FUJITSU

Financial Section 2015

For the year ended March 31, 2015

Fujitsu Group
Integrated Report 2015

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Contents

FIVE-YEAR SUMMARY

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

	JGAAP				IFRS	
Years ended March 31	2011	2012	2013	2014	2014	**2015**
Revenue	¥4,528,405	¥4,467,574	¥4,381,728	¥4,762,445	¥4,762,445	**¥4,753,210**
Operating profit	132,594	105,304	88,272	142,567	147,275	**178,628**
Profit before income taxes	102,236	66,717	(52,119)	92,934	161,103	**198,864**
Profit for the year	54,057	36,718	(76,379)	55,873	122,010	**145,011**
Profit for the year attributable to owners of the parent	55,092	42,707	(79,919)	48,610	113,215	**140,024**
Total comprehensive income for the year	38,790	34,310	(80,616)	104,907	175,559	**250,283**
Total comprehensive income attributable to owners of the parent	40,954	40,343	(86,694)	95,912	161,531	**240,329**
Total equity	¥ 953,779	¥ 966,598	¥ 752,438	¥ 702,449	¥ 697,951	**¥ 934,397**
Total assets	3,024,097	2,945,507	2,920,326	3,079,534	3,105,937	**3,271,121**
Equity per share attributable to owners of the parent (Yen)	¥ 396.81	¥ 406.42	¥ 301.57	¥ 277.03	¥ 273.79	**¥ 381.88**
Basic earnings per share (Yen)	26.62	20.64	(38.62)	23.49	54.71	**67.68**
Diluted earnings per share (Yen)	25.75	20.55	–	23.49	54.71	**67.64**
Total equity attributable to owners of the parent	¥ 821,244	¥ 841,039	¥ 624,045	¥ 573,211	¥ 566,515	**¥ 790,089**
Equity attributable to owners of the parent ratio	27.2%	28.6%	21.4%	18.6%	18.2%	**24.2%**
Return on equity attributable to owners of the parent (ROE)	6.8%	5.1%	(11.8%)	8.1%	23.2%	**20.6%**
Price earnings ratio	17.66	21.12	–	26.56	11.41	**12.10**
Cash flows from operating activities	¥ 255,534	¥ 240,010	¥ 71,010	¥ 175,532	¥ 176,502	**¥ 280,149**
Cash flows from investing activities	(142,108)	(190,830)	(161,481)	(128,873)	(128,938)	**(200,516)**
Cash flow from financing activities	(166,933)	(138,966)	100,384	(44,794)	(46,217)	**(17,327)**
Cash and cash equivalents	358,593	266,698	284,548	301,162	301,162	**362,028**
Number of employees	172,336	173,155	168,733	162,393	162,393	**158,846**
Average number of temporary personnel	19,482	18,660	17,941	17,466	17,466	**17,304**

Notes: 1. The year ended March 31, 2015 marks the first time that the Fujitsu Group's financial statements have been prepared in accordance with IFRS. April 1, 2013 is the date of transition to IFRS. The consolidated financial statements up to the year ended March 31, 2014 were prepared in accordance with the generally accepted accounting principles in Japan ("JGAAP").
2. Account names are under IFRS. Account names in JGAAP corresponding to names in IFRS are mainly as follows: •Income (loss) before minority interests/Profit for the year •Net income (loss)/Profit for the year attributable to owners of the parent •Owners' equity/Total equity attributable to owners of the parent •Owners' equity ratio/Equity attributable to owners of the parent ratio
(Owners' equity: total net assets – subscription rights to shares – minority interests in consolidated subsidiaries)
3. Consumption taxes are not included in revenue.
4. Fujitsu'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. IAS 19 is applied retrospectively for the year ended March 31, 2013.
5. Average number of temporary personnel includes contracted employees, part-time workers and others and excludes temporary staff provided by agencies.
6. Diluted earnings per share and Price Earnings Ratio for the year ended March 31, 2013 are not disclosed due to the recording at net losses.

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

At March 31	Notes	Date of transition (April 1, 2013)	2014	2015
Assets				
Current assets				
Cash and cash equivalents	16	¥ 286,602	¥ 301,162	¥ 362,028
Trade receivables	15	883,905	980,247	1,029,822
Other receivables	15	70,906	105,427	99,930
Inventories	14	323,092	330,202	313,882
Others		77,520	68,121	82,009
Total current assets		1,642,025	1,785,159	1,887,671
Non-current assets				
Property, plant and equipment, net of accumulated depreciation	8, 27	622,181	622,480	635,489
Goodwill	9, 27	32,607	37,533	37,616
Intangible assets	9, 27	157,749	158,854	167,560
Investments accounted for using the equity method	11	33,716	37,271	92,839
Other investments	12	152,724	166,931	178,645
Deferred tax assets	13	204,547	183,401	139,254
Others		103,634	114,308	132,047
Total non-current assets		1,307,158	1,320,778	1,383,450
Total Assets		¥2,949,183	¥3,105,937	¥3,271,121

				(Millions of yen)
At March 31	Notes	Date of transition (April 1, 2013)	2014	2015
Liabilities and Equity				
Liabilities				
Current liabilities				
Trade payables	24	¥ 566,757	¥ 641,211	¥ 661,710
Other payables	24	385,894	396,375	419,214
Short-term borrowings, current portion of long-term debt and lease obligations	20	304,095	142,608	172,403
Accrued income taxes		23,316	20,263	18,415
Provisions	23	132,426	111,196	77,502
Others		182,584	171,807	174,089
Total current liabilities		1,595,072	1,483,460	1,523,333
Non-current liabilities				
Long-term debt and lease obligations	20	271,582	417,635	406,089
Retirement benefit liabilities	21	474,367	412,632	321,977
Provisions	23	43,657	45,058	34,810
Deferred tax liabilities	13	5,784	6,544	8,075
Others		31,122	42,657	42,440
Total non-current liabilities		826,512	924,526	813,391
Total Liabilities		2,421,584	2,407,986	2,336,724
Equity				
Share capital	18	324,625	324,625	324,625
Capital surplus	18	236,509	233,510	233,432
Treasury stock, at cost	18	(340)	(422)	(547)
Retained earnings	18	(195,876)	(54,341)	130,741
Other components of equity	18	43,055	63,143	101,838
Total equity attributable to owners of the parent		407,973	566,515	790,089
Non-controlling interests	10	119,626	131,436	144,308
Total Equity		527,599	697,951	934,397
Total Liabilities and Equity		¥2,949,183	¥3,105,937	¥3,271,121

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Fujitsu Limited and Consolidated Subsidiaries

Consolidated Statement of Profit or Loss

		(Millions of yen, except per share data)	
Years ended March 31	Notes	2014	2015
Revenue	6, 25	¥ 4,762,445	¥ 4,753,210
Cost of sales	14	(3,493,849)	(3,471,711)
Gross profit		1,268,596	1,281,499
Selling, general and administrative expenses		(1,097,496)	(1,101,497)
Other income (expenses)	26	(23,825)	(1,374)
Operating Profit	6	147,275	178,628
Financial income	29	15,286	22,682
Financial expenses	29	(9,800)	(10,943)
Income from investments accounted for using the equity method, net		8,342	8,497
Profit before Income Taxes		161,103	198,864
Income tax expenses	13	(39,093)	(53,853)
Profit for the Year		122,010	145,011
Profit for the year attributable to:			
Owners of the parent		113,215	140,024
Non-controlling interests		8,795	4,987
Total		¥ 122,010	¥ 145,011
Earnings per share			
Basic earnings per share (Yen)	31	¥54.71	¥67.68
Diluted earnings per share (Yen)	31	54.71	67.64

Consolidated Statement of Comprehensive Income

		(Millions of yen)	
Years ended March 31	Notes	2014	2015
Profit for the Year		¥122,010	¥145,011
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans	18, 21	31,437	63,106
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	18	7,269	17,220
Cash flow hedges	18	(55)	(79)
Available-for-sale financial assets	18	11,932	21,523
Share of other comprehensive income of investments accounted for using the equity method	18	2,966	3,502
		22,112	42,166
Total Other Comprehensive Income for the Year, Net of Taxes		53,549	105,272
Total Comprehensive Income for the Year		¥175,559	¥250,283
Total comprehensive income for the year attributable to:			
Owners of the parent		¥161,531	¥240,329
Non-controlling interests		14,028	9,954
Total		¥175,559	¥250,283

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

		Equity attributable to owners of the parent							
	Notes	Share capital	Capital surplus	Treasury stock,at cost	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2013 (Date of transition)		¥324,625	¥236,509	¥(340)	¥(195,876)	¥ 43,055	¥407,973	¥119,626	¥527,599
Profit for the year					113,215		113,215	8,795	122,010
Other comprehensive income	18					48,316	48,316	5,233	53,549
Total comprehensive income for the year		–	–	–	113,215	48,316	161,531	14,028	175,559
Purchase of treasury stock	18			(84)			(84)		(84)
Disposal of treasury stock	18			2			2		2
Dividends paid	19						–	(2,657)	(2,657)
Transfer to retained earnings					28,330	(28,330)	–		–
Acquisition (disposal) of non-controlling interests	10		(2,999)				(2,999)	2,381	(618)
Changes in ownership interests in subsidiaries							–	(1,824)	(1,824)
Others					(10)	102	92	(118)	(26)
Balance at March 31, 2014		324,625	233,510	(422)	(54,341)	63,143	566,515	131,436	697,951
Profit for the year					140,024		140,024	4,987	145,011
Other comprehensive income	18					100,305	100,305	4,967	105,272
Total comprehensive income for the year		–	–	–	140,024	100,305	240,329	9,954	250,283
Purchase of treasury stock	18			(127)			(127)	(2)	(129)
Disposal of treasury stock	18		1	2			3		3
Dividends paid	19				(16,552)		(16,552)	(2,904)	(19,456)
Transfer to retained earnings					61,610	(61,610)	–		–
Acquisition (disposal) of non-controlling interests	10		(79)				(79)	6,007	5,928
Changes in ownership interests in subsidiaries							–	(183)	(183)
Balance at March 31, 2015		¥324,625	¥233,432	¥(547)	¥ 130,741	¥101,838	¥790,089	¥144,308	¥934,397

CONSOLIDATED STATEMENT OF CASH FLOWS

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

Years ended March 31	Notes	2014	2015
Cash Flows from Operating Activities			
Profit before income taxes		¥ 161,103	¥ 198,864
Depreciation, amortization and impairment loss		186,441	187,844
Increase (decrease) in provisions		(34,992)	(42,209)
Increase (decrease) in net defined benefit liability		(29,068)	(14,687)
Interest and dividend income		(5,264)	(5,688)
Interest charges		6,553	5,974
Equity in earnings of affiliates, net		(8,342)	(8,497)
Gain on sales of available-for-sale financial assets		(4,951)	(1,216)
(Increase) decrease in trade receivables		(61,510)	(75,698)
(Increase) decrease in inventories		(2,810)	13,778
Increase (decrease) in trade payables		46,284	32,686
Other, net		(7,580)	427
Cash generated from operations		245,864	291,578
Interest received		1,992	2,292
Dividends received		4,551	4,419
Interest paid		(6,582)	(5,921)
Income taxes paid		(69,323)	(12,219)
Net Cash Provided by Operating Activities		176,502	280,149
Cash Flows from Investing Activities			
Purchases of property, plant, equipment, and intangible assets		(179,670)	(199,109)
Proceeds from sale of available-for-sale financial assets		21,367	2,043
Proceeds from transfer of business		10,807	–
Other, net		18,558	(3,450)
Net Cash Used in Investing Activities		(128,938)	(200,516)
Cash Flows from Financing Activities			
Increase (decrease) in short-term borrowings		(185,880)	5,769
Proceeds from long-term debt and issuance of bonds	20	241,275	100,426
Repayment of long-term debt and bonds		(81,358)	(94,530)
Payment of lease obligations		(16,639)	(15,641)
Dividends paid to owners of the parent	19	–	(16,552)
Other, net		(3,615)	3,201
Net Cash Used in Financing Activities		(46,217)	(17,327)
Net Increase (Decrease) in Cash and Cash Equivalents		1,347	62,306
Cash and Cash Equivalents at Beginning of Year		284,548	301,162
Effect of Exchange Rate Changes on Cash and Cash Equivalents		15,267	(1,440)
Cash and Cash Equivalents at End of Year	16	¥ 301,162	¥ 362,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

1. Reporting Entity

Fujitsu Limited (the "Company") is a company domiciled in Japan. The Company's consolidated financial statements consist of the Company, its consolidated subsidiaries (together, the "Group") and the equity interests held in associates of the Group. In the field of ICT, while delivering a wide variety of services, the Group offers comprehensive solutions, from the development, manufacturing, and sales to the maintenance and operations of cutting-edge, high-performance, high-quality products and electronic devices that support services.

2. Basis of Preparation

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), based on Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976; the "Ordinance on Consolidated Financial Statements") and the requirements for "specified company" set forth in Article 1-2, items 1 and 2.

The year ended March 31, 2015 marks the first time that the Group's financial statements have been prepared in accordance with IFRS. The consolidated financial statements for the year ended March 31, 2014 were prepared in accordance with generally accepted accounting principles in Japan. April 1, 2013 is the date of transition to IFRS.

The consolidated financial statements were approved on June 22, 2015 by President and Representative Director Tatsuya Tanaka and Chief Financial Officer Hidehiro Tsukano of the Company.

The consolidated financial statements, except for the following important items in the consolidated statement of financial position, have been prepared based on acquisition cost.

Derivative financial instruments are measured at fair value.

Available-for-sale financial assets are measured at fair value.

Net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets.

The consolidated financial statements are presented in Japanese yen. The financial information presented in Japanese yen is rounded to the nearest million yen.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Acquisitions of subsidiaries, accounted for using the acquisition method, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The Group measures goodwill at the acquisition date as follows:

- fair value of consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquiree, plus
- if the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, less
- the net recognized amount of the identifiable assets acquired and liabilities assumed.

A gain from a bargain purchase in a business combination is recognized in profit or loss.

Any transaction costs which are incurred in connection to a business acquisition, such as legal fees, due diligence fees and other professional or consulting fees, are expensed as incurred and not included within the fair value of consideration transferred.

(ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognized as a result of such transactions. A change in the ownership interest, without changing control, is accounted for as an equity transaction.

(iii) Subsidiaries

Subsidiaries are entities which the Group controls. Financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

The Group's consolidated financial statements include financial statements of subsidiaries that have a different reporting date from that of the consolidated financial statements. In such cases, for consolidation purposes, the subsidiary prepares additional financial information as of the same date as the financial statements of the parent, unless it is impracticable to do so. In such cases, the effects of significant transactions or events that occur between those dates are adjusted in the consolidated financial statements. In any case, the difference between those dates is no more than three months.

Comprehensive income of a subsidiary is attributed to the owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(iv) Loss of control

If the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and other components of equity related to the subsidiary. Any gain or loss arising from loss of control is recognized in profit or loss. If the Group retains any interest in the subsidiary, that investment is re-measured at fair value on the day that control ceases. Subsequently, it is accounted for as an equity method associate or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates and joint ventures (equity-accounted investments)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. If the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence over the investee, unless it can be clearly demonstrated that this is not the case. In addition, the Group assumes that it has significant influence over the investee, if the Group has rights for involvements in deciding financial and operating policies of the investee through the board meeting. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, requiring unanimous consent of the parties sharing control for important financial and operating decisions and the parties, including the Group, have rights to the net assets of the arrangement.

Investments in associates and joint ventures are initially accounted for at cost and subsequently under the equity method. Any acquisition costs are included in the cost of the investment.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases.

The Group's consolidated financial statements include financial statements of associates or joint ventures that have a different reporting date from that of the consolidated financial statements. In such cases, for consolidation purposes, the associate or joint venture prepares additional financial information as of the same date as the financial statements of the parent, unless it is impracticable to do so. In such cases, the effects of significant transactions or events that occur between those dates are adjusted in the consolidated financial statements. In any case, the difference between those dates is no more than three months.

When the Group's share of losses exceeds its investment in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or made payments on behalf of the investee.

(vi) Consolidation adjustments

All inter-Group balances, transactions, and unrealized gains and losses resulting from inter-Group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains only if there is no evidence of impairment.

(b) Foreign currencies

(i) Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each Group company at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at the reporting date. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated at the foreign exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognized in profit or loss. However, foreign exchange translation differences upon conversion of equity securities classified as available-for-sale financial assets and effective cash flow hedges are recognized in other comprehensive income.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including any goodwill arising on the acquisition and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are translated into Japanese yen at the rate of exchange prevailing at the reporting date and their revenue and expenses are translated at the average monthly exchange rate.

The foreign exchange differences arising on translation are recognized in other comprehensive income and included in foreign currency translation adjustments within other components of equity. Upon disposal of a foreign operation, if controlled, significant influence or joint control is lost and the accumulated amount of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss as part of gains and losses on the disposal.

(c) Financial instruments

(i) Non-derivative financial assets

The Group classifies non-derivative financial assets into the following categories: held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The Group initially recognizes loans and receivables on the date that they originate. All other financial assets are recognized initially on the trade date, the date on which the Group becomes party to the contractual provisions.

The Group derecognizes a financial asset when contractual rights to the cash flows from the asset expire. In transferring contractual rights to the cash flows from a financial asset, the Group will derecognize the financial asset but separately recognize another asset or liability to the extent that the Group retains any rights or obligations after the transfer if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

Financial assets and liabilities are offset and presented net only when the Group has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and a fixed maturity that the Group intends and has ability to hold until maturity. This category includes corporate bonds for example. These investments are initially measured at fair value, plus any directly attributable transaction costs and subsequently at amortized cost using the effective interest method, less any impairment losses. The amortization charge for each period is recognized as financial income in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market; this category includes trade and other receivables. Such assets are initially measured at fair value, plus any directly attributable transaction costs and subsequently at amortized cost using the effective interest method, less any impairment losses. The amortization charge for each period is recognized as financial income in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets designated as available for sale or are not classified in one of the other categories above. They comprise equity securities and debt securities.

These assets are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at fair value at the reporting date. The resulting gains and losses, except impairment losses, foreign exchange gains, and losses on debt securities and interest costs incurred due to the effective interest method, are recognized in other comprehensive income and presented as available-for-sale financial assets in other components of equity. Upon derecognition of the assets, the gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Non-derivative financial liabilities

The Group recognizes debt securities on the day that they are issued. All other financial liabilities are initially recognized on the trade date, the date on which the Group becomes party to contractual provisions. Other financial liabilities include loans and borrowings and trade and other payables.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

These financial liabilities are measured initially at fair value, less any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. The amortization charge for each period is recognized as financial expense in profit or loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from capital surplus, net of any tax effects.

Treasury shares

When share capital recognized as equity (treasury shares) is repurchased, the amount of consideration paid net of tax effects, including directly attributable costs, is recognized as a deduction from equity. When treasury shares are subsequently sold or reissued, the amounts received are recognized as an increase in equity and the resulting gains and loss on the transactions are presented within capital surplus.

(iv) Compound financial instruments

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the equity and liability components of the compound financial instrument in proportion to their initial carrying values.

Subsequently, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method; the equity component is not remeasured.

Interest related to the financial liability is recognized as financial expense in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially and subsequently measured at fair value.

An embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host and if an individual instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

Derivatives to which hedge accounting is not applied

When a derivative is not designated as a hedging instrument in accordance with the criteria for hedge accounting, any changes in the fair value of the derivative are recognized in profit or loss.

Derivatives to which hedge accounting is applied

Upon initial qualification of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including risk management objectives and strategy in undertaking the hedge transaction and the hedged risk. The Group continually assesses the efficacy of hedging instruments for their ability to offset changes in the fair values of the cash flows of their respective hedged items, and whether the actual results of each hedge are within the acceptable range of 80–125%. For cash flow hedges, execution of a forecast transaction that is the subject of the hedge must be highly probable and must present exposure to variation in cash flows that could ultimately impact profit or loss.

Cash flow hedges

The effective portion of changes in fair value of a derivative is recognized in other comprehensive income and presented as cash flow hedges in other components of equity. Any ineffective portion of changes in the fair value is recognized in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in other components of equity is included in the carrying amount when the asset is recognized. In other cases, the amount accumulated in other components of equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. Discontinuation of hedge accounting applies prospectively from the date on which a derivative no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised. If a forecast transaction is no longer probable, then the balance in other components of equity is reclassified to profit or loss.

(d) Property, plant and equipment (excluding leased assets)

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes the following expenses which are directly attributable to the acquisition of the asset:

- Costs of employee benefits arising directly from the construction of the asset and costs of installation and assembly
- Estimate of costs of dismantling or restoring the asset if such obligation exists
- Capitalized borrowing costs

When different parts of an asset have different useful lives they are accounted for as separate items (by major parts).

Any gain or loss on disposal of an item of property, plant and equipment, calculated as the difference between net proceeds received and carrying amount of the item, is recognized as other income or expenses in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits from the expenditure will flow to the Group. Ongoing maintenance and repairs are expensed as incurred.

(iii) Depreciation

The depreciable amount (cost less residual value) for items of property, plant and equipment is allocated on a systematic basis over its useful life. The Group in principle adopts the straight-line method of depreciation reflecting the pattern of consumption (matching of costs with revenue) of the future economic benefits from the asset.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is either classified as held for sale or is derecognized.

The estimated useful lives for significant categories of property, plant and equipment are:

- Buildings 7 to 50 years
- Machinery and equipment 3 to 7 years
- Tools, fixtures and fittings 2 to 10 years

Depreciation methods, useful lives, and residual values are reviewed and adjusted if necessary.

(e) Goodwill

For the measurement of goodwill at the acquisition date, see note 3(a)(i) Business combinations.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill in relation to equity-accounted investments is included in the carrying amount of the investment and, therefore, the entire carrying amount of the investment as a single asset is compared with the recoverable amount for the purpose of impairment test. An impairment loss is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment.

(f) Intangible assets

(i) Research and development

Research is basic and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditures on research activities are expensed as incurred in profit or loss.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, etc.

Development activities include a plan or design for the production of new or substantially improved products or processes. Development expenditures are capitalized only if they can be reliably measured, the product or process is technically and commercially feasible, it is probable that the future economic benefits will flow to the Group, and the Group intends to and has the ability as well as sufficient resources to complete development and to use or sell the asset. Capitalized expenditures include directly attributable cost of generation and manufacture of the asset as well as bringing the asset to its working condition, such as cost of materials and cost of employee benefits. Other development expenditures are expensed as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and impairment losses.

(ii) Software and other intangibles

The Group develops software for sale and for its own use. An intangible asset is recognized if it meets the criteria for capitalization of development expenditures as described in the preceding section. The cost of software includes costs of employee benefits as well as costs of materials and services used or consumed in generating the software. The cost of a separately acquired intangible asset is capitalized because normally the price the Group pays to acquire the asset reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group. Other intangible assets are measured at historical cost less accumulated amortization and impairment losses.

(iii) Amortization

Software held for sale is amortized based on the expected sales volumes and allocated equally based on the remaining useful life. Software for internal use and other intangible assets with finite useful lives are amortized over their respective useful lives using in principle the straight-line method to reflect the pattern of consumption of the expected future benefits from the assets. Goodwill acquired in a business combination is not amortized.

The estimated useful lives are:

- Software held for sale 3 years
- Software for internal use Within 5 years

Amortization methods, useful lives, and residual values are reviewed and adjusted if necessary.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at the lower of its fair value and the present value of minimum lease payments at inception of the lease term. Subsequently, the asset is depreciated over the shorter period of either the lease term or the economic useful life of the leased asset. The depreciation expense is recognized as incurred in profit or loss.

All other leases are assumed to be operating leases and the annual rentals are charged to profit or loss on a straight-line basis over the lease term.

(h) Inventories

Inventories are measured at cost. However, should the net realizable value (NRV) at the reporting date fall below the cost, inventories are measured at the NRV, with the difference in value between the cost and the NRV, in principle, booked as cost of sales.

The cost of inventories comprises costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are interchangeable is determined by the moving-average cost method or the periodic average method, whereas the cost of inventories of items that are not interchangeable is determined by the specific identification method.

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated direct selling expenses. Inventories that are slow moving and inventories held for long-term maintenance contracts are measured at the NRV that reflects future demand and market trends.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of changes in value. The ending balance of cash and cash equivalents in the consolidated statement of cash flows excludes overdrafts that are included and presented in short-term borrowings, current portion of long-term debt and lease obligations in the consolidated statement of financial position.

(j) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed for objective evidence of impairment at the reporting date and the amount of impairment loss is determined if any such evidence exists.

Objective evidence that financial assets are impaired includes significant financial difficulty of a debtor, restructuring of an amount due to the Group on terms which the Group would not consider otherwise, adverse changes in the payment status of borrowers or issuers such as bankruptcy, and other adverse changes in the economic climate impacting default of payment such as the disappearance of an active market for a security. In addition, equity investments are considered to be impaired if the fair value falls by more than 20% or there is a prolonged decline in its fair value throughout the year in comparison with the original acquisition value.

Financial assets measured at amortized cost

The impairment assessment is made at an individual level for assets considered to be individually significant, or at a collective level if not considered to be individually significant. If the Group determines no objective evidence of impairment on assets assessed individually, those assets are included within a group of assets with similar credit risk for collective impairment review as to whether an impairment loss is necessary. Individual assets for which an impairment loss has been recognized are not included in a collective assessment of impairment.

If there is objective evidence that a financial asset carried at amortized cost such as loans, receivables, and held-to-maturity investment securities has been impaired, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding possible bad debt losses in the future) discounted at the assets original effective interest rate (in other words, at the effective interest rate calculated at initial recognition). The carrying amount is reduced through the use of an allowance account. The impairment loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in a debtor's credit rating), the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal will not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Available-for-sale financial assets

When a decline in the fair value of available-for-sale financial assets has been recognized in equity and there is objective evidence that the asset has been impaired, the accumulated loss already recognized in equity is reclassified to profit or loss. The amount of cumulative loss reclassified is equal to the difference between acquisition cost (less repayment of principal or amount of amortization if any) and current fair value, less any impairment losses on the asset previously recognized in profit or loss. The reversal of impairment losses of equity instruments is recognized in other comprehensive income. For debt securities that are classified as available-for-sale financial assets, reversal of impairment losses is recognized in profit or loss if the increase in its fair value can be objectively related to an event occurring after initial impairment.

(ii) Non-financial assets

If there is an indication of impairment for non-financial assets other than inventories and deferred tax assets, the asset's recoverable amount is estimated and the asset is tested for impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment both annually and when there is an indication of impairment. An impairment loss is recognized if the recoverable amount of an asset or cash-generating unit (CGU) is less than its carrying amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset or CGU are discounted to present value using a pre-tax discount rate which reflects current market assessments of the time value of money and any risks specific to the asset or CGU. For impairment testing purposes, assets are grouped together into the smallest group of assets that generate cash inflows independently of cash inflows of other assets or CGUs. Goodwill is grouped together so that the impairment is tested for the smallest group of units used for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to that CGU (or CGU group) and then to reduce the carrying amounts of other assets in the CGU (or CGU group) on a pro-rata basis.

Impairment losses on goodwill are not reversed. For all other assets, impairment losses are only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Assets classified as held for sale

Non-current assets (or disposal group) are classified as held for sale if the carrying amount of the assets will be principally recovered through sale rather than through continuing use. Furthermore, non-current assets (or disposal group) are classified as held for sale if the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group), its sale is highly probable, the appropriate level of management is committed to a plan to sell the asset (or disposal group), and the sale is expected to be completed within one year from the date of classification. Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and they are no longer depreciated or amortized. An impairment loss is recognized in profit or loss for any initial or subsequent write-down of the non-current asset (or disposal group) to fair value less costs to sell. Equally a gain is recognized for any subsequent increase in the fair value, but not in excess of the accumulated impairment losses previously recognized.

(l) Employee benefits

(i) Retirement benefit plans

Defined benefit plans

The Group's net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets. The defined benefit liability in respect of each defined benefit plan is calculated separately by estimating the amount of future benefits employees have earned in return for services rendered and discounted to present value. The calculation is performed in each reporting period by qualified actuaries using the projected unit credit method. The discount rate used is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximate to the terms of the Group's obligations that are denominated in the currency in which the benefits are expected to be paid.

The Group recognizes in profit or loss the current service cost that is calculated by the projected unit credit method using an actuarial technique. Net interest on the net defined benefit liability (asset), which is determined by multiplying the net defined benefit liability (asset) by the appropriate discount rate, is recognized in profit or loss. The Group recognizes any past service cost in profit or loss when a plan is amended or curtailed. A gain or loss on a settlement of a pension plan is also recognized in profit or loss when the settlement actually occurs.

Remeasurements of the net defined benefit liability (asset) (actuarial gains and losses) are recognized, after adjusting for tax effects, under other comprehensive income, and immediately reflected in retained earnings.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further amounts. Contributions to defined contribution plans are recognized as employee costs in profit or loss in the period when the service is provided by the employee.

(ii) Termination benefits

Termination benefits are recognized as employee expenses in profit or loss when the Group announces a detailed formal plan to terminate employment or to provide termination benefits as part of a restructuring program in the form of redundancy. Such termination benefits are recognized in profit or loss only when withdrawal of the plan is not practicable.

(iii) Short-term employee benefits

The cost of short-term employee benefits are measured on an undiscounted basis and recognized in profit or loss as the service is provided by the employee. A liability is recognized for any bonus expected to be paid in accordance with the Group policy as the service is provided by the employee.

(m) Provisions

A provision is recognized if, as result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are discounted to present value using a pre-tax rate that reflects the time value of money and risks specific to the liability.

(i) Provision for product warranties

A provision for product warranties is recognized at the time of sales of the products at an amount that represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period.

(ii) Provision for contract losses

A provision is recognized for losses on projects such as customized software development if it is probable that the total estimated project costs exceed the total estimated project revenues.

(iii) Asset retirement obligation

A provision is made mainly for the estimated cost of restoring the leased site at the agreement of the lease, in accordance with the laws or contracts.

(iv) Provision for restructuring

A provision is recognized for the estimated costs of restructuring such as personnel rationalization and disposal of business, only when the Group starts to implement the plan or announces its main features to those affected by the plan.

(n) Revenue

(i) Product revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when a contract exists, significant risk and rewards of ownership have transferred to the customer, it is probable that the future economic benefits will flow to the Group, associated costs and possible return of the goods can be measured reliably, there is no continuing involvement in the management of the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the value can be reliably estimated at time of sale then these are deducted from revenue as it is recognized. The Group offers various marketing programs including volume discounts and sales incentives to customers in channel sales. If such incentives are given directly to customers and the amount is based on sales proceeds or volumes, then the incentives are deducted directly from revenue because they in substance comprise discounts. For price protection credits based on inventory remaining in the sales channel, the corresponding revenue is reduced when a price adjustment is announced.

Revenue on standard hardware, such as personal computers, mobile phones, and electronic devices, is in principle recognized upon delivery to the customer and is subject to risks and rewards having passed to the customer. If installation is a significant part of the contract, such as servers and network products, revenue is in principle recognized upon customer acceptance. Revenue on software which is preinstalled on the product before delivery is recognized at the same time as the revenue relating to the product itself is recognized. Revenue on standard software products (application package) is recognized on delivery unless further services or activities are required at which point revenue is recognized upon customer acceptance. Revenue from software licensing arrangements is recognized at point of sale if it can be demonstrated that delivery of licensed software is complete and there are no further performance obligations. Where these conditions are not met the license revenue is recognized over the license period on a straight-line basis. Revenue from services related to software products (e.g. upgrades or support) is generally recognized on a straight-line basis over the software contract period.

Where there are separately identifiable components in a contract or transaction, appropriate revenue recognition criteria is applied to each component (e.g. supply of hardware and ongoing services). Warranty or user training services that are provided to all customers equally and without charge is generally considered to be part of the primary transaction (supply of hardware), of which revenue is recognized as one transaction.

(ii) Service revenue

Revenue on ongoing service contracts is recognized over the period during which the service is provided. Revenue and costs for fixed price service contracts including construction contracts are recognized by reference to the stage of completion when the outcome of the transaction can be reliably estimated. The Group in principle adopts the percentage of completion method based on costs incurred to date as a percentage of total estimated project costs. When milestones are defined at contract inception, revenue is recognized based on completion of the contractual milestones.

In applying the percentage of completion method, the cumulative impact of change in estimates is recognized in profit or loss in the period in which the changes become known and estimable. An expected loss, which is a difference between total estimated project costs and total estimated project revenues, is recognized in profit or loss.

Where outsourcing services are charged on a per unit basis, revenue is recognized when the service is rendered and is billed or billable. Where services are charged on a time period basis, revenue is recognized evenly over the period of the service contract. Revenue for maintenance agreements is in principle recognized over the period in which the services are provided. Where maintenance services are charged on a time period basis, revenue is recognized on a time and materials basis.

(iii) Agent transactions

Revenue is recognized at the net amount if the Group does not assume financial risks, such as credit risk, associated with the contract or transaction and acts as an agent in supplying products or services.

(iv) Operating leases

Revenue arising from hardware used by a customer under the terms of an operating lease is recognized evenly over the lease term.

(o) Financial income and expenses

Financial income includes dividend income, interest income, gains on foreign exchange, gains on sales of available-for-sale financial assets, gains on hedging instruments recognized in profit or loss, and reclassifications of amounts previously recognized in other comprehensive income. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Financial expenses include interest expenses on bonds, borrowings, and lease obligations; losses on foreign exchange, losses on sales of available-for-sale financial assets (excluding accounts receivables); losses on hedging instruments recognized in profit or loss; and reclassifications of amounts previously recognized in other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset is recognized as incurred using the effective interest method. Total minimum lease payments for finance leases are allocated to the portion of financial expenses and the unpaid balance of liabilities and the financial expenses are allocated over the lease term on a pro rata basis against the unpaid balance of liabilities.

(p) Income tax expenses

Income tax expenses comprise current and deferred tax, both of which are recognized in profit or loss except to the extent that it relates to a business combination or items recognized in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using tax rates and tax laws enacted or substantially enacted at the reporting date, with any tax adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of assets and liabilities and the amounts used for tax purposes, the carryforward of unused tax losses, and unused tax credits. Deferred tax is not recognized for the following:

- Temporary differences on the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and associates to the extent that the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Taxable temporary differences arising on initial recognition of goodwill.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the period when the assets are realized or the liabilities are settled, based on the tax laws enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset only if they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities.

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 profits will be available against which they can be utilized. Deferred tax assets are impaired if it is no longer probable that future taxable income would be sufficient to allow part or all of the benefit of the deferred tax asset to be realized. Deferred tax liabilities are recognized in principle for all taxable temporary differences.

(q) Discontinued operations

Classification as a discontinued operation occurs on the date of disposal or the date at which the operating segment meets the definition of being held for sale, whichever is earlier. When an operating segment is classified as a discontinued operation, the comparative profit or loss statement is re-presented as if the operating segment had been discontinued from the start of the comparative year.

4. Use of Accounting Estimates and Judgments

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 key estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

(a) Revenue recognition

Revenue and cost for fixed-price service contracts, including construction contracts, are recognized by reference to the stage of completion when the outcome of the contract can be reliably estimated. Recognition of the revenue and cost are dependent on the estimate of project costs and revenues as well as the measurement of the stage of completion. The Group in principle adopts the percentage of completion method based on costs incurred to date as a percentage of total estimated project costs. When milestones are defined at contract inception, revenue is recognized based on completion of contractual milestones.

Assumptions about the estimates and measurement are reviewed as necessary. The impact from changes in the assumptions is recognized in the period in which the reliable estimate can be made. Revisions to the original estimate, as a result of the changes in the contract amount or costs for completion, could have a significant effect on the amounts recognized in the consolidated financial statements.

(b) Inventories

Inventories are measured at cost. However, should the net realizable value ("NRV") at the reporting date fall below the cost, inventories are subsequently measured based on the NRV, with the difference in value between the cost and the NRV, in principle, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at an NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where the NRV drops dramatically as a result of deterioration in the market environment against the forecast.

(c) Property, plant and equipment

Depreciation for an item of property, plant and equipment is calculated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter. An impairment loss may be recognized if there is a decrease in the expected future cash flows from the asset as a result of underutilization of production facilities or a decrease in the capacity utilization rate associated with rapid changes in the business environment as well as business realignment.

(d) 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 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 growth rate for the periods beyond the term of the business plan is determined based on the inflation rate in the area where each CGU is located and long-term average growth rate in the industry to which each CGU belongs. 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 judgments. Impairment losses could be recognized when the assumptions are revised as a result of a change in the market environment or other changes in the circumstances.

(e) 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.

(f) Available-for-sale financial assets

An available-for-sale financial asset is measured at its fair value based on the market price or other inputs at the reporting date. Other comprehensive income fluctuates as a result of changes in the fair value of available-for-sale financial assets. An impairment loss for an available-for-sale financial asset is recognized or could be recognized in future periods if there is a significant or prolonged decline in the fair value.

(g) 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. If there is a difference between the amount of income tax that the Group recognized and the amount presented by the taxation authorities, there could be a significant effect on the amounts recognized in the financial statements for the following periods.

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. When the actual amount and timing are different from those of the estimate, there could be a significant effect on the amounts recognized in the financial statements for the following periods. 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.

A deferred tax asset is not recognized for certain unused tax losses, unused tax credits, and deductible temporary differences. Tax losses can be carried forward for 9 years (7 years for tax losses that arose in the reporting period ended in March 31, 2008 and prior periods) for Japan, 20 years for the US, and indefinitely for the UK.

(h) Provisions

(i) Provision for product warranties

Some of the Group's products such as PCs and mobile phones are covered by contracts that require the Group to repair or exchange them free of charge during a certain period of time. The Group recognizes a provision for estimated repair and exchange expenses at the time of sale based on past records such as defect ratio, repair cost, and residual contract period. The Group is taking steps to strengthen quality management during the product development, manufacturing, and procurement stages. However, should product defects or other problems occur at a level in excess of that covered by the estimated expenses, additional expenses may be incurred.

(ii) Provision for contract losses

The Group records provisions for losses on projects such as customized software development if it is probable that the total estimated project costs exceed the total estimated project revenues and the amount of losses can be reliably measured. The Group is taking steps to curtail the emergence of new, unprofitable projects by moving ahead with the standardization of its business processes, establishing a check system as a dedicated organizational component, and conducting risk management throughout the entire progression of projects (beginning with business negotiations). Notwithstanding these efforts, the Group may incur additional losses in the event of an increase in estimated project costs in the future.

(iii) Asset retirement obligation

A provision is made, in preparation for restoring the leased site based on the contract, at an estimated amount to be paid based on past experience. Such expenses are expected to be paid when leaving the site and could change depending on the review of the business plan in the future.

(iv) Provision for restructuring

A provision is recognized for the estimated costs of restructuring such as personnel rationalization and disposal of business. The costs are estimated based on the announced plan and could fluctuate when the plan is reviewed as a result of a rapid change in the business environment.

(i) Defined benefit plans

The Company and its consolidated subsidiaries have 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.

5. Accounting Standards Issued but not yet Effective

The following new or amended accounting standards have been released by the date that the consolidated financial statements were approved, but the Group has not yet applied them.

The effects of applying these standards are now being reviewed and are difficult to estimate at this time.

Standard		Effective date	The Group timing of application	Outline of new or amended standards
IFRS 15	Revenue from contracts with customers	Annual reporting periods beginning on or after January 1, 2017	FY2017 April 1, 2017– March 31, 2018	A new revenue standard that replaces IAS 18, IAS 11, and associated interpretations
IFRS 9	Financial instruments	Annual reporting periods beginning on or after January 1, 2018	FY2018 April 1, 2018– March 31, 2019	Amendments pertaining to classification, measurement, and recognition of financial instruments and amendments for hedge accounting

Note: The International Accounting Standards Board published an exposure draft on May 19, 2015 to propose changing the effective date of IFRS 15 to the annual reporting periods beginning on or after January 1, 2018.

6. Segment Information

(1) Segment 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 chief operating decision maker to make decisions about resource allocation to the segments and assess their performance.

In the field of information and communication technology (ICT), while delivering a wide variety of services, the Group offers comprehensive solutions, from the development, manufacturing, and sales to the maintenance and operations of cutting-edge, high-performance, 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.

(a) Technology Solutions

The Group has a composite business management structure, organized along business lines, with categories of products and services enabling global strategic proposals, cost management, and other business management operations so as to provide customers the optimum products, software, and services in an integrated format. This matrix structure is also organized along customer lines, categorized into five regions consisting of Japan, EMEIA (Europe, Middle East, India, and Africa), Americas, Asia, and Oceania.

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.

(b) 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).

(c) Device Solutions

The segment is organized by product in independent business management units which include the respective sales departments and contains 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.

Accounting treatment applied to operating segments is mostly the same as in the note "3. Significant Accounting Policies."

Profit figures for the operating segments are presented on the basis of operating profit, but because corporate expenses are managed on the basis of the entire Group, they are not allocated to the operating segments. In addition, because the Group's finances (including financial income and expenses) and income from investments accounted for using the equity method are also managed on the basis of the entire Group, they are not allocated to the operating segments.

Intersegment transactions are based on an arm's length price.

(2) Amounts of revenue, operating profit and, other items by reportable segment

(Millions of yen)

	Reportable segments						
Years ended March 31	Technology Solutions	Ubiquitous Solutions	Device Solutions	Subtotal	Other	Elimination and Corporate	Consolidated
2014							
Revenue							
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 revenue	3,243,013	1,125,462	600,280	4,968,755	57,421	(263,731)	4,762,445
Operating Profit	233,075	(26,810)	11,574	217,839	(8,227)	(62,337)	147,275
Financial income							15,286
Financial expenses							(9,800)
Income from investments accounted for using the equity method, net							8,342
Profit before income taxes							161,103
(Other items)							
Depreciation and amortization	(107,219)	(20,777)	(38,065)	(166,061)	(1,635)	(9,112)	(176,808)
Impairment loss	(3,644)	(1,318)	(4,613)	(9,575)	(58)	–	(9,633)
Capital expenditure (including intangible assets and goodwill)	118,773	23,200	38,020	179,993	1,597	6,241	187,831
2015							
Revenue							
External customers	¥3,252,381	¥ 923,366	¥540,101	¥4,715,848	¥ 13,764	¥ 23,598	¥4,753,210
Inter-segment	50,423	139,485	55,520	245,428	47,071	(292,499)	–
Total revenue	3,302,804	1,062,851	595,621	4,961,276	60,835	(268,901)	4,753,210
Operating Profit	222,444	8,796	36,936	268,176	(22,056)	(67,492)	178,628
Financial income							22,682
Financial expenses							(10,943)
Income from investments accounted for using the equity method, net							8,497
Profit before income taxes							198,864
(Other items)							
Depreciation and amortization	(109,161)	(22,706)	(41,502)	(173,369)	(2,180)	(10,081)	(185,630)
Impairment loss	(673)	(12)	(1,524)	(2,209)	(5)	–	(2,214)
Capital expenditure (including intangible assets and goodwill)	118,502	23,496	67,457	209,455	4,896	7,945	222,296

Notes: 1. The "Other" 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 Group companies, and welfare benefits for Group employees.

2. Revenue under "Elimination and Corporate" represents the elimination of intersegment transactions and others.

3. Operating profit under "Elimination and Corporate" includes corporate expenses and the elimination of intersegment transactions. For the years ended March 31, 2014 and 2015, corporate expenses were –¥64,396 million and –¥70,171 million, and the elimination of intersegment transactions were ¥2,059 million and ¥2,679 million, respectively.

Corporate expenses mainly consist of strategic expenses such as basic research and development expenses which are not attributable to the reportable segments and shared Group management expenses incurred by the Company.

(3) Information about products and services

Revenue to external customers

	(Millions of yen)	
Years ended March 31	2014	2015
Technology Solutions		
Services	¥2,594,829	¥2,676,617
System Platforms	598,099	575,764
Ubiquitous Solutions		
PCs/Mobile phones	668,116	575,216
Mobilewear	319,860	348,150
Device Solutions		
LSI	296,812	285,806
Electronic components	250,897	254,295
Other Operations	12,466	13,764
Elimination and Corporate	21,366	23,598
Total	¥4,762,445	¥4,753,210

(4) Geographical information

(a) Revenue to external customers

	(Millions of yen)	
Years ended March 31	2014	2015
Japan	¥2,960,954	¥2,873,229
Outside Japan		
EMEIA	929,820	990,627
Americas	387,444	392,099
Asia	373,470	387,156
Oceania	110,757	110,099
Total	¥4,762,445	¥4,753,210

(b) Non-current assets (property, plant and equipment, goodwill, and intangible assets)

		(Millions of yen)	
At March 31	Date of transition (April 1, 2013)	2014	2015
Japan	¥644,161	¥636,443	¥654,285
Outside Japan			
EMEIA	81,388	91,222	85,641
Americas	23,280	26,702	32,408
Asia	33,989	35,652	40,407
Oceania	29,719	28,848	27,924
Total	¥812,537	¥818,867	¥840,665

Notes: 1. Revenues are classified by countries or regions based on locations of customers.
2. Non-current assets are classified by countries or regions based on locations of the Group.
3. Principal countries and regions comprising the segments other than Japan:
(1) EMEIA (Europe, Middle East, India, and Africa): UK, Germany, Spain, Finland, and Sweden
(2) Americas: US and Canada
(3) Asia: China, Singapore, Korea, and Taiwan
(4) Oceania: Australia
4. There is no country for which a separate individual disclosure is required.

(5) Information about major customers

Information is not disclosed because no specific customers reached 10% of revenue in the consolidated statement of profit or loss.

7. Business Combinations and Acquisition of Non-Controlling Interests

Not applicable.

8. Property, Plant and Equipment

Carrying amount

(Millions of yen)

	Land	Buildings	Machinery and equipment/ Tools, fixtures and fittings	Construction in progress	Total
Balance at April 1, 2013 (Date of transition)	¥108,947	¥275,346	¥209,901	¥27,987	¥ 622,181
Additions *[1]	90	23,685	101,110	(2,022)	122,863
Acquisitions through business combinations	–	5	21	–	26
Depreciation	–	(24,077)	(91,852)	–	(115,929)
Impairment losses *[2]	(234)	(3,489)	(3,717)	(67)	(7,507)
Disposals	(1,687)	(2,380)	(7,664)	(724)	(12,455)
Exchange differences on translation	601	5,453	6,364	143	12,561
Others	(45)	(82)	1,802	(935)	740
Balance at March 31, 2014	107,672	274,461	215,965	24,382	622,480
Additions *[1]	150	24,517	108,705	7,325	140,697
Acquisitions through business combinations	–	–	11	–	11
Depreciation	–	(24,748)	(96,459)	–	(121,207)
Impairment losses *[2]	(359)	(363)	(259)	(104)	(1,085)
Disposals or reclassifications to assets held for sale	(806)	(3,936)	(7,713)	(627)	(13,082)
Exchange differences on translation	335	2,083	3,529	123	6,070
Others	(1,189)	(788)	2,586	996	1,605
Balance at March 31, 2015	¥105,803	¥271,226	¥226,365	¥32,095	¥ 635,489

Cost

(Millions of yen)

At March 31	Land	Buildings	Machinery and equipment/ Tools, fixtures and fittings	Construction in progress	Total
Date of transition (April 1, 2013)	¥137,878	¥849,248	¥1,397,966	¥27,987	¥2,413,079
2014	134,079	870,192	1,383,355	24,450	2,412,076
2015	132,325	875,113	1,379,095	32,110	2,418,643

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

At March 31	Land	Buildings	Machinery and equipment/ Tools, fixtures and fittings	Construction in progress	Total
Date of transition (April 1, 2013)	¥28,931	¥573,902	¥1,188,065	¥ –	¥1,790,898
2014	26,407	595,731	1,167,390	68	1,789,596
2015	26,522	603,887	1,152,730	15	1,783,154

*[1] Additions under construction in progress are shown on a net basis that includes an increase in the amount of new additions and amounts transferred to each item in property, plant and equipment.

*[2] Impairment losses of ¥7,507 million and ¥1,085 million recorded for the years ended March 31, 2014 and 2015, respectively, are included in other income (expenses) in the consolidated statement of profit or loss.

Carrying amount of finance leased assets

The carrying amount of finance leased assets included in property, plant and equipment is as follows.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Buildings	¥ 4,568	¥ 4,757	¥ 4,441
Machinery and equipment/Tools, fixtures and fittings	25,053	23,489	24,476
Total	¥29,621	¥28,246	¥28,917

9. Goodwill and Intangible Assets

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets *[1] Software	Others	Total
Balance at April 1, 2013 (Date of transition)	¥32,607	¥133,818	¥23,931	¥157,749
Additions	–	59,026	5,942	64,968
Acquisitions through business combinations	1,898	214	–	214
Amortization *[2]	–	(54,433)	(6,446)	(60,879)
Impairment losses *[3]	(97)	(1,929)	(100)	(2,029)
Disposals	(432)	(3,580)	(559)	(4,139)
Exchange differences on translation	3,545	1,864	396	2,260
Others	12	722	(12)	710
Balance at March 31, 2014	37,533	135,702	23,152	158,854
Additions	–	62,365	19,234	81,599
Acquisitions through business combinations	1,459	384	–	384
Amortization *[2]	–	(57,258)	(7,165)	(64,423)
Impairment losses *[3]	–	(1,129)	–	(1,129)
Disposals or reclassifications to assets held for sale	–	(1,685)	(6,255)	(7,940)
Exchange differences on translation	(1,381)	509	(172)	337
Others	5	(30)	(92)	(122)
Balance at March 31, 2015	¥37,616	¥138,858	¥28,702	¥167,560

Cost

(Millions of yen)

At March 31	Goodwill	Intangible assets *[1] Software	Others	Total
Date of transition (April 1, 2013)	¥32,607	¥280,673	¥49,506	¥330,179
2014	37,630	265,885	40,928	306,813
2015	37,616	284,886	43,264	328,150

Accumulated amortization and accumulated impairment losses

(Millions of yen)

At March 31	Goodwill	Intangible assets *[1] Software	Others	Total
Date of transition (April 1, 2013)	¥ –	¥146,855	¥25,575	¥172,430
2014	97	130,183	17,776	147,959
2015	–	146,028	14,562	160,590

*[1] Intangible assets that fall under the category of internally generated are mainly software.

*[2] Amortization is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

*[3] Impairment losses of ¥2,126 million and ¥1,129 million recorded for the years ended March 31, 2014 and 2015, respectively, are included in other income (expenses) in the consolidated statement of profit or loss.

Research and development expenses for the years ended March 31, 2014 and 2015 are as follows.

	(Millions of yen)	
Years ended March 31	2014	2015
Research and development expenses	¥222,516	¥202,722

10. Subsidiaries

(1) Major subsidiaries

The Group's consolidated financial statements are prepared with consolidation of 510 subsidiaries. Major additions and subtractions for the year ended March 31, 2015 are as follows.

Newly consolidated as a result of acquisitions or formations of new companies: 15 companies
Subtracted due to liquidations, sale, or other: 12 companies
Subtracted due to mergers: 5 companies

The major subsidiaries at March 31, 2015 were as follows.

Segment	Name	Country	Ratio of total voting rights (%)
Technology Solutions	Fujitsu Frontech Limited	Japan	53.61
	Fujitsu Broad Solution & Consulting Inc.	Japan	56.45
	Fujitsu Marketing Limited	Japan	100.00
	Fujitsu Systems East Limited	Japan	100.00
	Fujitsu Systems West Limited	Japan	100.00
	Fujitsu Mission Critical Systems Limited	Japan	100.00
	Fujitsu Services Holdings PLC	UK	100.00
	Fujitsu Technology Solutions (Holding) B.V.*	Netherlands	100.00
	Fujitsu America, Inc.	US	100.00
	Fujitsu Australia Limited	Australia	100.00
	NIFTY Corporation	Japan	66.60
	Fujitsu FSAS Inc.	Japan	100.00
	PFU Limited	Japan	100.00
	Fujitsu FIP Corporation	Japan	100.00
	Fujitsu IT Products Limited	Japan	100.00
	Fujitsu Telecom Networks Limited	Japan	100.00
	Fujitsu Network Communications, Inc.	US	100.00
Ubiquitous Solutions	Fujitsu Personal System Limited	Japan	100.00
	Shimane Fujitsu Limited	Japan	100.00
	Fujitsu Mobile Communications Limited	Japan	100.00
	Fujitsu Isotec Limited	Japan	100.00
	Fujitsu Peripherals Limited	Japan	100.00
	Fujitsu TEN Limited	Japan	55.00
Device Solutions	Fujitsu Semiconductor Ltd.	Japan	100.00
	Fujitsu Electronics Inc.	Japan	100.00
	Shinko Electric Industries Co., LTD.	Japan	50.06
	FDK Corporation	Japan	72.58
	Fujitsu Component Limited	Japan	56.95
Other	Fujitsu Laboratories Ltd.	Japan	100.00

* The PC business of Fujitsu Technology Solutions falls under Ubiquitous Solutions.

(2) Changes in ownership interest in subsidiaries that do not result in loss of control

The impact on capital surplus arising from changes in the Company's ownership interest in a subsidiaries that does not result in a loss of control is as follows.

	(Millions of yen)	
Years ended March 31	2014	2015
The impact on capital surplus from equity transactions with non-controlling interests	¥(2,999)	¥(79)

(3) Subsidiaries in which the Company holds material non-controlling interests

The Company recognizes material non-controlling interests in the following subsidiaries. Information of companies for which material non-controlling interests are recognized is as follows. Summarized financial information is based on amounts before elimination of inter-Group transactions.

Shinko Electric Industries Co., LTD.

(a) Profit or loss allocated to non-controlling interests of the subsidiary during the reporting period

	(Millions of yen)	
Years ended March 31	2014	2015
Profit or loss allocated to non-controlling interests	¥4,503	¥3,027

(b) Proportion of ownership interests held by non-controlling interests and accumulated non-controlling interests

	(Millions of yen)		
At March 31	Date of transition (April 1, 2013)	2014	2015
Proportion of ownership interests held by non-controlling interests	49.94%	49.94%	49.94%
Accumulated non-controlling interests	¥61,539	¥66,004	¥68,161

(c) Dividends paid to non-controlling interests

	(Millions of yen)	
Years ended March 31	2014	2015
Dividends paid to non-controlling interests	¥(1,350)	¥(1,686)

(d) Summarized financial information

(i) Summarized consolidated statement of financial position

	(Millions of yen)		
At March 31	Date of transition (April 1, 2013)	2014	2015
Current assets	¥ 95,553	¥ 99,576	¥ 97,682
Non-current assets	76,615	77,744	84,245
Total assets	¥172,168	¥177,320	¥181,927
Current liabilities	¥ 35,051	¥ 34,386	¥ 35,879
Non-current liabilities	13,922	10,805	9,599
Total liabilities	48,973	45,191	45,478
Total equity	123,195	132,129	136,449
Total liabilities and equity	¥172,168	¥177,320	¥181,927

(ii) Summarized consolidated statement of profit or loss and consolidated statement of comprehensive income

	(Millions of yen)	
Years ended March 31	2014	2015
Revenue	¥140,412	¥142,815
Profit for the year	9,010	6,061
Other comprehensive income	2,626	1,635
Comprehensive income for the year	¥ 11,636	¥ 7,696

(iii) Summarized consolidated statement of cash flows

	(Millions of yen)	
Years ended March 31	2014	2015
Net cash provided by operating activities	¥ 28,276	¥ 18,399
Net cash used in investing activities	(20,725)	(25,659)
Net cash used in financing activities	(2,741)	(3,425)
Net increase (decrease) in cash and cash equivalents	4,810	(10,685)
Cash and cash equivalents at end of year	¥ 55,023	¥ 44,337

Note: The summarized financial information above includes IFRS adjustments to the consolidated financial statements of Shinko Electric Industries Co., LTD, which were prepared under JGAAP.

11. Associates

(1) Major associates

The major associates at March 31, 2015 were as follows.

Name	Country	Ratio of total voting rights (%)	Business description	Business transactions, etc.
Fujitsu General Limited	Japan	44.26	Development, production, and sales of air conditioners and information communication and electronic devices, as well as provision of services	Consigned production and sales of the Company products
Fujitsu Leasing Co., Ltd.	Japan	20.00	Leasing and sales of information processing equipment, communications equipment, etc.	Leasing and sales of the Company products
Socionext Inc.	Japan	40.00	Design, development, and sales of SoC and sales of solutions and services	Some of its products are supplied to the Company

Notes: 1. Investments in associates are accounted for using the equity method and the number of companies to which the method applies is 27. For the year ended March 31, 2015, four companies were added and one company was subtracted.
2. The Group holds 20% or more of the JECC Corporation shares issued, but because it is a special company operated through the joint capital investment of six companies, including domestic computer manufacturing companies, for the promotion of the domestic data processing industry, it is not an equity method associate.

(2) Summarized financial information of material equity method associates

Summarized financial information of material equity method associates is as follows.

Fujitsu General Limited

(a) Dividends received from Fujitsu General Limited

	(Millions of yen)	
Years ended March 31	2014	2015
Dividends received from Fujitsu General Limited	¥906	¥738

(b) Summarized consolidated financial information

(i) Summarized consolidated statement of financial position

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Current assets	¥106,298	¥115,892	¥138,989
Non-current assets	40,444	43,527	48,932
Total assets	¥146,742	¥159,419	¥187,921
Current liabilities	¥ 84,275	¥ 89,078	¥ 95,451
Non-current liabilities	14,552	14,741	15,902
Total liabilities	98,827	103,819	111,353
Equity attributable to owners of the parent	46,121	53,881	74,738
Non-controlling interests	1,794	1,719	1,830
Total equity	47,915	55,600	76,568
Total liabilities and equity	¥146,742	¥159,419	¥187,921

(ii) Summarized consolidated statement of profit or loss and summarized consolidated statement of comprehensive income

(Millions of yen)

Years ended March 31	2014	2015
Revenue	¥241,441	¥274,807
Profit for the year	13,849	19,176
Other comprehensive income	1,946	4,411
Total comprehensive income for the year	¥ 15,795	¥ 23,587

Note: The summarized financial information above includes IFRS adjustments to the consolidated financial statements of Fujitsu General Limited, which were prepared under JGAAP.

(c) Reconciliation of summarized financial information and the carrying amount of the Group's investment in the equity method associate

Reconciliation of summarized financial information and the carrying amount of the Group's investment in the equity method associate is as follows.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Equity attributable to owners of the parent	¥46,121	¥53,881	¥74,738
Ownership interest	46.14%	44.07%	44.08%
Equity attributable to the Group	¥21,280	¥23,745	¥32,945
Unrealized gains and losses	¥ (492)	¥ (455)	¥ (455)
Carrying amount of the Group's investment in the equity method associate	¥20,788	¥23,290	¥32,490
Fair value of the Group's investment in the equity method associate	¥40,256	¥45,937	¥72,687

12. Marketable Securities and Other Investments

Marketable securities and other investments comprise primarily available-for-sale financial assets. Please refer to the note "34. Financial Instruments" for available-for-sale financial assets.

13. Income Taxes

(1) Deferred tax assets and liabilities

(a) The major components of deferred tax assets and deferred tax liabilities

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Deferred tax assets			
Net defined benefit liability	¥ 200,523	¥ 182,108	¥ 138,007
Accrued bonuses	34,399	34,853	32,395
Excess of depreciation and amortization, impairment losses, etc.	18,305	21,411	29,391
Inventories	14,710	15,700	12,833
Carryforward of unused tax losses	5,737	3,927	10,003
Intercompany profit	4,980	4,957	4,051
Others	43,939	44,706	31,653
Total deferred tax assets	322,593	307,662	258,333
Deferred tax liabilities			
Gains from establishment of stock holding trust for retirement benefit plan	(96,860)	(96,887)	(87,868)
Gains and losses on revaluation of available-for-sale financial assets to fair value	(18,557)	(25,431)	(31,932)
Others	(8,413)	(8,487)	(7,354)
Total deferred tax liabilities	(123,830)	(130,805)	(127,154)
Net deferred tax assets	¥ 198,763	¥ 176,857	¥ 131,179

Net deferred tax assets are included in the following line items in the consolidated statement of financial position.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Deferred tax assets	¥204,547	¥183,401	¥139,254
Deferred tax liabilities	(5,784)	(6,544)	(8,075)

(b) Changes in net deferred tax assets

(Millions of yen)

Years ended March 31	2014	2015
Opening balance	¥198,763	¥176,857
Amounts recognized through profit or loss	(4,053)	(19,041)
Amounts recognized in other comprehensive income		
Cash flow hedges	(3)	12
Available-for-sale financial assets	(6,748)	(6,395)
Remeasurements of defined benefit plans	(17,222)	(24,019)
Total	(23,973)	(30,402)
Exchange differences on translation and others	6,120	3,765
Closing balance	¥176,857	¥131,179

(c) Deductible temporary differences and the amount of carryforward of unused tax losses for which deferred tax assets are not recognized

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Deductible temporary differences *	¥171,559	¥161,776	¥117,321
Carryforward of unused tax losses *	163,210	181,789	170,372
Total	¥334,769	¥343,565	¥287,693

The expiration dates of carryforward of unused tax losses for which deferred tax assets are not recognized are as follows.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
1st year	¥ 5,034	¥ 7,078	¥ 478
2nd year	8,029	496	135
3rd year	406	537	10,405
4th year	458	9,660	9,070
5th year and thereafter	149,283	164,018	150,284
Total	¥163,210	¥181,789	¥170,372

* The amounts presented above are calculated, multiplying the amounts of deductible temporary differences and carryforward of unused tax losses by applicable tax rates.

(2) Income tax recognized through profit or loss

(Millions of yen)

Years ended March 31	2014	2015
Current tax expense	¥35,040	¥34,812
Deferred tax expense		
Origination and reversal of temporary differences	6,675	19,179
Changes in tax rate	4,516	1,398
Others	(7,138)	(1,536)
Total deferred tax expense	4,053	19,041
Total income tax expense	¥39,093	¥53,853

Current tax expense for the year ended March 31, 2014 includes a ¥12,900 million decrease in income taxes arising from temporary differences for prior periods for which deferred tax assets were not recognized as a result of liquidation of Fujitsu Management Services of America, Inc.

(3) Difference between applicable tax rate and average effective tax rate

(%)

Years ended March 31	2014	2015
Applicable tax rate	37.9%	35.6%
Increase and decrease in income tax rate		
Change in unrecognized deferred tax assets	(12.7)%	(5.8)%
Applicable tax rate differential for subsidiaries outside Japan	(2.3)%	(2.2)%
Tax credit	(2.2)%	(1.9)%
Revision of tax rate	2.6%	0.7%
Others	1.0%	0.7%
Average effective tax rate	24.3%	27.1%

The Company and its consolidated subsidiaries in Japan are primarily affected by the corporation, residents, and business taxes. As a result of revision of tax act in Japan, the applicable tax rates calculated based on these rates were 37.9% and 35.6% for the years ended March 31, 2014 and 2015, respectively. The Company's consolidated subsidiaries outside Japan are affected by the corporation and other taxes at the domicile of each subsidiary.

14. Inventories

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Finished goods	¥122,258	¥131,330	¥133,816
Work in progress	113,362	106,368	88,204
Raw materials and supplies	87,472	92,504	91,862
Total	¥323,092	¥330,202	¥313,882

The amounts of write-downs of inventories recognized as an expense due to a decline in profitability for the years ended March 31, 2014 and 2015 were ¥33,472 million and ¥25,334 million, respectively.

15. Trade Receivables and Other Receivables

(1) Trade receivables

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Accounts receivable	¥882,197	¥975,058	¥1,024,367
Others	13,787	16,013	14,459
Allowance for doubtful accounts *	(12,079)	(10,824)	(9,004)
Total	¥883,905	¥980,247	¥1,029,822

* A reconciliation of changes in allowance for doubtful accounts is disclosed in changes in allowance for doubtful accounts (current) in note "34. Financial Instruments."

(2) Other receivables

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Accounts receivable–other	¥64,372	¥ 98,286	¥92,633
Others	6,534	7,141	7,297
Total	¥70,906	¥105,427	¥99,930

16. Cash and Cash Equivalents

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Cash and deposits	¥185,632	¥230,102	¥281,778
Short-term investments	100,970	71,060	80,250
Cash and cash equivalents in the consolidated statement of financial position	¥286,602	¥301,162	¥362,028

The following is a reconciliation for cash and cash equivalents in consolidated statement of cash flows at the end of the year.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Cash and cash equivalents in the consolidated statement of financial position	¥286,602	¥301,162	¥362,028
Bank overdrafts	(2,054)	–	–
Cash and cash equivalents at end of year in the consolidated statement of cash flows	¥284,548	¥301,162	¥362,028

17. Assets Held for Sale

Not applicable.

18. Equity and Other Components of Equity

(1) Share capital

(a) Number of shares authorized

Ordinary shares (no par value)

At March 31	(Thousands of shares) Number of shares
Date of transition (April 1, 2013)	5,000,000
2014	5,000,000
2015	5,000,000

(b) Number of shares issued and fully paid

Ordinary shares

(Units: thousands of shares, millions of yen)

At March 31	Number of shares	Share capital
Date of transition (April 1, 2013)	2,070,018	¥324,625
Changes during the year	—	—
2014	2,070,018	324,625
Changes during the year	—	—
2015	2,070,018	¥324,625

(c) Treasury stock

Ordinary shares

(Units: thousands of shares, millions of yen)

At March 31	Number of shares	Amount
Date of transition (April 1, 2013)	723	¥340
Acquisitions	176	84
Disposals	(5)	(2)
2014	894	422
Acquisitions	178	127
Disposals	(4)	(2)
2015	1,068	¥547

(2) Capital surplus and retained earnings

Under the Japanese Companies Act, the entire amount paid for new shares is required to be designated as common stock in principle. However, a company may designate a maximum 50% of the amount of the new shares as capital reserve, which is included in capital surplus. The Companies Act also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve, which is included in retained earnings, or as a capital reserve, which is included in capital surplus, until the total amounts of legal reserve and capital reserve reach 25% of share capital. The Companies Act allows legal reserve, capital reserve, other capital surplus, and other retained earnings to be transferred among the accounts under certain conditions upon resolution of the shareholders meetings.

Capital surplus in the consolidated financial statements includes capital reserve and other capital surplus of non-consolidated financial statements, and retained earnings in the consolidated financial statements includes legal reserve and other retained earnings of non-consolidated financial statements. The maximum amount that a company can distribute as dividends is calculated based on the Companies Act and its non-consolidated financial statements in accordance with JGAAP.

(3) Other components of equity and changes in other comprehensive income

(Millions of yen)

Years ended March 31	2014	2015
Foreign currency translation adjustments		
Opening balance	¥ 4,738	¥ 13,023
Other comprehensive income	8,285	17,473
Others	–	–
Closing balance	¥ 13,023	¥ 30,496
Cash flow hedges		
Opening balance	¥ (46)	¥ 20
Other comprehensive income	66	(58)
Others	–	–
Closing balance	¥ 20	¥ (38)
Available-for-sale financial assets		
Opening balance	¥ 38,363	¥ 50,100
Other comprehensive income	11,737	21,280
Others	–	–
Closing balance	¥ 50,100	¥ 71,380
Remeasurements of defined benefit plans		
Opening balance	¥ –	¥ –
Other comprehensive income	28,228	61,610
Others	(28,228)	(61,610)
Closing balance	¥ –	¥ –
Total other components of equity		
Opening balance	¥ 43,055	¥ 63,143
Other comprehensive income	48,316	100,305
Others	(28,228)	(61,610)
Closing balance	¥ 63,143	¥101,838

(4) Breakdown of each item of other comprehensive income included in non-controlling interests

(Millions of yen)

Years ended March 31	2014	2015
Foreign currency translation adjustments	¥2,133	¥3,122
Cash flow hedges	(30)	(37)
Available-for-sale financial assets	230	386
Remeasurements of defined benefit plans	2,900	1,496
Other comprehensive income	¥5,233	¥4,967

(5) Income tax effects relating to each item of other comprehensive income

(Millions of yen)

Years ended March 31	2014	2015
Foreign currency translation adjustments		
Gains (losses) during the year	¥ 8,795	¥ 17,433
Reclassification to profit or loss	(1,526)	(213)
Amount before related income tax effects	7,269	17,220
Income tax effects	–	–
Amount after related income tax effects	¥ 7,269	¥ 17,220
Cash flow hedges		
Gains (losses) during the year	¥ (52)	¥ 10
Reclassification to profit or loss	–	(101)
Amount before related income tax effects	(52)	(91)
Income tax effects	(3)	12
Amount after related income tax effects	¥ (55)	¥ (79)
Available-for-sale financial assets		
Gains (losses) during the year	¥ 22,980	¥ 28,163
Reclassification to profit or loss	(4,300)	(245)
Amount before related income tax effects	18,680	27,918
Income tax effects	(6,748)	(6,395)
Amount after related income tax effects	¥ 11,932	¥ 21,523
Remeasurements of defined benefit plans		
Gains (losses) during the year	¥ 48,659	¥ 87,125
Amount before related income tax effects	48,659	87,125
Income tax effects	(17,222)	(24,019)
Amount after related income tax effects	¥ 31,437	¥ 63,106
Share of other comprehensive income of investments accounted for using the equity method		
Gains (losses) during the year	¥ 2,793	¥ 3,890
Reclassification to profit or loss	173	(388)
Amount after related income tax effects	¥ 2,966	¥ 3,502
Total other comprehensive income		
Amount after related income tax effects	¥ 53,549	¥105,272

19. Dividends

Year ended March 31, 2014

(1) Dividends paid

Not applicable, as no year-end dividends for the year ended March 31, 2013 and no interim dividends for the year ended March 31, 2014 were paid.

(2) Among the dividends whose record date falls within the year ended March 31, 2014, those whose effective date fall within the year ended March 31, 2015

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of directors meeting on May 22, 2014	Ordinary shares	¥8,276	Retained earnings	4 yen	March 31, 2014	June 2, 2014

Year ended March 31, 2015

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of directors meeting on May 22, 2014	Ordinary shares	¥8,276	Retained earnings	4 yen	March 31, 2014	June 2, 2014
Board of directors meeting on October 30, 2014	Ordinary shares	¥8,276	Retained earnings	4 yen	September 30, 2014	November 26, 2014

(2) Among the dividends whose record date falls within the year ended March 31, 2015, those whose effective date fall within the year ending March 31, 2016

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of directors meeting on May 22, 2015	Ordinary shares	¥8,276	Retained earnings	4 yen	March 31, 2015	June 1, 2015

20. Bonds, Borrowings, and Lease Obligations

(1) Breakdown of interest-bearing loans

	(Millions of yen)					
At March 31	Date of transition (April 1, 2013)	2014	2015	Average interest rate (2014) (%) *[1]	Average interest rate (2015) (%) *[1]	Repayment due date
Current portion of bonds *[2]	¥ 20,188	¥ 59,980	¥ 70,067	–	–	–
Bonds *[2]	209,673	229,795	229,692	–	–	–
Short-term borrowings	210,657	35,043	46,195	1.08%	0.75%	–
Current portion of long-term borrowings	58,865	34,036	42,421	0.39%	0.63%	–
Long-term borrowings	35,145	160,261	148,050	0.56%	0.49%	April 9, 2016–March 31, 2021
Lease obligations (current)	14,385	13,549	13,720	2.71%	2.51%	–
Lease obligations (non-current)	26,764	27,579	28,347	3.24%	2.99%	April 1, 2016–August 28, 2081
Total	¥575,677	¥560,243	¥578,492			
Short-term borrowings, current portion of long-term debt and lease obligations (current)	¥304,095	¥142,608	¥172,403			
Long-term debt and lease obligations (non-current)	271,582	417,635	406,089			

*[1] Average interest rates are the weighted average interest rates for the balance at March 31, 2014 and 2015.
*[2] A breakdown of the bonds is on the next page. Interest rates in subtotal and total are the weighted average interest rates for the total face value of the bonds.

At March 31		(Millions of yen)					
Company name/Issue	Issue date	Date of transition (April 1, 2013)	2014	2015	Interest rate (%)	Collateral	Maturity
The Company							
Seventeenth Series Unsecured Straight Bonds	May 8, 1998	¥ 29,936	¥ 29,949	¥ 29,961	3.000%	None	May 8, 2018
Twenty-Fifth Series Unsecured Straight Bonds	September 25, 2007	39,964	39,986	–	1.730%	None	September 25, 2014
Twenty-Sixth Series Unsecured Straight Bonds	October 20, 2010	19,988	–	–	0.307%	None	October 18, 2013
Twenty-Seventh Series Unsecured Straight Bonds	October 20, 2010	29,942	29,965	29,988	0.420%	None	October 20, 2015
Twenty-Eighth Series Unsecured Straight Bonds	July 15, 2011	19,973	19,994	–	0.398%	None	July 15, 2014
Twenty-Ninth Series Unsecured Straight Bonds	July 15, 2011	29,929	29,951	29,973	0.623%	None	July 15, 2016
Thirtieth Series Unsecured Straight Bonds	October 16, 2012	39,901	39,940	39,979	0.331%	None	October 16, 2015
Thirty-First Series Unsecured Straight Bonds	October 16, 2012	19,928	19,944	19,960	0.476%	None	October 16, 2017
Thirty-Second Series Unsecured Straight Bonds	October 16, 2013	–	29,920	29,951	0.267%	None	October 14, 2016
Thirty-Third Series Unsecured Straight Bonds	October 16, 2013	–	34,885	34,910	0.410%	None	October 16, 2018
Thirty-Fourth Series Unsecured Straight Bonds	October 16, 2013	–	14,941	14,950	0.644%	None	October 16, 2020
Thirty-Fifth Series Unsecured Straight Bonds	June 12, 2014	–	–	39,884	0.339%	None	June 12, 2019
Thirty-Sixth Series Unsecured Straight Bonds	June 12, 2014	–	–	29,903	0.562%	None	June 11, 2021
Subtotal		229,561	289,475	299,459	0.688%		
Subsidiaries in Japan							
Unsecured convertible bonds	December 12, 2008–December 17, 2010	300	300	300	0.000%	None	April 30, 2015–December 31, 2016
Total		¥229,861	¥289,775	¥299,759	0.688%		

(2) Minimum lease payments

	Date of transition (April 1, 2013)		2014		2015	(Millions of yen)
At March 31	Undiscounted	Present value	Undiscounted	Present value	Undiscounted	Present value
Not later than one year	¥15,225	¥14,385	¥14,506	¥13,549	¥14,701	¥13,720
Later than one year and not later than five years	24,529	23,229	25,513	23,807	26,171	24,381
Later than five years	6,701	3,535	7,331	3,772	7,525	3,966
Total	46,455	41,149	47,350	41,128	48,397	42,067
Less: future financial expenses	(5,306)	–	(6,222)	–	(6,330)	–
Total present value	¥41,149	¥41,149	¥41,128	¥41,128	¥42,067	¥42,067

21. Post-Employment Benefits

(1) Defined benefit plans

(a) Characteristics of defined benefit plans and risks associated with the plans

The Group provides defined benefit plans, as part of retirement benefit plans, in countries such as Japan, the UK, and Germany. The Company and some subsidiaries in Japan have retirement benefit trusts. In addition, the Group provide defined contribution plans in countries such as the UK, Japan, and Australia.

The major defined benefit plans in Japan are funded pension plans and retirement benefit plans operated by the Fujitsu Corporate Pension Fund that is participated by the Company and some subsidiaries in Japan. The Fujitsu Corporate Pension Fund is a special corporation approved by the Minister of Health, Labour and Welfare, and operated in accordance with the Defined-Benefit Corporate Pension Act. There is a board of representatives as a legislative arm and a board of directors as an executive arm in the Fujitsu Corporate Pension Fund. The representatives and directors split evenly with half selected by the Company and some subsidiaries in Japan and the other half elected by the employees through mutual vote. The major plans under the Fujitsu Corporate Pension Fund are plans contributed by the Company and some subsidiaries in Japan but there is a plan contributed by the employees. The benefits are determined by the accumulated salary in the participation period and the length of participation as well as other factors. The period of benefit payment is twenty years, primarily from age 60 to 80, while some participants are guaranteed a lifetime benefits. The benefits to employees from retirement benefit plans are primarily paid by the plan assets of the fund, partly paid by the Company and some subsidiaries in Japan depending on the age of the employee at retirement. The benefits are determined by the amount of salary at retirement and the length of service as well as other factors. The retirement benefit plan participated by the employees that joined the Company and some subsidiaries in Japan from April 1999 onwards was transferred from a defined benefit plan (DB) to a cash balance plan and a defined contribution plan (DC) was implemented as a result of the plan amendment in 2014. The benefits under the cash balance plan are determined by the accumulated points up to the time of retirement and the market yields during the participation in the plan as well as other factors.

In addition to the above, some subsidiaries in Japan provide defined benefit corporate pensions operated primarily by themselves in accordance with the rules agreed with the employees and also participate in the employees pension fund established by multi-employers that have no capital relationship. Further, some subsidiaries in Japan have unfunded lump-sum retirement benefit plans.

The major defined benefit plans provided outside Japan are the plans that Fujitsu Services Holdings PLC (including its consolidated subsidiaries, "FS") located in the UK and Fujitsu Technology Solutions (Holding) B.V. (including its consolidated subsidiaries, "FTS") located in Germany provide. FS' defined benefit plan is operated by the board of trustees composed of representatives of the company and the employees and independent outside specialists, in conformity with the guideline issued by the UK Pensions Regulator. Under the FS' defined benefit plan, the benefits are based on the amount of salary at retirement, the length of participation in the plan and price index and the benefits are guaranteed throughout the life time of the participants. FS closed new participation to the funded defined benefit plan in 2000 and instead provided a defined contribution plan for employees that joined the company thereafter. In 2010, for the employees that participate in the defined benefit plan, FS started to transfer the benefits that correspond to the future service into the defined contribution plan, which was completed in 2011. In March 2013, a special contribution of ¥114,360 million was made into the pension scheme to make up a deficit (defined benefit obligation less plan assets) of the defined benefit plan. In addition, the investment portfolio of plan assets was shifted primarily toward bonds to match the defined benefit obligation. FTS used to provide an unfunded defined benefit plan, which was closed for new participation in 1999.

The Group's defined benefit plans are exposed to the following risks.

(i) Investment risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields at the end of the reporting periods on high-quality corporate bonds. If the return on asset is below this rate, it worsens the funded status and thus risks reducing equity. Plan assets may be affected by the volatility of return on assets in the short term. The asset allocation of plan assets is regularly reviewed to ensure long-term return and future payment of pensions and retirement benefits.

(ii) Interest risk

A decrease in the interest of high-quality corporate bonds increases the present value of the defined benefit obligation. This worsens the funded status and thus risks reducing equity.

(iii) Longevity risk

An increase in the life expectancy of the plan participants increases the present value of the defined benefit obligation. This worsens the funded status and thus risks reducing equity.

(iv) Inflation risk

Some benefits in the plans for the UK and Germany are linked to price index. Higher inflation increases the present value of the defined benefit obligation. This worsens the funded status and thus risks reducing equity.

(b) Amounts in the financial statements

(i) Reconciliation for the closing balance of the defined benefit obligation and plan assets and net defined benefit liability (asset) recognized in the consolidated statement of financial position

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Present value of defined benefit obligation	¥(2,159,443)	¥(2,275,541)	¥(2,484,398)
Fair value of plan assets	1,686,909	1,865,053	2,180,829
Effect of asset ceiling *1	(248)	(244)	—
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	¥ (472,782)	¥ (410,732)	¥ (303,569)
Retirement benefit assets *2	¥ 1,585	¥ 1,900	¥ 18,408
Retirement benefit liabilities	(474,367)	(412,632)	(321,977)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	¥ (472,782)	¥ (410,732)	¥ (303,569)

At March 31, 2014

The present value of the defined benefit obligation at March 31, 2014 comprises –¥1,454,430 million for plans in Japan and –¥821,111 million for plans outside Japan, while the fair value of plan assets comprises ¥1,175,702 million for plans in Japan and ¥689,351 million for plans outside Japan.

At March 31, 2015

The present value of the defined benefit obligation at March 31, 2015 comprises –¥1,512,694 million for plans in Japan and –¥971,704 million for plans outside Japan, while the fair value of plan assets comprises ¥1,314,235 million for plans in Japan and ¥866,594 million for plans outside Japan.

*1 If the fair value of the plan assets exceeds the present value of the defined benefit obligation, the defined benefit asset is adjusted for any effect of limiting it to the asset ceiling in accordance with IAS 19 "Employee Benefits".

*2 Retirement benefit assets are included in others under non-current assets in the consolidated statement of financial position.

(ii) Components of defined benefit costs

(Millions of yen)

Years ended March 31	2014	2015
Current service cost (net of contribution from plan participants) *	¥60,802	¥59,337
Net interest	7,734	6,926
Past service cost and gains and losses arising from settlements	(9,288)	(7,132)
Total	¥59,248	¥59,131

* Current service cost (net of contribution from plan participants) includes defined benefit costs related with multi-employer plans.

(iii) Reconciliation for opening and closing balances of the defined benefit obligation and plan assets

(Millions of yen)

Present value of the defined benefit obligation	2014	2015
Opening balance	¥(2,159,443)	¥(2,275,541)
Current service cost	(68,801)	(67,268)
Interest expense	(49,510)	(50,567)
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains and losses arising from changes in financial assumptions	(22,832)	(184,891)
Actuarial gains and losses arising from changes in demographic assumptions	27,291	21,676
Past service cost and gains and losses arising from settlements	30,012	7,813
Payments from the plan		
Payments from the employer	14,186	11,668
Payments from plan assets	75,281	72,657
Payments in respect of settlements	15,403	–
Effect of business combinations and disposals	983	(368)
Effect of changes in foreign exchange rates	(138,111)	(19,577)
Closing balance	¥(2,275,541)	¥(2,484,398)

(Millions of yen)

Fair value of plan assets	2014	2015
Opening balance	¥1,686,909	¥1,865,053
Interest income	41,776	43,641
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets, excluding amounts included in interest income	41,486	249,432
Gains and losses arising from settlements	(20,724)	(681)
Contributions to the plan		
Contributions by the employer	68,731	62,121
Contributions by plan participants	7,999	7,931
Payments from the plan		
Payments from plan assets	(75,281)	(72,657)
Payments in respect of settlements	(5,697)	–
Effect of business combinations and disposals	(87)	402
Effect of changes in foreign exchange rates	119,941	25,587
Closing balance	¥1,865,053	¥2,180,829

(iv) Components of fair value of plan assets

(Millions of yen)

	Date of transition (April 1, 2013)		2014		2015	
	Market price in an active market		Market price in an active market		Market price in an active market	
At March 31	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	¥ 41,587	¥ –	¥ 42,869	¥ –	¥ 54,884	¥ –
Equity instruments						
Japan	175,245	7,065	216,169	8,255	187,580	11,877
Outside Japan	107,948	74,556	130,985	83,417	187,139	77,179
Debt instruments						
Japan	224,845	159,587	201,720	218,968	228,819	246,808
Outside Japan	521,041	87,371	346,734	94,903	427,549	111,088
General account of life insurance companies	–	235,151	–	245,832	–	287,178
Liability Driven Investment (LDI) *	–	–	33,271	180,646	43,051	257,510
Others	416	52,097	735	60,549	1,108	59,059
Total	¥1,071,082	¥615,827	¥972,483	¥892,570	¥1,130,130	¥1,050,699

* LDI represents a portfolio of investments that primarily consists of bonds and swap instruments, designated to match the plan assets with a change in the present value of the defined benefit obligation arising from a change in indices such as interest rates and inflation.

(v) Significant actuarial assumptions used in calculating the of present value of the defined benefit obligation

At March 31	Plans in Japan	Plans outside Japan *1
Date of transition (April 1, 2013)		
Discount rate	1.2%	4.4%
Life expectancy *2	22.8 years	23.2 years
Inflation rate	–	3.3%
2014		
Discount rate	1.1%	4.4%
Life expectancy *2	22.8 years	22.2 years
Inflation rate	–	3.3%
2015		
Discount rate	0.7%	3.4%
Life expectancy *2	23.3 years	22.3 years
Inflation rate	–	2.9%

*1 Assumptions for plans outside Japan represent the assumptions for the defined benefit plan provided by FS.
*2 Life expectancy is based on a male currently at age 60 for plans in Japan and on a male currently at age 65 for plans outside Japan.

(c) Amount, timing, and uncertainty of future cash flows

(i) Sensitivity analysis for significant actuarial assumptions

The sensitivity analysis below shows the effect on the defined benefit obligation when one of the significant actuarial assumptions changes reasonably while holding all other assumptions constant. However, the change in assumptions would not necessarily occur in isolation from one another. A negative amount represents a decrease of the defined benefit obligation while a positive amount represents an increase of the defined benefit obligation.

				(Millions of yen)
At March 31		Date of transition (April 1, 2013)	2014	2015
Discount rate	0.1% increase	¥(27,985)	¥(30,171)	¥(31,338)
	0.1% decrease	28,167	30,441	31,605
Life expectancy	1 year increase	35,250	40,245	47,046
Inflation rate	0.1% increase	8,651	10,303	12,283
	0.1% decrease	(9,698)	(11,602)	(13,703)

(ii) Funding and performance policy of plan assets

The Group funds to the defined benefit plans, taking into considerations various factors such as the Company's financial condition, funded status of the plan assets, and actuarial calculations. The Fujitsu Corporate Pension Fund regularly reviews the amount of contributions, for example, by conducting an actuarial review every five years in accordance with the Defined-Benefit Corporate Pension Act.

The Group aims to increase the value of the plan assets by taking an acceptable range of risks to ensure benefits to pensioners (including deferred pensioners).

For management of the plan assets of the Fujitsu Corporate Pension Fund, asset management meetings are regularly held, participated by committee members elected from representatives and directors of the fund as well as the Company's representatives for the finance and HR departments. Risks are reduced by considering returns and risks of the investment assets and setting out the basic allocation of investment assets as well as adjusting rules (regarding the range of changes). The basic allocation of investment assets and the adjusting rules are reviewed regularly, corresponding to the market environment and any changes in the funded status, so that the best investment balance is ensured.

FS invests in a portfolio that primarily consists of bonds and swap instruments, designated to match the plan assets with a change in the present value of the defined benefit obligation arising from a change in indices such as interest rates and inflation, to reduce the market volatility risk.

(iii) Expected contributions to defined benefit plans

The Group expects contributions of ¥60,561 million to defined benefit plans for the year ending March 31, 2016.

(iv) Maturity profile of the defined benefit obligation

At March 31	Date of transition (April 1, 2013)	2014	2015
Weighted average duration of the defined benefit obligation	13.7 years	13.8 years	13.5 years

(2) Defined contribution plans

The Group recognized ¥18,457 million and ¥22,372 million as expenses for defined contribution plans for years ended March 31, 2014 and 2015, respectively.

22. Deferred Revenue

Not applicable.

23. Provisions

(Millions of yen)

	Provision for restructuring	Provision for product warranties	Provision for contract losses	Asset retirement obligation	Others	Total
Balance at March 31, 2014	¥ 50,049	¥23,077	¥ 16,497	¥11,855	¥54,776	¥156,254
Additional provisions made during the year	1,522	3,685	8,399	1,513	1,786	16,905
Amounts used during the year	(29,071)	(9,120)	(11,012)	(982)	(1,869)	(52,054)
Unused amounts reversed during the year	—	—	—	—	(6,486)	(6,486)
Change in scope of consolidation	—	—	—	(182)	—	(182)
Exchange differences on translation and others	(166)	(138)	16	511	(2,348)	(2,125)
Balance at March 31, 2015	¥ 22,334	¥17,504	¥ 13,900	¥12,715	¥45,859	¥112,312

(Millions of yen)

At March 31	2014	2015
Current liabilities	¥111,196	¥ 77,502
Non-current liabilities	45,058	34,810
Total	¥156,254	¥112,312

Provision for restructuring

A provision is recognized at the estimated costs of restructuring such as personnel rationalization and disposal of business, only when the Group has a detailed formal plan and starts to implement the plan or announces its main features to those affected by the plan. The timing of the expenditure is affected by future business plans and other factors.

Provision for product warranties

A provision for product warranties is recognized at the time of sales of the products at an amount that represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period. Most of the expenditure is expected within 1 or 2 years.

Provision for contract losses

A provision is recognized for losses on projects such as customized software development if it is probable that the total estimated project costs exceed the total estimated project revenues. The timing of the expenditure is affected by future progress of the project and other factors.

Asset retirement obligation

A provision is made mainly for the estimated cost of restoring the leased site at the agreement of the lease, in accordance with the laws or contracts. The timing of the expenditure is affected by future business plans and other factors.

24. Trade Payables and Other Payables

Trade payables

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Accounts payable	¥565,250	¥639,900	¥660,133
Others	1,507	1,311	1,577
Total	¥566,757	¥641,211	¥661,710

Other payables

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Accrued expenses	¥324,495	¥341,514	¥338,260
Accounts payable-other	61,399	54,861	80,954
Total	¥385,894	¥396,375	¥419,214

25. Revenue

(Millions of yen)

Years ended March 31	2014	2015
Revenue from rendering of services	¥2,641,052	¥2,733,840
Revenue from sale of goods	2,121,393	2,019,370
Total	¥4,762,445	¥4,753,210

26. Other Income (Expenses)

(Millions of yen)

Years ended March 31	2014	2015
Other income (expenses)	¥(23,825)	¥(1,374)

For the year ended March 31, 2014

Primarily the following items are included.

Profit arising from revision of retirement benefit plan: ¥9,507 million

The gain is associated with a partial buyout of the retirement benefit plan in a European subsidiary as well as the effects of past service cost arising from revisions of pension plans at subsidiaries in Japan.

Gain on sales of property, plant and equipment: ¥4,726 million

Gain on sales of property, plant and equipment 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: ¥24,075 million

A loss of ¥15,506 million was recorded in relation to the structural reforms of the LSI device business, of which ¥3,094 million was a loss on the transfer and integration of businesses and ¥12,412 million was from the restructuring of 200 mm lines 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 losses on the disposal of assets for the system LSI (SoC System on a Chip) business, for which the Group signed a memorandum of understanding with Panasonic Corporation and Development Bank of Japan Inc. (DBJ), in which it has agreed to integrate its SoC business with that of Panasonic in a new fabless company to be established, to which DBJ will provide equity capital and debt financing. In addition, ¥3,594 million in charges were recorded for losses on the disposal of assets and the costs of relocating employees in relation to the integration of production sites in the mobile phone business. Regarding businesses outside of Japan, ¥4,215 million in charges were recorded for losses on workforce rationalization primarily in the Nordic region.

Impairment loss: ¥9,633 million
The impairment losses of ¥3,139 million recorded in the LSI business and mobile phone business due to the business restructuring are included in the above amount. Please refer to "27. Impairment of Non-Financial Assets."

Besides the above, ¥3,922 million in income on government grants, ¥3,581 million in loss on disposals of property, plant and equipment, and ¥2,683 million in environmental measures expenses were recorded.

For the year ended March 31, 2015
The amount includes a ¥3,178 million gain on sales of property, plant and equipment resulting from the sale of equipment at the Mie Plant in the LSI business, ¥2,945 million in income on government grants, ¥3,054 million in termination benefits at subsidiaries outside Japan, an impairment loss of ¥2,214 million, and relocation expenses of ¥2,157 million. For details on impairment loss, please refer to "27. Impairment of Non-Financial Assets."

27. Impairment of Non-Financial Assets

(1) Cash-generating unit (CGU)

In principle, a cash-generating unit (CGU) is identified for business-use assets based on the units that the management uses to make decisions.

(2) Impairment losses

Breakdown of assets for which impairment losses were recognized is as follows. These impairment losses are included in other income (expenses) in the consolidated statement of profit or loss.

(Millions of yen)

Years ended March 31	2014	2015
Property, plant and equipment		
Land	¥ 234	¥ 359
Buildings	3,489	363
Machinery and equipment/Tools, fixtures and fittings	3,717	259
Construction in progress	67	104
Total property, plant and equipment	7,507	1,085
Goodwill	97	–
Intangible assets		
Software	1,929	1,129
Others	100	–
Total intangible assets	2,029	1,129
Total impairment losses	¥9,633	¥2,214

For the year ended March 31, 2014
Impairment losses were recognized primarily for the following assets and CGUs.

(a) Idle assets
In the LSI business, as a result of promoting integration of the SoC business and selling the microcontroller and analog device business, the Group performed the test for asset groups no longer used for businesses as an independent CGU from business-use assets. The Group recognized impairment losses of ¥1,601 million by reducing the carrying amount of those assets to the recoverable amount.

Idle assets primarily represent software.

The recoverable amount is measured at fair value less costs of disposal. Because it is difficult to sell these assets, the fair value less costs of disposal was zero, and the fair value hierarchy classification was level 3.

For the mobile phone business, the Group integrated two subsidiaries producing mobile phone handsets and consolidated volume production capabilities. As a result, the Group performed the test for asset groups no longer used for businesses as an independent CGU from business-use assets. The Group recognized impairment losses of ¥1,318 million by reducing the carrying amount of those assets to the recoverable amount.

The breakdown of assets by type were buildings, ¥534 million; machinery and equipment/tools, fixtures and fittings, ¥527 million; and others, ¥257 million.

The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal has been assessed at ¥225 million based on the estimated sales amount, and the fair value hierarchy classification was level 2.

(b) Printed circuit board business

The Group recognized an impairment loss by reducing the carrying amount of the CGU related to the printed circuit board business to the recoverable amount of which profitability declined significantly due to a decrease in demand. A loss of ¥2,792 million was thus recorded as an impairment loss.

The breakdown of assets by type is machinery and equipment/tools, fixtures and fittings, ¥2,645 million, and others, ¥147 million.

The recoverable amount is measured at ¥1,945 million by value in use and future cash flows are discounted at a rate of 5%.

(c) Power electronics systems business

The Group recognized an impairment loss on the CGU related to the power electronics systems business by reducing the carrying amount of those assets to the recoverable amount, because of a significant decline in profitability caused by a decrease in demand. A loss of ¥1,005 million was thus recorded as an impairment loss.

The breakdown of assets by type is buildings, ¥467 million; machinery and equipment/tools, fixtures and fittings, ¥285 million; and others, ¥254 million.

The recoverable amount is measured at fair value less costs of disposal. The fair value less costs of disposal has been assessed at ¥76 million based mainly on the declared value of the land included in the CGU. The fair value hierarchy classification was level 2.

The breakdown of impairment losses by segment is Technology Solutions, ¥3,644 million; Ubiquitous Solutions, ¥1,318 million; Device Solutions, ¥4,613 million; and Others, ¥58 million. The power electronics systems business is included in Technology Solutions, idle assets relating to the mobile phone business are included in Ubiquitous Solutions, and the printed circuit board business as well as idle assets relating to the LSI business is included in Device Solutions.

For the year ended March 31, 2015

Impairment losses were recognized primarily for software, based on the decision for disposal, by reducing the carrying amount to the recoverable amount.

The breakdown of impairment losses by segment is Technology Solutions, ¥673 million; Ubiquitous Solutions, ¥12 million; Device Solutions, ¥1,524 million; and Others, ¥5 million.

(3) Goodwill impairment test

Fujitsu Technology Solutions (Holding) B.V. (FTS) recognizes goodwill, which consists primarily of the goodwill related to the product support business acquired from Siemens Business Services GmbH in April 2006. FTS treated Continental Europe, the Middle East, Africa, and India (CEMEA&I) as a business management unit until the year ended March 31, 2014. FTS divided this business management unit into Central Europe (CE), comprising the three countries of Germany, Austria, and Switzerland, and WEMEIA, comprising Western Europe except for CE, the Middle East, India, and Africa starting the year ended March 31, 2015. As a result of this change, the goodwill allocated to the CEMEA&I at the date of transition was reallocated to CE and WEMEIA at March 31, 2014 and 2015.

The material goodwill, among those allocated to each CGU for impairment tests, are the goodwill for CEMEA&I at the date of transition (April 1, 2013) and CE at March 31, 2014 and 2015.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
FTS (CEMEA&I)	¥14,991	¥ –	¥ –
CE	–	11,782	10,839
WEMEIA	–	5,352	4,924

An impairment loss of goodwill is recognized when the recoverable amount of a CGU is less than the carrying amount. The recoverable amount is measured by value in use.

The value in use of the goodwill for CE at March 31, 2015 was calculated by discounting the estimated amount of cash flows, based on the three-year business plan and growth rate, to the present value. The recoverable amount at March 31, 2015 was well above the carrying amount of the CGU.

The business plan is prepared to reflect judgments for future forecasts by the management and data in the past, using internal and external data.

The growth rate has been determined by taking into account the average long-term growth rate of the market of the region to which the CGU belongs. The growth rate was 0.5% at the date of transition, March 31, 2014 and 2015. The discount rate is calculated based on the weighted average capital cost of the CGU before taxes. The discount rates were 14.2%, 11.5%, and 10.6% at the date of transition, March 31, 2014 and 2015, respectively.

Even when the growth rate and discount rate used in calculating the recoverable amount change to a reasonable extent, the recoverable amount is well above the carrying amount of the CGU, and the probability that a significant impairment loss is recognized is considered low.

28. Employee Expenses

(Millions of yen)

Years ended March 31	2014	2015
Salaries and bonuses	¥1,150,100	¥1,188,346
Retirement benefit cost	77,705	81,503
Legal welfare expenses and others	227,050	228,348
Total	¥1,454,855	¥1,498,197

29. Financial Income and Financial Expenses

Financial income

(Millions of yen)

Years ended March 31	2014	2015
Interest income	¥ 1,998	¥ 2,268
Dividend income	3,266	3,420
Foreign exchange gains, net	4,101	14,943
Gains on sales of available-for-sale financial assets	4,981	1,224
Others	940	827
Total	¥15,286	¥22,682

Financial expenses

(Millions of yen)

Years ended March 31	2014	2015
Interest expense	¥6,553	¥ 5,974
Impairment losses on available-for-sale financial assets	2,029	2,585
Others	1,218	2,384
Total	¥9,800	¥10,943

30. Discontinued Operations

Not applicable.

31. Earnings per Share

Calculation bases for basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Years ended March 31	2014	2015
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥113,215	¥140,024
Weighted average number of ordinary shares–basic (Thousands of shares)	2,069,210	2,069,034
Basic earnings per share (Yen)	¥ 54.71	¥ 67.68

(2) Diluted earnings per share

Years ended March 31	2014	2015
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥113,215	¥140,024
Adjustment related to dilutive securities issued by subsidiaries and associates (Millions of yen)	(6)	(72)
Profit used to calculate diluted earnings per share (Yen)	113,209	139,952
Weighted average number of ordinary shares–basic (Thousands of shares)	2,069,210	2,069,034
Weighted average number of ordinary shares–diluted (Thousands of shares)	2,069,210	2,069,034
Diluted earnings per share (Yen)	¥ 54.71	¥ 67.64

32. Non-Cash Transactions

	(Millions of yen)	
Years ended March 31	2014	2015
Acquisitions of finance leased assets	¥11,269	¥13,566

33. Share-Based Payment

Not applicable.

34. Financial Instruments

(1) Capital management

The fundamental principles of the Group's capital management are to provide a stable return to shareholders while a portion of retained earnings is used by the Company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance.

The Group views equity attributable to owners of the parent and ROE (return on equity attributable to owners of the parent) as important management indicators that show profitability and efficiency of invested capital for businesses.

(2) Risk management

The Group carries out its financial activities in accordance with the "Fujitsu Group Treasury Policy" and primarily obtains funds through bank borrowings 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 risk. The Group utilizes derivative transactions only for hedging purposes and not for speculative or trading purposes.

Trade receivables such as notes receivables and trade accounts 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. Available-for-sale financial assets are comprised primarily of the certificates of deposit held for fund management and the shares issued by customers or other parties for the purpose of maintaining and strengthening the business relationship. Shares are exposed to market price fluctuation risk and financial risk of the company invested. The Group also loans to customers and other parties.

Trade payables such as notes payables, trade accounts payables, 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 finance lease obligations are mainly for the purpose of obtaining working capital and preparing capital expenditures. Because some of these have floating interest rates, they are exposed to interest rate fluctuation risk.

(a) 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 collection of trade receivables. Regarding loan receivables, the Group periodically assesses a 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 at March 31, 2015 are indicated in the consolidated statement of financial position values of the financial assets that are exposed to credit risk.

Aging analysis of trade accounts receivables is as follows.

(Millions of yen)

			Overdue amounts					
At March 31	Total	Within due date	Total	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 181 days
Date of transition (April 1, 2013)	¥ 882,197	¥826,025	¥56,172	¥26,072	¥8,991	¥2,760	¥4,218	¥14,131
2014	975,058	916,685	58,373	31,049	6,891	5,160	3,174	12,099
2015	1,024,367	969,831	54,536	27,464	8,005	4,657	4,297	10,113

The balance of allowance for doubtful accounts corresponding to trade accounts receivables at April 1, 2013, March 31, 2014 and 2015 were ¥12,079 million, ¥10,824 million, and ¥9,004 million, respectively.

Impairment is accounted for using the allowance for doubtful accounts, not directly reducing the carrying amount of financial assets. Changes in the allowance for doubtful accounts are presented below.

(Millions of yen)

	Current assets	Non-current assets	Total
Balance at April 1, 2013 (date of transition)	¥12,079	¥ 2,111	¥14,190
Additional provisions made during the year	2,868	1,277	4,145
Amounts used during the year	(4,371)	(333)	(4,704)
Unused amounts reversed during the year	(980)	(1,116)	(2,096)
Exchange differences on translation and others	1,228	53	1,281
Balance at March 31, 2014	10,824	1,992	12,816
Additional provisions made during the year	2,812	1,606	4,418
Amounts used during the year	(2,960)	(197)	(3,157)
Unused amounts reversed during the year	(1,270)	(1,428)	(2,698)
Exchange differences on translation and others	(402)	16	(386)
Balance at March 31, 2015	¥ 9,004	¥ 1,989	¥10,993

(b) Liquidity risk

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.

Contractual maturity analysis of financial liabilities is presented below.

The Group classifies financial liabilities that mature within one year into current liabilities.

For the undiscounted future cash flows of lease obligations, please refer to note "20. Bonds, Borrowings, and Lease Obligations."

(Millions of yen)

At March 31	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Date of transition (April 1, 2013)								
Non-derivative financial liabilities								
Bonds	¥229,861	¥230,300	¥20,200	¥60,000	¥70,100	¥30,000	¥20,000	¥30,000
Borrowings	304,667	304,667	269,522	3,972	24,183	6,682	308	—
Lease obligations	41,149	41,149	14,385	10,143	6,837	4,024	2,225	3,535
Derivative financial liabilities	2,618	2,618	2,519	99	—	—	—	—
2014								
Non-derivative financial liabilities								
Bonds	¥289,775	¥290,300	¥60,000	¥70,100	¥60,200	¥20,000	¥65,000	¥15,000
Borrowings	229,340	229,340	69,079	42,607	56,873	50,383	237	10,161
Lease obligations	41,128	41,128	13,549	10,426	6,899	4,208	2,274	3,772
Derivative financial liabilities	1,461	1,461	1,409	30	—	4	11	7
2015								
Non-derivative financial liabilities								
Bonds	¥299,759	¥300,300	¥70,100	¥60,200	¥20,000	¥65,000	¥40,000	¥45,000
Borrowings	236,666	236,666	88,616	57,132	50,489	259	20,170	20,000
Lease obligations	42,067	42,067	13,720	10,513	6,871	4,778	2,219	3,966
Derivative financial liabilities	1,219	1,219	1,215	4	—	—	—	—

To ensure efficient funding when the need for funds arises, the Group enters into commitment line contracts established with multiple financial institutions.

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Commitment lines			
Used	¥ —	¥ —	¥ —
Unused	197,772	197,700	198,000
Total	¥197,772	¥197,700	¥198,000

(c) Market Risk

The Group utilizes exchange forward contracts in respect to trade receivables and trade liabilities denominated in foreign currencies to mitigate the exchange rate fluctuation risk that is monitored by each currency respectively, currency swap contracts to mitigate the foreign currency exchange rate fluctuation risk of cash flows denominated in foreign currencies, and interest swap contracts in respect to borrowings and corporate bonds to mitigate interest rate fluctuation risk.

For the shares issued by customers or other parties, the Group regularly monitors the fair value and the financial condition of the issuer and continuously reviews the investment, taking into account its relationship with the counterparty.

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

Foreign currency sensitivity analysis

The following table represents the Group's sensitivity analysis for foreign currency risk exposures. The analysis shows the hypothetical impact on profit before tax in the consolidated statement of profit or loss that would result from a 1% appreciation of the Japanese yen against the US dollar for the recurring positions at the end of the year. The analysis calculated the impact on dollar denominated assets and liabilities, and is based on the assumption that other factors such as the outstanding balance and interest rates are held constant.

	(Millions of yen)	
Years ended March 31	2014	2015
Impact on profit before tax	¥(643)	¥(560)

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Group's profit before tax that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 0.1%. The analysis is based on the assumption that all other variable factors, specifically foreign currency rates are held constant.

	(Millions of yen)	
Years ended March 31	2014	2015
Impact on profit before tax	¥32	¥15

(3) Hedge accounting

Objective for derivative transactions

Derivative transactions consist primarily 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.

Policies for derivative transactions

The Group utilizes derivative transactions only for hedging purposes and not for speculative or trading purposes. Derivative transactions to increase market risks cannot be entered into. In addition, credit risks are considered in choosing a counterparty. Therefore, the Group recognizes that market risk and credit risk for derivative transactions are deminimis.

Risk management structure for derivative transactions

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, records them, and 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 head of the accounting department.

Accounting treatment for derivative transactions

Derivatives are measured at fair value and any change in the fair value are recognized in profit or loss. However, if it satisfies the required conditions for hedge accounting, a gain or loss arising from any changes in the fair value of hedging instruments are deferred until the gain or loss arising from hedged item is recognized in profit or loss.

The fair value of derivative transactions for which hedge accounting is applied

Cash flow hedges

			(Millions of yen)
At March 31	Date of transition (April 1, 2013)	2014	2015
Interest: Interest rate swap transaction			
Pay fixed/Receive variable	¥ (14)	¥ –	¥ –
Shares: Put options	688	588	570
Total	¥674	¥588	¥570

(4) Fair value of financial instruments

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly or indirectly.
- Level 3 inputs are unobservable inputs for assets or liabilities.

(a) Financial assets and liabilities measured at fair value

Measurement method of fair value for financial assets and liabilities is as follows.

Derivatives

The fair value is based on the prices provided by financial institutions and other appropriate valuation techniques based on information available.

Available-for-sale financial assets

If a quoted price in an active market is available, the fair value is based on the quoted price. If a quoted price in an active market is not available, the fair value is estimated based on discounted future cash flow or other appropriate valuation method.

The following schedule presents a comparison between the carrying amount and fair value as well as fair value hierarchy. Available-for-sale financial assets mainly consists of shares.

(Millions of yen)

		Fair value			
At March 31	Carrying amount	Total	Level 1	Level 2	Level 3
Date of transition (April 1, 2013)					
Assets					
Financial assets measured at fair value through profit or loss	¥ 4,618	¥ 4,618	¥ –	¥4,618	¥ –
Available-for-sale financial assets	138,100	138,100	78,623	1,270	58,207
Total	¥142,718	¥142,718	¥ 78,623	¥5,888	¥58,207
Liabilities					
Financial liabilities measured at fair value through profit or loss	¥ 2,618	¥ 2,618	¥ –	¥2,618	¥ –
Total	¥ 2,618	¥ 2,618	¥ –	¥2,618	¥ –
2014					
Assets					
Financial assets measured at fair value through profit or loss	¥ 1,196	¥ 1,196	¥ –	¥1,196	¥ –
Available-for-sale financial assets	148,202	148,202	94,562	18	53,622
Total	¥149,398	¥149,398	¥ 94,562	¥1,214	¥53,622
Liabilities					
Financial liabilities measured at fair value through profit or loss	¥ 1,461	¥ 1,461	¥ –	¥1,461	¥ –
Total	¥ 1,461	¥ 1,461	¥ –	¥1,461	¥ –
2015					
Assets					
Financial assets measured at fair value through profit or loss	¥ 3,891	¥ 3,891	¥ –	¥3,891	¥ –
Available-for-sale financial assets	174,815	174,815	122,704	24	52,087
Total	¥178,706	¥178,706	¥122,704	¥3,915	¥52,087
Liabilities					
Financial liabilities measured at fair value through profit or loss	¥ 1,219	¥ 1,219	¥ –	¥1,219	¥ –
Total	¥ 1,219	¥ 1,219	¥ –	¥1,219	¥ –

Reconciliation between the beginning and ending balance of available-for-sale financial assets measured at fair value using level 3 inputs is presented below.

Gains and losses recognized in profit or loss are included in financial income or financial expenses in the consolidated statement of profit or loss. Gains and losses recognized in other comprehensive income are included in available-for-sale financial assets in the consolidated statement of comprehensive income.

	(Millions of yen)
	Available-for-sale financial assets
Date of transition (April 1, 2013)	¥58,207
Subtotal (Gains and losses)	
Profit or loss	(1,682)
Other comprehensive income	2,376
Purchases	4,206
Sales	(919)
Settlements	(8,300)
Others	(266)
Balance at March 31, 2014	53,622
Subtotal (Gains and losses)	
Profit or loss	(2,338)
Other comprehensive income	1,599
Purchases	1,274
Sales	(345)
Settlements	—
Others	(1,725)
Balance at March 31, 2015	¥52,087

(b) Financial liabilities measured at amortized cost

Measurement method of fair value for financial liabilities

Bonds

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.

Long-term borrowings and lease obligations (non-current liabilities)

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

Fair value hierarchy and comparison between carrying amount and fair value

(Millions of yen)

		Fair value			
At March 31	Carrying amount	Total	Level 1	Level 2	Level 3
Date of transition (April 1, 2013)					
Liabilities					
Financial liabilities measured at amortized cost					
Bonds (Non-current)	¥209,673	¥215,396	¥215,396	¥ –	¥–
Long-term borrowings (Non-current)	35,145	35,630	–	35,630	–
Lease obligations (Non-current)	26,764	26,917	–	26,917	–
Subtotal	271,582	277,943	215,396	62,547	–
Total	¥271,582	¥277,943	¥215,396	¥ 62,547	¥–
2014					
Liabilities					
Financial liabilities measured at amortized cost					
Bonds (Non-current)	¥229,795	¥234,255	¥234,255	¥ –	¥–
Long-term borrowings (Non-current)	160,261	161,376	–	161,376	–
Lease obligations (Non-current)	27,579	27,687	–	27,687	–
Subtotal	417,635	423,318	234,255	189,063	–
Total	¥417,635	¥423,318	¥234,255	¥189,063	¥–
2015					
Liabilities					
Financial liabilities measured at amortized cost					
Bonds (Non-current)	¥229,692	¥234,044	¥234,044	¥ –	¥–
Long-term borrowings (Non-current)	148,050	149,098	–	149,098	–
Lease obligations (Non-current)	28,347	28,464	–	28,464	–
Subtotal	406,089	411,606	234,044	177,562	–
Total	¥406,089	¥411,606	¥234,044	¥177,562	¥–

The disclosure for the current portion of financial liabilities measured at amortized cost is omitted in this note because the carrying amount is a reasonable approximation of its fair value.

(5) Collateral

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Land	¥4,110	¥4,507	¥4,292
Buildings	789	755	712
Others	146	152	155
Total	¥5,045	¥5,414	¥5,159

35. Operating Leases

Total of future minimum lease payments under non-cancellable operating leases

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Not later than one year	¥19,951	¥24,324	¥24,529
Later than one year and not later than five years	42,012	47,862	43,509
Later than five years	22,836	22,277	17,113
Total	¥84,799	¥94,463	¥85,151

Lease payments recognized as an expense under non-cancellable operating leases were ¥23,307 million and ¥25,667 million for the years ended March 31, 2014 and 2015, respectively.

36. Related Parties

(1) Related-party transactions

No significant transactions.

(2) Key management personnel compensation

(Millions of yen)

Years ended March 31	2014	2015
Base compensation	¥433	¥503
Stock-based compensation	38	30
Bonuses	89	110
Total	¥560	¥643

37. Commitments

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Purchase agreements for property, plant and equipment and intangible assets	¥11,615	¥6,641	¥84,328

38. Contingencies

(Millions of yen)

At March 31	Date of transition (April 1, 2013)	2014	2015
Contingent liabilities for guarantee contracts	¥1,716	¥1,205	¥868
(Main guaranteed debts)			
Employees' housing loans	1,716	1,205	868

The aforementioned contingent liabilities for guarantee contracts and main guaranteed debts include similar transactions such as debt guarantees, commitments to guarantee, and letters of awareness.

39. Events after the Reporting Period

No significant events.

40. First-Time Adoption

The year ended March 31, 2015 marks the first time that the Group's financial statements have been prepared in accordance with IFRS. April 1, 2013 is the date of transition to IFRS. The consolidated financial statements up to the year ended March 31, 2014 were prepared in accordance with the generally accepted accounting principles in Japan ("JGAAP"). Significant accounting policies disclosed in Note 3 are applied in the preparation of the consolidated financial statements for the year ended March 31, 2014 as well as the consolidated statement of financial position at the date of transition.

1) The Group's policies on the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*

IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), requires that companies adopting IFRS for the first time ("first-time adopters") apply IFRS retrospectively, although there are some areas for which first-time adopters can choose whether to apply IFRS retrospectively, and there are also certain exceptions for which retrospective application is prohibited.

IFRS 1 exemptions from retrospective application

a) Business combinations

Under IFRS 1, for business combinations that occurred prior to the date of transition to IFRS, first-time adopters can choose not to retrospectively apply IFRS 3, *Business Combinations*. The Group has adopted this exemption.

b) Cumulative translation differences of foreign operations

Under IFRS 1, first-time adopters have the option of either choosing to deem the cumulative translation differences for all foreign operations as of the date of transition to IFRS to be zero, or retrospectively applying IFRS to the time at which each foreign entity was established or acquired and recalculating the cumulative translation differences. The Group has chosen to deem the cumulative translation differences as of the date of transition to IFRS to be zero.

c) Assets and liabilities of subsidiaries, associates, and joint ventures

Under IFRS 1, if a parent company becomes a first-time adopter later than its subsidiary (or associate or joint venture), the parent should, in its consolidated financial statements, measure the assets and liabilities of the subsidiary (or associate or joint venture) at the same carrying amounts as in the financial statements of the subsidiary (or associate or joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the parent acquired the subsidiary. For the assets and liabilities of the consolidated subsidiaries outside Japan that have already adopted IFRS in the past, the Group is measuring them at the same carrying value as in the financial statements of those subsidiaries.

IFRS 1 exceptions to retrospective application

For such items as accounting estimates and non-controlling interests, which are subject to exceptions to retrospective application under IFRS 1, the Group is applying these items prospectively from the date of transition to IFRS.

2) Significant differences with JGAAP

In preparing financial statements, the significant differences between IFRS and JGAAP, which the Group had previously applied, are as follows.

Consolidated statement of financial position

- For the Company and its consolidated subsidiaries in Japan that have defined benefit plans, as of the date of transition to IFRS, unrecognized actuarial gains and losses and past service costs are reflected on the consolidated statement of financial position under equity, adjusted for tax effects. Starting from the end of the year ended March 31, 2014, the Company and its consolidated subsidiaries in Japan have applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, issued May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, issued May 17, 2012). Accordingly, unrecognized actuarial gains and losses and past service costs are reflected on the consolidated statement of financial position under net assets, adjusted for tax effects, as of the end of the year ended March 31, 2014.

- Other than the above, the main effects on assets and liabilities are that goodwill is not periodically amortized and that available-for-sale financial assets are measured at fair value.
- There are changes to the components of equity. Under JGAAP at March 31, 2014, the effect of decrease in equity due to recognition of defined benefit liability was reflected in accumulated other comprehensive income, but under IFRS at the date of transition, it is recorded in other components of equity and then reflected in retained earnings. Retained earnings are reduced, as a result of this change.

Consolidated statement of profit or loss and consolidated statement of comprehensive income

- There is no impact on revenue.
- Operating profit and profit for the year increase primarily due to changes in the way that expenses for retirement benefits and goodwill are recognized.
- For retirement benefits, under IFRS, there are no longer any amortization expenses for actuarial gains and losses, such as for unfunded retirement benefit obligations. Under JGAAP, actuarial gains and losses are amortized, starting in the next year after they are generated, over the employees' average remaining service period. Under IFRS, however, there is no periodic amortization. Instead, they are recognized in other comprehensive income and immediately reflected in retained earnings. 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.
- In addition, under IFRS, there is no periodic amortization of goodwill. Moreover, with the adoption of IFRS, items such as restructuring costs and impairment losses that, under JGAAP, had been included in extraordinary gains or losses are now included in operating profit.

Please note that, since the year ended March 31, 2009, all of the consolidated subsidiaries outside Japan adopted IFRS and, in the process of consolidation, certain items such as amortization of goodwill had been adjusted to conform to JGAAP 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).

3) Reconciliations based on IFRS 1

Based on IFRS 1, reconciliations to equity at the date of transition to IFRS (April 1, 2013), reconciliations to equity at March 31, 2014, and the reconciliations to comprehensive income for the year ended March 31, 2014 are as follows.

Reconciliations to Equity at the Date of Transition to IFRS (April 1, 2013)

(Millions of yen)

Presentation under JGAAP	Notes	JGAAP	Reclassification	Recognition and measurement	IFRS	Presentation under IFRS
Assets						**Assets**
Current assets						Current assets
Cash and time deposits	A	¥ 202,502	¥ 84,100	¥ –	¥ 286,602	Cash and cash equivalents
Notes and accounts receivable, trade	A	895,984	(12,079)	–	883,905	Trade receivables
	A	–	70,906	–	70,906	Other receivables
Marketable securities	A	102,463	(102,463)	–	–	
Inventories		323,092	–	–	323,092	Inventories
Deferred tax assets	D	81,988	(81,988)	–	–	
Others	A	128,341	(52,543)	1,722	77,520	Others
Allowance for doubtful accounts	A	(12,079)	12,079	–	–	
Total current assets		1,722,291	(81,988)	1,722	1,642,025	Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net of accumulated depreciation	B	618,460	–	3,721	622,181	Property, plant and equipment, net of accumulated depreciation
Goodwill	B	29,574	–	3,033	32,607	Goodwill
Intangible assets (excluding goodwill)		157,749	–	–	157,749	Intangible assets
Investment securities	C	171,792	(171,792)	–	–	
	C	–	33,987	(271)	33,716	Investments accounted for using the equity method
	C	–	137,805	14,919	152,724	Other investments
Deferred tax assets	D	67,018	81,988	55,541	204,547	Deferred tax assets
Defined benefit asset	E	51,393	(51,393)	–	–	
Others	E	104,160	49,282	(49,808)	103,634	Others
Allowance for doubtful accounts	E	(2,111)	2,111	–	–	
Total non-current assets		1,198,035	81,988	27,135	1,307,158	Total non-current assets
Total assets		2,920,326	–	28,857	2,949,183	Total assets
Liabilities and net assets						**Liabilities and equity**
Liabilities						**Liabilities**
Current liabilities						Current liabilities
Notes and accounts payables, trade		566,757	–	–	566,757	Trade payables
	F	–	384,164	1,730	385,894	Other payables
Short-term borrowings and current portion of bonds payable	G	289,722	14,385	(12)	304,095	Short-term borrowings, current portion of long-term debt and lease obligations
Lease obligations	G	14,385	(14,385)	–	–	
Accrued expenses	F	322,765	(322,765)	–	–	
Accrued income taxes		23,316	–	–	23,316	Accrued income taxes
Provision for product warranties, provision for construction contract losses, provision for restructuring charges, and provision for environmental measures	F	100,052	32,374	–	132,426	Provisions
Others	D, F	251,512	(93,796)	24,868	182,584	Others
Total current liabilities		1,568,509	(23)	26,586	1,595,072	Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable and long-term borrowings	G	245,245	26,764	(427)	271,582	Long-term debt and lease obligations
Lease obligations	G	26,764	(26,764)	–	–	
Defined benefit liability	H	207,125	–	267,242	474,367	Defined benefit liability
Provision for loss on repurchase of computers, provision for product warranties, provision for recycling expenses, provision for restructuring charges, and provision for environmental measures	I	35,767	20,317	(12,427)	43,657	Provisions
Deferred tax liabilities and revaluation of deferred tax liabilities	D	33,781	23	(28,020)	5,784	Deferred tax liabilities
Others	I	50,697	(20,317)	742	31,122	Others
Total long-term liabilities		599,379	23	227,110	826,512	Total non-current liabilities
Total liabilities		2,167,888	–	253,696	2,421,584	Total liabilities
Net assets						**Equity**
Common stock		324,625	–	–	324,625	Share capital
Capital surplus	J	236,429	80	–	236,509	Capital surplus
Treasury stock, at cost		(340)	–	–	(340)	Treasury stock, at cost
Subscription rights to shares	J	80	(80)	–	–	
Retained earnings	J	264,849	–	(460,725)	(195,876)	Retained earnings
Total accumulated other comprehensive income	J	(201,518)	–	244,573	43,055	Other components of equity
		–	–	(216,152)	407,973	Total equity attributable to owners of the parent
Minority interests in consolidated subsidiaries	J	128,313	–	(8,687)	119,626	Non-controlling interests
Total net assets		752,438	–	(224,839)	527,599	Total equity
Total liabilities and net assets		¥2,920,326	¥ –	¥ 28,857	¥2,949,183	Total liabilities and equity

Reconciliations to Equity at March 31, 2014

(Millions of yen)

Presentation under JGAAP	Notes	JGAAP	Reclassification	Recognition and measurement	IFRS	Presentation under IFRS
Assets						**Assets**
Current assets						Current assets
Cash and time deposits	A	¥ 234,590	¥ 66,572	¥ –	¥ 301,162	Cash and cash equivalents
Notes and accounts receivable, trade	A	991,071	(10,824)	–	980,247	Trade receivables
	A	–	105,408	19	105,427	Other receivables
Marketable securities	A	71,060	(71,060)	–	–	
Inventories		330,202	–	–	330,202	Inventories
Deferred tax assets	D	81,360	(81,360)	–	–	
Others	A	168,998	(100,920)	43	68,121	Others
Allowance for doubtful accounts	A	(10,824)	10,824	–	–	
Total current assets		1,866,457	(81,360)	62	1,785,159	Total current assets
Non-current assets						Non-current assets
Property, plant and equipment, net of accumulated depreciation	B	619,626	–	2,854	622,480	Property, plant and equipment, net of accumulated depreciation
Goodwill	B	27,503	–	10,030	37,533	Goodwill
Intangible assets (excluding goodwill)	B	158,748	–	106	158,854	Intangible assets
Investment securities	C	187,389	(187,389)	–	–	
	C	–	37,311	(40)	37,271	Investments accounted for using the equity method
	C	–	150,078	16,853	166,931	Other investments
Deferred tax assets	D	104,688	81,360	(2,647)	183,401	Deferred tax assets
Defined benefit asset	E	2,715	(2,715)	–	–	
Others	E	114,400	723	(815)	114,308	Others
Allowance for doubtful accounts	E	(1,992)	1,992	–	–	
Total non-current assets		1,213,077	81,360	26,341	1,320,778	Total non-current assets
Total assets		3,079,534	–	26,403	3,105,937	Total assets
Liabilities and net assets						**Liabilities and equity**
Liabilities						**Liabilities**
Current liabilities						Current liabilities
Notes and accounts payables, trade		641,211	–	–	641,211	Trade payables
	F	–	394,697	1,678	396,375	Other payables
Short-term borrowings and current portion of bonds payable	G	129,079	13,549	(20)	142,608	Short-term borrowings, current portion of long-term debt and lease obligations
Lease obligations	G	13,549	(13,549)	–	–	
Accrued expenses	F	339,836	(339,836)	–	–	
Accrued income taxes		20,263	–	–	20,263	Accrued income taxes
Provision for product warranties, provision for construction contract losses, provision for bonuses to board members, provision for restructuring charges, and provision for environmental measures	F	74,883	36,313	–	111,196	Provisions
Others	D, F	243,536	(91,321)	19,592	171,807	Others
Total current liabilities		1,462,357	(147)	21,250	1,483,460	Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable and long-term borrowings	G	390,561	27,579	(505)	417,635	Long-term debt and lease obligations
Lease obligations	G	27,579	(27,579)	–	–	
Defined benefit liability	H	386,294	–	26,338	412,632	Defined benefit liability
Provision for loss on repurchase of computers, provision for product warranties, provision for recycling expenses, provision for restructuring charges, and provision for environmental measures	I	35,873	20,386	(11,201)	45,058	Provisions
Deferred tax liabilities and revaluation of deferred tax liabilities	D	11,931	147	(5,534)	6,544	Deferred tax liabilities
Others	I	62,490	(20,386)	553	42,657	Others
Total long-term liabilities		914,728	147	9,651	924,526	Total non-current liabilities
Total liabilities		2,377,085	–	30,901	2,407,986	Total liabilities
Net assets						**Equity**
Common stock		324,625	–	–	324,625	Share capital
Capital surplus	J	236,429	82	(3,001)	233,510	Capital surplus
Treasury stock, at cost		(422)	–	–	(422)	Treasury stock, at cost
Subscription rights to shares	J	82	(82)	–	–	
Retained earnings	J	313,598	–	(367,939)	(54,341)	Retained earnings
Total accumulated other comprehensive income	J	(301,019)	–	364,162	63,143	Other components of equity
		–	–	(6,778)	566,515	Total equity attributable to owners of the parent
Minority interests in consolidated subsidiaries	J	129,156	–	2,280	131,436	Non-controlling interests
Total net assets		702,449	–	(4,498)	697,951	Total equity
Total liabilities and net assets		¥3,079,534	¥ –	¥ 26,403	¥3,105,937	Total liabilities and equity

[Notes on the reconciliations to equity at the date of transition to IFRS (April 1, 2013)]

A. Cash and cash equivalents, trade receivables, other receivables, and other current assets

Reclassification:

Cash and Cash Equivalents

Of the amounts included in cash and time deposits under JGAAP, ¥16,870 million in time deposits having a contractual maturity date in excess of three months has been reclassified as other current assets. ¥100,970 million in marketable securities under JGAAP that will mature no later than three months from the acquisition date has been reclassified as cash and cash equivalents. As a result, cash and cash equivalents have increased by ¥84,100 million.

Trade receivables

¥12,079 million in allowance for doubtful accounts is included in trade receivables.

Other receivables

A total amount of ¥70,906 million that was included in other current assets under JGAAP, including non-trade receivables of ¥64,372 million, short-term loan receivables of ¥3,057 million, and lease receivables and lease investment assets of ¥3,477 million, is now reclassified and included in other receivables.

Other current assets

Non-trade receivables and other items totaling ¥70,906 million have been reclassified as other receivables, ¥16,870 million in time deposits having a contractual maturity date in excess of three months has been reclassified as other current assets, and ¥1,493 million in marketable securities having a contractual maturity date beyond three months has been reclassified as other current assets. As a result, other current assets have decreased by ¥52,543 million.

Recognition and measurement:

Among sales of accounts receivable, for the portion for which the Group retains control, other current assets of ¥1,722 million is recognized to the extent of its continuing involvement in the assets.

B. Property, plant and equipment and goodwill

Recognition and measurement:

As of the date of transition to IFRS, negative goodwill that was included in goodwill under JGAAP because its importance was deemed to be negligible, has been reclassified as retained earnings. As a result, goodwill has increased by ¥3,033 million.

The balance of property, plant and equipment has increased by ¥3,721 million as a result of the adjustments described below.

With respect to sales of computers with repurchase agreements, under JGAAP, all revenue is recorded at the time of sale, and to provide for potential future losses at the time of repurchase, a provision for loss on repurchases is recorded using the amount of expected losses on repurchases based on historical data. Under IFRS, profits from this transaction are recognized over the service period. Instead of recognizing the cost on a lump-sum sale, the cost is recognized as property, plant and equipment and depreciated over the service period. As a result of this adjustment, the balance of property, plant and equipment has increased by ¥3,307 million.

In addition, for the balance of property, plant and equipment that was netted with government grants under JGAAP, ¥414 million has been restored to the balance of property, plant and equipment, and the same amount has been added to liabilities as deferred income.

C. Investments accounted for using the equity method and other investments

Reclassification:

Of the amount included in investment securities under JGAAP, ¥33,987 million in investments in affiliates has been reclassified as investments accounted for using the equity method, and ¥137,805 million in available-for-sale financial assets and held-to-maturity investments has been reclassified as other investments.

Recognition and measurement:

As a result of measuring available-for-sale financial assets, which consist mainly of unlisted shares, at fair value in accordance with IFRS, other investments have increased by ¥14,919 million. In addition, as a result of applying IFRS to equity method affiliates, investments accounted for using the equity method have been reduced by ¥271 million. Together with the reclassification noted above, these adjustments have resulted in a balance of investments accounted for using the equity method of ¥33,716 million.

D. Deferred tax assets and deferred tax liabilities

Reclassification:

¥81,988 million in deferred tax assets under current assets and ¥23 million in deferred tax liabilities under current liabilities under JGAAP have been reclassified as non-current assets and non-current liabilities, respectively.

Recognition and measurement:

With respect to the tax effects arising from elimination of intercompany unrealized gains, income tax expenses are deferred based on the sellers' tax amounts under JGAAP, whereas under IFRS intercompany unrealized gains are treated as temporary differences associated with the purchasers' assets and the tax effects are recognized as deferred tax assets using the purchasers' tax rates after an assessment of the recoverability of the deferred tax assets. As a result, deferred tax assets have been reduced by ¥1,037 million. In addition, primarily with respect to defined benefit plans, as a result of recognizing the amount of unrecognized obligations as liabilities, additional tax effects are recognized, increasing deferred tax assets by ¥91,357 million. Moreover, the amount of ¥34,779 million in deferred tax assets that meet the requirements stated in IAS 12 "Income Taxes" is offset against an equivalent amount of deferred tax liabilities, reducing the balance of both accounts accordingly. As a result of these adjustments, deferred tax assets have increased by ¥55,541 million.

As a result of the additional tax effects recognized mainly stemming from the measurement of available-for-sale financial assets at fair value in accordance with IFRS, and offset mentioned previously, deferred tax liabilities have decreased by ¥28,020 million.

E. Other non-current assets

Reclassification:

A total of ¥49,282 million, comprised of ¥51,393 million in defined benefit asset and –¥2,111 million in allowance for doubtful accounts classified as non-current assets under JGAAP, has been reclassified as other non-current assets.

Recognition and measurement:

The Company and its consolidated subsidiaries in Japan that have defined benefit plans recognized unrecognized obligations as liabilities based on IAS 19 "Employee Benefits" (June 16, 2011). As a result, defined benefit asset in other non-current assets has decreased by ¥49,808 million.

F. Other payables, provisions (current), and other current liabilities

Reclassification:

Other payables

¥384,164 million, comprised of ¥322,765 million in accrued expenses under JGAAP and ¥61,399 million in other accounts payable that were included in other current liabilities under JGAAP, has been reclassified as other payables.

Provisions (current)

¥32,374 million in such accounts as provision for sales allowance and provision for lawsuits, which was included in other current liabilities under JGAAP, has been reclassified as provisions (current).

Other current liabilities

¥61,399 million in other accounts payable included in other current liabilities under JGAAP has been reclassified as other payables.

¥32,374 million in such accounts as provision for sales allowance and provision for lawsuits, and ¥23 million in deferred tax liabilities, all of which were included in other current liabilities under JGAAP, have been reclassified as provisions (current) and non-current liabilities, respectively. As a result, other current liabilities have been reduced by ¥93,796 million.

Recognition and measurement:

Other payables

For the Company and its consolidated subsidiaries in Japan, as a result of recognizing the obligation generated by unused entitlement to paid absences at the end of the period, other payables have increased by ¥1,730 million.

Other current liabilities

Among sales of accounts receivable, for the portion for which the Group retains control, liabilities of ¥1,722 million are recognized. In addition, for the aforementioned adjustments relating to the sales of computers with repurchase agreements, other current liabilities have increased by ¥23,019 million.

As a result of recording asset-related government grants under liabilities as deferred income, other current liabilities have increased by ¥127 million.

As a result of these adjustments, other current liabilities have increased by ¥24,868 million.

G. Borrowings, debt, and lease obligations

Reclassification:

¥14,385 million separately classified as lease obligations under current liabilities under JGAAP has been reclassified as short-term borrowings, current portion of long-term debt, and lease obligations.

¥26,764 million separately classified as lease obligations under non-current liabilities under JGAAP has been reclassified as long-term debt and lease obligations.

Recognition and measurement:

As a result of measuring straight bonds at amortized cost, the current portion of long-term debt under current liabilities has been reduced by ¥12 million, and the long-term debt under non-current liabilities has been reduced by ¥427 million.

H. Defined benefit liability

Recognition and measurement:

The Company and its consolidated subsidiaries in Japan that have defined benefit plans recognized unrecognized obligations as liabilities based on IAS 19. As a result, defined benefit liability increased by ¥267,242 million.

I. Provisions (non-current) and other non-current liabilities

Reclassification:

¥20,317 million in such accounts as provision for directors' retirement benefits and provision for lawsuits, which was included in other non-current liabilities under JGAAP, has been reclassified as provisions (non-current).

Recognition and measurement:

Provisions (non-current)

As a result of the aforementioned adjustments relating to the sales of computers with repurchase agreements, provisions (non-current) have been reduced by ¥12,427 million.

Other non-current liabilities

As a result of recording asset-related government grants under liabilities as deferred income, other non-current liabilities increased by ¥742 million.

J. Capital surplus, retained earnings, other components of equity, and non-controlling interests

Reclassification:

¥80 million that was separately classified as subscription rights to shares under JGAAP has been reclassified as capital surplus.

Recognition and measurement:

The main items in the adjustments to capital surplus, retained earnings, and other components of equity are as follows.

(Millions of yen)

	Notes	Capital surplus	Retained earnings	Other components of equity
Goodwill and negative goodwill	B	¥–	¥ 3,033	¥ –
Financial instruments	C, G	–	(3,165)	13,307
Tax effects of unrealized gains or losses	D	–	(974)	(22)
Defined benefit plans	E, H, J	–	(369,669)	149,724
Liability for paid absences	F	–	(1,183)	–
Cumulative translation differences	J	–	(84,169)	84,169
Attribution to non-controlling interests	J	–	(759)	(22)
Other		–	(3,839)	(2,583)
Total		¥–	¥(460,725)	¥244,573

In accordance with IAS 19, remeasurements of the net defined benefit liability (asset) are recognized in other components of equity after adjusting for tax effects and immediately reflected in retained earnings.

In addition, the cumulative translation differences for all foreign operations as of the date of transition to IFRS are deemed to be zero.

As a result of calculating the impact on non-controlling interests resulting from recognition and measurement differences, the amount of non-controlling interests has been reduced by ¥8,687 million.

[Notes on the reconciliations to equity at March 31, 2014]

A. Cash and cash equivalents, trade receivables, other receivables, and other current assets

Reclassification:

Cash and cash equivalents

Of the amounts included in cash and time deposits under JGAAP, ¥4,488 million in time deposits having a contractual maturity date in excess of three months has been reclassified as other current assets. ¥71,060 million in marketable securities under JGAAP that will mature no later than three months from the acquisition date has been reclassified as cash and cash equivalents. As a result, cash and cash equivalents have increased by ¥66,572 million.

Trade receivables

¥10,824 million in allowance for doubtful accounts is included in trade receivables.

Other receivables

A total amount of ¥105,408 million that was included in other current assets under JGAAP, including non-trade receivables of ¥98,267 million, short-term loan receivables of ¥3,277 million, and lease receivables and lease investment assets of ¥3,864 million, is now reclassified and included in other receivables.

Other current assets

Non-trade receivables and other items totaling ¥105,408 million have been reclassified as other receivables, and ¥4,488 million in time deposits having a contractual maturity date in excess of three months has been reclassified as other current assets. As a result, other current assets have declined by ¥100,920 million.

Recognition and measurement:

Other Receivables

With regard to revenue-related government grants, ¥19 million recorded as other current assets under JGAAP is recognized as other receivables.

Other Current Assets

As a result of the above adjustments relating to government grants, other current assets have been reduced by ¥19 million.

In addition, among sales of accounts receivable, for the portion for which the Group retains control, other current assets of ¥62 million is recognized to the extent of its continuing involvement in the assets. As a result of these adjustments, other current assets have increased by ¥43 million.

B. Property, plant and equipment, goodwill, and intangible assets

Recognition and Measurement:

As of the date of transition to IFRS, negative goodwill that was included in goodwill under JGAAP because its importance was deemed to be negligible, has been reclassified as retained earnings. As a result, goodwill has increased by ¥3,033 million.

Under JGAAP goodwill is amortized over a certain period, but under IFRS it is subject to an impairment test and is not periodically amortized. The balance of goodwill has been increased by ¥9,712 million because the amount of cumulative amortization under JGAAP after the date of transition to IFRS is added back.

Because changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which were recognized in goodwill under JGAAP, are, under IFRS, accounted for as equity transactions, goodwill has been reduced by ¥2,715 million.

As a result of these adjustments, the balance of goodwill has increased by ¥10,030 million.

The balance of property, plant and equipment has increased by ¥2,854 million as a result of the adjustments described below.

With respect to sales of computers with repurchase agreements, under JGAAP, all revenue is recorded at the time of sale, and to provide for potential future losses at the time of repurchase, a provision for loss on repurchases is recorded using the amount of expected losses on repurchases based on historical data. Under IFRS, profits from this transaction are recognized over the service period. Instead of recognizing the cost on a lump-sum sale, the cost is recognized as property, plant and equipment and depreciated over the service period. As a result of these adjustments, the balance of property, plant and equipment has increased by ¥2,465 million.

In addition, for the balance of property, plant and equipment that was netted with government grants under JGAAP, ¥389 million has been restored to the balance of property, plant and equipment, and the same amount has been added to liabilities as deferred income.

Because a portion of the development expenses incurred by a consolidated subsidiary in Japan was capitalized, intangible assets increased by ¥106 million.

C. Investments accounted for using the equity method and other investments

Reclassification:

Of the amount included in investment securities under JGAAP, ¥37,311 million in investments in affiliates has been reclassified as investments accounted for using the equity method, and ¥150,078 million in available-for-sale financial assets and held-to-maturity investments has been reclassified as other investments.

Recognition and measurement:

As a result of measuring available-for-sale financial assets, which mainly consist of unlisted shares, at fair value in accordance with IFRS, other investments have increased by ¥16,853 million. In addition, as a result of applying IFRS to equity method affiliates, investments accounted for using the equity method have been reduced by ¥40 million. Together with the reclassification noted above, these adjustments have resulted in a balance of investments accounted for using the equity method of ¥37,271 million.

D. Deferred tax assets and deferred tax liabilities

Reclassification:

¥81,360 million in deferred tax assets under current assets and ¥147 million in deferred tax liabilities under current liabilities under JGAAP have been reclassified as non-current assets and non-current liabilities, respectively.

Recognition and measurement:

With respect to the tax effects arising from elimination of intercompany unrealized gains, income tax expenses are deferred based on the sellers' tax amounts under JGAAP, whereas under IFRS intercompany unrealized gains are treated as temporary differences associated with the purchasers' assets and the tax effects are recognized as deferred tax assets using the purchasers' tax rates after an assessment of the recoverability of the deferred tax assets. As a result, deferred tax assets have been reduced by ¥681 million. In addition, primarily with respect to defined benefit plans, as a result of recognizing the amount of unrecognized obligations as liabilities, additional tax effects are recognized, increasing deferred tax assets by ¥10,404 million. Moreover, ¥12,370 million in deferred tax assets that meet the requirements stated in IAS 12 is offset against an equivalent amount of deferred tax liabilities, reducing the balance of both accounts accordingly. As a result of these adjustments, non-current deferred tax assets have decreased by ¥2,647 million.

As a result of the additional tax effects recognized mainly stemming from the measurement of available-for-sale financial assets at fair value in accordance with IFRS, and offset mentioned previously, deferred tax liabilities have decreased by ¥5,534 million.

E. Other non-current assets

Reclassification:

A total amount of ¥723 million, comprised of ¥2,715 million in defined benefit asset and –¥1,992 million in the allowance for doubtful accounts classified as non-current assets under JGAAP, has been reclassified as other non-current assets.

Recognition and measurement:

As a result of actuarial calculations carried out in accordance with IAS 19 by the Company and its consolidated subsidiaries in Japan that have defined benefit plans, defined benefit asset in other non-current assets has decreased by ¥815 million.

F. Other payables, provisions (current), and other current liabilities

Reclassification:

Other payables

¥394,697 million, comprised of ¥339,836 million in accrued expenses under JGAAP and ¥54,861 million in other accounts payable that were included in other current liabilities under JGAAP, have been reclassified as other payables.

Provisions (current)

¥36,313 million in such accounts as provision for sales allowance and provision for lawsuits, which was included in other current liabilities under JGAAP, has been reclassified as provisions (current).

Other current liabilities

¥54,861 million in other accounts payable included in other current liabilities under JGAAP has been reclassified as other payables. ¥36,313 million in such accounts as provision for sales allowance and provision for lawsuits, and ¥147 million in deferred tax liabilities, all of which were included in other current liabilities under JGAAP, have been reclassified as provisions (current) and non-current liabilities, respectively. As a result, other current liabilities have been reduced by ¥91,321 million.

Recognition and measurement:

Other Payables

For the Company and its consolidated subsidiaries in Japan, as a result of recognizing the obligation generated by unused entitlement to paid absences at the end of the period, other payables have increased by ¥1,678 million.

Other Current Liabilities

Among sales of accounts receivable, for the portion for which the Group retains control, liabilities of ¥62 million are recognized. In addition, for the aforementioned adjustments relating to the sales of computers with repurchase agreements, other current liabilities have increased by ¥19,400 million.

As a result of primarily recording asset-related government grants under liabilities as deferred income, other non-current liabilities increased by ¥130 million.

As a result of these adjustments, other current liabilities have increased by ¥19,592 million.

G. Borrowing, debt, and lease obligations

Reclassification:

¥13,549 million separately classified as lease obligations under current liabilities under JGAAP has been reclassified to short-term borrowings, current portion of long-term debt and lease obligations.

¥27,579 million separately classified as lease obligations under non-current liabilities in JGAAP has been reclassified to long-term debt and lease obligations.

Recognition and measurement:

As a result of measuring straight bonds at amortized cost, the current portion of long-term debt under current liabilities has been reduced by ¥20 million, and the long-term debt under non-current liabilities has been reduced by ¥505 million.

H. Defined benefit liability

Recognition and measurement:

As a result of actuarial calculations carried out in accordance with IAS 19 by the Company and its consolidated subsidiaries in Japan that have defined benefit plans, defined benefit liability increased by ¥26,338 million.

I. Provisions (non-current) and other non-current liabilities

Reclassification:

¥20,386 million in such accounts as provision for directors' retirement benefits and provision for lawsuits, which was included in other non-current assets under JGAAP, has been reclassified as provisions (non-current).

Recognition and measurement:

Provisions (non-current)

As a result of the aforementioned adjustments relating to the sales of computers with repurchase agreements, provisions (non-current) have been reduced by ¥11,201 million.

Other non-current liabilities

As a result of recording asset-related government grants under liabilities as deferred income, other non-current liabilities increased by ¥553 million.

J. Capital surplus, retained earnings, other components of equity, and non-controlling interests

Reclassification:

¥82 million that was separately classified as subscription rights to shares under JGAAP has been reclassified as capital surplus.

Recognition and measurement:

The main items in the adjustments to capital surplus, retained earnings, and other components of equity are as follows.

(Millions of yen)

	Notes	Capital surplus	Retained earnings	Other components of equity
Goodwill and negative goodwill	B	¥(3,556)	¥ 12,733	¥ 327
Financial instruments	C, G	–	(2,891)	14,429
Tax effects of unrealized gains or losses	D	–	(579)	(61)
Defined benefit plans	E, H, J	–	(310,159)	291,587
Liability for paid absences	F	–	(1,184)	–
Cumulative translation differences	J	–	(60,989)	60,989
Attribution to non-controlling interests	J	555	(2,945)	(725)
Other		–	(1,925)	(2,384)
Total		¥(3,001)	¥(367,939)	¥364,162

In accordance with IAS 19, remeasurements of the net defined benefit liability (asset) are recognized in other components of equity after adjusting for tax effects and immediately reflected in retained earnings.

In addition, the cumulative translation differences for all foreign operations as of the date of transition to IFRS are deemed to be zero.

With respect to the liquidation of Fujitsu Management Services of America, Inc., a US consolidated subsidiary, foreign currency translation adjustments were partly realized as an extraordinary loss under JGAAP.

As a result of calculating the impact on non-controlling interests resulting from recognition and measurement differences, the amount attributable to non-controlling interests has been increased by ¥2,280 million. This is primarily because under IFRS the amount of losses of a subsidiary is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance, where under JGAAP the amount is only attributed to the owners of the parent in that circumstance.

Reconciliations to Comprehensive Income for the Year Ended March 31, 2014

(Millions of yen)

Presentation under JGAAP	Notes	JGAAP	Reclassification	Recognition and measurement	IFRS	Presentation under IFRS
Net sales		¥ 4,762,445	¥ –	¥ –	¥ 4,762,445	**Revenue**
Cost of sales	A	(3,493,246)	–	(603)	(3,493,849)	Cost of sales
Gross profit		1,269,199	–	(603)	1,268,596	Gross profit
Selling, general and administrative expenses	A	(1,126,632)	(826)	29,962	(1,097,496)	Selling, general and administrative expenses
	B	–	(62,353)	38,528	(23,825)	Other income (expenses)
Operating income		142,567	(63,179)	67,887	147,275	**Operating profit**
Other income						
	C	–	15,096	190	15,286	Financial income
Interest income	C	1,998	(1,998)	–	–	
Dividend income	C	3,266	(3,266)	–	–	
Equity in earnings of affiliates, net	C	6,546	1,515	281	8,342	Income from investments accounted for using the equity method, net
Gain on foreign exchange, net	C	4,101	(4,101)	–	–	
Others	B	7,038	(7,038)	–	–	
Total other income		22,949	208	471	23,628	
Other expenses						
	C	–	(9,611)	(189)	(9,800)	Financial expenses
Interest charges	C	(6,553)	6,553	–	–	
Loss on disposals of property, plant and equipment and intangible assets	B	(3,581)	3,581	–	–	
Others	B, C	(14,712)	14,712	–	–	
Total other expenses		(24,846)	15,235	(189)	(9,800)	
Ordinary income		140,670	(140,670)	–	–	
Extraordinary gains	B, C	11,573	(11,573)	–	–	
Extraordinary losses	B	(59,309)	59,309	–	–	
Income (loss) before income taxes and minority interests		92,934	–	68,169	161,103	**Profit before income taxes**
Total income taxes	D	(37,061)	–	(2,032)	(39,093)	Income tax expenses
Income (loss) before minority interests		55,873	–	66,137	122,010	**Profit for the year**
						Profit for the year attributable to:
		–	48,610	64,605	113,215	Owners of the parent
Minority interests in income (loss) of consolidated subsidiaries	E	7,263	–	1,532	8,795	Non-controlling interests
		–	–	–	122,010	Total
Net income (loss)		48,610	(48,610)	–	–	

(Millions of yen)

Presentation under JGAAP	Notes	JGAAP	Reclassification	Recognition and measurement	IFRS	Presentation under IFRS
Income (loss) before minority interests		¥55,873	¥–	¥66,137	¥122,010	Profit for the year
Other comprehensive income	F					Other comprehensive income
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of taxes		(25,088)	–	56,525	31,437	Remeasurement of defined benefit plans
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments		60,054	–	(52,785)	7,269	Foreign currency translation adjustments
Deferred gains or losses on hedges, net of taxes		(55)	–	–	(55)	Cash flow hedges
Unrealized gain and loss on securities, net of taxes		10,810	–	1,122	11,932	Available-for-sale financial assets
Share of other comprehensive income of affiliates accounted for using the equity method		3,313	–	(347)	2,966	Share of other comprehensive income of investments accounted for using the equity method
		–	–	(52,010)	22,112	
Total other comprehensive income		49,034	–	4,515	53,549	Total other comprehensive income for the year, net of taxes
Comprehensive income		104,907	–	70,652	175,559	Total comprehensive income for the year
Attributable to:						Total comprehensive income attributable to:
Owners of the parent		95,912	–	65,619	161,531	Owners of the parent
Minority interests	G	8,995	–	5,033	14,028	Non-controlling interests
		104,907	–	70,652	175,559	Total

[Notes on the reconciliations to comprehensive income for the year ended March 31, 2014]

A. Cost of sales and selling, general and administrative expenses

Reclassification:

¥826 million in one-time income not arising in the normal operating cycle, which was included in selling, general and administrative expenses under JGAAP, has been reclassified as other income (expenses), resulting in an increase in selling, general and administrative expenses of ¥826 million.

Recognition and measurement:

The Company and its consolidated subsidiaries in Japan that have defined benefit plans have, as of the date of transition to IFRS, applied IAS 19. As a result, with respect to remeasurements of the net defined benefit liability (asset) (such as actuarial gains and losses), when any positive or negative difference occurs, it is recognized, after adjusting for tax effects, under other comprehensive income in remeasurement of defined benefit plans, and the amount by which the plan is either overfunded or underfunded is recorded as the defined benefit asset or liability. Any gains and losses on remeasurements of the defined benefit plans that are recognized in other comprehensive income are immediately reflected in retained earnings. In accordance with these changes, with respect to the actuarial gains and losses that were amortized under JGAAP, the amortization expenses are reversed under IFRS. In addition, past service cost that was amortized under JGAAP before the date of transition to IFRS, is immediately recognized when it occurs under IFRS and has been reclassified into retained earnings, after adjusting for tax effects, as of the date of transition to IFRS. Moreover, 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. As a result of these changes, cost of sales has increased by ¥1,827 million, and selling, general and administrative expenses have decreased by ¥5,410 million.

As of the beginning of the year ended March 31, 2014, the Company's subsidiaries outside of Japan have applied IAS 19. As a result, they switched to a method whereby remeasurements of the net defined benefit liability (asset) (such as actuarial gains and losses) were recognized in other comprehensive income, but were not reclassified to profit or loss. However, 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), remeasurements of the net defined benefit liability (asset) (such as actuarial gains and losses) were amortized over the employees' average remaining service period. In accordance with the Group's transition to IFRS, the adjustments described above are no longer necessary. As a result, selling, general and administrative expenses have been reduced by ¥17,768 million.

Goodwill is amortized over a certain period under JGAAP, but there is no periodic amortization of goodwill under IFRS. In addition, negative goodwill that, under JGAAP, was included in goodwill because the amount was deemed to be insignificant, has been reclassified into retained earnings as of the date of transition to IFRS. As a result of these adjustments, selling, general and administrative expenses have been reduced by ¥9,712 million.

With respect to sales of computers with repurchase agreements, under JGAAP, all revenue is recorded at the time of sale. At the same time, to provide for potential future losses at the time of repurchase, a provision for loss on repurchases is recorded using the amount of expected losses on repurchases based on historical data. Under IFRS, profits from this transaction are recognized over the service period. Instead of recording the cost in a lump sum, the cost is recorded in property, plant and equipment and depreciated as cost of sales over the service period. In addition, the amount of provision for loss on repurchase of computers is reversed. As a result of these adjustments, cost of sales has been reduced by ¥1,551 million.

Under JGAAP, government grants were accounted for either by being netted with the balance of property, plant and equipment or by eliminating the amount of the grants from the actual expense incurred. Under IFRS, however, government grants are recorded as deferred revenue. As a result, the depreciation expense to property, plant and equipment that is recognized as cost of sales has increased by ¥332 million and the research and development expenses that are recognized as selling, general and administrative expenses have increased by ¥3,034 million.

In addition, as a result of adjustments in others, cost of sales has been reduced by ¥5 million and selling, general and administrative expenses have been reduced by ¥106 million.

As a result of the adjustments described above, cost of sales has been increased by ¥603 million, and selling, general and administrative expenses have been reduced by ¥29,962 million.

B. Other income (expenses)

Reclassification:

A total of ¥13,131 million, comprised under JGAAP of ¥826 million in one-time income not arising in the normal operating cycle and that was recorded in selling, general and administrative expenses, ¥7,038 million in other income that was recorded under others, ¥4,726 million in gain on sales of property, plant and equipment that was included in extraordinary gains of ¥11,573 million, and ¥541 million from an equity transaction at a subsidiary outside of Japan, which was included in gain on sale of investment securities under extraordinary gains, has been reclassified and recorded as an increase to other income. A total of ¥77,602 million, comprised under JGAAP of ¥3,581 million in losses on the disposals of property, plant and equipment, ¥59,309 million in extraordinary losses, and ¥14,712 million in other expenses recorded under others has been reclassified and recorded as a reduction to other income. Of these amounts, ¥3,058 million in financial expenses and ¥940 million in financial income have been transferred out of other income and recorded in financial expenses and income, respectively, thereby increasing other income by ¥2,118 million.

As a result of these changes, other income has been reduced by ¥62,353 million.

Recognition and measurement:

For a partial buyout in the retirement benefit plan of a European subsidiary, the actuarial gains and losses of ¥4,550 million stemming from the buyout were accounted for in profit or loss as a one-time write-off under JGAAP. Under IFRS, unrecognized actuarial gains and losses are recognized in other comprehensive income without a corresponding reclassification to profit or loss. As a result, the ¥4,550 million is recognized in other income under IFRS.

With respect to the loss of ¥21,651 million incurred on realization of foreign currency translation adjustments stemming from the liquidation of Fujitsu Management Services of America, Inc., a US consolidated subsidiary, it was recognized as an extraordinary loss under JGAAP, but it is reclassified as other income (expenses) under IFRS. Because the balance of foreign currency translation adjustments was deemed to be zero as of the date of transition to IFRS, the balance of ¥23,180 million as of the transition date is recognized as an increase to other income under IFRS.

With respect to the positive impact on past service costs arising as a result of revisions to the pension plans of some of the consolidated subsidiaries in Japan, because the effects are immediately recognized when they occur under IFRS, ¥7,670 million is recognized as an increase to other income.

In addition, as a result of adjustments in others, ¥3,128 million is recognized in other income as an expense that has been added back.

As a result of the adjustments described above, other income has increased by ¥38,528 million.

C. Financial income and financial expenses

Reclassification:

A total of ¥15,096 million, comprised of ¥1,998 million in interest income, ¥3,266 million in dividend income, ¥4,101 million in gains on foreign exchange, net, ¥4,791 million in gains on sales of investment securities excluding the impact on the equity transaction, which was included in extraordinary gains of ¥11,573 million and ¥940 million in financial income that was not transferred to other income, has been reclassified as financial income under IFRS.

In addition, a total of ¥9,611 million, comprised of ¥6,553 million in interest expense and ¥3,058 million in losses on valuation of investment securities that was included in other expenses under JGAAP, has been reclassified as financial expenses under IFRS.

Moreover, ¥1,515 million in gains on sales of investments in affiliate, which was included in extraordinary gains under JGAAP, has been reclassified as income from investments accounted for using the equity method, net, under IFRS.

Recognition and measurement:

Available-for-sale financial assets are measured at fair value in accordance with IFRS, which caused higher valuation losses than those that were recorded under JGAAP. Accordingly, on the sale of those available-for-sale financial assets, the financial income has increased by ¥190 million under IFRS.

IFRS has been applied to equity method affiliates, causing their equity to increase. As a result, income from investments accounted for using the equity method, net, has increased by ¥281 million. In addition, financial expenses have increased by ¥189 million because of the additional recognition of ¥196 million in valuation losses on available-for-sale financial assets and the reduction of ¥7 million in expenses recorded in others.

D. Income tax expenses

Recognition and measurement:

With respect to the tax effects arising from elimination of intercompany unrealized gains, income tax expenses are deferred based on the sellers' tax amounts under JGAAP, whereas under IFRS intercompany unrealized gains are treated as temporary differences associated with the purchasers' assets and the tax effects are recognized as deferred tax assets using the purchasers' tax rates after a study of the recoverability of the deferred tax assets. As a result, income tax expenses have decreased by ¥388 million. In addition, as a result of recording deferred tax assets and liabilities arising out of measurement differences, income tax expenses have increased by ¥2,420 million. The effect of these adjustments has been to increase income tax expenses by ¥2,032 million.

E. Non-controlling interests (profit for the year)

Recognition and measurement:

As a result of calculating the impact on non-controlling interests arising from recognition and measurement differences, profit for the period attributable to non-controlling interests has increased by ¥1,532 million. Under IFRS the amount of losses of a subsidiary is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance, whereas under JGAAP the amount is only attributed to the owners of the parent in that circumstance.

F. Other Comprehensive Income

Recognition and measurement:

Remeasurements of defined benefit plans

For the gains and losses on remeasurements of the defined benefit plans, after adjusting for tax effects, ¥56,525 million is recognized in other comprehensive income.

Foreign currency translation adjustments

In accordance with the liquidation of Fujitsu Management Services of America, Inc., a US consolidated subsidiary, there was a realization of foreign currency adjustments at the time of liquidation under JGAAP, but because the balance of foreign currency translation adjustments of ¥23,180 million is deemed to be zero at the date of transition to IFRS, the realization of foreign currency translation adjustments of ¥23,180 million under JGAAP is reversed.

In addition, ¥29,605 million in foreign currency translation adjustments arising from the remeasurements of the net defined benefit liability (asset) (such as actuarial gains and losses) of the consolidated subsidiaries outside of Japan is recognized in other comprehensive income.

As a result of these adjustments, foreign currency translation adjustments have been reduced by ¥52,785 million.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value in accordance with IFRS, and for the change in the fair value since the end of the prior reporting period, after adjusting for tax effects, ¥1,122 million is recognized in other comprehensive income.

Share of other comprehensive income of investments accounted for using the equity method

IFRS was applied to equity method affiliates, and because this caused their other comprehensive income to decline, the Company's share of other comprehensive income of the affiliates has been reduced by ¥347 million.

G. Non-controlling interests (total comprehensive income for the year)

Recognition and measurement:

As a result of calculating the impact on non-controlling interests arising from recognition and measurement differences, total comprehensive income for the period attributable to non-controlling interests has increased by ¥5,033 million.

Reconciliations to the Consolidated Statement of Cash Flows for the Year Ended March 31, 2014

There are no significant differences between the consolidated statement of cash flows under JGAAP and the consolidated statement of cash flows under IFRS.

OTHER INFORMATION

Quarterly information (accumulated total) for the year ended March 31, 2015

(Millions of yen)

	Q1	First Half	Nine Months	Full-Year
Revenue	¥1,068,671	¥2,192,857	¥3,364,427	¥4,753,210
Profit before income taxes	10,438	42,613	83,401	198,864
Profit for the year attributable to owners of the parent	6,890	24,107	51,708	140,024
Basic earnings per share (Yen)	3.33	11.65	24.99	67.68

Quarterly information for the year ended March 31, 2015

(Yen)

	Q1	Q2	Q3	Q4
Basic earnings per share	¥3.33	¥8.32	¥13.34	¥42.69

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Fujitsu Limited

We have audited the accompanying consolidated financial statements of Fujitsu Limited and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fujitsu Limited and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Ernst & Young Shinnihon LLC

June 22, 2015
Tokyo, Japan

FUJITSU LIMITED

Shiodome City Center, 1-5-2 Higashi-Shimbashi
Minato-ku, Tokyo 105-7123, JAPAN
Tel. +81-3-6252-2220

www.fujitsu.com

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