the yen and euro against the US dollar, the Company made progress in stabilizing sales prices and reducing costs, but operating profit still declined due to the rapid weakening of the euro in the second half. In mobile phones, lower costs associated with the impact of structural reforms and stabilized quality, as well as a further reduction in operating costs led to a large-scale improvement in operating profit, making the business profitable compared with the loss posted in the year ended March 31, 2014. For the Mobilewear sub-segment, despite the beneficial impact of higher revenues, higher component costs stemming from the weaker yen caused operating profit to be essentially unchanged compared to the year ended March 31, 2014.

In its mobile phone business in April 2014, the Group integrated the production facilities of two of its mobile phone manufacturing subsidiaries, Fujitsu Mobile-phone Products Limited and Fujitsu Peripherals Limited, with volume production capacity consolidated into Fujitsu Peripherals Limited. The Group aims to increase productivity and create a highly flexible production facility agile enough to withstand volume fluctuations. For product development, the Group aims to streamline operations through a shared development model, enabling staff to be reallocated to new business areas, such as enterprise solutions and automotive-related businesses.

(c) Device Solutions

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

Revenue in the Device Solutions segment amounted to ¥595.6 billion, essentially unchanged compared to the year ended March 31, 2014. In Japan, revenue increased 4.8%. Revenue from LSI devices increased, primarily from devices used in smartphones and devices used in servers. Outside Japan, revenue fell 6.1%. For LSI devices, in addition to the impact of selling the microcontroller and analog device business, smartphone-related revenue also declined, mainly in Asia. For electronic components, revenue from semiconductor packages in the Americas declined.

The segment posted an operating profit of ¥36.9 billion, up ¥25.3 billion compared to the year ended March 31, 2014. For LSI devices, operating profit was ¥25.2 billion. This represented an increase in operating profit for LSI devices of ¥25.2 billion compared to the year ended March 31, 2014, when business restructuring charges were incurred. Results for the year ended March 31, 2015 also benefited from the impact of the weaker yen against the US dollar and lower overhead expenses resulting from structural reforms. For electronic components, operating profit was ¥11.6 billion, essentially unchanged compared to the year ended March 31, 2014. Results for semiconductor packages were adversely impacted by intensified competition, but results for the Electronic Components sub-segment benefited from a decline in development costs resulting from the liquidation of a subsidiary developing semiconductors for communication equipment.

In accordance with a restructuring plan decided in February 2013, the Group made progress on the structural transformation of its LSI device business. In December 2014, the following new companies started operations as pure-play foundries: Mie Fujitsu Semiconductor Limited, which mainly consists of the 300 mm wafer manufacturing facilities in Mie Prefecture; Aizu Fujitsu Semiconductor Wafer Solution Limited, which mainly consists of a 150 mm wafer fab in Aizu-Wakamatsu, Fukushima Prefecture; and also in Aizu-Wakamatsu, Aizu Fujitsu Semiconductor Manufacturing Limited, which mainly consists of a 200 mm wafer fab; and Aizu Fujitsu Semiconductor Limited, which controls both of these two semiconductor companies in Aizu-Wakamatsu.

United Microelectronics Corporation (UMC) of Taiwan made a partial equity investment in the 300 mm production line at the Mie Plant, while ON Semiconductor of the United States made a partial equity investment in the 200 mm production line at the Aizu-Wakamatsu Plant. The Group will deepen its relationships with both of these strategic partners, increase cost competitiveness and stabilize business.

The Company, Panasonic Corporation (Panasonic), and Development Bank of Japan (DBJ), together with Fujitsu Semiconductor Limited (Fujitsu Semiconductor), concluded an agreement in July 2014 to establish a new integrated fabless company for the design and development of system LSI (SoC: System on a Chip). In March 2015, integration of the Fujitsu Semiconductor and Panasonic LSI businesses was completed, and with DBJ's equity investment, Socionext Inc. (Socionext) started business. The percentage of voting rights for each company is the Company 40%, Panasonic 20%, and DBJ 40%. Socionext will retain independence with the goal of an IPO within the next several years.

(d) Other Operations/Elimination and Corporate

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

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

This segment recorded an operating loss of ¥89.5 billion, representing a deterioration of ¥18.9 billion compared to the year ended March 31, 2014. Contributing factors included the impact of a gain on the sale of unutilized real estate and the one-time posting of profit stemming from the liquidation of a US subsidiary recorded in the year ended March 31, 2014, as well as an expansion of strategic investments in medium and long-term growth.

(8) Geographic information

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

(Billions of yen)

Years ended March 31		2014	**2015**	YoY change	Change (%)
Japan	Revenue	3,465.1	**3,370.4**	(94.6)	(2.7)
	Operating profit	183.1	**235.0**	51.9	28.4
	[Operating profit margin]	[5.3%]	**[7.0%]**	[1.7%]	
EMEIA (Europe, Middle East, India, and Africa)	Revenue	944.7	**989.2**	44.4	4.7
	Operating profit	27.0	**24.4**	(2.6)	(9.8)
	[Operating profit margin]	[2.9%]	**[2.5%]**	[(0.4%)]	
Americas	Revenue	386.0	**404.7**	18.7	4.9
	Operating profit	7.5	**4.8**	(2.7)	(36.1)
	[Operating profit margin]	[2.0%]	**[1.2%]**	[(0.8%)]	
Asia	Revenue	420.9	**429.4**	8.5	2.0
	Operating profit	5.0	**7.4**	2.4	47.8
	[Operating profit margin]	[1.2%]	**[1.7%]**	[0.5%]	
Oceania	Revenue	113.7	**113.3**	(0.4)	(0.4)
	Operating profit	0.3	**3.0**	2.6	732.2
	[Operating profit margin]	[0.3%]	**[2.7%]**	[2.4%]	
Elimination & Corporate	Revenue	(568.2)	**(554.0)**	14.1	–
	Operating profit	(75.8)	**(96.1)**	(20.2)	–
Consolidated	Revenue	4,762.4	**4,753.2**	(9.2)	(0.2)
	Operating profit	147.2	**178.6**	31.3	21.3
	[Operating profit margin]	[3.1%]	**[3.8%]**	[0.7%]	

(a) Japan

Revenue amounted to ¥3,370.4 billion, a decrease of 2.7% compared to the year ended March 31, 2014. Revenue from system integration services grew, especially in the financial and public sectors, but revenue from PCs, mobile phones, and network products declined. Operating profit was ¥235.0 billion, a year-on-year increase of ¥51.9 billion. Contributing to the increase was the restructuring of the mobile phone and LSI device businesses, as well as higher revenue from system integration services.

(b) EMEIA (Europe, Middle East, India, and Africa)

Revenue came to ¥989.2 billion, an increase of 4.7% from the year ended March 31, 2014. The increase was mainly due to growth in infrastructure services and PC servers in the UK, as well as foreign exchange effects, which offset weak infrastructure service revenue in continental Europe and PC revenue. Operating profit was ¥24.4 billion, a decrease of ¥2.6 billion from the year ended March 31, 2014. Operating profit for infrastructure services increased, but was adversely affected by lower PC revenue and rising US dollar-denominated parts procurement costs accompanied by the weakening euro.

(c) Americas

Revenue came to ¥404.7 billion, an increase of 4.9% from the year ended March 31, 2014. The increase was attributable to revenue from audio and navigation systems and foreign currency effects, despite the negative impact that restrained customer investments had on optical transmission systems. Operating profit for the region was ¥4.8 billion, down ¥2.7 billion year on year. Deteriorating profitability of some infrastructure service projects and restructuring charges contributed to the decrease.

(d) Asia

Revenue amounted to ¥429.4 billion, a year-on-year increase of 2.0%. Revenue from LSI devices declined, but was offset by higher revenue from electronic components and services. Operating profit was ¥7.4 billion, an increase of ¥2.4 billion from the year ended March 31, 2014, due to higher revenue and other factors.

(e) Oceania

Revenue came to ¥113.3 billion, largely unchanged from the year ended March 31, 2014. Revenue from audio and navigation systems decreased, while that of infrastructure services increased. Operating profit was ¥3.0 billion, up ¥2.6 billion year on year, mainly due to increased revenue from infrastructure services and higher profit margins.

3. Analysis of Capital Resources and Liquidity

(1) Assets, liabilities, and equity

Summarized Consolidated Statement of Financial Position

(Billions of yen)

Years ended March 31	2014	**2015**	YoY change
Assets			
Current assets	1,785.1	**1,887.6**	102.5
Non-current assets	1,320.7	**1,383.4**	62.6
Total assets	3,105.9	**3,271.1**	165.1
Liabilities			
Current liabilities	1,483.4	**1,523.3**	39.8
Non-current liabilities	924.5	**813.3**	(111.1)
Total liabilities	2,407.9	**2,336.7**	(71.2)
Equity			
Total equity attributable to owners of the parent (Owners' equity)	566.5	**790.0**	223.5
Retained earnings	(54.3)	**130.7**	185.0
Other components of equity	63.1	**101.8**	38.6
Total equity	697.9	**934.3**	236.4
Total liabilities and equity	3,105.9	**3,271.1**	165.1
Cash and cash equivalents	301.1	**362.0**	60.8
Interest-bearing loans	560.2	**578.4**	18.2
Net interest-bearing loans	259.0	**216.4**	(42.6)

Notes: Interest-bearing loans include bonds, borrowings, and lease obligations.
Net Interest-bearing loans = Interest-bearing loans − Cash and cash equivalents

Reference: Financial Indicators

(Billions of yen)

Years ended March 31	2014	**2015**	YoY change
Inventories	330.2	**313.8**	(16.3)
[Inventory turnover ratio]	[14.58]	**[14.76]**	[0.18]
[Monthly inventory turnover ratio]	[1.07]	**[1.11]**	[0.04]
Equity attributable to owners of the parent ratio (Owners' equity ratio)	18.2%	**24.2%**	6.0%
D/E ratio (times)	0.99	**0.73**	(0.26)
Net D/E ratio (times)	0.46	**0.27**	(0.19)

Notes: Inventory turnover ratio = Revenue ÷ [(Beginning balance of inventories + Year-end balance of inventories) ÷ 2]
Monthly inventory turnover ratio = Revenue ÷ Average inventories during period* ÷ 12
Owners' equity ratio = Total equity attributable to owners of the parent (Owners' equity) ÷ Total assets
D/E ratio = Interest-bearing loans ÷ Total equity attributable to owners of the parent (Owners' equity)
Net D/E ratio = (Interest-bearing loans − Cash and cash equivalents) ÷ Total equity attributable to owners of the parent (Owners' equity)
* Average inventories during the year are calculated as the average of the ending balance of inventories for each of the four quarters of the year.

Status of Retirement Benefit Plans

(Billions of yen)

Years ended March 31	2014	**2015**	YoY change
a. Defined benefit obligation	(2,275.5)	**(2,484.3)**	(208.8)
b. Plan assets	1,864.8	**2,180.8**	316.0
c. Defined benefit obligations in excess of plan assets (a)+(b)	(410.7)	**(303.5)**	107.1
Impacts on equity	(366.4)	**(304.8)**	61.6
(Assumptions used in accounting for the plans)			
Discount rates			
In Japan	1.1%	**0.7%**	(0.4%)
Outside Japan	mainly 4.4%	**mainly 3.4%**	(1.0%)

Consolidated total assets at the end of the year ended March 31, 2015 amounted to ¥3,271.1 billion, an increase of ¥165.1 billion from the end of the year ended March 31, 2014. Current assets increased by ¥102.5 billion compared with the end of the year ended March 31, 2014 to ¥1,887.6 billion. Cash and cash equivalents and notes and account receivable, trade increased. Inventories were ¥313.8 billion, down ¥16.3 billion from the end of the year ended March 31, 2014. The decrease was due to the transfer of some inventories to Socionext Inc., an LSI (SoC: System on a Chip) design and development company established through the joint investment of the Company, Panasonic Corporation, and Development Bank of Japan. Lower production of PCs and mobile phones was also a contributing factor. The monthly inventory turnover ratio, an indication of asset utilization efficiency, was 1.11 times, an improvement of 0.04 times compared with the end of the year ended March 31, 2014. Non-current assets increased by ¥62.6 billion compared with the end of the year ended March 31, 2014 to ¥1,383.4 billion. The funded status (unfunded obligations) of employee defined benefit plans improved due to better investment returns of plan assets and deferred tax assets pertaining to the unfunded obligations decreased. However, investments accounted for by the equity method, particularly the investment in Socionext as a result of the SoC business integration, increased and property, plant and equipment rose as a result of higher capital investments, primarily in the Device Solutions.

Total liabilities amounted to ¥2,336.7 billion, a decrease of ¥71.2 billion compared to the end of the year ended March 31, 2014. Current liabilities came to ¥1,523.3 billion, an increase of ¥39.8 billion. The provision for restructuring charges decreased on the payment of restructuring charges for the LSI device business and businesses outside Japan, but there were also the effects of increased trade notes and accounts payable and short-term borrowings due to the financing of a portion of working capital. Non-current liabilities came to ¥813.3 billion, a decrease of ¥111.1 billion compared to the end of the year ended March 31, 2014. The defined benefit liability decreased as the funded status of employee defined benefit plans improved due to better investment returns of plan assets. Interest-bearing debt, which consists of corporate bonds, short-term borrowings, the current portion of long-term debt, and lease obligations, was ¥578.4 billion, an increase of ¥18.2 billion compared to the end of the year ended March 31, 2014. While the Company redeemed ¥60.0 billion in straight bonds, it issued ¥70.0 billion in straight bonds to be allocated for the redemption and repayment of borrowings. As a result, the D/E ratio was 0.73 times, a decrease of 0.26 of a point compared to the end of the year ended March 31, 2014, due to an increase in equity attributable to owners of the parent (owners' equity) and other factors, and the net D/E ratio was 0.27 times, a decrease of 0.19 of a point compared to the end of the year ended March 31, 2014.

The balance of equity was ¥934.3 billion, an increase of ¥236.4 billion from the end of the year ended March 31, 2014. Retained earnings, which had been negative ¥54.3 billion at the end of the year ended March 31, 2014 due to the recording of unfunded employee retirement benefit obligations on the consolidated statement of financial position, increased by ¥185.0 billion from the end of the year ended March 31, 2014 to ¥130.7 billion at the end of the year ended March 31, 2015, due to the recording of net income and improvement of the funded status of defined benefit plans. In addition, other components of equity increased by ¥38.6 billion compared to the end of the year ended March 31, 2014. This was due to an increase in foreign currency translation adjustments as a result of the ongoing depreciation of the yen against the British pound and US dollar, along with an increase in available-for-sale financial assets caused by rising stock prices. Total equity attributable to owners of the parent (owners' equity) was ¥790.0 billion and the equity attributable to owners of the parent ratio (owners' equity ratio) was 24.2%, an increase of 6.0 percentage points compared to the end of the year ended March 31, 2014.

The funded status of employee defined benefit plans (the amount remaining after subtracting plan assets from retirement benefit obligations) was a shortage of ¥303.5 billion, representing an improvement of ¥107.1 billion compared to the end of the year ended March 31, 2014. This was due to better management of plan assets, despite an increase in defined benefit liabilities with a decline in the discount rate due to lower interest rate in Japan and outside Japan. The funded status of defined benefit-type retirement benefit obligations is recognized in other comprehensive income after adjusting for tax effects at the time of remeasurement and is immediately transferred from other components of equity to retained earnings. At the end of the year ended March 31, 2015, ¥304.8 billion was deducted from retained earnings, but this was a decrease of ¥61.6 billion in the amount deducted compared to the end of the year ended March 31, 2014.

Among operating lease transactions at the end of the year ended March 31, 2015, the minimum lease payment required under non-cancelable operating leases amounted to ¥85.1 billion. Commitments outstanding at March 31, 2015 for purchases of property, plant and equipment and intangible assets were ¥84.3 billion, and contingent liabilities for guarantee contracts amounted to ¥0.8 billion.

(2) Cash flows

Summarized Consolidated Statement of Cash Flows

(Billions of yen)

Years ended March 31	2014	**2015**	YoY change
I Cash flows from operating activities	176.5	**280.1**	103.6
II Cash flows from investing activities	(128.9)	**(200.5)**	(71.5)
I+II Free cash flow	47.5	**79.6**	32.0
III Cash flows from financing activities	(46.2)	**(17.3)**	28.8
IV Cash and cash equivalents at end of year	301.1	**362.0**	60.8

Reference: Financial Indicators

Years ended March 31	2014	**2015**	YoY change
Interest-bearing loans to cash flows ratio (Year)	3.2	**2.1**	(1.1)
Interest coverage ratio (Times)	26.9	**46.9**	20.0

Notes: Interest-bearing loans to cash flows ratio = Interest-bearing loans ÷ Cash flows from operating activities
Interest coverage ratio = Cash flows from operating activities ÷ Interest charges

Net cash provided by operating activities in the year ended March 31, 2015 amounted to ¥280.1 billion. This represents an increase in cash inflows of ¥103.6 billion compared to the year ended March 31, 2014. In addition to an improvement in profit before income taxes, there was a reduction in payment outflows for structural reform expenses in such areas as the LSI device business and businesses outside Japan. In addition, the amount of income taxes paid declined, mainly because of a refund in income tax withheld in the year ended March 31, 2014 relating to dividends received from subsidiaries in Japan.

Net cash used in investing activities was ¥200.5 billion, representing an increase in outflows of ¥71.5 billion compared to the year ended March 31, 2014. In addition to higher capital expenditures, primarily for the LSI device and electronic components businesses, outflows increased because there were inflows of cash from proceeds from sales of available-for-sale financial assets and proceeds from transfer of business, primarily from the microcontroller and analogue device business in the year ended March 31, 2014.

Free cash flow was ¥79.6 billion, representing an increase in cash inflows of ¥32.0 billion compared to the year ended March 31, 2014.

Net cash used in financing activities was ¥17.3 billion. Compared to the year ended March 31, 2014, cash outflows declined by ¥28.8 billion. While the Company redeemed ¥60.0 billion in corporate bonds, it issued ¥70.0 billion in straight bonds to be allocated for redemption and repayment of borrowings. A portion of working capital was financed with borrowings.

As a result of the above factors, cash and cash equivalents at the end of the year ended March 31, 2015 were ¥362.0 billion, an increase of ¥60.8 billion compared to the end of the year ended March 31, 2014.

To ensure efficient funding when the need for funds arises, the Group views the maintenance of an appropriate level of liquidity as an important policy with respect to its financing activities.

"Liquidity" refers to cash and cash equivalents and the total unused balance of financing frameworks based on commitment lines established with multiple financial institutions. As of March 31, 2015, the Group had liquidity of ¥560.0 billion, of which ¥362.0 billion was cash and cash equivalents and ¥198.0 billion was unused commitment lines. To raise funds from global capital markets, the Group has acquired bond ratings from Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Rating and Investment Information, Inc. (R&I). As of March 31, 2015, the Company had bond ratings (long-term/short-term) of A3 (long-term) from Moody's, BBB+ (long-term) from S&P, and A (long-term) and a-1 (short-term) from R&I, all unchanged from the year ended March 31, 2014.

(3) Capital expenditures

For the year ended March 31, 2015, capital expenditures totaled ¥140.6 billion, an increase of ¥17.8 billion from the year ended March 31, 2014. In the Technology Solutions segment, capital expenditures totaled ¥67.5 billion, down 2.8% year on year, for expansion of data centers in and outside of Japan, along with spending on mobile phone base station test facilities, and other items. In the Ubiquitous Solutions segment, the Group spent ¥11.9 billion, down 20.1% year on year, mainly for manufacturing facilities for car audio and navigation systems and PCs. In the Device Solutions segment, capital expenditures totaled ¥55.7 billion, up 64.4% year on year, mainly for LSI manufacturing facilities and facilities to manufacture semiconductor packages within electronic components. In areas other than the above-mentioned segments, capital expenditures were ¥5.3 billion.