shaping
tomorrow
with you

# EXPANDING WORLD, NEW POSSIBILITIES

FUJITSU LIMITED ANNUAL REPORT 2011

shaping tomorrow with you

# Fujitsu expresses its deepest sympathies to those affected by the Great East Japan Earthquake that struck on March 11, 2011, and hopes for their return to normal life as quickly as possible.

In the wake of the disaster, the Fujitsu Group chose to dedicate itself to supporting the restoration of social infrastructure. In parallel with recovery of its own damaged production sites, the Group sought to assist in getting lives and businesses in the affected area back to normal as quickly as possible. The Group has therefore worked to restore customers' ICT systems, offered free of charge a special cloud computing support program, provided PCs to evacuation centers, and presented monetary donations. Intrinsic to the Fujitsu brand promise "shaping tomorrow with you" is a commitment to work with society and customers to bring about a prosperous future. To this end, the entire Fujitsu Group is concentrating its collective energies to quickly achieve recovery in the aftermath of this tragic disaster, and to leverage ICT to aid in the creation of a new Japan.


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# shaping tomorrow with you

**Fujitsu's Pledge to Customers:**

## The Significance of Our Brand Promise

A brand promise expresses the value a company delivers to its customers. The Fujitsu Group's brand promise, "shaping tomorrow with you," articulates the importance Fujitsu places on working with its customers to contribute to their success, building long-term partnerships, and harnessing the power of information and communication technology to enable people to expand their possibilities.

The Fujitsu Group today consists of 535 consolidated group companies employing approximately 170,000 people who operate in over 100 countries around the world. Fujitsu seeks to further differentiate itself as an attractive partner to its customers through each employee's endeavors to make the promise of "shaping tomorrow with you" a reality in every aspect of Fujitsu's businesses.

Fujitsu will strive to strengthen its brand worldwide as it transforms into a truly global company.

**In this feature, we introduce the role that Fujitsu's advanced technologies and solutions are playing in realizing a "Human Centric Intelligent Society", along with comments from Fujitsu employees who support these efforts.**

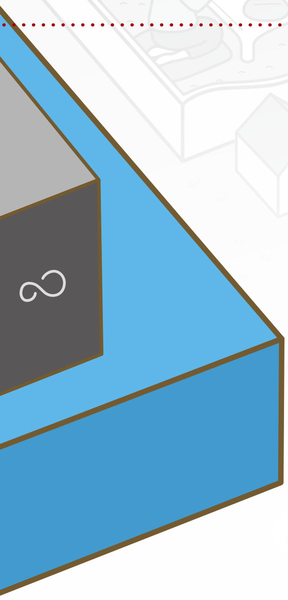
**Toshifumi Obayashi**
Manager
Technology Div.
Telematics Services Business Unit

## Striving to Develop the World's Most User-Friendly Smartphone

I'm involved in smartphone product development. We are setting Fujitsu apart in the market by putting technology honed over the years in models like Raku-Raku Phone to use in smartphones. Because smartphones are so intimately connected to people's lives, the approach we emphasize is to make them human centric and easy to use. In addition to improving their basic functionality, we work to make our smartphones versatile enough to adapt to the usage environment and the individual characteristics and behavior of the user. More specifically, our focus has been on three points: visibility enhancement, to make "point and shoot" moments happen smoothly and with stunning clarity; stress-free, intuitive operability; and making it easy for anyone to hear during voice calls anytime and anywhere. We concentrated, for example, on having volume and sound quality adjust automatically during calls in places with lots of background noise or while moving to make calls easier to hear. Another unique Fujitsu advantage is handset models that are waterproof, yet feature stylish exterior design. The most compelling aspect of my job is having to respond in a timely fashion to the blazingly fast pace of market changes, while at the same time being a catalyst for those very same changes. Our aim is to develop the most user-friendly smartphones in the world, not only looking at functionality, but with an eye toward exterior beauty and design as well.

DOCOMO smartphone F12C—water-resistant, compact, easy to use and packed with features

**Ken Hayashida**
Director
Mobile Phone Product Marketing Dept. I
Marketing Div.
Mobile Phones Unit



### Next-generation supercomputer system* shows promise in delivering synergies with the cloud computing business

The range of fields for the application of ICT has broadened, ushering in a dramatic increase in unprecedented services. This trend will likely open up a vast new scope of applications for supercomputers capable of high-speed processing of large-scale, complex calculations. Applying CPU (central processing unit) technology developed for supercomputers to other areas will allow Fujitsu to enhance the competitiveness of servers, storage and other offerings, and is expected to yield synergies with the massive data processing demands of the cloud computing business.

* For more on supercomputers, see "The Story Behind the Shipment of the Next-Generation Supercomputer System" on p. 061

### Datacenters: Leveraging cloud infrastructure to create new businesses

Cloud computing* technology is the key to advancing ICT utilization in new fields. Fujitsu datacenters use ICT to generate new businesses by funneling massive volumes of diverse real-world data into cloud platforms, then by performing analysis of this data make it more visually intuitive. Moreover the results that emerge can be leveraged in the real world.

* See pp. 028–029 for an introduction to employees supporting the cloud computing business.

New machine room at the Fujitsu Tatebayashi System Center

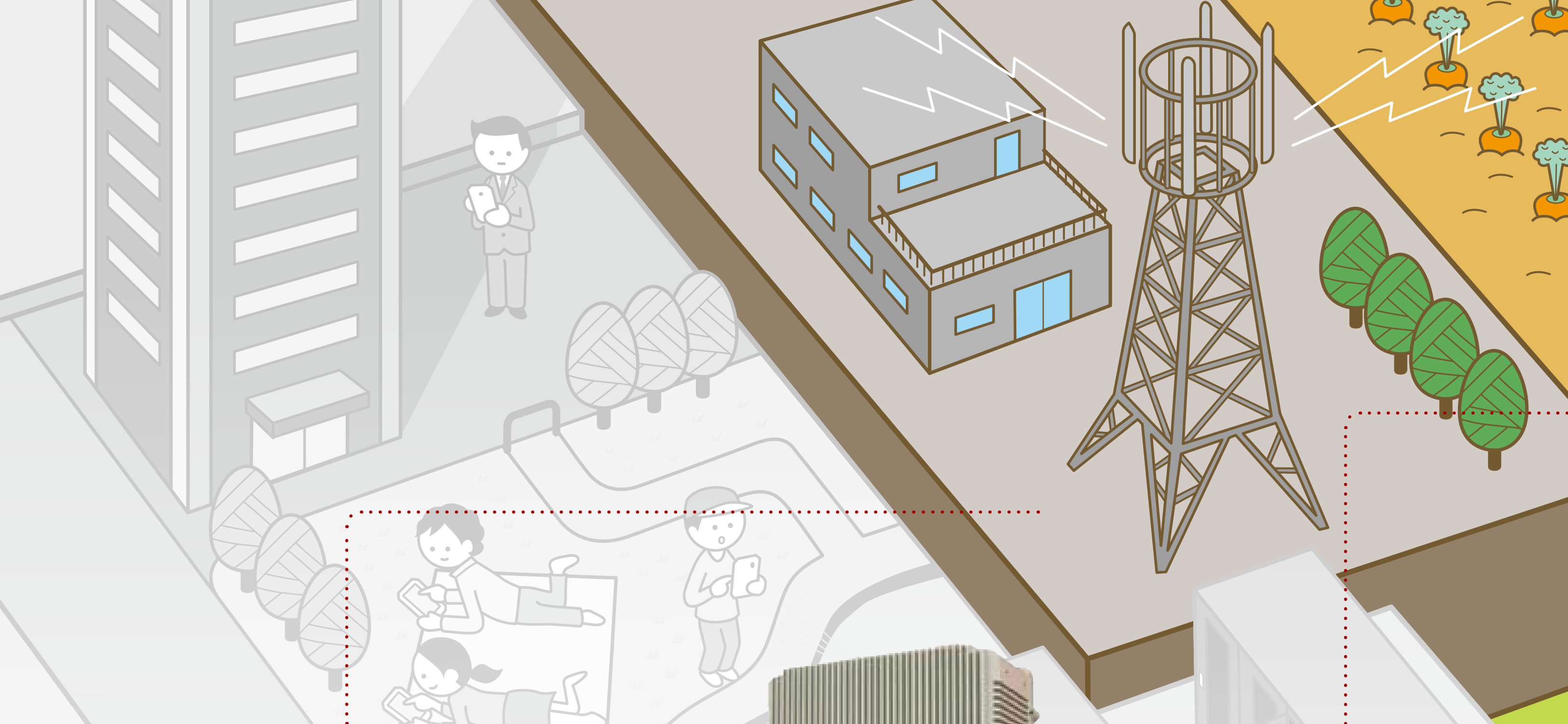
## Striving to Take Society a Step Forward by Mining Diverse Data for Information of Real Value to People

There are many forms that the "Human Centric Intelligent Society" could potentially take. One that I'm hoping for is a society that delivers the services and information that people need in a timely manner while they are on the go. Achieving this requires knowing a person's location and surrounding environment in real-time, then formulating and providing information of value as a service to that person in consideration of their circumstances.

We opted to turn our attention to the position data aspect of this issue, which led to the development of a new service called SPATIOWL.

SPATIOWL is a cloud computing environment for achieving real-time services tailored to a person's location. Positioning is determined by gathering data on the position of people and vehicles, as well as information on the local surroundings collected via sensors. Fujitsu uses this environment to generate traffic information in real-time based on a vehicle's location. Corporate and group customers can also leverage the environment provided by SPATIOWL and information generated by Fujitsu to develop information provision services suited to people's movements. This information could also be useful in urban planning proposals and the delivery of new services to local residents. These are just a few examples of the unique service development and new value creation potential that position data utilization can offer.

We are constantly in search of new business models and technologies that will enable previously unimagined services. There is no tried-and-true map for getting there, which leaves developers with an extremely challenging mission. With that said, I'm determined to give my best to moving a step closer to a society that people find more enjoyable.



## Mobile base stations ready for LTE, the next-generation mobile communications standard

Fujitsu is providing mobile base stations that offer high performance, low power consumption, and compatibility with Long Term Evolution (LTE), the anticipated global standard set for adoption in markets worldwide. With the emergence of smartphones expected to gain momentum, LTE will allow fast, large-volume data communications through mobile terminals. In the future, users can expect to see diverse services that take advantage of these features.

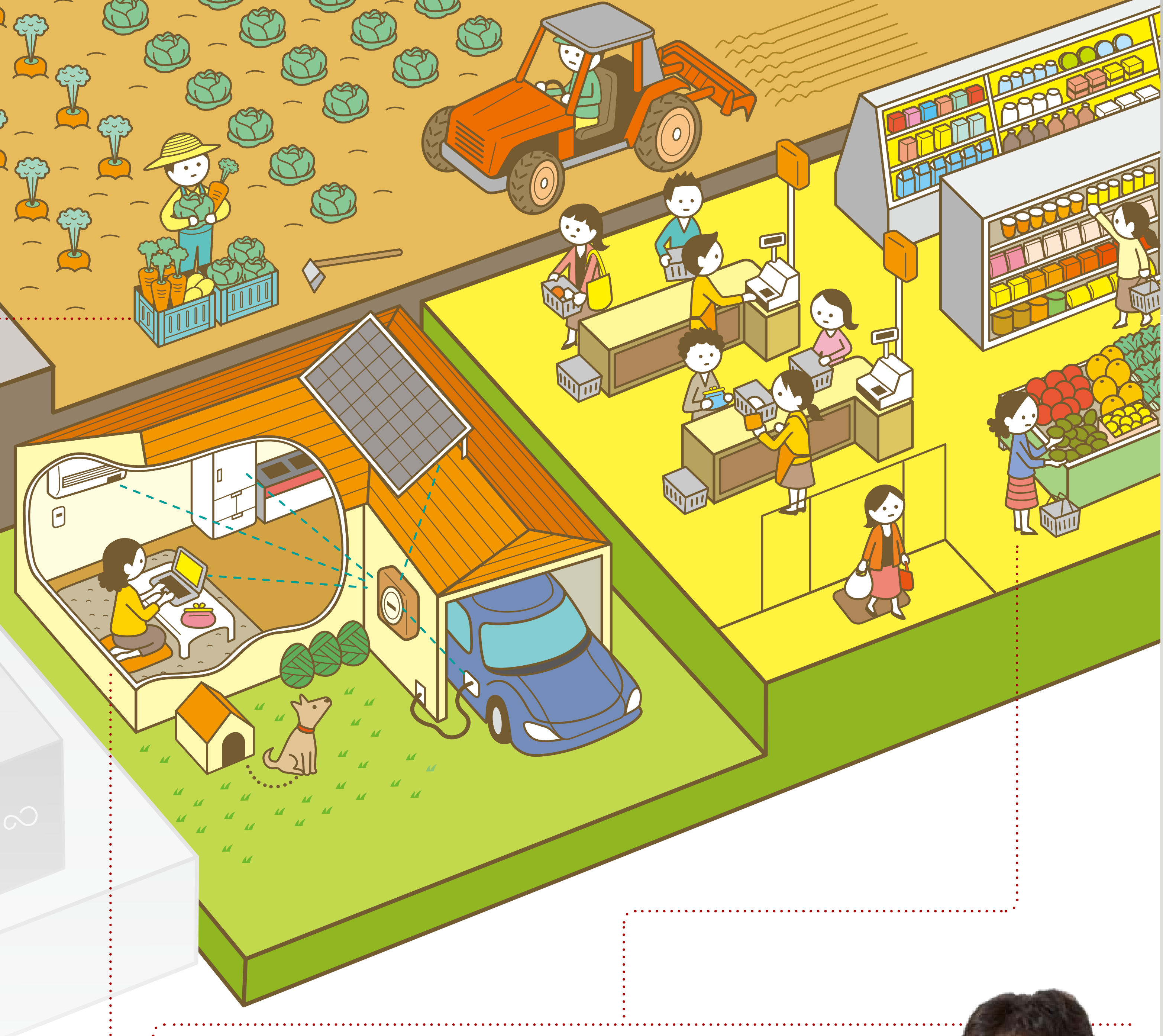

LTE wireless base station system

## The agricultural cloud: Leveraging the experience and expertise passed down to today

The use of sensors to manage and monitor weather and soil conditions will allow fertilizers and agrochemicals to be applied with optimal timing, leading to vast improvements in productivity. Agriculture draws from many years of accumulated experience and expertise. Now, by bringing ICT to bear, younger generations can take a far more active part in this enterprise, allowing that valuable knowledge to be put to broader and more effective use.

## Smart meters: Going beyond smart for expected eco benefits

Smart meters are power meters equipped with communication functionality. This advance allows for remote meter reading of electricity usage without the need for an onsite inspector. It also permits data on electronic device power consumption and usage patterns to be sent to electric utilities, making it possible to optimize electricity generation timing. The expected end result is more efficient power generation and transmission. By informing households of their power consumption, utility charges and other data in real time, the smart meters that electric power companies install should offer eco benefits by, for example, helping to curb consumer-side electricity consumption.





## Extracting New Added-Value Information From a Sea of Data

From 1989 until now, my research has focused on data mining, where we analyze huge volumes of textual and numerical data for useful information. Since 2010, as a part of Fujitsu's push to make the "Human Centric Intelligent Society" a reality, my research has sought to develop a cross-functional way to collect, compile and analyze data on individual lifestyles, corporate activities and social conditions using social media, sensors and other tools. The object is to bring a range of viewpoints to complex social problems for solutions that would be impossible for individuals and companies working alone to achieve. Take, for example, the problem of food product loss, which can happen with overproduction or when consumers purchase more than they need. By closely analyzing consumer buying behavior, we can show the locations and times when food is most in demand, making it possible to reduce waste.

Even if the target for analysis is a massive pool of data, it's not uncommon to only end up with the same results that you initially anticipated. Going beyond that hurdle to find new added-value information is a challenging task, and one that can put a lot of pressure on me at times. But having customers agree with our approach and ultimately remark on the impressive power of Fujitsu technology is what really motivates me to move forward.

**Isamu Watanabe**
Director
Social Solution Laboratory
Software Systems Laboratories
Fujitsu Laboratories Ltd.

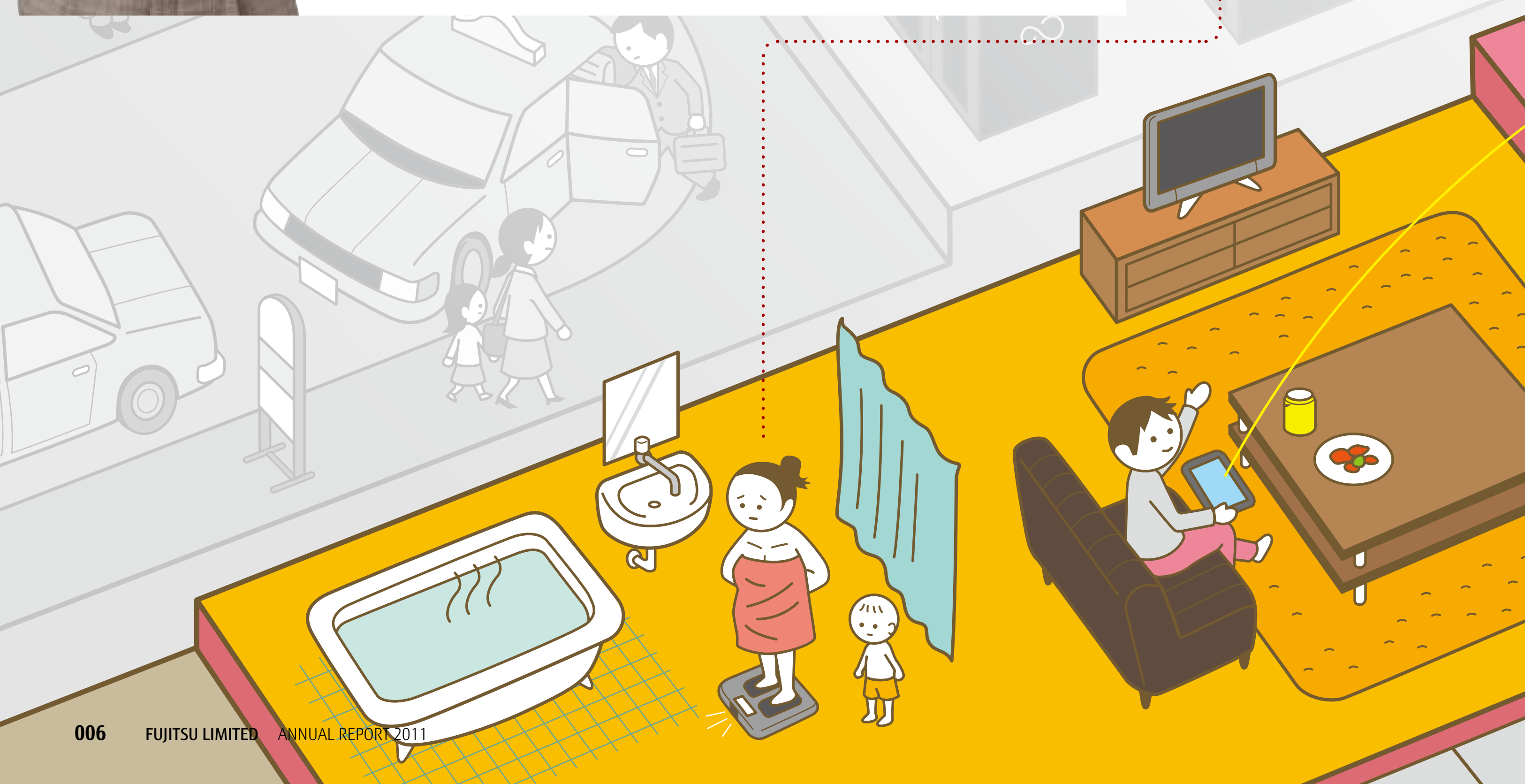
## Medical cloud for coping with the aging of society

Using data mining technology to analyze data amassed in the Fujitsu cloud infrastructure on weight, blood pressure and other diagnostics that sensors routinely capture will make it possible to predict with higher accuracy the likelihood of disease onset so that preventative action can be taken. By broadly linking medical institutions, local governments and other entities, Fujitsu hopes to deliver effective health care solutions for our increasingly elderly society.

# Using Sensors to Deliver More Accessible ICT

For years, I was involved in data mining technology research. As that technology has progressed, my work has now turned to the development of sensors for gathering new data, much of which previously went unutilized, and proposing solutions that actively use that data. In healthcare for example, we are developing wireless sensors for capturing a wealth of biometric data, including weight, pulse and temperature, as well as a person's daily routines. The aim is to then analyze this data to provide timely and medically useful information for improving an individual's health. In agriculture, the behavior of farm operators that apply sensing technology is used to derive costs for agricultural work, as well as to extrapolate relationships between environmental data and agricultural produce cultivation. Sensors are an important basic technology, but the ultimate purpose of our research is to deliver services utilizing ICT in a form that people will find easier to use. In a human centric society, our research results show promise in finding application in a variety of fields. My own feeling is that the most difficult hurdle, and ultimately the most interesting aspect of our work, lies in having to think long and hard on data collection methods that allow the vision of "if only we could do this with ICT" to become a reality.

**Yoshinori Yaginuma**
Director
Human Solutions Laboratory
Human Centric Computing Laboratories
Fujitsu Laboratories Ltd.



## Optical transmission systems: Making the high-speed transfer of large data volumes a reality

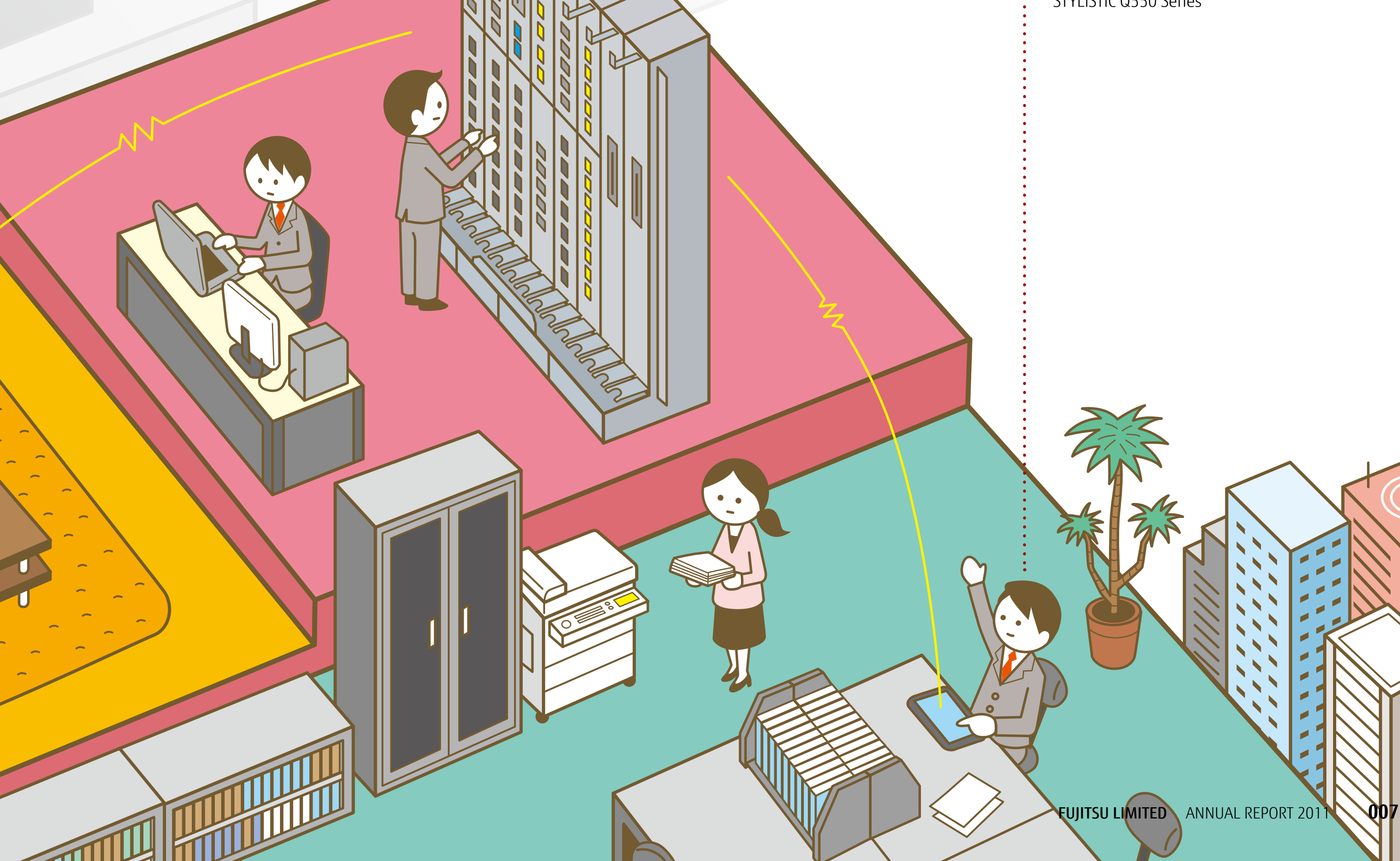
Fujitsu is providing communications markets in North America and Japan with optical transmission systems. During optical communications, these systems handle a variety of tasks, including converting electrical signals into optical signals, signal relaying and directional rerouting. Today, as individuals transfer video and other large volumes of data, optical communications is poised to become even more essential as a tool for data communications owing to its exceptionally fast speeds and the simultaneous transmission of large volumes of data over long distances.

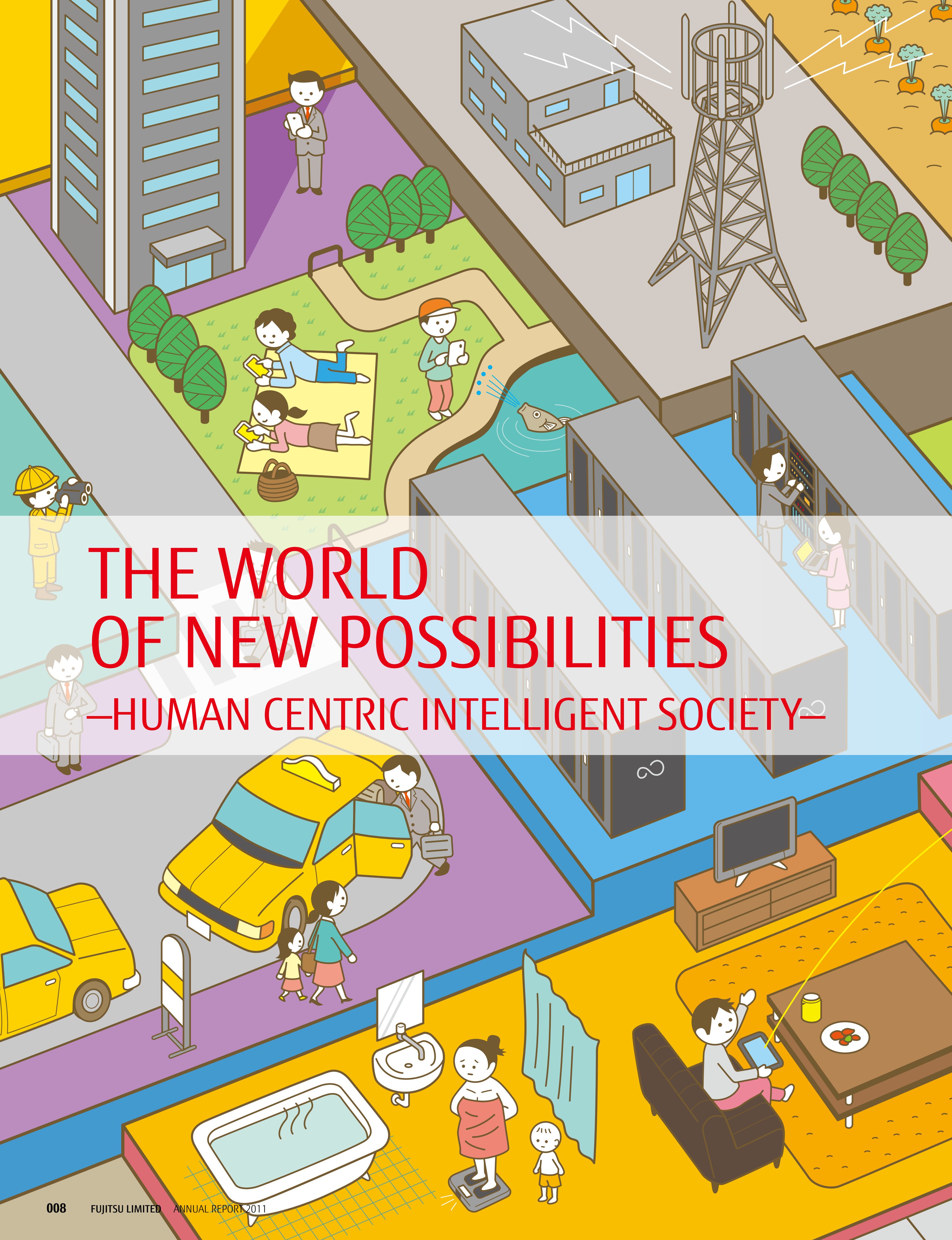
FLASHWAVE 9500 optical transmission system

## Thin, lightweight, touch-panel operated tablet PCs

Easy to carry, thin and lightweight tablet PCs feature touch-panel screens, allowing intuitive access to applications, text entry and other tasks at the touch of a finger. As change in the communications environment accelerates, tablet PCs are becoming increasingly widespread for use as ubiquitous terminals well-suited to the cloud computing era both at home and in business.

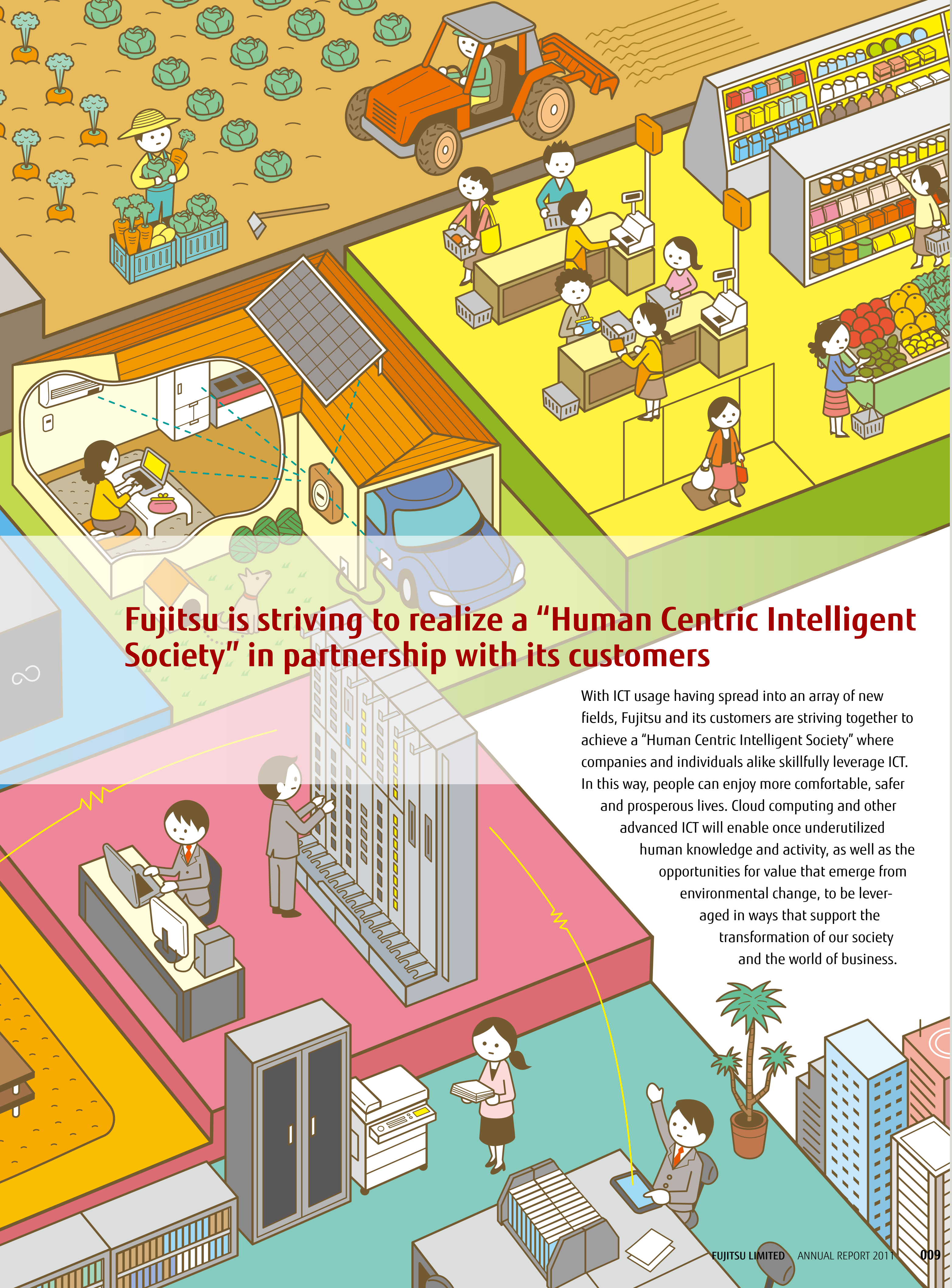
STYLISTIC Q550 Series





# THE WORLD OF NEW POSSIBILITIES

## —HUMAN CENTRIC INTELLIGENT SOCIETY—



## Fujitsu is striving to realize a “Human Centric Intelligent Society” in partnership with its customers

With ICT usage having spread into an array of new fields, Fujitsu and its customers are striving together to achieve a “Human Centric Intelligent Society” where companies and individuals alike skillfully leverage ICT. In this way, people can enjoy more comfortable, safer and prosperous lives. Cloud computing and other advanced ICT will enable once underutilized human knowledge and activity, as well as the opportunities for value that emerge from environmental change, to be leveraged in ways that support the transformation of our society and the world of business.

# FINANCIAL HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

| Years ended March 31 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Net sales | ¥5,100,163 | ¥5,330,865 | ¥4,692,991 | ¥4,679,519 |
| Sales outside Japan | 1,825,255 | 1,923,621 | 1,499,886 | 1,748,304 |
| Ratio of sales outside Japan (%) | 35.8 | 36.1 | 32.0 | 37.4 |
| POINT 1 Operating income | 182,088 | 204,989 | 68,772 | 94,373 |
| Operating income margin (%) | 3.6 | 3.8 | 1.5 | 2.0 |
| Net income (loss) | 102,415 | 48,107 | (112,388) | 93,085 |
| Cash flows from operating activities | ¥ 408,765 | ¥ 322,072 | ¥ 248,098 | ¥ 295,389 |
| Cash flows from investing activities | (151,083) | (283,926) | (224,611) | 1,020 |
| Free cash flow | 257,682 | 38,146 | 23,487 | 296,409 |
| Cash flows from financing activities | (234,953) | 62,325 | (47,894) | (405,310) |
| Inventories | ¥ 412,387 | ¥ 383,106 | ¥ 306,456 | ¥ 322,301 |
| Monthly inventory turnover rate (times) | 0.93 | 1.03 | 0.98 | 1.04 |
| Total assets | 3,943,724 | 3,821,963 | 3,221,982 | 3,228,051 |
| Owners' equity (total net assets – subscription rights to shares – minority interests in consolidated subsidiaries) | 969,522 | 948,204 | 748,941 | 798,662 |
| Return on equity (%) | 10.9 | 5.0 | (13.2) | 12.0 |
| Owners' equity ratio (%) | 24.6 | 24.8 | 23.2 | 24.7 |
| Return on assets (%) | 2.6 | 1.2 | (3.2) | 2.9 |
| Interest-bearing loans | 745,817 | 887,336 | 883,480 | 577,443 |
| POINT 2 D/E ratio (times) | 0.77 | 0.94 | 1.18 | 0.72 |
| Net D/E ratio (times) | 0.31 | 0.36 | 0.47 | 0.20 |
| R&D expenses | 254,095 | 258,717 | 249,902 | 224,951 |
| Capital expenditure | 305,285 | 249,063 | 167,690 | 126,481 |
| Depreciation | 202,825 | 200,509 | 223,975 | 164,844 |
| Number of employees | 160,977 | 167,374 | 165,612 | 172,438 |
| Amounts per share of common stock (Yen and U.S. Dollars): | | | | |
| Net income (loss) | ¥ 49.54 | ¥ 23.34 | ¥ (54.35) | ¥ 45.21 |
| POINT 3 Cash dividends | 6.00 | 8.00 | 8.00 | 8.00 |
| Owners' equity | 469.02 | 458.31 | 362.30 | 386.79 |

Note: The U.S. dollar amounts stated above and elsewhere in this report have been translated from yen, for readers' convenience only, at the rate of ¥83 = US$1, which was the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2011.

**POINT 1**

In the fiscal year ended March 31, 2011, operating income rose ¥38.2 billion year on year, to ¥132.5 billion. Delayed recovery in ICT demand in Japan was offset by the effects of structural reforms, sales growth, primarily in Device Solutions, and efforts to curb costs Group-wide, culminating in income growth.

**POINT 2**

Progress in repaying interest-bearing loans resulted in a D/E ratio of 0.57 times, a year-on-year improvement of 0.15 of a percentage point. The net D/E ratio was 0.14 times, improving 0.06 of a percentage point year on year. Both ratios were at record low levels.

**POINT 3**

Both the interim and year-end dividends were ¥5 per share, for an annual dividend of ¥10 per share as was initially forecast. This is the first annual dividend of ¥10 since fiscal 2000.

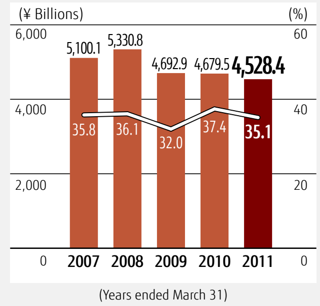
| Yen (millions) | Year-on-Year Change (%) | U.S. Dollars (thousands) |
|---|---|---|
| 2011 | 2011/2010 | 2011 |
| ¥4,528,405 | −3.2 | $54,559,096 |
| 1,587,363 | −9.2 | 19,124,855 |
| 35.1 | | |
| 132,594 | 40.5 | 1,597,518 |
| 2.9 | | |
| 55,092 | −40.8 | 663,759 |
| ¥ 255,534 | −13.5 | $ 3,078,723 |
| (142,108) | – | (1,712,145) |
| 113,426 | −61.7 | 1,366,578 |
| (166,933) | – | (2,011,241) |
| ¥ 341,438 | 5.9 | $ 4,113,711 |
| 1.02 | | |
| 3,024,097 | −6.3 | 36,434,904 |
| 821,244 | 2.8 | 9,894,506 |
| 6.8 | | |
| 27.2 | | |
| 1.8 | | |
| 470,823 | −18.5 | 5,672,566 |
| 0.57 | | |
| 0.14 | | |
| 236,210 | 5.0 | 2,845,904 |
| 130,218 | 3.0 | 1,568,892 |
| 141,698 | −14.0 | 1,707,205 |
| 172,336 | | |
| ¥ 26.62 | −41.1 | $ 0.321 |
| 10.00 | 25.0 | 0.120 |
| 396.81 | 2.6 | 4.781 |

To page 092 for further details

### Financial Impact of the Great East Japan Earthquake

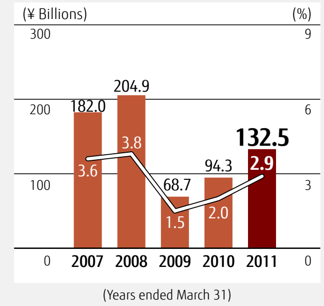
The Great East Japan Earthquake caused operating income to fall by roughly ¥13.0 billion due to temporary production stoppages, as well as shipment and delivery delays. Fujitsu also recorded an ¥11.6 billion loss in other income (expenses), covering the costs of restoring plant and equipment damaged in the disaster, fixed costs that took place during production stoppages at damaged facilities, and the disposal losses on inventories.

### Net Sales and Ratio of Sales Outside Japan



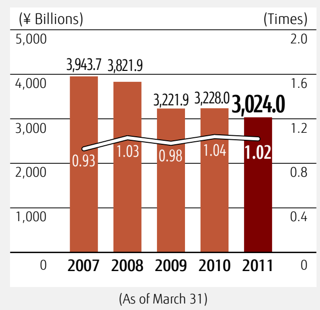

Net sales (left scale)
Ratio of sales outside Japan (right scale)

### Operating Income and Operating Income Margin



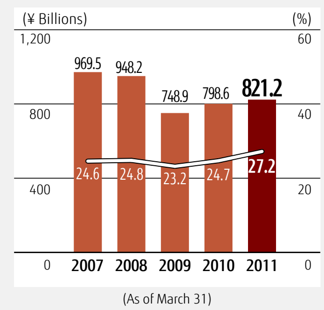

Operating income (left scale)
Operating income margin (right scale)

### Total Assets and Monthly Inventory Turnover Rate



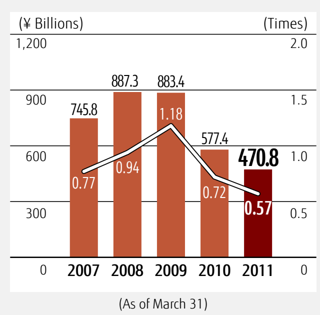

Total assets (left scale)
Monthly inventory turnover rate (right scale)

### Owners' Equity and Owners' Equity Ratio



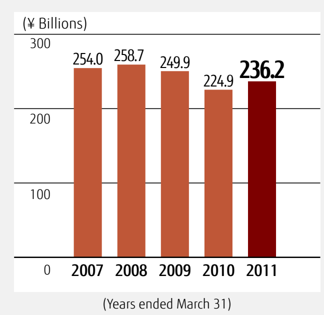

Owners' equity (left scale)
Owners' equity ratio (right scale)

### Interest-bearing Loans and D/E Ratio

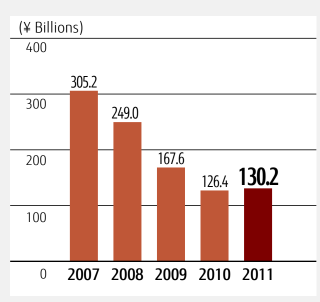



Interest-bearing loans (left scale)
D/E ratio (right scale)

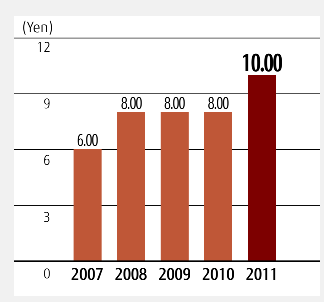
### R&D Expenses




### Capital Expenditure




### Cash Dividends per Share



# A MESSAGE FROM MANAGEMENT

We at Fujitsu express our heartfelt sympathies to all those affected by the Great East Japan Earthquake, and we extend our deepest wishes for the early recovery of the disaster-stricken regions.

The recent disaster in Japan has prompted us to take a broader perspective to better support social infrastructure through ICT. As networks develop and cloud computing becomes more prevalent throughout society, utilization of ICT in new ways is taking place across a variety of fields. By taking a sophisticated approach in offering ICT, Fujitsu seeks to solve a wide range of social problems and to support the creation of a more prosperous and secure "Human Centric Intelligent Society." In this way we will harness all the Group's resources and capabilities to maximize our contribution to the rebuilding efforts.

In June 2011, at our annual Management Direction Briefing, we presented our goal of becoming a technology-based globally integrated service company, with the three priorities of going on offense with structural reforms, accelerating globalization and creating new services businesses. These are the themes that will underpin our business development as we aim for both growth and sound profitability. We will strive to continually enhance our corporate value to meet the expectations of shareholders and investors. We very much appreciate your unwavering support.

Michiyoshi Mazuka
**Chairman**

Masami Yamamoto
**President**

# WE HAVE A VISION

Though fiscal 2010 was challenging due to the impact of the earthquake, among other reasons, we viewed it as a year to solidify our business foundation and prepare for the next stage of growth.

As the networked society becomes more sophisticated, the complexity of the market and speed of change are accelerating. Amid this environment, we have positioned fiscal 2011 as a groundbreaking year in the establishment of new businesses for growth.

The Fujitsu Group is committed to carrying out fundamental reforms to achieve sustainable growth. We will continue to deliver maximum value to our customers by forging ahead with global integration, as a technology-based, globally integrated services company.

Masami Yamamoto

Masami Yamamoto
**President**

## A review of fiscal 2010

Fiscal 2010 was a year in which we solidified our business foundation in preparation for the next stage of sustained growth. The business environment was challenging due to the earthquake in Japan and other factors, but the Fujitsu Group forged ahead unrelentingly with structural reforms and investments into new business areas.

QUESTION. 1
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## Impact of earthquake and response

Some of our plants and a part of our supply chain in the Tohoku region of northern Japan suffered damage from the earthquake, but we succeeded in restoring operations to normal quickly through an all-out recovery effort. We continue to support recovery in the disaster-stricken areas with ICT services and other such aid that Fujitsu is uniquely qualified to provide.

QUESTION. 2
To page 016

## Future challenges and measures

We have three growth priorities: going on offense with structural reforms, accelerating globalization and creating new services businesses. In addition, we established the Assurance Group in May as one measure to improve project management and profitability outside Japan.

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QUESTION. 4
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QUESTION. 5
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## The future direction of ICT

Fujitsu has a vision of a "Human Centric Intelligent Society" in which sophisticated ICT usage helps create a more prosperous society. We can transform the vast amounts of complex, real-world data into actionable knowledge through visualization, analysis, modeling, and optimization, and provide this insight to businesses as services. These are the kinds of convergence services that Fujitsu will deliver to its customers.

QUESTION. 6
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QUESTION. 7
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## Return of profits and dividend policy

Our basic policy is to provide a stable dividend while ensuring sufficient internal reserves to support the active expansion of our business. In fiscal 2010, as a result of steady improvements in our financial condition, we paid an annual dividend of ¥10 per share as originally planned.

QUESTION. 8
To page 021

## Message to shareholders and investors

Fujitsu continues to make strategic investments for growth based on its approach of fostering talent and technology. We have set forth key financial targets to achieve at an early stage: raising the operating income margin to 5% or more, ratio of sales outside Japan to at least 40%, and free cash flow to over ¥150 billion/year.

QUESTION. 9
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## A review of fiscal 2010

### QUESTION. 1

**This was your first year as president after being appointed in April 2010. Please tell us what fiscal 2010 meant for you and for the Company.**

**ANSWER. 1**

**Fiscal 2010 was a year in which we solidified our business foundation in preparation for the next stage of sustained growth. Damage caused by the earthquake made the business environment extremely challenging, but the Fujitsu Group forged ahead unrelentingly with structural reforms and investments into new business areas.**

In my first year, my highest personal priority was to strengthen the business foundation for sustained growth. That was precisely what we did in fiscal 2010.

As for the overall market environment, my impression was that the pace of economic recovery in fiscal 2010 was slower than originally forecast. When I was appointed president in April 2010, we expected the economy to recover to a level prior to that of the global financial crisis. Interest in ICT investment among companies, however, was weaker than anticipated. Then, the Great East Japan Earthquake in March 2011 further undercut recovery expectations. But even in this severe business environment, we did not let up with structural reforms and new business investments.

For example, in the area of strengthening the Group business structure, in October 2010 we completed the mobile phone business merger with Toshiba Corporation to establish Fujitsu Toshiba Mobile Communications Limited. Other key initiatives included the restructuring of our network products manufacturing divisions, and the establishment of a core company to serve the medium-size business market in Japan.

In terms of investment in platforms for business growth, we invested aggressively into the development of new products and technologies for the future. We made steady progress, for example, on the development of datacenters to provide a global public cloud service in six key markets: Japan, Australia, Singapore, the US, the UK, and Germany. We also initiated the shipment of a next-generation supercomputer system* to Japan's Institute of Physical and Chemical Research (RIKEN).

* The next-generation supercomputer was ranked No. 1 on the TOP500 Supercomputer list. See "The Story Behind the Shipment of the Next-Generation Supercomputer System" on p. 061 for more details.

Our proposals in new business areas also met with success. For example, we entered a joint services venture with US-based aircraft manufacturer Boeing using RFID tags to streamline aircraft maintenance. In the US, we conducted joint field trials with energy company Kit Carson Electric Cooperative on a remote metering system. These are just a few of the many new ICT services we are developing.

I'm satisfied that we moved with speed and agility in fiscal 2010 to continue our structural reforms and make new investments in businesses that will sustain our future growth. On the other hand, I regret that, due to the deterioration of the market environment, we were unable to meet all of our financial targets and the expectations of investors.

**Financial Highlights** (Billions of yen)

| (Years ended March 31) | 2009 | 2010 | 2011 |
|---|---|---|---|
| Net sales | 4,692.9 | 4,679.5 | 4,528.4 |
| Operating income | 68.7 | 94.3 | 132.5 |
| Net income (loss) | (112.3) | 93.0 | 55.0 |
| Interest-bearing loans | 883.4 | 577.4 | 470.8 |
| Net D/E ratio (times) | 0.47 | 0.20 | 0.14 |

## Impact of earthquake and response

### QUESTION. 2

**Please explain the extent of the damage from the Great East Japan Earthquake, the impact on your financial results, and your recovery measures.**

**ANSWER. 2**

**Some of our plants and a part of our supply chain in the Tohoku region of northern Japan sustained damage from the earthquake, but we succeeded in restoring operations to normal capacity quickly through an all-out recovery effort. Fujitsu continues to support rebuilding in the disaster-stricken areas with ICT*[1] services and other aid.**

*[1] ICT
Information and communication technology, a term derived from IT (information technology) and communication, which includes the sharing of knowledge and information via communication networks.

We designed our datacenters with thorough anti-earthquake measures. As a result, our Tatebayashi System Center in Gunma Prefecture, which is not far from the epicenter of the earthquake, suffered no major damage, and our customers' data and assets were secure. We also continued to provide datacenter services during the rolling blackouts thanks to our private electricity generators. The disaster did cause, however, direct damage to seven Group manufacturing facilities. Parts shortages also impacted our Group operations. We made an exhaustive effort to restore operations to normal, recognizing that our most basic mission as a manufacturing company is to supply customers with products. As a result, as of April 20, 2011, we had restored all facilities affected by the disaster to 100% normal capacity. In terms of the financial impact, our operating income declined by approximately ¥13 billion, and we also booked an extraordinary loss of ¥11.6 billion, mainly expenses for restoring our facilities after the disaster.

As for our supply chain, the impact was limited with regard to first-tier suppliers, thanks largely to our efforts to develop multiple sources of parts and materials. I cannot say the same for our second- and third-tier suppliers, however, and we have to address this issue. With regard to core parts, in particular, we must maintain a balance between cost and business continuity. We will review our methods for ensuring appropriate inventory levels and procurement processes globally.

Regarding our manufacturing structure, we have established mutual backup systems among our plants both in and outside Japan for our main products, including PCs, servers, and mobile phones. As a result, we were able to prepare alternative manufacturing lines for these products within a week after the earthquake. This was possible thanks to our prior establishment of a business continuity plan which set out procedures for responding to unforeseen events.

Refer to p. 027 for details on how the Fujitsu Group responded to the Great East Japan Earthquake.

We also support rebuilding in the disaster-stricken region. Our foremost goal is helping to secure a safe living environment for the victims by lending support in areas we know best. When you look at the immense telecommunications infrastructure for mobile phones, it's clear what an important role ICT plays in social infrastructure. After the disaster, we worked closely with carriers to quickly restore a telecommunications network that had been shattered by the earthquake and tsunami. We were also able to help address the issue of information management, which caused significant confusion in the disaster region. Two areas of particular concern were systems for confirming the safety and whereabouts of family members and for managing the supply chain of relief materials. To help resolve these issues and support recovery efforts, Fujitsu donated a large number of PCs along with a cloud*[2] environment for volunteers and NPO staff to use for information management. I visited the disaster region and found that local recovery workers were very pleased with our CRMate information management application, which had been tailored to support the local crisis management efforts.

*[2] Cloud computing
A system configuration whereby tasks performed by the user are processed by Internet-based servers rather than the user's own PC or a server on a company's in-house network

## Future challenges and measures

### QUESTION. 3

**After reviewing the results for fiscal 2010, what are some of the main issues and measures that remain for the current term, fiscal 2011?**

**ANSWER. 3**

**Fiscal 2011 will be a groundbreaking year in the establishment of new businesses for future growth. More specifically, we have three growth priorities: going on offense with structural reforms, accelerating globalization, and creating new services businesses.**

See pp. 022–023 for a detailed account of fiscal 2010 performance.

As the networked society becomes more sophisticated, the complexity of the market and speed of change are accelerating. Amid this environment, we have positioned fiscal 2011 as a groundbreaking year in the establishment of new businesses for growth.

We will be promoting specific initiatives throughout the Group in line with our three growth priorities.

The first priority is going on offense with structural reforms. We are accelerating our cloud business strategy, enhancing the foundation of our solutions business in Japan, and through our business structure reforms, we will also be able to support disaster recovery efforts.

The second priority is the acceleration of globalization. We are steadily increasing the size of our business outside Japan and promoting measures to realize cost reforms. Furthermore, we are improving how we resolve issues of unprofitable projects.

The third priority is the creation of new services businesses. This year, we will accelerate the development of advanced new services in collaboration with our customers.

Despite the severe business environment, we have no plans on scaling back forward-looking investments. On the contrary, our basic management approach is to play offense, and reinforce our areas of strength. With this approach, we will bolster our global foundation for growth and seize opportunities as the economy recovers from the financial crisis.

## Future challenges and measures

See **"Special Feature: Fiscal 2011 Management Direction" on pp. 024–026** for more details.

### QUESTION. 4

**Please tell us more about the Company's medium-term direction.**

**ANSWER. 4**

**We aim to be a technology-based globally integrated services company. We are advancing the three growth priorities of going on offense with structural reforms, accelerating globalization, and creating new services businesses in their execution phase.**

In the medium term, we aim to be a technology-based globally integrated company. We are advancing the three growth priorities of going on offense with structural reforms, accelerating globalization, and creating new services businesses in their execution phase.

With regard to going on offense with structural reforms, we are striving to maintain our dominant position in Japan by merging the capabilities of the entire Group around services. In the medium term, in order to grow the volume of business, we must enhance our sales capabilities and forge new areas of growth by reallocating human and other resources.

In terms of accelerating globalization, we are unifying our businesses by integrating operations in and outside Japan through the introduction of common, globally shared functions.

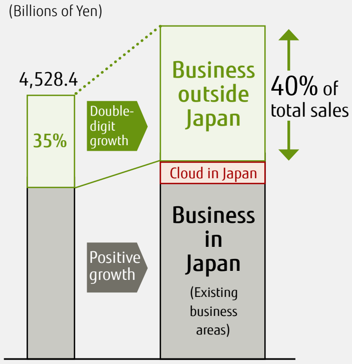
As for the creation of new services businesses, we are striving to realize our vision of a "Human Centric Intelligent Society" by defining new business models to support future growth.

We have set specific financial targets which represent the minimum performance we must achieve to exceed our current trajectory and ensure sustained growth. Specifically, we are aiming for the early achievement of an operating margin of 5% or more, a ratio of sales outside Japan of above 40%, and free cash flow of at least ¥150 billion/year. These targets are premised on the potential offered by our strengths of fostering talent and technology while making continued investments for growth in global markets. We may, however, review the targets in the future based upon changes in the operating environment and actual results.

Taking up the Challenge of Achieving an Operating Income Margin of >5% in the Near Term

**Composition of Sales**

(Billions of Yen)




(Fiscal year ended March 31)

**Near-Term Performance Targets**

The minimum required to move beyond past performance, on a secure growth trajectory

Operating Income Margin: > 5%
Ratio of Sales Outside Japan: > 40%
Free Cash Flow: > ¥150 billion/year

In light of the evolving operating environment, sales targets will be reviewed accordingly.

Aim to achieve targets in near-term through accelerating investments for growth while fostering talent and technology

### QUESTION. 5

**Fujitsu's projects outside Japan hit some stumbling blocks in the past year due to the emergence of unprofitable projects in Europe and austerity measures instituted by the UK government. How do you plan on putting the business back on track?**

**ANSWER. 5**

**In May 2011, we launched the Assurance Group to enhance project management and to ensure profitable projects. In addition, as part of initiatives to accelerate our globalization, we are bolstering support to multinational clients through cross-functional services for their global sites, as well as carrying out organizational reforms to reinforce our product businesses, such as x86 servers and storage.**

In fiscal 2010, we booked a loss on the termination of a number of unprofitable projects outside Japan. In the past, we booked similar losses due to unprofitable projects in Japan, but resolved those issues by thoroughly revamping the assurance structure in 2003 and improving project management. As a result, the number of such projects in Japan has plummeted and we have achieved significant improvements in profitability.

Outside Japan, our previous system of assurance drew on the initiatives in Japan, but we came to realize that we needed to provide stronger support from headquarters. This is why we established the Assurance Group in May.

Reporting directly to me, this new group integrates the assurance teams in and outside Japan into one organization. In this way, the knowledge accumulated in Japan, for example, profit and loss management and loss prevention schemes, can be applied to business outside Japan to enhance project management and profitability.

Regarding the UK government's austerity measures, public-sector IT budgets in that country are likely to continue to shrink in the years ahead. We are responding by steadily expanding our private-sector business and strengthening the products business around the promotion of the Fujitsu brand.

In addition to these initiatives, we made steady progress in accelerating our globalization. In April 2011, Rod Vawdrey, formerly the president of Fujitsu Australia, was appointed as the president of the Global Business Group. We are speeding up the integration of our global business under his new management structure. For example, we set up a new organization at the headquarters, the Global Business Promotion Group, to strengthen our cross-functional support of multinational clients and bolster the services portfolio. In addition, we have integrated the x86 server and storage operations previously split between Germany and Japan. Under the new management scheme, the new x86 headquarters in Germany will develop global products and spearhead marketing. Combined, these measures will transform the business outside Japan into one with steady profit and growth potential.

## The future direction of ICT

### QUESTION. 6

**Please explain further about the direction of the ICT industry and the type of company Fujitsu aims to become.**

**ANSWER. 6**

**Fujitsu has a vision of a "Human Centric Intelligent Society"*[1] in which sophisticated uses of ICT contribute to the creation of a prosperous society. We are defining new services businesses which will make this vision a reality and secure our future growth as a company.**

*[1] See pp. 002–009 for a detailed look at initiatives by Fujitsu for realizing the "Human Centric Intelligent Society".

Fujitsu has a vision of a Human Centric Intelligent Society in which sophisticated uses of ICT help solve various social problems and contribute to the creation of a prosperous society.

Take the recent disaster as an example. The accident at the nuclear power plant is characteristic of energy issues facing society. In addition, supply chain risks materialized after the earthquake due to the concentration of production and logistics in certain regions. Paradigms have shifted dramatically since the disaster, and the key question for Fujitsu is in what ways can we utilize ICT to contribute to Japan's rebuilding in a rapidly evolving society.

Medicine is one way in which new uses of ICT can contribute. Since the number of doctors is limited in the afflicted region, a core issue is how to efficiently deliver high-quality medical services over a wide area. To this end Fujitsu has developed an electronic medical records system which shares patient records among a number of hospitals. We are also working on a remote medical system which enables doctors at a university hospital, for instance, to remotely deliver medical advice to patients at a local clinic in the disaster region. These are the types of new services driven by ICT innovation.

As rebuilding efforts progress, we also need to consider the establishment of "smart cities" which promise efficient use of energy along with sophisticated human services like transportation and medical services. I believe we can make a strong contribution to the creation of smart cities by utilizing our system development and operational expertise and technologies, along with our datacenter and cloud capabilities. Community development becomes very easy to understand when we broaden our viewpoint and rethink planning around ICT, including such services as cloud-based agricultural management.

ICT has great potential in many different areas. With competition intensifying on a global level*[2], Fujitsu's forte, namely ICT-developed services, are what set us so far apart from our global competitors. On the basis of our technologies, we have built a vertically integrated business model*[3] offering platforms and services delivered to customers as complete, validated solutions. This vertically integrated model is one of Fujitsu's core competencies, and we will leverage this difference in realizing a "Human Centric Intelligent Society" as a global ICT leader.

*[2] See pp. 050–057 for changes in the ICT market, including ICT market projection graphs by geographical region.

*[3] Vertically integrated business model
A business model in which Fujitsu serves as a one-stop provider of hardware, software, and services solutions

## The future direction of ICT

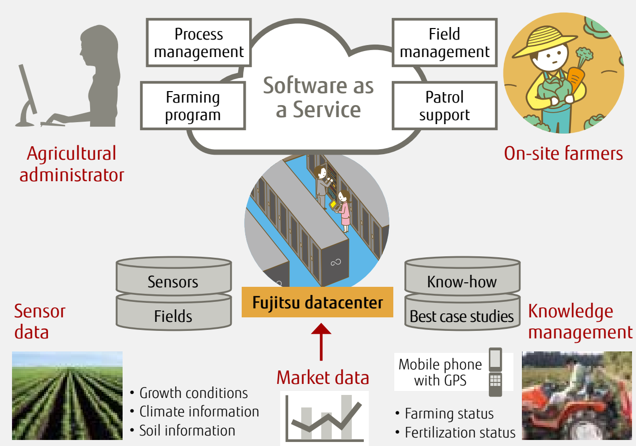
### QUESTION. 7

**What are some of the specific initiatives you are taking and will take in the future to achieve the vision of a "Human Centric Intelligent Society"?**

**ANSWER. 7**

**The "Human Centric Intelligent Society" is already steadily becoming a reality in areas such as agriculture management, where ICT is being used in innovative ways. We can transform the vast amounts of complex, real-world data into actionable knowledge through visualization, analysis, modeling, and optimization, and provide that insight to businesses as services. Fujitsu will deliver these types of convergence services to its customers.**

ICT utilization in agriculture

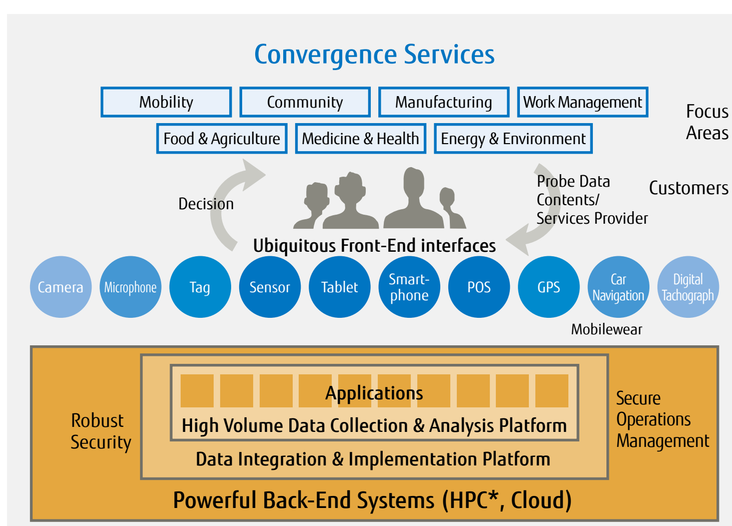



ICT has evolved from the computer-centric era, in which the computer itself was the focus, to the network-centric era, in which the Internet was the focus. Now, we see a future era in which human values are the focus and ICT is used to achieve their realization. This is our vision of the "Human Centric Intelligent Society".

In this upcoming era, the applications of advanced ICT are limitless. The diffusion of ICT into areas never anticipated before is being driven by the spread of the Internet and highly functional ubiquitous terminals like smartphones and tablet PCs, along with emerging cloud services. The potential of ICT will grow with the evolution of these new technologies.

A prime example of the growing potential of ICT is its application in agriculture management. Traditionally, agricultural products have been produced through a combination of experience and instinct, in other words a farmer's know-how. By using ICT to process this expertise, anyone can access the practical knowledge of farmers and achieve a leap in productivity. In one example of how this is actually being done, Shinpuku Seika, an agricultural corporation in Miyazaki Prefecture, Japan, has been using a Fujitsu-developed system with sensors designed to monitor weather and soil conditions, and then determine the best times to apply fertilizer. I've heard that they have been able to increase productivity many times over since adopting the system three years ago.

Cloud technology is critical to the application of ICT into new areas. Our customers are accumulating an ever-increasing amount of complex, real-world data from sensors and front-end ubiquitous terminals. This data can be channeled into cloud platforms for visualization, analysis, prediction, modeling, and optimization—processes which turn the data into practical information used by customers as an important foundation for business. Fujitsu remains one of the few vendors in the world with a complete array of solutions along the ICT value chain. Our chain encompasses everything from back-end systems such as cloud platforms and supercomputers, to data integration and execution platforms, large-scale data collection and analysis platforms, a full lineup of applications, and ubiquitous front-end terminals connecting these platforms to the user. We plan to leverage this competitive advantage and add further value through convergence services.




* HPC: High Performance Computing

## Return of profits and dividend policy

### QUESTION. 8

**Please explain your stance on returns to shareholders and dividends.**

**ANSWER. 8**

**Our basic policy is to provide a stable dividend while ensuring sufficient internal reserves to support the active expansion of our business. In fiscal 2010, as a result of steady improvements in our financial condition, we paid an annual dividend of ¥10 per share as originally planned.**

Under Fujitsu's basic policy on the distribution of earnings, a portion of retained earnings is paid to shareholders to provide a stable return on a continuous basis, and a portion is retained by the Company to strengthen its financial base and support new business development opportunities that will result in improved medium- and long-term performance. In addition, taking into consideration the level of profits, Fujitsu aims to increase the distribution of profits to its shareholders when the financial base is sufficiently strong enough, including through share buybacks.

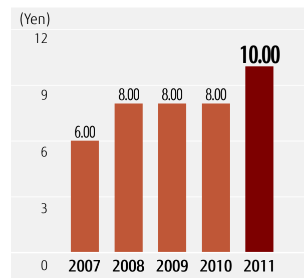
We began fiscal 2010 with a forecast of net income of ¥95 billion and an annual dividend of ¥10 per share. The actual result was net income of ¥55 billion, falling short of expectations and the previous year's results due to an extraordinary disaster-related loss and the booking in the previous year of profits from the sale of securities. We did achieve, however, a steady improvement in our financial condition, and therefore paid ¥10 per share in annual dividends as originally planned. This, by the way, is the first time since fiscal 2000 we have paid an annual dividend of ¥10 a share.

For fiscal 2011, we have set a net income target of ¥60 billion. Raising our net income is one of our priorities for the year. As with fiscal 2010, we plan to pay an annual dividend of ¥10 a share.

Fujitsu is grateful for the understanding and support of our shareholders. We will continue striving to enhance our corporate value on the basis of the principles of the FUJITSU Way*.

* See pp. 064–065 for more on the FUJITSU Way.

Cash Dividends per Share




(Years ended March 31)

## Message to shareholders and investors

### QUESTION. 9

**What message do you have for shareholders and investors?**

**ANSWER. 9**

**Fujitsu continues to make strategic investments for growth based on its approach of fostering talent and technology. We have set forth key financial targets to achieve at an early stage: raising the operating income margin to 5% or more, ratio of sales outside Japan to above 40%, and free cash flow of at least ¥150 billion/year.**

Despite the challenging business environment, our basic management approach is to play offense and make continual investments into talent and technology. We aim for sustainable growth by supporting the development of groundbreaking new businesses. The minimum financial targets to sustain our growth, and that we hope to achieve at an early stage, are an operating income margin of 5% or more, ratio of sales outside Japan of above 40%, and free cash flow of at least ¥150 billion/year.

In 2010, we introduced the brand promise "shaping tomorrow with you." This promise encapsulates our desire to be a long-term partner to our customers and to use ICT to realize a prosperous society. Fujitsu aims to lead the world in developing the potential of ICT, while remaining a trusted and valued partner to our customers and support their success. Additionally, for all of our stakeholders, including our valued shareholders and investors, we will strive to be a corporate group they can trust as a partner that helps to create a better future.

# A MESSAGE FROM THE CFO

## Performance in Fiscal 2010

The overall business environment during fiscal 2010 was characterized by a mild recovery, mainly attributable to higher demand in China and other emerging markets. Growth came despite high unemployment in Europe and the United States as well as Europe's fiscal austerity measures and ongoing concerns about stability in its financial system. In Japan, the economy in the first half of the fiscal year experienced a mild recovery, with improvement in employment conditions, a recovery in capital spending, and rising exports. The second half of the fiscal year, however, saw an increasingly severe business environment with government incentive policies running their course and an ongoing appreciation of the yen. Then, with the Great East Japan Earthquake on March 11, 2011, the recovery trend came to a sudden halt and the country's near-term economic prospects became shrouded in uncertainty.

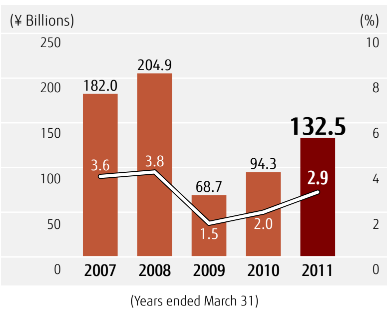
With respect to ICT investment, though there were signs of recovery in demand for hardware during the first half, overall investment continued to be restrained. A severe investment environment now prevails following the Great East Japan Earthquake, with many investment projects postponed or cancelled.

In this climate, consolidated net sales for fiscal 2010 amounted to ¥4,528.4 billion, a decline of 3.2% from fiscal 2009. Excluding the impact of foreign exchange fluctuations, however, sales were on par with the previous fiscal year. Sales in Japan were essentially unchanged from fiscal 2009. Although sales of LSI devices and electronic components were strong as a result of the continued market recovery since the previous year, sales of car audio and navigation systems declined as new car sales stalled after the government's subsidy program for eco-friendly car purchases ended in the first half of the fiscal year. In addition, sales of PCs and other products were adversely affected by temporary production stoppages and shipment delays resulting from the Great East Japan Earthquake. Sales outside Japan decreased 9.2%. Excluding the impact of exchange rate fluctuations, however, sales were essentially unchanged from the previous fiscal year.

Particularly in the first half of the fiscal year, there were higher sales of x86 servers in Europe, LSI devices and electronic components in Asia, and optical transmission systems in North America. The transfer of the HDD business in October 2009, however, resulted in overall sales outside Japan remaining essentially unchanged year on year.

The yen's appreciation initially showed signs of bottoming out heading into the third quarter. The average rates for the US dollar, the euro and the British pound, however, moved to ¥86 (¥7 stronger

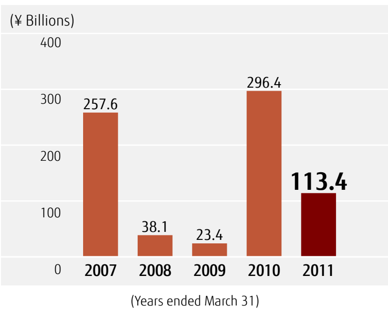
### Operating Income and Operating Income Margin




(Years ended March 31)

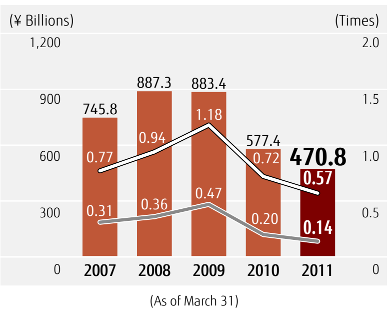
Operating income (left scale)
Operating income margin (right scale)

### Free Cash Flow




(Years ended March 31)

### Interest-bearing Loans, D/E Ratio and Net D/E Ratio




(As of March 31)

Interest-bearing loans (left scale)
D/E ratio (right scale)
Net D/E ratio (right scale)

year on year), ¥113 (¥18 stronger), and ¥133 (¥15 stronger) for the year, respectively. As a result of exchange-rate impact, net sales declined by roughly ¥160.0 billion. The ratio of sales outside Japan was 35.1%, down 2.3 percentage points year on year.

Gross profit increased by ¥14.3 billion compared to the previous year. Despite the adverse effects of the earthquake and yen appreciation, this outcome was the result of increased sales of LSI devices and electronic components, lower depreciation and other fixed costs in the company's LSI device business as a result of structural reforms, in addition to unrecognized obligation for retirement benefits becoming fully amortized in the previous fiscal year in accordance with a change in accounting standards implemented in fiscal 2000. Even with the continuation of upfront investments in cloud services and other areas, selling, general and administrative expenses fell ¥23.8 billion from fiscal 2009 due to the absence of one-time expenses incurred in the previous fiscal year in line with the conversion of Fujitsu Technology Solutions into a wholly owned subsidiary, along with the transfer of the HDD business and appreciation of the yen.

As a result, operating income amounted to ¥132.5 billion, an increase of ¥38.2 billion compared to fiscal 2009. The operating income margin improved 0.9 of a percentage point to 2.9%.

Other income (expenses), net, amounted to a ¥30.3 billion loss, a deterioration of ¥48.6 billion from the previous fiscal year. Contributing factors included an improved financial balance owing to a decline in interest-bearing loans and other factors, although the net loss on foreign exchange worsened due to the yen's appreciation. In addition, a gain on sales of investment securities was booked primarily from the sale of shares in affiliates owned by a UK subsidiary. On the other hand, Fujitsu recorded a loss due to expenses incurred to recover plant and equipment damaged in the Great East Japan Earthquake.

As a result, net income for fiscal 2010 was ¥55.0 billion, representing a year-on-year decline of ¥37.9 billion.

Yen Exchange Rates (Average) (Yen)

| | Fiscal 2009 | Fiscal 2010 | **Fiscal 2011** |
|---|---|---|---|
| U.S. Dollar | 101 | 93 | **86** |
| Euro | 144 | 131 | **113** |
| British Pound | 174 | 148 | **133** |

(For reference) Impact on operating income (actual) of a one yen (¥1) fluctuation in the currency exchange rate for fiscal 2010 (approximate)
US dollar: ¥0.9 billion; Euro: ¥0.2 billion; British pound: ¥0.1 billion

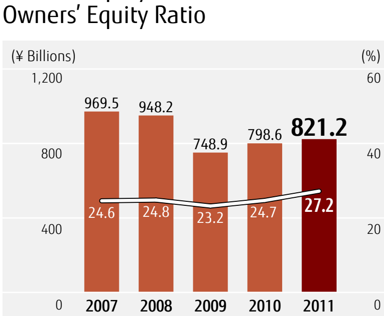
## Financial Initiatives in Fiscal 2010

The Fujitsu Group continued to improve its financial position in fiscal 2010. The owners' equity ratio rose by 2.5 percentage points compared to the previous fiscal year to 27.2%, primarily from a reduction in interest-bearing loans from net income posted for the year. Free cash flow was a positive ¥113.4 billion. Although this figure was ¥182.9 billion less than the previous year, the decline was actually ¥38.2 billion when excluding proceeds from the sale of investment securities and other special items. The balance of interest-bearing loans amounted to ¥470.8 billion, a decline of ¥106.6 billion year on year, principally as a result of redemptions of ¥100.0 billion in convertible bonds that reached maturity. This put the D/E ratio at 0.57 times, an improvement of 0.15 points from the previous fiscal year-end. Consequently, the net D/E ratio was 0.14 times, improving 0.06 of a point to its lowest-ever level.

In June 2011 we announced a management policy whereby one of our goals is to quickly realize a free cash flow target of over ¥150 billion annually by improving earnings and asset efficiency.

Kazuhiko Kato
**Corporate Executive Vice President and Director, Chief Financial Officer**

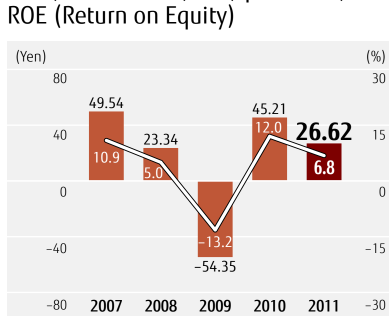
Owners' Equity and
Owners' Equity Ratio




(As of March 31)

Owners' equity (left scale)
Owners' equity ratio (right scale)

EPS (Net Income (Loss) per Share),
ROE (Return on Equity)




(Years ended March 31)

EPS (left scale)
ROE (right scale)

# REALIZING OUR GROUP GROWTH VISION

## The Fujitsu Group's basic strategy

The Fujitsu Group's basic strategy is to achieve global integration through a fundamental transformation of our worldwide operations. Our transformation hinges on the three growth priorities of going on offense with structural reforms, accelerating globalization, and creating new services businesses. In terms of financial targets, we are aiming for the early achievement of a 5% operating income margin, and a 40% ratio of sales outside Japan. We will also strive for the long-term goal of boosting these targets to 10% and 50%, respectively. Generating consistent cash flow is another important task. To this end, we are aiming for the annual generation of over ¥150 billion in free cash flow, a level necessary to support our continued growth. Here we explain in detail our medium-term direction in the drive to realize our future growth vision.

### *Achieving "Global Integration"*

Transformation (Pursuing 3 Growth Priorities)

1 On Offense with Structural Reforms (Strengthening Existing Businesses)

2 Accelerating Globalization

3 Creating New Services Businesses

Fostering global talent, establishing a foundation for business

**"Global Services Company"**

Uniform Delivery of Value to Customers

Solutions Integration

Product & Services Integration

Business Platforms Integration

Vertical Integration

Global Partners

**Envisioned Performance Targets**

| | Near-term Targets | Long-term Vision |
|---|---|---|
| Operating Income Margin | >5% | [>10%] |
| Ratio of Sales Outside Japan | >40% | [>50%] |
| Free Cash Flow | > ¥150 billion/year | |

## Medium-term Direction

Fujitsu's overarching goal is to be a technology-based, globally integrated services company. To that end, over the medium term we are advancing the execution phase of our three growth priorities.

In going on offense with structural reforms, we are seeking to establish an overwhelmingly dominant position in Japan by harnessing all the Group's resources around services. In addition, to accelerate globalization, we are developing shared functions which straddle all regions in order to uniformly integrate our business operations in and outside Japan. Furthermore, we will define the creation of new services businesses that ensure our growth and realize our vision of a "Human Centric Intelligent Society."

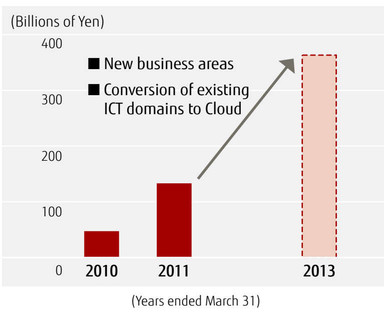
# 1 Going on Offense with Structural Reforms

We are making cloud computing a core business by shifting resources from existing systems integration (SI) into cloud development. From six bases worldwide, we are offering Fujitsu Global Cloud Platform FGCP/S5, our proprietary public cloud platform, as well as FGCP/A5 in collaboration with US-based Microsoft Corporation. We will advance the scale of our business by developing these and other new services that form the foundation of our expanding cloud business. In the medium term, we will work to secure a central position for the new service models that integrate all the business areas of the Fujitsu Group.

Another aspect of these reforms involves the redefinition of the systems engineer (SE) function and the structural transformation of the solutions business to further expand new business domains and the cloud business as the system development-oriented SI business shrinks. We are placing a heavier emphasis on business production, services integration, and operations-oriented service management as part of this medium-term reallocation of SE resources. The Group will also continue to strengthen its sales strategy, including repositioning human resources in order to build business volume over the medium term.

## Making the Cloud a Core Business

### Sales Target for Cloud Business in Japan

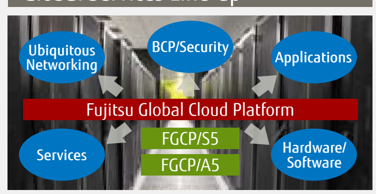


(Years ended March 31)

### Medium-Term Stance on Cloud Business

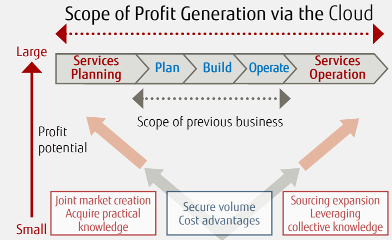
- Help to support transformation through the development of cloud business –Conversion to services, speed innovation, globalization
- Establish new services model integrating all Group-wide businesses, with growth in new business areas
- Pursue Group-wide growth by using cloud as a trigger to prevail over competitors and create new businesses

### Global Services Line-up



Expanding business through the cloud

### Scope of Profit Generation via the Cloud




# 2 Accelerating Globalization

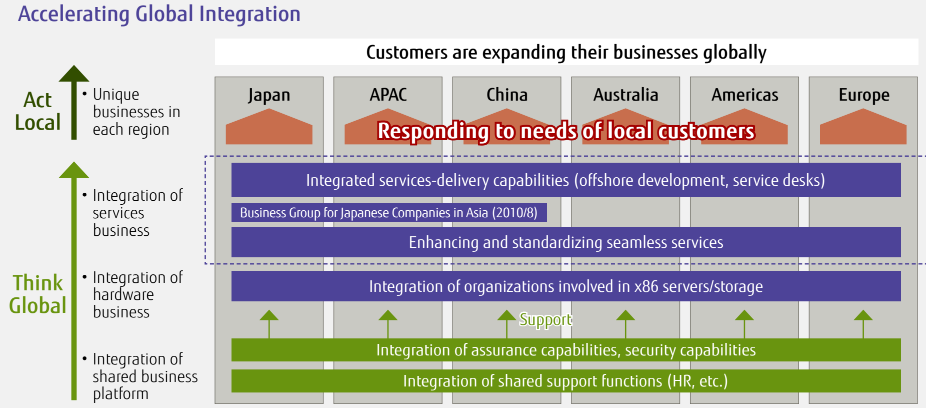
The Fujitsu Group has succeeded in building a transnational business model which places management authority in the hands of each region. Based on this strategy, we have bolstered the business foundation in Australia through M&As, merged three major subsidiaries in North America, and integrated the products and services businesses in Europe. Through these initiatives, Fujitsu has not only strengthened its business structure outside Japan, but it has also become the only Japanese ICT company with a significant global market presence. Going forward, we will leverage this achievement to accelerate global integration, effectively uniting our operations in and outside Japan.

An initial effort to accelerate globalization was the establishment within headquarters of the Global Business Promotion Group. This bolstered our services portfolio by providing cross-functional support to multinational clients across our global network. In addition, we have integrated the x86 and storage business organizations previously split between Fujitsu Technology Solutions in Japan and Germany. Headquartered in Germany, the x86 server business is strengthening its lineup of global products. We have also taken steps to integrate the business foundation by unifying the assurance and security functions under a global organization covering operations in and outside Japan.

Through these measures, we intend to transform the global services business into a consistently highly profitable, growth-oriented business from which we can expect to enjoy the same success as the services business in Japan.

## Global Unification

### Accelerating Global Integration



# 3 Creating New Services Businesses

The Fujitsu Group envisions a "Human Centric Intelligent Society" in which ICT supports the creation of a more prosperous society. Our customers are accumulating an ever-increasing amount of complex, real-world data from sensors and front-end ubiquitous terminals. Through visualization, analysis, modeling, and optimization processes, these data can be transformed into practical knowledge used by customers as an important foundation for business in the real world. Business Intelligence (BI) and Business Analysis (BA) platforms are particularly important for accumulating and analyzing large amounts of data. Fujitsu has teamed up with industry leader SAS to enhance its presence in these fields. Offering a fully integrated mechanism for service delivery will be critical for new services to thrive. This mechanism will be prefaced on back-end systems such as High Performance Computing (HPC) and cloud platforms, but will encompass data integration and execution platforms, large-scale data collection and analysis platforms, a full lineup of applications, and ubiquitous front-end terminals connecting these platforms to the user.

Fujitsu remains one of the few ICT vendors in the world with the ability to offer fully integrated services platforms. We will leverage our competitive advantages and provide customers with innovative, value-added convergence services.

In our drive to create new services businesses, we are defining key areas for the accumulation of practical knowledge, including mobility, agriculture, and medicine. As shown in the illustration, we have already begun pilot projects in various industries: an aircraft maintenance service developed jointly with Boeing of the US; IT-based drug discovery with the University of Tokyo; and a remote metering system with Kit Carson Electric Cooperative of the US.

Fujitsu will collaborate with customers in various industries to develop advanced services previously unattainable with traditional ICT.

**Developing Advanced Models**


## Toward Sustainable Growth

For Fujitsu, solidifying a dominant presence in Japan will be an important starting point for growth strategies. From there, resources will be shifted to the three growth domains of going on offense with structural reforms, accelerating globalization, and creating new services businesses, with sustainable future growth as our key growth scenario. The Fujitsu Group's ultimate goal in this scenario is to grow in partnership with customers for the creation of a prosperous and promising future. To reach this objective, a strategies matrix is being shared throughout the Group to ensure steady progress towards the achievement of various individual growth strategies.

The FUJITSU Way corporate philosophy stands as the basis of the growth scenario, and the brand promise "shaping tomorrow with you" represents the means by which we implement the philosophy.

Fujitsu will continue to pioneer the new possibilities of ICT as a valued and trusted partner to our customers. We aim to earn the trust of all of our stakeholders as their partner for the creation of a better future.

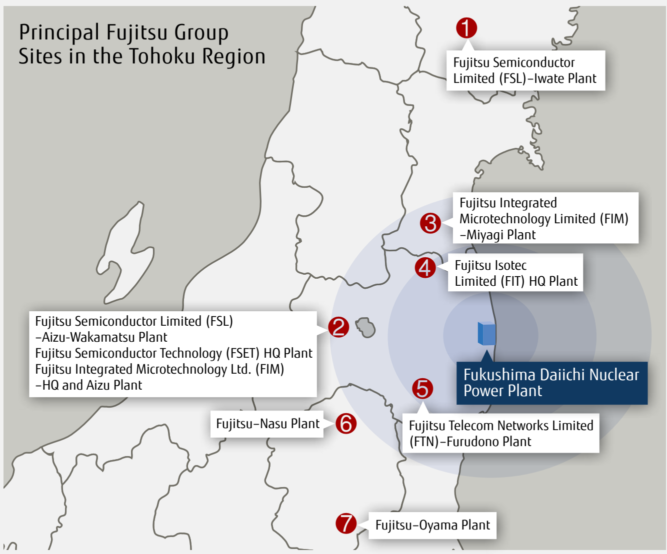
# FUJITSU GROUP'S RESPONSE TO THE GREAT EAST JAPAN EARTHQUAKE

As of July 15, 2011

Fujitsu extends its deepest sympathies to those affected by the Great East Japan Earthquake of March 11, 2011, and hopes for their quick return to normal life and the early recovery of the disaster-stricken areas.

This section examines how the disaster affected the Fujitsu Group's business activities, along with the current status of restoration efforts, impact on earnings, and the Group's relief support efforts. It also looks at measures taken in response to power shortages.

Difficult circumstances persist in areas most affected by the disaster. However, the Fujitsu Group is making concerted efforts to help restore social infrastructure and rebuild as quickly as possible, and also to support with the information and communication technology (ICT) that will contribute to the creation of a new era in Japan.




### Restoration Status of Fujitsu Group Manufacturing Plants Affected by the Disaster and Scheduled Power Outages

| Business Segment | Products | Plant Name | Location | Map | Recovery Status |
|---|---|---|---|---|---|
| Device Solutions | LSI (front end) | FSL–Iwate Plant | Iwate Prefecture | 1 | Operations partially resumed as of April 3, 2011. |
| | | FSL–Aizu-Wakamatsu Plant | Fukushima Prefecture | 2 | Operations partially resumed as of March 28, 2011. |
| | | FSET HQ Plant | Fukushima Prefecture | 2 | Operations partially resumed as of March 28, 2011. |
| | LSI (back end) | FIM–Miyagi Plant | Miyagi Prefecture | 3 | Operations partially resumed as of March 23, 2011. |
| | Semiconductor testing center | FIM–HQ and Aizu Plant | Fukushima Prefecture | 2 | One part of the testing process resumed operations as of March 18, 2011. |
| Technology Solutions<br>Ubiquitous Solutions | x86 servers | FIT HQ Plant | Fukushima Prefecture | 4 | Resumed operations as of March 23, 2011.<br>Fully operational at 100% production capacity as of March 28, 2011. |
| | Desktop PCs | | | | One part of the production process resumed operations at Shimane Fujitsu Limited (SFJ) as of March 23, 2011.<br>Operations partially restarted as of March 28, 2011. |
| | Printers | | | | Resumed operations as of March 22, 2011. |
| | Equipment relating to power supply | FTN–Furudono Plant | Fukushima Prefecture | 5 | Resumed operations as of March 22, 2011. |
| | Mobile system products, mobile phones, etc. | Fujitsu–Nasu Plant | Tochigi Prefecture | 6 | Continuing operations except during planned rotational blackout periods. |
| | Advanced optical transmission devices, optical component products, etc. | Fujitsu–Oyama Plant | Tochigi Prefecture | 7 | Continuing operations except during planned rotational blackout periods. |

Note: FSL–Fujitsu Semiconductor Limited; FSET–Fujitsu Semiconductor Technology, Inc.; FIM–Fujitsu Integrated Microtechnology Limited; FIT–Fujitsu Isotec Limited; SFJ–Shimane Fujitsu Limited; FTN–Fujitsu Telecom Networks Limited
Production capacity at all the Fujitsu Group manufacturing plants listed above was fully restored as of April 20, 2011.

## Restoration Status of Fujitsu Group Manufacturing Plants Affected by the Disaster and Scheduled Power Outages

Fujitsu manufacturing plants for semiconductors, x86 servers and desktop computers, network products and mobile phones sustained partial damage to facilities and production equipment. Plant operations were also affected by disruptions to electricity, water, gas and other essential infrastructure. Operations resumed as outlined in the chart (below left), and as of April 20, 2011, production capacity at all plants had been fully restored.

## Impact on Earnings

For the fiscal year ended March 31, 2011, an extraordinary loss of ¥11.6 billion was recorded to cover costs to restore damaged assets, for fixed costs at disaster-affected plants during their non-operational period, and for loss on disposal of inventories. Operating income decreased by approximately ¥13.0 billion, primarily due to the decline in revenue stemming from delays in product shipments and deliveries.

## Relief Support Efforts

Thirty-three Fujitsu customer engineers depart for disaster areas (Sendai and Aomori) to assist customers with restoration of customer IT systems.

Engineers inspect an ATM swept 30 meters by the tsunami.

- Support teams dispatched to assist local customer engineers with restoration efforts centered on local governments, hospitals, and financial institutions.
- A range of 12 types of cloud services provided free of charge for a three-month period to companies and local governments involved in recovery efforts.
- The SaaS-based solution CRMate for collecting and managing customer information provided free of charge until the end of fiscal 2011.
- Emergency relief supplies sent to disaster areas, including dry-cell batteries and flashlights, as well as compact hybrid power-generating units to charge mobile phones and power light posts at evacuation centers.
- Computers and support for Internet access provided to evacuation centers.
- PCs provided free of charge to NPOs supporting relief efforts in disaster areas
- Provision of evacuation center assessment cloud services in partnership with Tsunapro, a joint project dedicated to connecting disaster victims to NPOs
- More than ¥200 million donated for relief aid.

## Measures in Response to Power Shortages in the Tohoku and Kanto Regions

The Fujitsu Group has established a special task force for power conservation. Specific measures to reduce power usage by up to 15% year on year for the July to September 2011 period include installing in-house power generators and introducing night shifts at manufacturing plants, as well as reorganizing work systems for employees, expanding the period for Cool Biz energy-saving program initiatives, adopting upgraded Super Cool Biz measures, and relocating company servers.

FOCUS

## FROM THE FRONTIERS OF THE CLOUD COMPUTING BUSINESS –INTRODUCING EMPLOYEES–

### Cloud computing is...

a platform that enables the ICT* resources behind any network, such as servers, storage and software, to be accessed via the network on an as-needed basis. For users, these unseen elements of the network are likened to a cloud, hence the term "cloud computing." Today, use of cloud computing is growing more widespread, with sophisticated ICT utilization emerging in a diverse range of fields.

* ICT: Information and Communication Technology

# Fujitsu's cloud-savvy talent explores the new possibilities of ICT.

Experienced, savvy human resources drive every aspect of Fujitsu's cloud computing business, from the planning and proposal of cloud systems for customers to system development and operation. Along with system engineering and sales staff, Fujitsu is training technical experts capable of designing and leading the creation of system architecture that meets customer requirements, as well as those able to leverage network and sensing technologies to explore new domains for ICT utilization. Plans going forward call for boosting the number of cloud human resources to 5,000 across the Fujitsu Group.

### Striving to Develop Middleware for Worldwide Adoption by Honing Usability

I am involved in developing one of Fujitsu's middleware products, namely the Systemwalker Desktop series of integrated operation management software. Corporate information systems have become more complex than ever in recent years with the introduction of cloud computing and virtualization technologies. Consequently, the role of middleware for system operation management is growing substantially. Enhancing middleware functions is of course a vital step in minimizing customers' system operation burden, but an even more important point for customers may be to improve usability after adoption. Going forward, my aim is to focus more intently on this point to develop middleware that will satisfy the needs of customers worldwide.

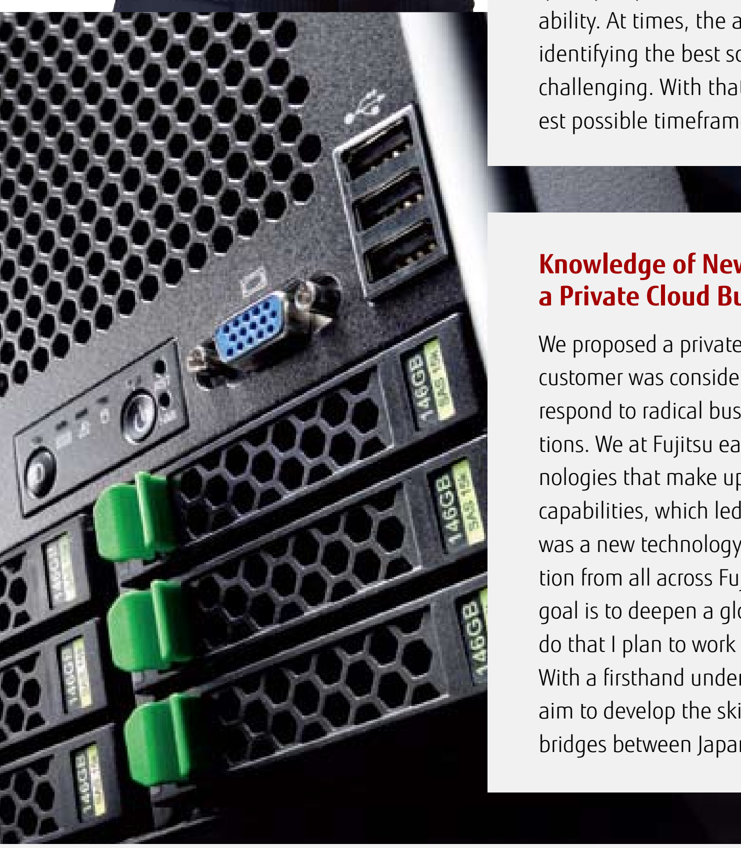
**Takayuki Maeda**
Development Dept. II
Service Management Middleware Div.
Middleware Business Unit

**Yuka Ohara**
Cloud Business Development Division,
Service Business Unit

**Paul O'Mahony**
Cloud Foundation Service Department
Cloud Service Infrastructure R&D Division
Cloud Business Support Unit

## Managing Global Incidents from Japan

I joined the Fujitsu Group as a network systems engineer after arriving in Japan from Ireland in 2008. Today, my involvement in the cloud computing business is centered in Tokyo, where I work as an Incident Manager for Fujitsu's Global Cloud services, first offered in Japan in October 2010, and subsequently rolled out in Australia, Singapore, U.K.&I., U.S. and then Germany by June 2011. Within the Fujitsu Global Cloud environment, an incident is any event not part of the service or normal operation, which may cause an interruption or reduction in quality. My role as Incident Manager is to coordinate with the Japan support team to restore normal operations as quickly as possible and with minimum impact, thus ensuring optimum service quality and availability. At times, the approach to priorities can differ between Japan and regions overseas, so identifying the best solutions while maintaining a balance between both perspectives can be challenging. With that said, I strive to deliver the most fundamental solutions I can in the shortest possible timeframe.



## Knowledge of New Technology and Timely Support Capabilities Contribute to a Private Cloud Business Deal Win

We proposed a private cloud for a customer in the distribution industry. The customer was considering adopting a cloud-based IT infrastructure to flexibly respond to radical business changes and to slash costs by centralizing operations. We at Fujitsu earned high marks for our knowledge of the core technologies that make up this infrastructure as well as for our timely support capabilities, which led the customer to choose Fujitsu's products. Since this was a new technology, we worked hard to quickly pull together information from all across Fujitsu to create the best possible proposal. My goal is to deepen a global relationship with this customer, and to do that I plan to work in the United Kingdom from this summer. With a firsthand understanding of overseas on-site locations, I aim to develop the skills and experience to build future bridges between Japan and overseas markets.

**Takahiro Yamamoto**
Trading & Wholesale Sales Dept. 1,
Distribution Industry Business Unit

## Meeting Diverse Customer Needs with a Robust Cloud Computing Menu

I joined Fujitsu in 2009, and was assigned to my current division in February 2010. My main responsibilities include product planning for Fujitsu's cloud services and the development of mechanisms to sell these services. I also perform sales promotion work, such as exhibition support and providing product explanations to potential customers. More specifically, I determine product systems, pricing and other details in step with market needs and based upon discussions with services and sales divisions. I then carefully check that the service mechanism we have set up is in alignment with Fujitsu's sales system. To do this requires coordination between legal, accounting, purchasing and numerous other divisions, so it can be quite a task. The huge reward, though, is that by working to meet the varied and diverse needs of our customers I can contribute to broadening Fujitsu's cloud services menu and to the expansion of sales.

# BUSINESS OVERVIEW

For the fiscal year ended March 31, 2011

Fujitsu delivers total solutions in the field of information and communication technology. Along with multifaceted services provision, our comprehensive business encompasses the development, manufacture, sales and maintenance of the cutting-edge, high-quality products and electronic devices that make these services possible.

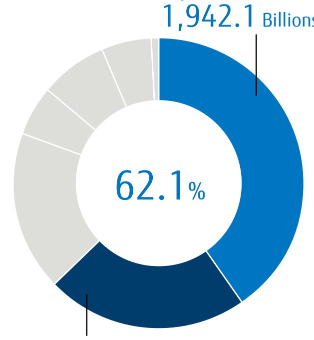
Net Sales/Breakdown of Net Sales*

## Technology Solutions


Fujitsu's second datacenter in Sydney has launched public cloud services

PRIMERGY RX200 S6 energy-efficiency model is a 2-way rack server that dramatically cuts power consumption

3,014.3 Billions of Yen



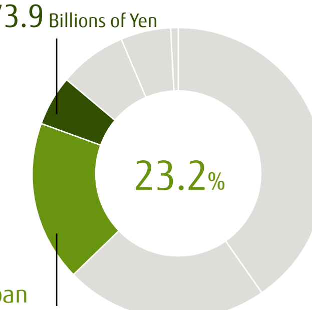

## Ubiquitous Solutions


The hybrid LIFEBOOK TH SERIES has a touch-panel display and a built-in keyboard


A waterproof smartphone and wallet mobile—the DOCOMO smartphone REGZA Phone T-01C

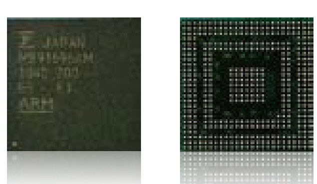

AVN-Z01 car navigation system

1,125.6 Billions of Yen

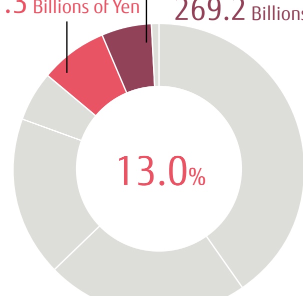



## Device Solutions


The FM3 family of 32-bit general-purpose RISC microcontrollers use ARM's Cortex™-M3 core


Sixth-generation Milbeaut imaging processor for beautiful still and video images

630.6 Billions of Yen




* Sales include intersegment sales.

**[Change in Business Segments]**
The Fujitsu Group is pursuing a business growth strategy based on going on offense with structural reforms, the acceleration of its globalization, and the creation of new services businesses to support the realization of a "Human Centric Intelligent Society". Based on this management direction, Fujitsu has made changes to its business segments beginning from the first quarter of the fiscal year ended March 31, 2011. In addition, starting from the same period, the company has implemented "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Account Standards Board of Japan Statement No. 17, issued March 27, 2009) and "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Guidance No. 20, issued March 21, 2008). In the explanation of financial results, figures for previous years' results have been reclassified for comparison purposes.

**Main Changes in Segments**

1. Services Business Outside Japan
   As a cornerstone of its strategy for future growth, the Fujitsu Group is strengthening its worldwide support organization for ICT infrastructure and expanding its services platforms, including datacenters and service desks. Up until now, services business outside Japan has been included in both the "Solutions / Systems Integration" and "Infrastructure Services" categories of the "Services" sub-segment. The company has changed its method of disclosure so that all revenues from the services business outside Japan will be aggregated in the "Infrastructure Services" category.
2. Car Audio and Navigation Systems, Mobile Communications Equipment, and Automotive Electronics
   In the "Human Centric Intelligent Society" that the Fujitsu Group is seeking to bring about, car audio and navigation systems will, along with PCs and mobile phones, play an important role as ubiquitous terminals and sensors in sensing information and knowledge generated from the patterns of movements of people and organizations. Up until now, these products have been included in the "Other" segment, but they will now be included in the "Ubiquitous Solutions" segment.

## Business Description

### Services
Fujitsu provides solutions/system integration services focused on information system consulting and integration, and infrastructure services centered on outsourcing services (complete information system operation and management).

### System Platforms
Fujitsu offers system products such as servers and storage systems which form the backbone of information systems, along with network products such as mobile phone base stations, optical transmission systems, and other communications infrastructures.

## Main Products & Services

### Services
**Solutions/SI**
System integration (system construction, business applications), consulting, front-end technologies (ATMs, POS systems, etc.)

**Infrastructure Services**
Outsourcing services (datacenters, ICT operation/management, SaaS, application operation/management, business process outsourcing, etc.), network services (business networks, distribution of Internet/mobile content), system support services (maintenance and surveillance services for information systems and networks), security solutions (installation of information systems and networks)

### System Platforms
**System Products**
Full range of servers (mainframe, UNIX, mission-critical x86 and other x86 servers), storage systems, various types of software (operating system, middleware)

**Network Products**
Network management systems, optical transmission systems, mobile phone base stations

## Main Companies

- Fujitsu Frontech Limited
- Fujitsu Telecom Networks Limited
- Fujitsu IT Products Ltd.
- Fujitsu Broad Solution & Consulting Inc.
- Fujitsu Marketing Limited*1
- Fujitsu System Solutions Limited
- Fujitsu FIP Corporation
- NIFTY Corporation
- Fujitsu FSAS Inc.
- PFU Limited*2
- Fujitsu Network Communications, Inc.
- Fujitsu Services Holdings PLC
- Fujitsu America, Inc.
- Fujitsu Australia Limited
- Fujitsu Technology Solutions (Holding) B.V., others

*1 Fujitsu Business Systems Ltd. was renamed Fujitsu Marketing Limited on October 1, 2010.
*2 PFU Limited became a wholly-owned subsidiary of Fujitsu Limited via share exchange on April 1, 2010.

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In addition to PCs and mobile phones, this segment consists of mobilewear, such as car audio and navigation systems.

In PCs, along with more conventional desktop and notebook models, Fujitsu's wide-ranging lineup includes tablet PCs, products that enable users to experience 3-D images without special glasses, and models with more robust energy-saving features.

In mobile phones, along with conventional feature phones, Fujitsu launched the sale of the "REGZA Phone" smartphone following integration with Toshiba Corporation's mobile phone business.

In mobilewear, Fujitsu is answering diverse needs through "Connectivity Products," among them car navigation systems that can be easily upgraded with the latest maps using a home-based PC.

**PCs/Mobile Phones**
PCs, mobile phones

**Mobilewear**
Car audio and navigation systems, mobile communication equipment, automotive electronics

- Shimane Fujitsu Limited
- Fujitsu Isotec Limited
- Fujitsu Mobile-phone Products Limited
- Fujitsu Toshiba Mobile Communications Limited*
- Fujitsu Peripherals Limited.
- Fujitsu TEN Limited
- Fujitsu Personal System Limited
- Fujitsu Technology Solutions (Holding) B.V., others

* On October 1, 2010, Fujitsu Toshiba Mobile Communications Limited became a new consolidated subsidiary of Fujitsu Limited.

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LSI devices and electronic components comprise Fujitsu's Device Solutions. Fujitsu Semiconductor*, the Fujitsu Group's operating company in semiconductors, provides LSI devices found in products such as digital home appliances, automobiles, mobile phones, and servers. Meanwhile, publicly listed consolidated subsidiaries such as Shinko Electric Industries, Fujitsu Component, and FDK provide semiconductor packages and other electronic components, as well as structural components such as batteries, relays, and connectors.

**LSI Devices**
LSI Devices

**Electronic Components**
Semiconductor packages, batteries, structural components (relays, connectors, etc.), optical transceiver modules, printed circuit boards

- Fujitsu Semiconductor Limited*
- Shinko Electric Industries Co., Ltd.
- FDK Corporation
- Fujitsu Component Limited
- Fujitsu Electronics Inc., others

* Fujitsu Microelectronics Limited was renamed Fujitsu Semiconductor Limited on April 1, 2010.

PERFORMANCE

# Technology Solutions/Services

Fujitsu provides solutions/system integration services that integrate ICT system consulting, design, application development and hardware installation, as well as infrastructure services centered on outsourcing services (complete ICT system operation and management including ICT system management via datacenters) and maintenance services.

**Fiscal 2010 Performance (Year-on-year Comparison)**
(Billions of Yen)

| Net Sales | Operating Income | Capital Expenditure* |
|---|---|---|
| 2,419.5 | 117.3 | 67.2 |
| (–4.8%) | (–10.2) | (–6.8) |

* For entire Technology Solutions segment

Fujitsu Trusted Cloud Square supports business negotiations pertaining to the cloud computing business

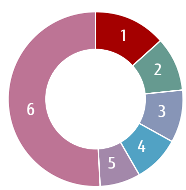
TeamPoS 1100 is a compact, high-performance POS terminal

New annex at the Fujitsu Tatebayashi System Center

## OUR STRENGTH

### IT Services Market Share in Japan 2010 (Revenue Basis)

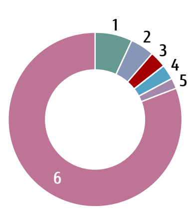
| | | |
|---|---|---|
| 1 | **Fujitsu** | **13.5%** |
| 2 | Company A | 10.0% |
| 3 | Company B | 9.6% |
| 4 | Company C | 8.8% |
| 5 | Company D | 7.4% |
| 6 | Others | 50.7% |




(Source: Gartner, "Market Share: IT Services, 2010" 31 March 2011)

### Global IT Services Market Share in 2010 (Revenue Basis)

| | | |
|---|---|---|
| 1 | Company A | 7.1% |
| 2 | Company B | 4.5% |
| 3 | **Fujitsu** | **3.0%** |
| 4 | Company C | 2.8% |
| 5 | Company D | 2.0% |
| 6 | Others | 80.6% |




(Source: Gartner, "Market Share: IT Services, 2010" 31 March 2011)

Fujitsu's services business holds the leading market share in Japan and the third-largest share worldwide. We provide services across a wide range of countries and regions, including Europe, the Americas, Asia-Pacific, and China.

Outsourcing services are a key field for us, where through our network of 100 datacenters in 16 countries worldwide, mainly in Japan and Europe, we meet a wide variety of customer needs. Among other benefits, our services make operation of customers' information and communication technology (ICT) systems easier, and help to make their operations greener.

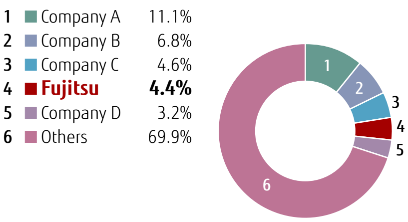
Fujitsu's strengths lie in its global services structure, a wealth of experience in building large-scale, advanced systems, and the technological capabilities to support these operations. We use these capabilities to help diverse customers across countries, regions and languages in utilizing their ICT systems, including government organizations, and customers with locations around the world.



The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

GRAPH 1

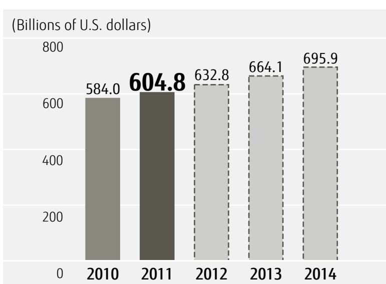
Global Outsourcing (IT Management) Market Share in 2010 (Revenue Basis)




(Source: Gartner, "Market Share: IT Services, 2010" 31 March 2011)

GRAPH 2

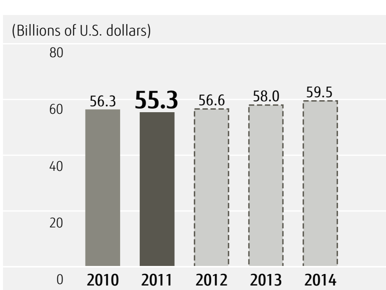
Global IT Services Market Forecast




(Source: IDC The Worldwide Black Book Q1 2011)

GRAPH 3

IT Services Market Forecast in Japan




(Source: IDC The Worldwide Black Book Q1 2011)

## Market Trends

### 2010 Global Market Trends

The value of Japan's IT services market in 2010 declined 1.6% year on year to US$56.3 billion. → GRAPH 3 Despite signs of recovery in the domestic economy, restrained domestic IT investment continued as companies took a cautious stance toward earnings in light of diminishing returns from economic stimulus measures and continued appreciation of the yen, with public sector spending also scaled back since last year.

By service field, demand for system integration continued to decline from the previous fiscal year. In outsourcing, although market scale continues to expand, the growth rate has been moderate in the face of growing insistence on greater efficiency and cost reductions, while price competition escalates with the commoditization of services.

The global market for IT services expanded 2.2% year on year to US$584.0 billion. → GRAPH 2 In Europe, as in the previous year, the market continued to shrink in 2010 as a result of ongoing reductions in IT investment in line with economic deterioration, along with cutbacks in public spending by the U.K. government. In the North American market, however, IT investment tended toward recovery with the spread of cloud computing.

### Outlook for 2011

The Japanese IT services market in 2011 is projected to decline 1.8% year on year to US$55.3 billion. → GRAPH 3

The scale of the domestic IT market is projected to continue the decline from 2010, due mainly to uncertainty in the outlook for corporate earnings stemming from product and component supply shortages as a result of damage to manufacturing plants and power shortages following the Great East Japan Earthquake, as well as to moves in the public sector to prioritize disaster recovery.

At the same time, however, in line with disaster recovery efforts, companies are introducing new IT systems such as cloud computing, and there is a growing need for outsourcing services that take into account business continuity and power supply strategies. Investment in IT is expected to pick up as recovery efforts continue and corporate earnings improve.

The global IT services market is projected to grow 3.5% year on year to US$604.8 billion. → GRAPH 2 There are concerns about the continued austerity measures by the U.K. government, as well as instability in the European economy. However, brisk IT investment in areas such as North America, China and Oceania is expected to drive the market.

## Operational Review and Initiatives

### Fiscal 2010 Business Results

Sales from the Services sub-segment (Solutions/System Integration, Infrastructure Services) decreased 4.8% from the previous fiscal year to ¥2,419.5 billion. → GRAPH 4 Excluding currency exchange rate effects, sales decreased by 1%.

**Solutions/System Integration:** Sales decreased 0.7% to ¥830.0 billion. Excluding currency exchange rate effects, sales fell 1% year on year.

Proposals for large projects in certain segments of the finance and social infrastructure fields in Japan indicated a recovery in investment. At the same time, in the public sector there was a falloff in business projects with the downturn in the cycle for large-scale system renewals, and many customers curbed investment in light of repercussions from the appreciation of the yen and end of government stimulus policies. Sales were also affected by delays in contracts, deliveries and acceptance with certain customers due to the Great East Japan Earthquake.

**Infrastructure Services:** Sales decreased 6.8% to ¥1,589.5 billion. Excluding currency exchange rate effects, sales fell 1% year on year.

In Japan, demand for outsourcing services remained strong, but budget cuts in the public sector and the impact from the disaster led to a revenue decline centered on public sector services and the maintenance business. Outside Japan, sales in the U.K. declined as a result of government austerity measures, but rose in continental Europe and North America.

Operating income fell ¥10.2 billion year on year to ¥117.3 billion. → GRAPH 5 In Japan, earnings were impacted by the revenue decline and upfront investments to develop cloud-related services, but operating income rose overall as a result of cost reductions, and a reduced burden of retirement benefit expenses as the variance incurred from a change in accounting standards became fully amortized in the previous fiscal year.

Outside Japan, earnings were boosted as a portion of goodwill became fully amortized, and because of a temporary decrease in retirement benefit expenses following a change in the pension system at our U.K. subsidiary. However, the segment posted an overall operating loss as a result of declining revenue from proposals for the U.K. government, and a lump-sum recording of expenses related to the cancellation of long-term service contracts for certain projects.

## Initiatives Going Forward

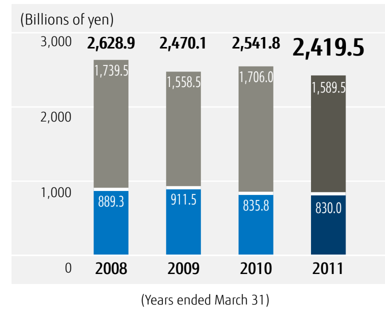
**Solutions/System Integration:** We are solidifying our leading position in the Japanese market with innovative methods of delivering solutions. Fujitsu now offers SaaS-model cloud services which leverage traditional package software in addition to infrastructure industrialization to accelerate the set up and delivery of hardware to customers. The ultimate goal of these new solutions provision models is to shorten the system integration cycle and improve quality. We have also expanded the use of application frameworks for cloud-based system integration as a way to enhance the efficiency of application development. These initiatives are enabling us to raise efficiency through higher standardization, which translates into lower-cost, faster systems integration for our customers.

**Infrastructure Services:** We are rolling out new services revolving around cloud computing.

The Fujitsu infrastructure services portfolio in Japan now includes a range of innovative services built around cloud technology. For earthquake disaster management, we developed and delivered in a short timeframe an information management system for disaster-stricken areas that utilizes a Fujitsu cloud service. We also developed a road traffic information service that gathers position data from moving taxis. For industry, we developed an engineering cloud service that delivers a CAD system over a network. In response to customers' heightened interest in system backup and business continuity since the March 2011 earthquake, we have proactively developed outsourcing service proposals using our datacenters as delivery points. In this way, Fujitsu is providing support for disaster recovery efforts and responding to the growing demand for cloud services with new services proposals that apply ICT in innovative ways.

Outside Japan, leveraging our track record to date, we are accelerating the global integration of infrastructure services. To strengthen the project management structure outside Japan, we have established our Assurance Group reporting to the president and encompassing services project management in and outside Japan whose goal is to enhance project profitability. Furthermore, we have launched the Fujitsu Global Cloud Platform in six countries, including Japan, as a global public cloud platform. In this way, Fujitsu is delivering uniform, high-quality services to customers worldwide to support them through ICT no matter where they do business.

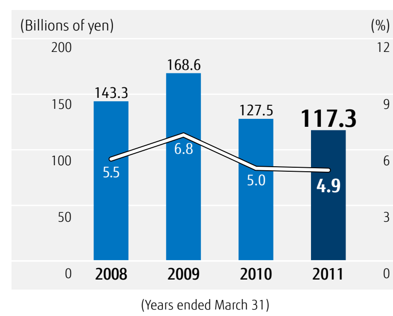
GRAPH 4
### Sub-segment Sales*




Solutions/System Integration
Infrastructure Services

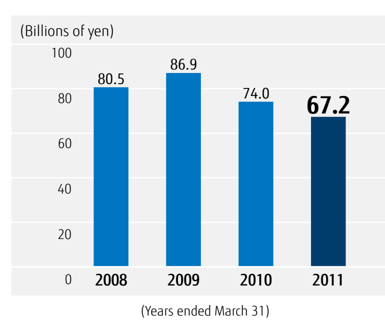
* Including intersegment sales

GRAPH 5
### Operating Income/ Operating Income Margin




Operating income (left scale)
Operating income margin (right scale)

GRAPH 6
### Capital Expenditure*




* For entire Technology Solutions segment

# Technology Solutions/System Platforms

System products and network products are the foundation of ICT infrastructure. System products comprise the servers (such as mainframes, UNIX, mission-critical x86 servers), storage systems and middleware on which information systems are built. Network products include the mobile phone base stations, optical transmission systems and other equipment used to build communications infrastructure.

**Fiscal 2010 Performance (Year-on-year Comparison)**
(Billions of Yen)

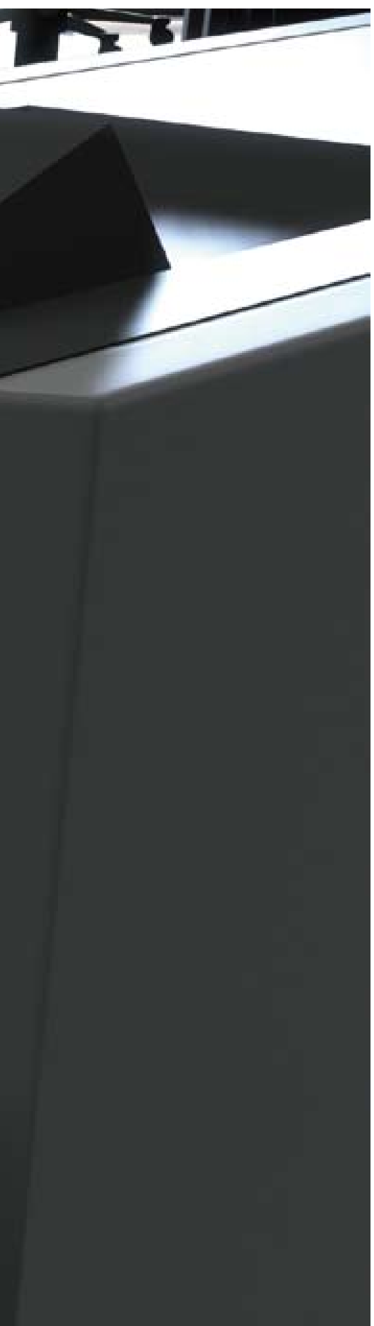
| Net Sales | Operating Income | Capital Expenditure* |
|---|---|---|
| 594.8 | 45.5 | 67.2 |
| (+1.2%) | (+19.5) | (–6.8) |

* For entire Technology Solutions segment

PRIMERGY TX140 S1 1-way tower x86 server

PRIMEQUEST 1800E2 mission-critical x86 server

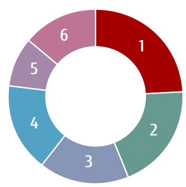
SPARC Enterprise M3000 UNIX server equipped with the SPARC64 VII processor



## OUR STRENGTH

### Server Share in Japan 2010 (Revenue Basis)

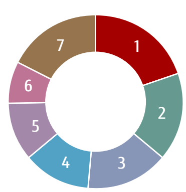
| | | |
|---|---|---|
| 1 | **Fujitsu** | **24.4%** |
| 2 | Company A | 19.6% |
| 3 | Company B | 16.6% |
| 4 | Company C | 16.4% |
| 5 | Company D | 9.3% |
| 6 | Others | 13.7% |




(Source: IDC Japan, Japan Server Quarterly Model Analysis, 2011 Q1)

### Optical Transmission Market Share in North America 2010 (Revenue Basis)

| | | |
|---|---|---|
| 1 | **Fujitsu** | **19.8%** |
| 2 | Company A | 16.4% |
| 3 | Company B | 15.3% |
| 4 | Company C | 12.6% |
| 5 | Company D | 10.7% |
| 6 | Company E | 7.7% |
| 7 | Others | 17.5% |




(Source: Ovum, Market Share: 1Q11 ON Global, June 2011)

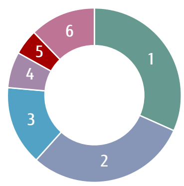
In system products, Fujitsu has a broad lineup of offerings to meet the needs of customers around the world. These include sophisticated and highly reliable mainframe and UNIX servers that support the backbone systems of corporations and that are equipped with proprietary CPUs—Fujitsu being one of the few global ICT companies with the technology to make its own processor chips. We also provide x86 servers for cloud computing and other promising business areas, as well as storage systems able to hold increasingly vast amounts of data.

In network products, Fujitsu holds a large market share for the optical transmission systems and mobile phone base stations used by mobile communications carriers in Japan, backed by its advanced technology and support capabilities. We also have the leading market share in the highly competitive North American market for optical transmission systems, building on our highly rated technical capabilities and track record.

GRAPH 1

Global Server Share in 2010 (Revenue Basis)

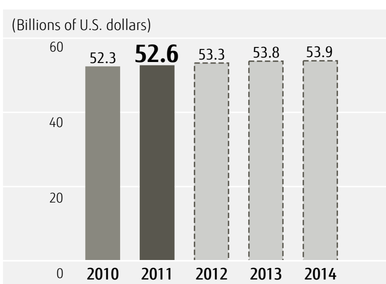
| | | |
|---|---|---|
| 1 | Company A | 31.8% |
| 2 | Company B | 30.1% |
| 3 | Company C | 14.6% |
| 4 | Company D | 6.7% |
| 5 | **Fujitsu** | **4.6%** |
| 6 | Others | 12.2% |




(Source: IDC Worldwide Quarterly Server Tracker 2011 Q1)

GRAPH 2

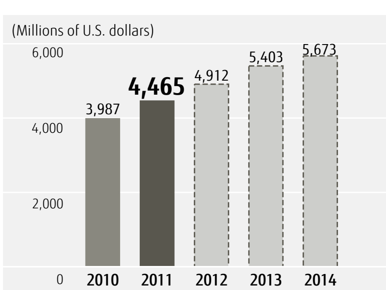
Global Server Market Forecast




(Source: IDC The Worldwide Black Book Q1 2011)

GRAPH 3

North American Optical Transmission Market Forecast




(Source: Ovum, ON Market Forecast: 2011–16, June 2011)

## Market Trends

### 2010 Global Market Trends

**System Products:** The Japanese server market contracted by 7.7% in 2010 to about US$5.5 billion. Though the market size continued to shrink due to the lingering effects of the economic recession, the margin of decline narrowed compared to the sharp contraction in 2009. While demand for mainframe and UNIX servers declined, shipments of x86 servers grew on robust investment by the information services industry.

The global server market recovered strongly from a contraction in 2009, growing 11.7% for a market size of about US$52.3 billion. → GRAPH 2

**Network Products:** The Japan market for communication devices in 2010 saw diminished performance from Wavelength Division Multiplexing (WDM) and other optical transmission equipment as the current investment cycle in Next-Generation Network (NGN) equipment has passed its peak. In contrast, performance in routers and other IP devices improved, reflecting investments for coping with increased traffic. The mobile infrastructure market declined year on year, primarily from a modest start to investment in NTT DOCOMO's Long Term Evolution (LTE) mobile communications network and waning investments in line with the maturation of 3G network technology.

In North America, overall spending in the optical transmission market was higher than the previous year, reflecting firm investment in mobile backhaul networks and other backbone infrastructure to cope with increased data traffic.

### Outlook for 2011

**System Products:** In 2011, the size of the Japanese server market is expected to decline by a substantial 13.2% to about US$4.7 billion, due largely to the direct impact of the damage caused by the Great East Japan Earthquake, in addition to the indirect impact felt across the country in the form of electric power shortages, parts shortages, and economic deterioration. Since the disaster, many Japanese companies have promoted further cost-reduction and energy-saving initiatives, which are expected to accelerate the server consolidation trend and reduce server shipment volumes.

The global server market is projected to grow 0.6% to US$52.6 billion, due mainly to increased investment from China and other emerging countries as well as North America, partially offset by struggling growth in the European market. → GRAPH 2

**Network Products:** Although the NGN investment cycle has peaked, the 2011 Japanese communication devices market may see slightly higher year-on-year performance from the full-scale rollout of the next-generation LTE mobile communication networks and investments in response to the March 2011 earthquake in Japan.

In North America's optical transmission market, the development of LTE services, the adoption of IP technology, and the investments to enhance mobile backhaul and other backbone infrastructure to cope with increased data traffic are set to continue during 2011. The market is also projected to expand from the previous year with investment to support measures that promote broadband services. → GRAPH 3

## Operational Review and Initiatives

### Fiscal 2010 Business Results

The System Platforms sub-segment, comprising System Products and Network Products, reported sales of ¥594.8 billion, an increase of 1.2% from the previous fiscal year. → GRAPH 4

**System Products:** Sales for the fiscal year ended March 31, 2011 increased 3.9% year on year to ¥326.5 billion. In Japan, sales grew as a result of the mass production of server systems for the Next-Generation Supercomputer, which outweighed such negative factors as lower public-sector sales after the booking of large projects the previous year, and a temporary suspension of operations at the main x86 server plant, operated by Fujitsu Isotec Limited in Fukushima, due to damage caused by the earthquake. Amid a shrinking domestic server market, Fujitsu remained the top server company for a fourth consecutive year thanks to the continued support of its many customers.

Outside Japan, sales of x86 servers were strong in every major geographic region. Overall, however, system product sales declined outside Japan due to slumping UNIX server shipments and the impact of foreign exchange rates.

**Network Products:** Sales declined 1.8% year on year to ¥268.2 billion.

Sales of optical transmission systems increased both in and outside Japan. In North America, carriers continued to increase investment in backbone infrastructure such as mobile backhaul systems.

Sales of mobile systems and network solutions declined due to significantly lower sales of 3G mobile base stations as 3G investment wanes. Sales of LTE base stations increased as commercial service began in Japan, while sales of routers also rose on the back of higher data traffic linked to the popularity of smartphones.

Operating income for the System Platforms sub-segment totaled ¥45.5 billion, an increase of ¥19.5 billion from the previous year. Profit from System Products increased as a result of lower costs in the x86 and storage system divisions, along with the previous year's posting of a one-time charge related to the conversion of Fujitsu Technology Solutions into a consolidated subsidiary. → GRAPH 5

Profit from Network Products also increased due to the increased sales of optical transmission systems in North America and Japan, as well as higher gross profit achieved through cost reductions.

## Initiatives Going Forward

**System Products:** Information and communication technology (ICT) plays an increasingly vital role in ensuring social prosperity and security. This trend is raising the importance of servers, storage, software and other infrastructure products that support society's development. High reliability and high quality is required of the products that underpin cloud computing, a platform that will enable flexible ICT utilization. Fujitsu, backed by years of experience in honing mission-critical technology, will deliver platforms built on advanced virtualization, green ICT, security and other technologies. → GRAPH 6

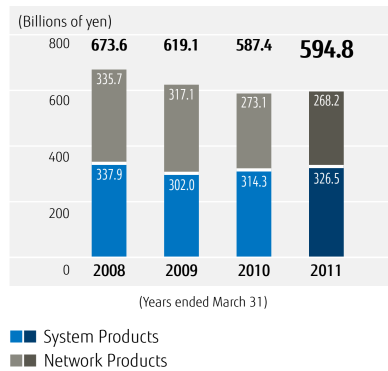
In the x86 and storage divisions, we are raising development efficiency and reducing costs by integrating Fujitsu Technology Solutions of Germany into Group operations and creating a single set of global standards for our products. We have achieved strong market positions with high sales volumes in Japan and Europe and are endeavoring to further increase our market share in these regions. At the same time, we are striving to raise our global market share by developing partner channels in newly emerging economies, where server markets continue to grow, as well as in North America, the largest server market in the world. In the software business, we are launching platform as a service (PaaS) products and focusing investment in cloud computing offerings. In the UNIX server business, we are bolstering our comprehensive product capabilities through our alliance with Oracle, using advanced technologies and a full array of virtualization solutions to support our customers' businesses.

**Network Products:** Network products are playing an increasingly important role in the cloud era as data and networks merge. In recent years, sales have fallen while R&D expenses have risen, making profitability a challenge. We have returned the business to profitability by reforming the development process to achieve significant cost savings and expanded sales in key markets like North America. In the next stage of growth for the business, we are aiming to improve profitability by developing new business fields using networks, while further expanding sales in global markets. In the optical transmission system business, we are striving to improve our market position in Japan and capitalize on new opportunities for global carrier outsourcing and system sales, with a focus on the North American market.

In mobile systems, together with the definitive rollout of an LTE business for NTT DOCOMO in Japan, we will leverage our advantages in LTE base stations and alliances with other companies to offer total solutions and develop peripheral services, with an eye to achieving business expansion.

GRAPH 4

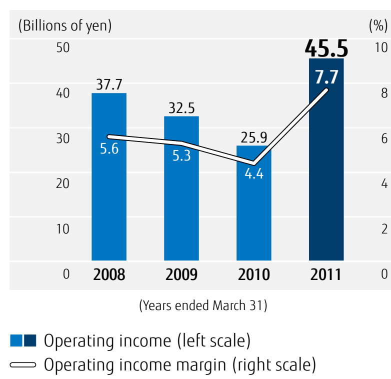
### Sub-segment Sales*




* Including intersegment sales

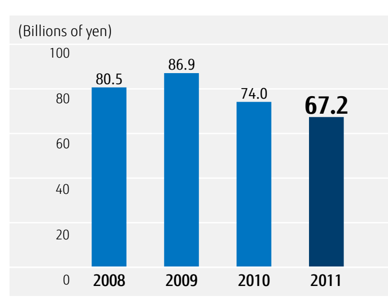
GRAPH 5

### Operating Income/ Operating Income Margin




GRAPH 6

### Capital Expenditure*



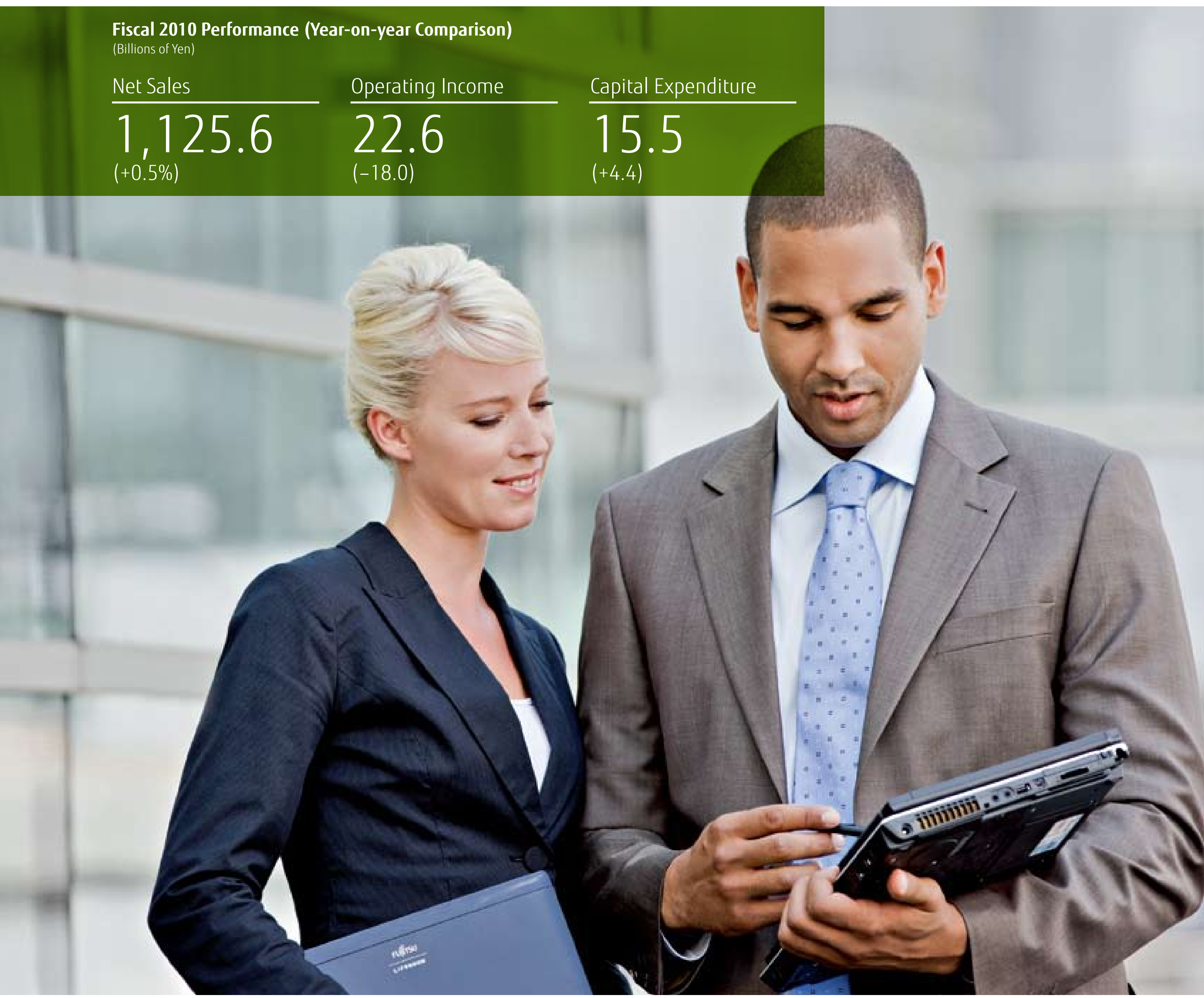

* For entire Technology Solutions segment

# Ubiquitous Solutions

The Ubiquitous Solutions segment is comprised of PCs and mobile phones, as well as audio and navigation equipment and other types of mobilewear. Fujitsu offers a broad lineup of computer products, including conventional desktop and notebook PCs, as well as tablets and other new types of terminals. In mobile phones, we provide smartphones along with conventional feature phones, while in mobilewear, we offer a selection of connectivity products for a wide range of needs, such as car navigation systems that can be easily updated with the latest maps using a home PC.

**Fiscal 2010 Performance (Year-on-year Comparison)**
(Billions of Yen)

| Net Sales | Operating Income | Capital Expenditure |
|---|---|---|
| 1,125.6 | 22.6 | 15.5 |
| (+0.5%) | (−18.0) | (+4.4) |



FMV Raku-Raku PC 4

Portable Navigation Device EP001

The F-07C smartphone is a palm-sized Windows® 7 PC

## OUR STRENGTH

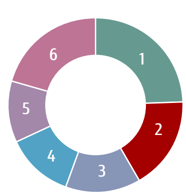
### PC Market Share in Japan 2010 (Unit Basis)

| | | |
|---|---|---|
| 1 | Company A | 18.4% |
| 2 | **Fujitsu** | **18.4%** |
| 3 | Company B | 10.9% |
| 4 | Company C | 9.1% |
| 5 | Company D | 8.8% |
| 6 | Company E | 6.1% |
| 7 | Others | 28.2% |


(Source: Gartner, "Quarterly Statistics: Personal Computers by Major Market, Worldwide by Region, 1Q11 Update" 13 May 2011)

### Mobile Phone Shipments in Japan in 2010 (Unit Basis)

| | | |
|---|---|---|
| 1 | Company A | 24.6% |
| 2 | **Fujitsu** | **17.1%** |
| 3 | Company B | 13.9% |
| 4 | Company C | 12.5% |
| 5 | Company D | 11.4% |
| 6 | Others | 20.5% |

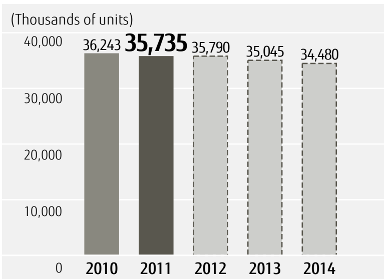



(Source: IDC Japan, Japan Quarterly Mobile Phone Tracker, 2011Q1)

Fujitsu provides PCs with high levels of added value and a firm commitment to quality. Our notebook PCs are manufactured entirely by Shimane Fujitsu Limited, integrating in one location everything from design to manufacturing, assembly and customization. Our desktop PCs, using components sourced from outside Japan, are assembled and customized for Japan by Fujitsu Isotec Limited, and for other markets, mainly Europe, by Fujitsu Technology Solutions in Germany. In mobile phones, we offer a lineup of high-quality handsets with advanced functions, including water-resistant smartphones, and the Raku-Raku Phone series of models with easy-to-read displays, easy-to-hear speakers, and easy-to-use functions. In mobilewear, we draw on our many years of experience with in-vehicle technologies to provide car navigation systems and other types of automotive electronics that make automotive life safer and more comfortable.

GRAPH 1

### Mobile Phone Shipment Forecast for Japan

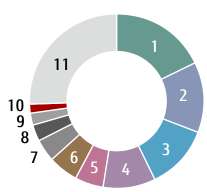



(Source: IDC Japan, Japan Quarterly Mobile Phone Tracker, 2011Q1)
* The above figures are as of the end of each fiscal year (March 31)

GRAPH 2

### Global PC Market Share in 2010 (Unit Basis)

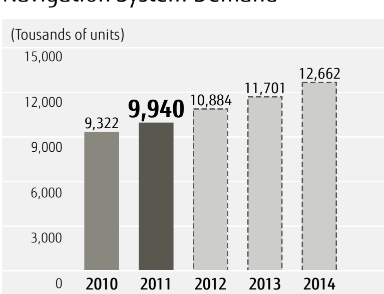
| | | |
|---|---|---|
| 1 | Company A | 17.9% |
| 2 | Company B | 13.0% |
| 3 | Company C | 12.0% |
| 4 | Company D | 9.7% |
| 5 | Company E | 5.4% |
| 6 | Company F | 5.4% |
| 7 | Company G | 4.1% |
| 8 | Company H | 3.2% |
| 9 | Company I | 2.3% |
| **10** | **Fujitsu** | **1.6%** |
| 11 | Others | 25.4% |




(Source: Gartner, "Quarterly Statistics: Personal Computers by Major Market, Worldwide by Region, 1Q11 Update" 13 May 2011)

GRAPH 3

### Projected Trends in Global Car Navigation System Demand




(Source: Japan Electronics and Information Technology Industries Association, "Trends in Worldwide Demand for Major Electronics," published February 2011)

## Market Trends

### 2010 Global Market Trends

Total PC shipments in Japan increased 16.1% year on year in 2010 to 16.1 million units. In the consumer market, sales of compact, low-priced notebook PCs slowed, but the release of Windows® 7 helped to invigorate the market and sales increased. The corporate market expanded as the economic recovery prompted private companies to move forward with equipment replacement plans. Globally, the PC market expanded 13.8% year on year to 350.89 million units. Sales rose overall as a result of strong growth in emerging markets, the recovery of private corporate demand in developed countries, and the boost from the release of Windows® 7.

Mobile phone shipments in Japan in 2010 increased 6.8% year on year to 36.24 million units. → GRAPH 1 This was due mainly to proactive sales efforts by telecom carriers from 2010 for smartphones utilizing the Android operating system.

Worldwide shipments of car navigation systems increased 17.7% year on year to 9.32 million units. → GRAPH 3 This was due mainly to an increase in new car sales stemming from government subsidies and tax breaks for more eco-friendly cars, and to growing demand in emerging markets.

### Outlook for 2011

For PCs, the Japanese consumer market is expected to decline year on year as consumers moderate their spending in the wake of the Great East Japan Earthquake. The Japanese corporate market is also expected to decline as companies delay PC replacement plans as a result of postponing investments due to the economic slowdown following the earthquake. The Japanese market overall is projected to decline slightly as a result. Outside Japan demand in the corporate market is expected to remain strong, but in the consumer market demand is projected to expand for tablet PCs and similar devices as alternatives to traditional PCs. Accordingly, growth in the worldwide PC market is not expected to reach the levels of 2010, and is forecast to expand 10.5% year on year to 387.79 million units.

In mobile phones, shipments in Japan in 2011 are expected to decline year on year to 35.73 million units. This is due mainly to the rebound from sharp growth in smartphones, and a contraction of the feature phone market.

Worldwide shipments of car navigation systems are expected to increase 6.6% year on year to 9.94 million units. Although the effects of the economic stimulus measures implemented by developed countries and emerging markets in the wake of the worldwide financial crisis are gradually waning, demand in emerging markets is projected to continue to grow. → GRAPH 3

## Operational Review and Initiatives

### Fiscal 2010 Business Results

Net sales in the Ubiquitous Solutions segment totaled ¥1,125.6 billion in fiscal 2010 (up 0.5% year on year). → GRAPH 4

Fujitsu's worldwide PC shipments declined 3.7% year on year to 5.42 million units. In Japan, companies moved ahead with PC replacements in line with the economic recovery, though this was offset by the absence of a rise in demand for educational-use PCs seen in the previous fiscal year, and the impact from suspension of production due to damage to manufacturing plants during the Great East Japan Earthquake. Outside Japan in Europe sales of desktop PCs were steady, but sales growth was slow in the U.S., Asia and other regions.

Mobile phone shipments in Japan rose 29.4% year on year to 6.70 million units. On October 1, 2010, Fujitsu established a new company to merge its mobile phone business with that of Toshiba Corporation, and acquired an 80.1% stake in the new firm. Shipments rose as a result of the boost from this merger, along with the popularity of smartphones.

In mobilewear, sales of audio and navigation devices declined year on year. Although new car sales in Japan rose during the first half of the fiscal year as a result of government subsidies and tax breaks for more eco-friendly vehicles, the subsidy program concluded in the second half of the period. Sales were also affected by falling unit prices and a slowdown following the March 2011 earthquake.

Operating income declined ¥18.0 billion from the previous fiscal year to ¥22.6 billion. → GRAPH 5 In Japan, the PC business was affected by the absence of a rise in educational-use PCs seen in the previous fiscal year and the impact from the earthquake; the mobile phone business by increases in expenditures for the development of products with advanced functions such as smartphones and LTE handsets; and the mobilewear business by a decline in sales stemming from the end of government subsidy programs and the catastrophic earthquake. Outside Japan, profitability improved as a result of cost reductions stemming from integration of global product brands, and efforts to cut expenses. This offset the absence of a one-time decrease in expenses recorded in the previous fiscal year stemming from a settlement with a copyright organization regarding levies for private copying.

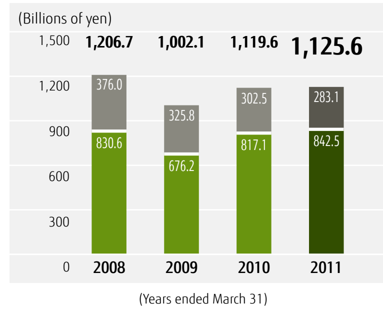
### Initiatives Going Forward

For the consumer PC market in Japan, Fujitsu will develop the LIFEBOOK TH SERIES, which allows users to input data with either a touch screen or keyboard as needed, and the ESPRIMO FH Series of LCD integrated desktop computers with exceptional image quality and realistic sound. We will also tap demand from older consumers and first-time PC users with the FMV Raku-Raku PC Series. For the corporate market, we will expand sales of models offering high levels of added value by enhancing energy efficiency functions and security. These include PCs with functions that limit power usage to a minimum when the unit is off or in sleep mode, models with a peak-shift control function to equalize power consumption, and models that incorporate a newly developed non-contact palm vein authentication system. In Europe, Fujitsu will continue to focus on high-quality, value-added products for the corporate market, and implement sales strategies emphasizing profitability. In North America, we anticipate growth in tablet PCs in such areas as the medical and educational fields. Particularly in Asia Pacific and China, we will bolster sales of mass-produced products for the consumer market.

In mobile phones, Fujitsu will develop such products as the F12-C, a water-resistant compact smartphone designed with an emphasis on ease of use and functionality, and the Raku-Raku Phone Series that has long been popular, particularly with seniors. We will distinguish our products from the competition by further enhancing such functions as security, water-resistance and dust-resistance, and will step up efforts to bolster and increase efficiency in our product development structure in line with the rapidly advancing shift to smartphones and globalization of business.

In mobilewear, Fujitsu will expand sales of high-value-added products that use ICT to connect people and society through cars, such as the ECLIPSE Series AVN-F01i car navigation system linked to smartphones.

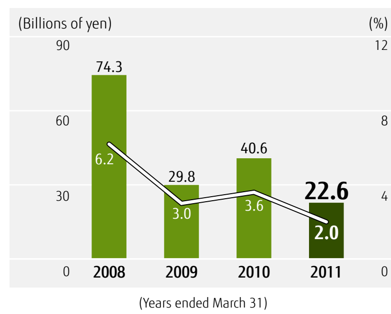
GRAPH 4
## Sub-segment Sales*




PCs/Mobile Phones
Hard Disk Drives

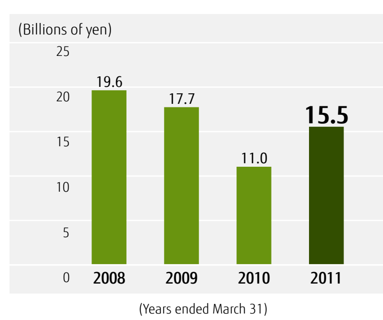
* Including intersegment sales

GRAPH 5
## Operating Income/ Operating Income Margin




Operating income (left scale)
Operating income margin (right scale)

GRAPH 6
## Capital Expenditure

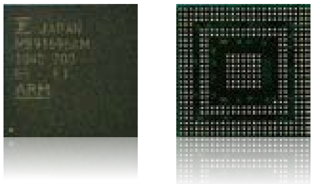


# Device Solutions

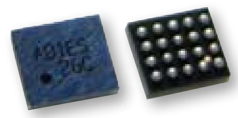
LSI devices and electronic components comprise Fujitsu's Device Solutions. Fujitsu Semiconductor, the Fujitsu Group's operating company in semiconductors, provides LSI devices found in products such as digital consumer electronics, automobiles, mobile phones, and servers. Meanwhile, publicly listed consolidated subsidiaries Shinko Electric Industries and Fujitsu Component, together with companies like FDK, provide semiconductor packages and other electronic components, as well as mechanical parts such as batteries, relays, and connectors.

**Fiscal 2010 Performance (Year-on-year Comparison)**
(Billions of Yen)

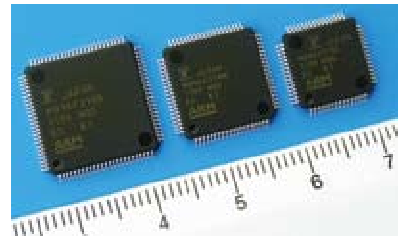
| Net Sales | Operating Income | Capital Expenditure |
|---|---|---|
| 630.6 | 20.9 | 39.4 |
| (+7.0%) | (+30.0) | (+7.4) |



Sixth-generation Milbeaut imaging processor for beautiful still and video images



The MB39C326 power-supply IC for RF power amps used in smartphones and other mobile devices



The second entry in the FM3 Family of new 32-bit microcontrollers uses ARM's Cortex™-M3 cores from ARM of Britain

## OUR STRENGTH

Fujitsu Semiconductor is focusing its business around the four pillars of "Mobile," "Automotive," "Advanced Imaging," and "High-Performance (Industrial Equipment)." In these four areas, we offer highly reliable, optimized solutions that meet the diverse needs of our customers. Our products are used in a wide range of applications, from imaging to wireless communications and security, and are increasingly energy efficient as a result of the emphasis we place on the environment. Fujitsu Semiconductor conducts business globally through development and sales sites in Japan, the Americas, Europe, and Asia. The company's outstanding technology is also evident in the development of CPUs for the next-generation supercomputer* system.

Five sites operated by Fujitsu Semiconductor in the Tohoku region of northern Japan were directly impacted by the Great East Japan Earthquake in March 2011. The sites were able to resume operations remarkably quickly, however, compared to other companies in the industry. We achieved this by applying lessons from past earthquakes and implementing a number of measures to ensure prompt recovery in the event of a disaster. These measures included a business continuity plan (BCP) with earthquake-resistance countermeasures for semiconductor equipment at company sites, multi-vendor procurement, and multi-fab manufacturing capabilities, along with earthquake-proof reinforcement of our facilities and disaster response drills. Thanks to these measures, we were able to minimize the damage to facilities and equipment. Additionally, we prevented damage to important components through the early adoption of seismic isolation platforms for our vertical furnaces.

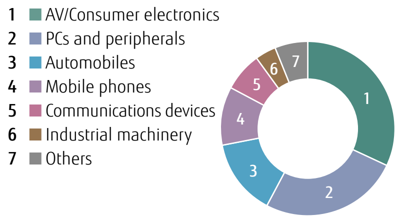
* For more on next-generation supercomputers, see "The Story Behind the Shipment of the Next-Generation Supercomputer System" on p. 061

Fujitsu Semiconductor's Mie Plant employs seismic isolation construction


Vertical furnace installed with a seismic isolation platform

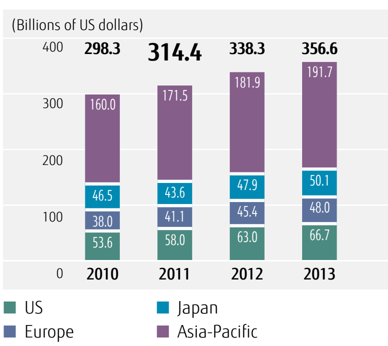
GRAPH 1

Sales of Logic LSI Products by Application for the Year Ended March 31, 2011




GRAPH 2

Global Semiconductor Market Forecasts




(Source: World Semiconductor Trade Statistics (WSTS))

# Market Trends

## 2010 Global Market Trends

In 2010, the global semiconductor market grew 31.8%* year on year to about US$298.3 billion, a marked recovery from the 9.0% decline in 2009 to achieve the largest market size in the history of the industry. → GRAPH 2 Following the global financial crisis in the second half of 2008, the market plunged 30% in the January-March quarter of 2009. The industry staged a recovery through the summer of 2010 on the back of surging global demand for smartphones, flat-screen TVs, tablet PCs and other consumer electronics, along with a steady recovery in the automotive industry. Since the summer of 2010, the popularity of smartphones and tablet PCs has continued, though demand for flat-screen TVs and feature phones has slumped due to manufacturing cutbacks in response to growing inventory.

Geographically, the Japanese market grew 21.6%* year on year thanks to government subsidies and tax breaks for environmentally conscious automobiles and an eco-point purchase program for home electronics in the first half of 2010. Demand for smartphones was robust throughout the year. The March 2011 earthquake dealt a serious blow to the industry globally, however, as the semiconductor manufacturing facilities of companies operating in the Tohoku and Kanto regions of Japan sustained damage, and supplies to automobile and other industries were suspended. In other regions of the world, the year-on-year growth rate exceeded 20%*, with particularly strong recovery seen in the United States and Asia, where the market size significantly exceeded levels prior to the financial crisis.

## Outlook for 2011

In 2011, the global semiconductor market is expected to grow 5.4%* year on year to about US$314.4 billion, driven by the diffusion of tablet PCs and smartphones in regions throughout the world. → GRAPH 2 The US market is forecast to grow 8.2%* and Europe is seen expanding 8.0%*. The Japanese market is expected to shrink 6.2%* while the Asia-Pacific market is expected to increase 7.2%*. Japan is the only major region expected to post negative growth, due mainly to the impact of the earthquake and sluggish demand in the automotive and home electronics industries.

In terms of products, although the memory market (including DRAM and Flash memory) is expected to decline slightly by 2.7%*, largely in reaction to the 55.4% increase recorded last year, firm growth in other markets is anticipated. Consequently, sales should increase 5.6% for logic products* and 11.7% for MOS microcontrollers* during the year.

The market is projected to continue growing gradually from 2012, with an anticipated increase of 7.6%* to US$338.3 billion in 2012. The market is also expected to continue growing 5.4%* in 2013, to US$356.6 billion, for an average annual growth rate of 6.1%* between 2011 and 2013.

* Semiconductor market estimates according to World Semiconductor Trade Statistics (WSTS), spring 2011 forecast.

## Operational Review and Initiatives

### Fiscal 2010 Business Results

Sales from the Device Solutions segment were ¥630.6 billion, up 7.0% year on year. In Japan, sales climbed 8.9%. → GRAPH 3 Sales of LSI devices increased due to mass production of CPUs for Japan's next-generation supercomputer system, as well as the recovery in demand for mobile phones and automotive devices. The acquisition of a nickel-hydride battery business by FDK Corporation also contributed to higher sales of electronic components. Sales outside Japan increased 4.7%. Sales of LSI devices in Asia, Europe and the US increased. Despite the transfer of the communications devices business to Taiyo Yuden Co. Ltd. in fiscal 2009, there was an increase in sales of semiconductor packages associated with the expansion of the PC and other markets, primarily in the US. The acquisition of the nickel-hydride battery business also had a beneficial impact.

Operating income was ¥20.9 billion, an improvement of ¥30.0 billion over the previous fiscal year. → GRAPH 4 In Japan, the LSI devices business was profitable through every quarter. Despite being negatively affected by earthquake-related production stoppages, overall income improved as a result of lower fixed overhead costs enabled by realigning production facilities and enhancing efficiencies in administrative operations in fiscal 2009, as well as by the maintenance of a high capacity utilization rate at factories in Japan up until the earthquake. Income in the electronic components business also increased as a result of higher sales and the promotion of cost reductions. Outside Japan, increased sales and cost reductions in the LSI and electronic components businesses outweighed the negative effects of exchange rate fluctuations and resulted in higher income.

### Initiatives Going Forward

We are promoting the global expansion of the LSI business with a focus on newly emerging economies. The Chinese market offers particularly attractive growth opportunities. At our Chinese operations, we are building a structure with functions to deliver new products, from product planning and development to marketing and customer support. We plan to expand our Chinese operations primarily through the hiring of local engineers, and while bolstering our ability to offer solutions tailored to the Chinese market, we will use China as a base to promote products to other emerging countries.

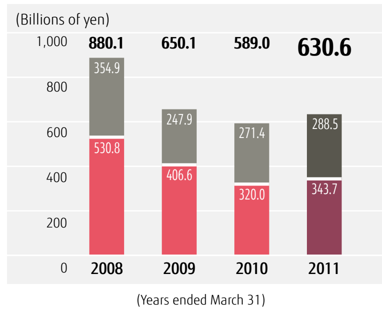
Fujitsu is pursuing customer-centric product development. In the microcontroller business, we have adopted the market-standard processor core ARM Cortex™-M3 from ARM of Britain for our FM3 Family products, making them attractive for consumer, security, medical, and energy-related electronics. In this way, we are proactively responding to customer needs, particularly in markets outside Japan, and we plan to widen our lineup of energy-efficient products. Fujitsu will continue to offer a broad lineup of products to meet customers' diverse needs, including products leveraging our wealth of proprietary core know-how.

From 2013, we plan to begin full-scale mass production of gallium-nitride (GaN) power devices, which promise exceptional energy efficiency. GaN devices reduce energy loss to one-third the level of conventional silicon-based technology, offering the potential for significant power savings among a wide range of electronics.

We have outsourced the manufacture of 40nm and above semiconductors to Taiwan Semiconductor Manufacturing Company (TSMC) as part of our fab-lite business model. We are collaborating with TSMC on the development of 28nm processing technology in order to achieve the early launch of next-generation semiconductor products.

GRAPH 3

Sub-segment Sales*

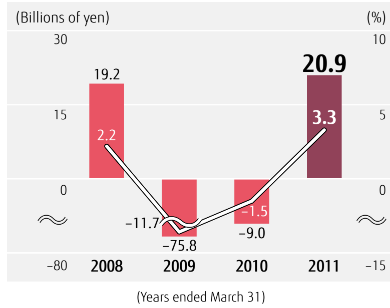



LSI Devices
Electronic Components, Others

* Including intersegment sales

GRAPH 4

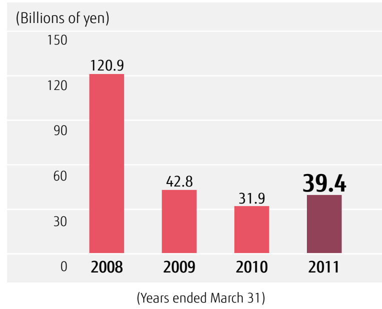
Operating Income (Loss)/
Operating Income Margin




Operating income (Loss) (left scale)
Operating income margin (right scale)

GRAPH 5

Capital Expenditure




PERFORMANCE

# MAJOR ANNOUNCEMENTS AND IR ACTIVITIES IN FISCAL 2010

2010 4 5 6 7 8 9 10

## TECHNOLOGY SOLUTIONS

**April 1, 2010**
Fujitsu's New Disaster-Management System for JAXA Goes Live

**April 5, 2010**
Fujitsu Launches Cloud Services for Agricultural Industry

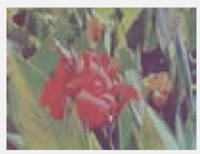
**April 7, 2010**
Kagawa University and Fujitsu Launch Mobile Phone Application Test for Children with Special Needs

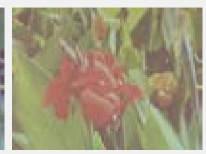
**April 21, 2010**
Amada Employs Fujitsu Cloud Services to Enhance Machinery Maintenance

**April 22, 2010**
Fujitsu Launches Global Cloud Strategy with Deployment of First Global Platform

**April 23, 2010**
Fujitsu Trusted Cloud Square Opens

**May 7, 2010**
Fujitsu Dramatically Enhances Color Electronic Paper Functionality


Newly developed product


Existing product

**May 12, 2010**
Fujitsu and salesforce.com Expand Global Partnership to Help Companies Deploy Cloud Computing

**May 28, 2010**
Fujitsu and NSW Complete Indonesian Submarine Optic-fiber Network

**July 12, 2010**
Fujitsu and Microsoft Expand Partnership to Provide Global Cloud Computing

**August 2, 2010**
Fujitsu Creates Business Unit Supporting Japan-based Companies Operating in Asia

**August 25, 2010**
Ohsho Deploys Fujitsu's Palm Vein Authentication Technology for Access Control System

## UBIQUITOUS SOLUTIONS

**April 13, 2010**
Fujitsu Renews Lineup of ESPRIMO and LIFEBOOK PCs for Corporate Customers

**April 26, 2010**
Fujitsu Develops Industry's First Real-time Simulator Capable of Checking Virtual Camera Images

**May 11, 2010**
Fujitsu Introduces 3 ECLIPSE AV and Car Navigation System Models for Summer 2010

**May 18, 2010**
Fujitsu Introduces docomo STYLE series™ F-07B Mobile Phone

**June 1, 2010**
Fujitsu Introduces docomo PRIME series™ F-06B Mobile Phone

**July 21, 2010**
Fujitsu Releases One-Touch Internet Access "Raku-Raku" Mobile Phone

**October 1, 2010**
Fujitsu and Toshiba Complete Merger of Mobile Phone Businesses

## DEVICE SOLUTIONS

**April 20, 2010**
Fujitsu Releases 18 New 8-bit Low-Voltage Operation Microcontrollers in Three Series

**June 2, 2010**
Fujitsu Releases RF Transceiver LSI for Multimode, Multiband Communication with SAW Filter-less

**July 26, 2010**
Fujitsu Semiconductor Releases New System Controller LSI with High-Performance Graphics for Automotive Applications

**October 4, 2010**
Fujitsu Develops Gallium-Nitride HEMT Power Amplifier Featuring World's Highest Output in Millimeter-Wave W-Band

## OTHERS

**April 15, 2010**
Fujitsu Announces Group Environmental Protection Program, Stage VI

**May 20, 2010**
Fujitsu and University of Tokyo Achieve World's First 25-Gbps Data Communication Using Quantum Dot Laser

**May 27, 2010**
Fujitsu Develops Gallium-Nitride HEMT Amplifier Featuring World's Highest Output in the C-Ku Band

**May 28, 2010**
Fujitsu Supercomputer Achieves World Record in Computational Quantum Chemistry

**August 19, 2010**
Fujitsu Launches First Program in Japan to Quantitatively Evaluate How Corporate Activities Impact or Contribute to Biodiversity

## IR

**March 31, 2010**
Fujitsu Laboratories' R&D Strategy Briefing

**April 30, 2010**
FY2009 Full-year Financial Results Announcement

**June 21, 2010**
110th Annual Shareholders' Meeting

**July 9, 2010**
Management Direction Briefing

**July 29, 2010**
FY2010 First-quarter Financial Results Announcement

**October 27, 2010**
FY2010 First-half Financial Results Announcement

| 11 | 12 | 2011 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|

**September 14, 2010**
Fujitsu and Yamato System Development Collaborate on Private Cloud for a Part of the Business Systems of the Yamato Group

**September 21, 2010**
Fujitsu Drives Toyota's IT Technology Direction

**September 27, 2010**
Fujitsu Launches On-Demand IaaS Public Cloud Service

**September 28, 2010**
Fujitsu Begins Shipping Japan's Next-Generation Supercomputer

**November 15, 2010**
City of Tampere (Finland), Surrounding Municipalities and Joint Municipal Board Sign Extensive IT Services Agreement with Fujitsu

**November 24, 2010**
Fujitsu's PRIMERGY BX400 Opens Up Blade Computing for Midsize Companies

**December 2, 2010**
Fujitsu and Oracle Enhance SPARC Enterprise M-Series Servers with New Processor

**December 7, 2010**
Fujitsu to Strengthen Network Business Structure

**December 15, 2010**
Fujitsu Introduces VAAI Support with ETERNUS Disk Storage Systems for VMware vSphere™ 4.1

**December 17, 2010**
Fujitsu and Boeing Form Strategic Alliance in Aircraft Maintenance Services

**February 9, 2011**
Fujitsu and Oracle Strengthen Decades-Long Relationship

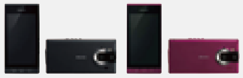
**February 28, 2011**
Fujitsu Launches Global Cloud Services in Australia

**November 16, 2010**
Fujitsu Introduces docomo PRIME series™ F-01C Mobile Phone

**November 22, 2010**
Fujitsu Introduces docomo STYLE series™ F-02C and SMART series™ F-03C

**November 30, 2010**
50,000 Fujitsu Slate PCs Deployed by Dai-ichi Life as New Sales Terminals

**December 10, 2010**
Fujitsu Introduces docomo Smartphone REGZA Phone T-01C



**January 12, 2011**
Fujitsu Announces Spring 2011 Line of FMV Series of Personal Computers

**January 13, 2011**
Fujitsu Introduces docomo STYLE series™ F-04C Mobile Phone

**February 4, 2011**
Fujitsu Introduces REGZA Phone IS04

**February 9, 2011**
Fujitsu Introduces docomo STYLE series™ F-05C Mobile Phone

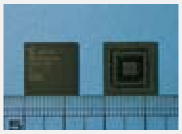
**February 24, 2011**
Fujitsu Launches STYLISTIC Q550 Series of Tablet PCs

**March 3, 2011**
Fujitsu Enters e-Book Business

**November 4, 2010**
Fujitsu Releases 44 Products as Initial Offering of New FM3 Family of 32-bit Microcontrollers

**November 18, 2010**
Fujitsu Semiconductor Announces Strategic Partnership with Taiwan-based Skyviia for Compelling Multimedia Solutions

**February 3, 2011**
Fujitsu 6MHz Buck-boost DC-DC convertor IC Allows for Smaller External Components and Wider Battery Voltage Range



**February 8, 2011**
Fujitsu Releases 6th Generation of Milbeaut Imaging Processors

**February 28, 2011**
Fujitsu Semiconductor and ARM Sign Comprehensive License Agreement

**November 9, 2010**
Fujitsu Develops Optical Switch that Cuts Power Consumption by Half

**December 1, 2010**
Fujitsu Wins Japan Minister of the Environment Award for Reducing $CO_2$ Emissions Through Modal Shift

**December 3, 2010**
Fujitsu Develops Technology to Manufacture Power-Supply Transistors On Nearly Any Flat-surface Material

**December 16, 2010**
Fujitsu Establishes Corporate Social Responsibility Policy

**March 10, 2011**
Fujitsu Achieves 40-Gbps Optical-Fiber Transmission Using Directly-Modulated Laser Without Need for Cooling

**December 6, 2010**
Presentation for Bond Investors

**December 21, 2010**
SI Business Study Session

**January 28, 2011**
FY2010 Third-quarter Financial Results Announcement

**April 28, 2011**
FY2010 Full-year Financial Results Announcement

# Japan

## Customer Solution Profile

Illustration by Akihiro Ikeshita

Japan Aerospace Exploration Agency (JAXA)

### The Hayabusa Asteroid Probe Successfully Completes Sample Return Mission World's First Collection of an Asteroid Sample and Return to Earth

Japan's space agency, the Japan Aerospace Exploration Agency (JAXA), launched the asteroid probe Hayabusa in May 2003. It was the world's first attempt to collect and return to Earth a rock sample from an asteroid, which would provide important clues in the study of the birth and evolution of the solar system. Overcoming numerous obstacles and problems, in June 2010 the probe returned to Earth with particles collected from the asteroid Itokawa.

Fujitsu contributed to the success of this mission by developing and operating the "orbit determination system," the "real-time satellite status monitoring and fault diagnosis system," and the "ground data transmission system for communicating with the satellite."

The "orbit determination system" is a data processing system to determine the probe's current location and speed, with the results of the orbit determination used to correct the probe's flight path. Over the seven years from Hayabusa's launch until its return to Earth, Fujitsu made accurate assessments of the probe's location and speed, contributing greatly to the precision guidance necessary for the probe to arrive at Itokawa, and for atmosphere entry.

The "real-time satellite status monitoring and fault diagnosis system" is a system to convert and display in real time the data sent by the probe on the status of the various onboard instruments, automatically diagnose faults by processing the complex variables in the data, and report the results to the operators. Hayabusa experienced a series of malfunctions and problems with its various instruments, and the system's ability to quickly provide the operations teams with accurate information helped guide the severely damaged Hayabusa back to Earth.

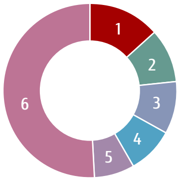
The "ground data transmission system for communicating with the satellite" provides a link between the ground stations in Japan and overseas that communicated with the probe, and the Spacecraft Operation Center in Sagamihara, Kanagawa Prefecture. In addition to the Hayabusa probe, this system provides support for all satellite operations conducted from the Sagamihara Spacecraft Operation Center.

Going forward, Fujitsu will continue to aid in the advancement of Japan's space exploration technologies through the development and operation of JAXA's ground systems.

GRAPH 1

Share of 2010 IT Services Market Sales in Japan (Revenue Basis)

| | | |
|---|---|---|
| 1 | **Fujitsu** | **13.5%** |
| 2 | Company A | 10.0% |
| 3 | Company B | 9.6% |
| 4 | Company C | 8.8% |
| 5 | Company D | 7.4% |
| 6 | Others | 50.7% |




(Source: Gartner, "Market Share: IT Services, 2010" 31 March 2011)

## Market Trends

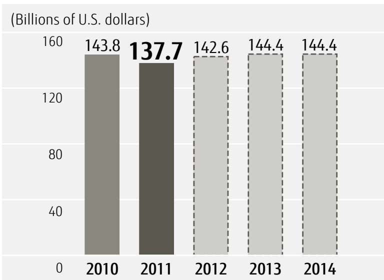
Japanese IT market growth is expected to fall 4.2% year on year in 2011. → GRAPH 2

Many observers are taking a harsh view of the Japanese economy in the wake of the Great East Japan Earthquake. It is unclear to what extent economic activity will be impacted by power shortages and parts supply issues resulting from damaged manufacturing lines. Furthermore, the impact of the nuclear crisis is not limited to Japan but extends globally in terms of reduced exports and fewer travelers arriving from overseas. Under these circumstances, anxiety is rising with regard to corporate earnings, and it is anticipated that companies will become increasingly cautious when making capital investments, narrowing their scope to prioritize reconstruction and restoration. Public-sector IT budgets are also projected to shrink in the immediate future as resources are diverted to disaster recovery.

In light of this, the server market in Japan is expected to contract more than 10% compared with the previous year. In addition to concerns about companies postponing IT

GRAPH 2

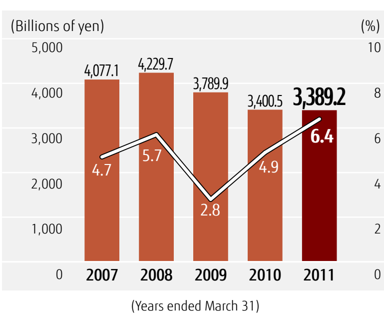
IT Market Forecasts (Japan)




(Source: IDC The Worldwide Black Book Q1 2011)

GRAPH 3

Net Sales* and Operating Income Margin




Net sales (left scale)
Operating income margin (right scale)

* Including intersegment sales

investment, the use of datacenters with a view to risk avoidance, and the trend toward server integration and consolidation accelerates in tandem with a shift to lower prices.

The communication devices market is projected to experience only slight growth. Although the investment cycle of Next-Generation Networks (NGNs) has passed its peak, this will likely be countered by an expected rise in the pace of mobile base station installations for Long Term Evolution (LTE) services, and an anticipated boost from disaster-related spending.

The IT services market is expected to see a continued contraction of 1%–2% year on year in line with overall reductions to IT budgets. Many new IT system development projects are set for cancellation or delay as a result of the disaster, and cuts in system operating expenses are foreseen.

At the same time, however, companies are expected to revise IT system operations to take account of business continuity plans (BCP) formulated after the March 2011 disaster, and to adopt new IT services such as cloud computing as part of their disaster recovery efforts. Demand is also anticipated for system upgrades to comply with regulatory changes, and over the medium term, expansion in the IT services market is expected to return.

## Initiatives Going Forward

Fujitsu aims to establish a dominant presence in Japan's IT services market. With growth in cloud computing anticipated, Fujitsu will bring to bear its collective strength in networks, servers, storage solutions, middleware, applications and other high-quality products to deliver highly reliable cloud services.

In the server business, we continue to bolster sales promotion initiatives with a focus on the growing x86 server market. Indeed, our high-performance, energy-efficient, low-noise x86 server lineup is gaining market share. From this year, we plan to augment the lineup in areas of robust market growth, including a new micro-server for the small- and medium-size business market featuring a small physical footprint and energy-efficient operation, and a high-density rack server for the datacenter market. Fujitsu is also expanding sales of its Cloud Ready Blocks, packaged hardware and software with everything a customer needs to get a private cloud up and running in minimum time. With a growing lineup of competitive products, we aim to maintain our top share of the Japanese server market.

In the network products business, our goal is to accelerate the spread of LTE and at the same time expand our business domain by developing new ICT products and solutions for the home and other markets which use high-speed networks like LTE and optical fiber access.

In the ICT services business, we are expanding our offerings around cloud computing. New services include a SaaS-based regional healthcare network, CAD and other engineering cloud services for manufacturers, traffic information services using data from moving taxis, and computational drug research services using supercomputers. We will continue to offer innovative new services that support our customers' business success.

In addition, we have launched cloud platform services commercially in markets around the world from Fujitsu datacenters. The FGCP/S5 service is based on proprietary Fujitsu technology, while the FGCP/A5 service utilizes Microsoft's Azure platform. Fujitsu also offers the cloud-based INTARFRM system development framework which enables companies to develop new systems efficiently.

As cloud computing becomes more prevalent, we are taking advantage of new opportunities by shifting SEs in charge of application development to operational services and business producer functions. This will enable us to increase interaction with customers and strengthen our ability to offer proposals which utilize ICT in innovative ways.

# EMEA Europe, Middle East, Africa

## Customer Solution Profile

ETERNUS CS virtual tape

BBVA

### Creating Innovative Storage Systems Tailored to BBVA's Needs

BBVA is a Spanish financial group that globally offers individual and corporate customers the most complete range of financial and non-financial products and services. The group employs 104,000 people in over 30 countries around the world and has more than 47 million customers. Since 1995 BBVA has been expanding its business network in the Americas, particularly in Latin America, making it the largest financial institution in Mexico.

Fujitsu is implementing a large multi-layered storage solution with ETERNUS CS technology at BBVA, with the goal of setting up a disk-based data protection system that eliminates the need for physical tape technology and simplifies and automates data recovery tasks in the event of a disaster. One ETERNUS CS 4000 system and two ETERNUS DL 1500 systems maximize functionalities at minimal cost. A four-year, 24/7/365 services contract ensures the system's availability and reliability.

BBVA is making this investment in order to replicate its business data between México City and Monterrey in Mexico as part of the group's global strategy.

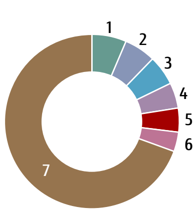
Fujitsu convincingly won this project from BBVA thanks to its flexibility on the bid: a unique model has been created tailored to the requirements of BBVA, combining an exclusive deduplication technology and an efficient compression, so each information can use the best way to be storaged. It will allow diverse capabilities and significant cost saving.

According to Carlos Redondo Prieto, Head of Storage Systems at BBVA's European data processing center, "this solution will eradicate physical failures in the mechanical parts of the system. It will also improve disk performance, thereby minimizing batch and backup times, and eliminate data reading errors on the cartridges as they will be replaced with disks."

GRAPH 1

**Share of 2010 IT Services Market in the UK (Revenue Basis)**

| | | |
|---|---|---|
| 1 | Company A | 6.5% |
| 2 | Company B | 5.8% |
| 3 | Company C | 5.5% |
| 4 | Company D | 4.9% |
| 5 | **Fujitsu** | **4.3%** |
| 6 | Company E | 3.6% |
| 7 | Others | 69.4% |

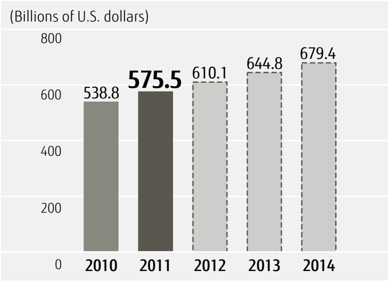



(Source: Gartner, "Market Share: IT Services, 2010" 31 March 2011)

## Market Trends

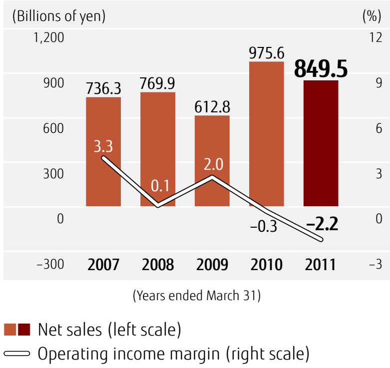
A continued recovery is forecast in the 2011 EMEA IT market, with 6.8% year-on-year growth buoyed by a mild economic recovery that began from 2010 in the wake of the financial crisis. → GRAPH 2 IT markets in Eastern Europe and Africa are projected to expand as economies in the regions continue to grow. In Western Europe, with the exception of Britain where spending cuts have been instituted to cope with the economic slump, robust IT markets are anticipated, particularly in Germany and other countries where higher exports have driven economic recovery. In Britain, a major market for the Fujitsu Group, the government's fiscal austerity measures are expected to continue over the long term, and even after 2011, IT investment is likely to be limited to a mild recovery. Growth is expected in areas linked to cost-cutting initiatives, including procurement systems, shared services, off-shoring, infrastructure outsourcing, and business process outsourcing (BPO).

GRAPH 2
IT Market Forecasts (EMEA)




(Source: IDC The Worldwide Black Book Q1 2011)

GRAPH 3
Net Sales* and Operating Income Margin




* Including intersegment sales

A slight recovery in the IT services market is expected, with year-on-year growth of 2.3% against the previous year. Market conditions remain uncertain however, with IT budget cuts by the UK government (the largest customer for Fujitsu's outsourcing business), and escalating price competition with rival companies.

The overall EMEA server market is forecast to remain mostly unchanged, with 0.2% year-on-year growth. Market expansion is forecast mainly for Eastern Europe and Africa. However, mature Western European markets are likely to contract slightly against a backdrop of increasingly severe price competition. The high-end server market is expected to continue its precipitous decline as customers shift to low-end servers. As a result of this shift, the markets for low-end x86 and mid-range servers, mainstay product areas for Fujitsu, are expected to grow to support demand for cloud and other advanced computing needs. The storage market is projected to follow similar trends as servers, with overall investment on par with last year. The PC market, meanwhile, is anticipated to grow 5.0% over the previous year on the back of continued strong demand in Eastern Europe and Africa, along with growth in Western Europe stimulated by economic recovery.

## Initiatives Going Forward

Fujitsu has promoted business expansion in EMEA with a focus on the infrastructure services market. The region's profitability, however, has declined due to several loss-generating projects. In order to eliminate such projects and boost the region's profitability, we are strengthening collaboration between the EMEA business units and our Assurance Group, which oversees assurance initiatives worldwide. We have also integrated the x86 server and storage functions previously split between Japan and Fujitsu Technology Solutions in Germany. We are taking the next step in developing truly global products by moving the x86 server headquarters to Germany. The establishment of a unified, global product and business foundation is an important step in the creation of a robust organizational structure which can strive for the same sustained level of high profits and growth achieved in Japan.

By geographic market, in the UK & Ireland region we are optimizing the organizational structure, previously focused on public-sector business, to support the expansion of our private-sector business. Additionally, we are strengthening the entire business structure by streamlining our infrastructure services business and promoting cloud computing. As we strive to expand our infrastructure services, which comprise about 70% of our business in the region, we are also advancing a comprehensive product and services portfolio featuring Fujitsu-brand servers and storage, as well as application and network solutions.

In continental Europe, we have created three sub-regions based on market size and maturity: Germany, Western Europe, and emerging markets. In each of these sub-regions, we are taking initiatives to bolster the sales structure through improved account management, exclusive sales organizations for each business, and the promotion of multi-channel sales. We are also leveraging the competitive edge of Fujitsu Technology Solutions in the x86 server and PC markets to reinforce such core businesses as products and maintenance services, with the aim of generating stable growth and greater profits.

In the Nordic region, we are improving profitability by merging procurement functions and service desk operations within the region. The sales function is also being enhanced with the creation of special sales teams targeting global companies. With these improvements, we expect to gain market share in the region.

# The Americas

## Customer Solution Profile

Photo by Jennifer Silverberg

STYLISTIC Q550 Slate PC

**St. Louis College of Pharmacy**

### Dispensing Reliable PCs to Equip Students for College of Pharmacy

Founded in 1864, St. Louis College of Pharmacy is one of the oldest and largest colleges of pharmacy in America. The six-year curriculum integrates the liberal arts and sciences with a professional program leading to the doctor of pharmacy degree. Over 1,200 students from 25 states are currently enrolled.

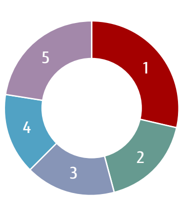
St. Louis College of Pharmacy issues a PC to all incoming students, so they need rugged, highly reliable products that will last several years. A longtime Fujitsu customer, they standardized on the LIFEBOOK® T Series Tablet PC based on size, weight, full-sized keyboard and overall performance; solid construction; modular bay for second battery; price; and the Fujitsu reputation for quality and service.

"Because our students use their computers so extensively, we really needed reliable, state-of-the-art technology to keep up with the College's many demands," said F. Chad Shepherd, Vice President Information Technology, Chief Information Officer for St. Louis College of Pharmacy. "For the past several years, the Fujitsu tablet PCs have delivered this and more. We're also interested in the Windows-based STYLISTIC Q550 Slate PC; we haven't seen any other product with its impressive enterprise features. We're thrilled that it connects to the network with no changes to the network itself, has a removable eight-hour battery for marathon study periods, and includes advanced security features such as a biometric fingerprint sensor. These features enable us to optimally integrate computing into a productive, enjoyable college experience."

GRAPH 1

**Next-Generation Metro WDM Market Share in North America (Revenue Basis)**

| | | |
|---|---|---|
| 1 | **Fujitsu** | **28.7%** |
| 2 | Company A | 17.4% |
| 3 | Company B | 16.6% |
| 4 | Company C | 14.8% |
| 5 | Others | 22.5% |




(Source: Ovum, Market Share: 1Q11 ON Global, June 2011)

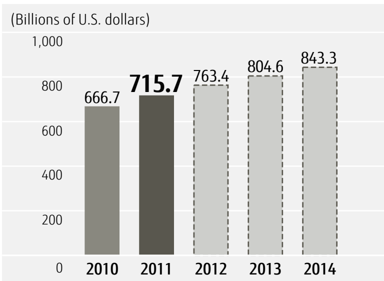
## Market Trends

The IT market in the Americas in 2011 is expected to grow at a comparatively high rate of 7.4% year on year. This represents a trend of continued growth, despite falling short of the considerable 10.1% growth rate in 2010. In the United States, the economy is improving in areas such as manufacturing, retail and transportation, but the pace of recovery in the labor market is sluggish, and the economic environment remains difficult, particularly for small and medium-sized enterprises. → GRAPH 2

In 2011, the IT services market in the Americas is expected to grow a gradual 4.6% year on year, following the 3.9% growth of the previous year. Corporate investment activities have begun to show vitality, and there are expectations of recovery focused on initiatives for virtualization and cloud computing. In addition, the growing use of smartphones has created a new market category, prompting existing vendors to redefine their market position. Consequently, the brisk corporate M&A activity in 2010 will likely continue during 2011.

GRAPH 2

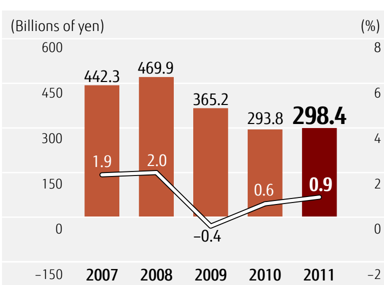
IT Market Forecasts (Americas)




(Source: IDC The Worldwide Black Book Q1 2011)
(Americas: North and South America)

GRAPH 3

Net Sales* and Operating Income Margin




(Years ended March 31)

Net sales (left scale)
Operating income margin (right scale)

* Including intersegment sales

The hardware market, which in general recovered strongly in 2010, is expected to remain on an overall upward trajectory during 2011, though the pace of growth is slowing and there are signs of unevenness in individual products. The server market is projected to expand 2.5% overall, down from the broad recovery of 9.4% year-on-year growth in 2010. The market for high-end servers is expected to decline 13.0% year on year, a sharp contraction compared to the relatively strong recovery of 6.1% expansion in 2010. The mid-range server market is projected to expand considerably, exceeding even the 27.7% growth of the previous year. The market for low-end servers is expected to continue to expand, rising 4.1% year on year. The storage market is projected to expand steadily with 5.2% growth, though this is a contraction from the considerable recovery of 19.8% year-on-year growth in 2010. The PC market is expected to continue its mild recovery with 1.8% growth drawn from greater consumer and corporate demand for tablet computers, though this is a drop from the 8.9% expansion in 2010. The communication devices market, which grew 6.8% in 2010, is projected to continue expanding.

## Initiatives Going Forward

In April 2009, Fujitsu merged three of its North American subsidiaries to establish Fujitsu America. This has strengthened the core of our business operations in the Americas, and we plan to continue during 2011 to implement a range of measures aimed at transforming business operations in the United States.

In North America, by strengthening sales activities and revising incentive plans we will revitalize consulting and application services, while at the same time undertaking efforts to bolster sales structure and establish sales channels with the aim of expanding the products business. We also intend to laterally expand to other regions services provided mainly to the retail industry in North America, such as services for point-of-sale (POS) and self check-out systems. In the datacenter business, we are extending to the United States the cloud platform launched in Japan in October 2010, and began offering services in May 2011. Going forward, we will utilize our partnerships with companies such as salesforce.com and Microsoft in our efforts to expand the cloud business.

In South America, we will continue to develop businesses for system platforms and palm vein authentication systems, focusing on the Brazilian market. We will also extend our service business and other operations to countries in Central and South America to support the business expansion of customers in Europe and Japan.

In North America's optical transmission systems market, investments to enhance mobile backhaul and other backbone infrastructure to cope with LTE (Long Term Evolution) and the increase in data traffic are set to continue during 2011. Fujitsu aims to maintain its leading share through sales expansion centered on metro WDM devices. Another goal is to attract outsourcing projects from global carriers and business negotiations related to global development.

# APAC, China

## Customer Solution Profile

Victoria Police

### Supporting policing operations through a full range of Fujitsu Australia's capabilities

Victoria Police provides law enforcement services to the Victorian community 24 hours a day, seven days a week, working from over 500 locations to keep over 5.4 million people safe.

Fujitsu Australia has been supporting Victoria Police operations for over 15 years with IT products, services and applications that draw upon the full range of Fujitsu capabilities.

Throughout the years, Victoria Police has looked to Fujitsu for support of policing applications as well as a number of additional corporate applications in a range of projects that have seen the core application support team steadily increase.

Fujitsu has also supplied Victoria Police with managed services, hardware and software solutions and their associated service requirements.

Under these contracts Fujitsu has:

- Built and maintained Victoria Police's main data centre housing over 210 servers
- Developed and managed Victoria Police's main non-production (development/test) data centre incorporating a mix of both Unix and Wintel servers
- Designed and managed disaster recovery facilities for all key applications hosted within Victoria Police's main data centre
- Supplied Victoria Police with desktop PCs, laptops, servers, switches and SAN storage devices

In April 2010, Victoria Police commissioned a new human resources, payroll, and e-recruitment system based on SAP. Fujitsu Australia's Enterprise Services division is providing support and enhancements for this system.

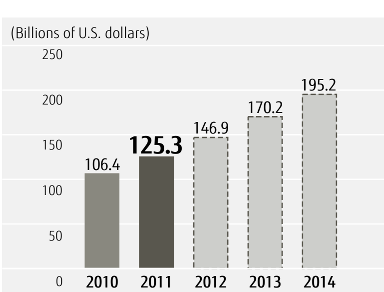
Fujitsu Australia's Consulting Group was recently engaged by Victoria Police to recommend ways to reduce electricity consumption associated with their large fleet of desktop PCs.

There are now more than 150 Fujitsu Australia staff securities cleared to work on the police account, with all divisions of Fujitsu Australia working as "One Fujitsu" to ensure the needs of Victoria Police are promptly and professionally met.

VICTORIA POLICE

GRAPH 1

IT Market Forecasts (China)




(Source: IDC The Worldwide Black Book Q1 2011)
(China: Including Hong Kong)

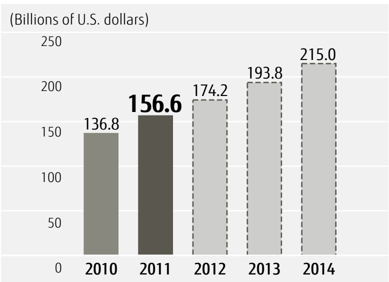
## Market Trends

China's IT market, despite a short-term economic impact from the Great East Japan Earthquake, is expected to grow around 18% in 2011, due mainly to the continuation of proactive fiscal policies by the Chinese government. The market is projected to continue to post strong growth of around 16% on average annually for the period from 2010 to 2014. → GRAPH 1

China's 12th Five-Year Plan, which began in 2011, focuses on the strategic development and cultivation of new energy and materials, energy conservation and environment, bioscience and medicine, leading-edge manufacturing, and information networking fields. The plan calls for massive, government-directed investment in a wide range of social infrastructure projects in line with the "Internet of Things" concept, including environmental conservation, energy conservation, intelligent transport systems, remote medicine and smart grids.

GRAPH 2

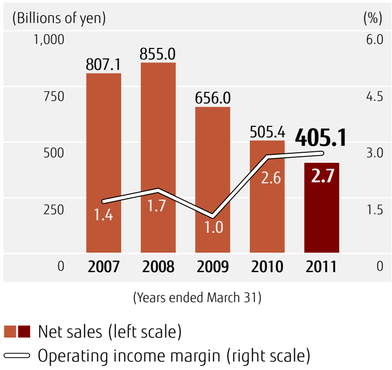
IT Market Forecasts (APAC)




(Source: IDC The Worldwide Black Book Q1 2011)
(APAC: Excludes Japan, China, and Hong Kong)

GRAPH 3

Net Sales* and Operating Income Margin




* Including intersegment sales

Growth in the IT market in the rest of Asia-Pacific (APAC), excluding China, is expected to be around 15% in 2011. → GRAPH 2 There may be a temporary dip in component procurement and production activities as a result of the Great East Japan Earthquake, but over the medium to long term countries will continue to develop infrastructure in line with economic development, and growing companies will continue their IT investment. For the period from 2010 to 2014 the IT market for the region is projected to continue to post strong growth of around 12% annually.

In ASEAN countries, governments are planning large-scale infrastructure investments. With consumer spending and capital investment growing, there is continued expansion in necessary public and private-sector IT investment. In India, internal demand centered on public-works projects and consumer spending, along with external demand in areas such as software services as an export industry, are expected to bring about high economic growth. Against this backdrop the willingness to invest in IT is increasing, and growth is forecast to rise from around 5% in 2010 to roughly 13% in 2011, with a strong average annual growth rate of 12% between 2010 and 2014. In the Oceania region, IT investment is expected to slow in the short term as a result of the budget reduction policies of the new Australian government along with the flooding in that country, coupled with the impact from the earthquakes in New Zealand. Over the longer term, however, growth is expected to continue, centered on IT services.

## Initiatives Going Forward

In China, Fujitsu will expand its core technology solutions business, and work to develop new businesses. Specifically, we will further grow our services business for both Japanese and foreign-capitalized companies, and develop local businesses in China—supporting customers' business expansion with superior ICT infrastructure. We will expand our platform products business around the lynchpins of x86 servers and storage, particularly for existing customers. At the same time, we will establish new businesses such as mobile phones, and expand sales to new customers. We will also seek to increase our share of the rapidly growing cloud computing market, and will make proactive investments in datacenters to develop a cloud-based solutions business.

In the ASEAN region, Fujitsu has up to now developed business for local customers and global Japanese corporations in parallel. Going forward, we also plan to develop business for global customers headquartered in the United States and Europe, and will create a special team to develop projects and approaches for new business. Furthermore, service-oriented platforms based on cloud services that began full operations in March 2011 and a new marketing division dedicated to cloud services will drive our cloud business at full speed to become a pillar of our growth strategy.

In East Asia, our business up to now has focused on platform products such as servers and POS systems. Going forward, we plan to make a definitive shift to promote cloud services to companies in areas such as food, logistics, health care and agriculture, in partnership with local companies.

In India, we intend to continue efforts to increase business from Europe and the United States by expanding our offshore resources. Fujitsu Technology Solutions will lead our ICT infrastructure business strategy and planning in India, and will work to improve businesses in terms of both scale and management quality. We will also aggressively expand our sales of system products such as x86 servers.

In the Oceania region, we will develop Fujitsu's cloud services across the entire market in an effort to further enhance our ICT competitiveness and expand market share. By industry type, Fujitsu currently holds a strong position in public sector business, and we also plan to expand our portfolio to include such sectors as networks and finance.

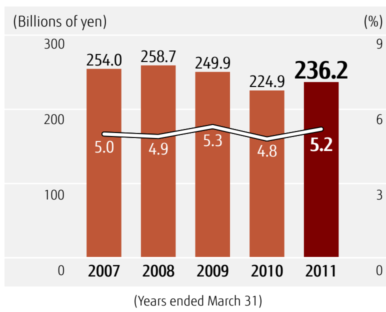
PERFORMANCE

## Our Mission in R&D

As our fundamental R&D policy, we pursue initiatives to create new value for our customers and to achieve our Corporate Vision of contributing to the creation of a networked society that is fulfilling and secure, bringing about a prosperous and dream-inspiring future. In order to achieve these initiatives, our R&D of advanced technologies includes technologies for next-generation services, computer servers and networks, as well as various electronic devices and advanced materials which serve as building blocks for our products.

- **Foster the creation of new businesses**
- **Create and accumulate advanced technologies**
- **Extend our value chain globally**
- **Fulfill our social responsibilities**

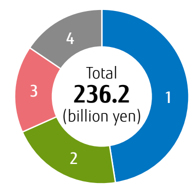
R&D Expenditure, and Ratio to Net Sales




R&D expenditure (left scale)
Ratio to net sales (right scale)

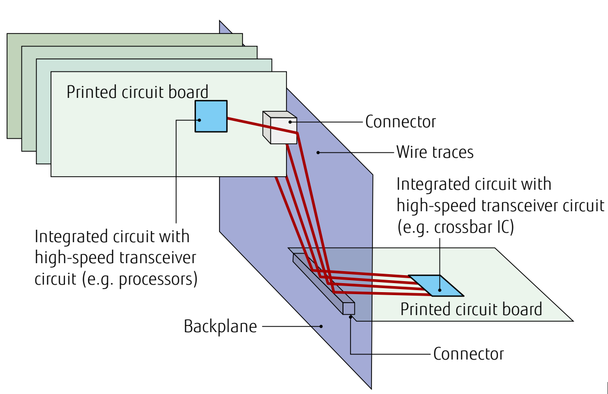
Fiscal 2010 R&D Expenditure by Segment

| | | |
|---|---|---|
| 1 | Technology Solutions | 47.8% |
| 2 | Ubiquitous Solutions | 20.8% |
| 3 | Device Solutions | 16.0% |
| 4 | Other Operations/ Elimination and Corporate | 15.4% |




## Major Advanced R&D Achievements for Fiscal 2010

Large-scale multiprocessor server




A high-speed transmission channel for use in a server backplane

### (1) Paving the way for Higher Efficiency Datacenters with Development of High-Speed Transceiver Circuit that Extends In-Server Data Transmission Distance by 1.7 Times and Real-time High-speed Storage-Deduplication Technology

Datacenters supporting the modern cloud computing era require large-scale, high-performance servers connected to multiple processors. Extending circuit distance on the printed circuit boards that transfer data within each server is critical to realizing servers that meet these criteria. However, when data transfer speeds exceed 10 gigabits per second (10Gbps), signal distortion is amplified, thereby making proper data transmission difficult.

To resolve this problem, Fujitsu developed a high-speed data transceiver circuit that uses a new signal-processing algorithm to compensate for large signal distortion. This has made it possible to extend in-server transmission distance 1.7 times from approximately 70 cm to 120 cm, opening the way to larger server systems featuring higher performance.

Datacenters also need to utilize storage effectively in order to host large volumes of data. Fujitsu has developed a software technology that stores data while simultaneously eliminating data duplication. This technology can be utilized with any OS, making it an effective tool for virtual systems, where data duplication is frequently found. This advantage, in turn, enables reduction of both storage costs and power consumption at datacenters.

Part of this work is for research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) of Japan, as part of the "Green IT Project: Development of Power-saving Technologies for Storage Systems."

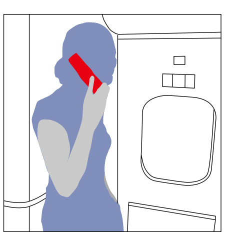
### (2) Distributed Data Storage Technology and Inter-Cloud Data Security Technology Utilizing the Strengths of Cloud Computing

In cloud datacenters, for distributed key-value data storage technology capable of efficiently writing large volumes of data, due to the fact that the data is distributed across multiple servers, it had been difficult to aggregate data or maintain its consistency, resulting in longer processing times. To address this issue, Fujitsu has developed technology capable of high-speed data aggregation and processing that is up to 8 times faster than conventional methods. The new technology is expected to open doors for new applications for cloud computing services, such as enabling shorter processing times for analysis of access log data.

Elsewhere, as a security technology for utilizing confidential data in external clouds, Fujitsu has developed cloud information gateway technology capable of controlling data exchange, by checking the security clearance level of the data and even the content of confidential information. The technology masks and adapts confidential data to enable the use of cloud services without the need to transmit actual data to external clouds, thus leading to new ways of leveraging cloud computing, including cross-industry business collaboration and task allocation.

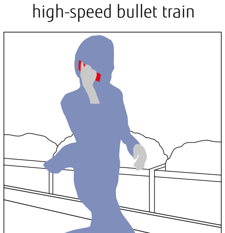
### (3) Mobile Phone Technology that Improves Voice-Call Quality—PITTARI VOICE Technology

Fujitsu has developed practical applications for "Super HAKKIRI VOICE (Extra-clear voice) 3," a technology that adjusts the sound quality of voice calls, to compensate for background noise. As a next step, Fujitsu developed "PITTARI VOICE (Exact voice)," a voice enhancement technology that improves voice quality even further. The technology optimally adjusts sound quality and volume by detecting the caller's movement (e.g. walking or running) and the surrounding environment (e.g. onboard a high-speed bullet train). "PITTARI VOICE (Exact voice)" was incorporated into several models of Fujitsu's mobile phones, including the docomo PRIME series™ F-01C mobile phone released in Japan in November 2010.



While onboard a high-speed bullet train

While walking



While running

### (4) Successful 40Gbps Optical-Fiber Transmission Using Directly-Modulated Semiconductor Laser Without Cooling

With the emergence of cloud computing and high-definition video distribution services, data traffic over networks is rapidly growing. Conventionally, optical transmission systems used for high-speed transfer of large volumes of data employed laser light sources that required cooling, which consumed a significant amount of power. Fujitsu has developed and successfully tested a directly-modulated semiconductor laser that does not require cooling and is capable of optical fiber transmissions at the speed of 40 gigabits per second (40Gbps). By eliminating the need for cooling, the new technology cuts power consumption by more than half compared to conventional technologies, taking Fujitsu a significant step ahead to realizing the next generation in energy-efficient, high-speed data transfer.

### (5) Release of Sixth-Generation Milbeaut Imaging Processor for Beautiful Still and Video Images

The shift in recent years toward high-definition technology in digital cameras and other audio-visual devices has been accompanied by growing demand for higher image quality. In response, Fujitsu has developed the MB91696AM, an imaging processor of Fujitsu's Milbeaut advanced imaging processor series that enables both high-speed continuous shooting at 8 frames per second and high-resolution, Full Hi-Vision video. By enhancing its proprietary Milbeaut image processing technology and fully optimizing its H.264 Full HD codec engine, Fujitsu has taken image quality and processing performance to new heights for both still images and video.

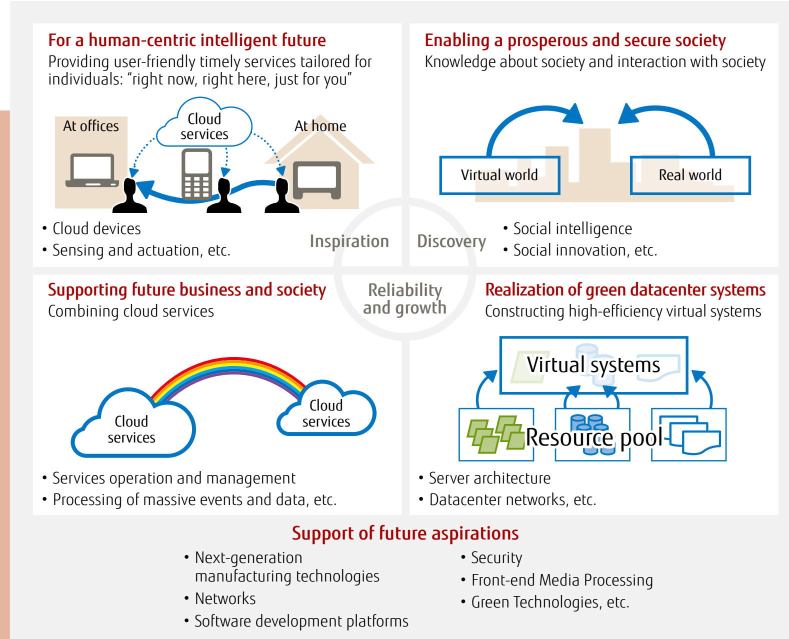
### (6) Technology for High-Speed Detection of Toxic Proteins Using DNA Aptamers

Fujitsu has developed a proprietary technology that uses DNA material in a sensor to measure the amount of protein present, by employing newly developed artificial antibodies called DNA aptamers. In the fiscal year under review, with Nagoya University of Japan, we jointly developed technology capable of detecting proteins 100 times faster than previous methods, by applying our newly developed artificial antibody technology to toxic proteins from *Staphylococcus aureus*, a common source of food poisoning. Furthermore, Fujitsu and the Technical University of Munich have jointly developed the world's first technology that optically measures with high speed and precision the changes in volume or size of protein. These technologies will lead to advancements in food safety by enabling more accurate and faster measurements during food shipment inspections.

## Topics

### Realization of the "Human Centric Intelligent Society"—Creating New Value in the Real World Through Human Centric ICT

We will connect people, objects and information to generate value. We will leverage this value to provide inspiration, discovery, reliability and growth through development of advanced technologies to realize a "Human Centric Intelligent Society."




## Awards and Prizes

**Commendations for Science and Technology in 2 categories from the Minister of Education, Culture, Sports, Science and Technology of Japan**

5 members of the Fujitsu Group were honored by Japan's Minister of Education, Culture, Sports, Science and Technology in fiscal 2010 with Commendations for Science and Technology: Development Category for the "development of palm vein authentication technology for financial institutions." 3 other members received Commendations for Science and Technology: Research Category for their research on new technology based on DNA material for the detection of proteins.

**SPARC64™ VIIIfx Ultra-high-performance CPU for Japan's Next-generation Supercomputer "K Computer"* Wins the "Japan Industrial Technology Grand Prize" from the Minister of Education, Culture, Sports, Science and Technology of Japan**

Fujitsu Limited and Japan's Institute of Physical and Chemical Research (RIKEN) jointly developed SPARC64™ VIIIfx, an ultra-high-performance CPU for Japan's next-generation supercomputer, the "K computer," the world's fastest highest-performance supercomputer as of June 2011. Their accomplishment was honored in fiscal 2010 with the "Japan Industrial Technology Grand Prize" from the Minister of Education, Culture, Sports, Science and Technology of Japan, hosted by Nikkan Kogyo Shimbun, Ltd.

* K computer: The name given to the new Japanese supercomputer system by RIKEN in July 2010. The English is the transliteration of the Japanese kanji letter used for the system name.

**On-Demand Virtual System Service* Honored with "Best 10 New Products Awards" from a Major Japanese Industrial Newspaper and "Superior Products and Services Awards" from Japan's Foremost Financial Newspaper**

Fujitsu Limited received 2 accolades in fiscal 2010 for its On-Demand Virtual System Service cloud computing service, as the "Best 10 New Products Awards" from the major Japanese industrial newspaper the *Nikkan Kogyo Shimbun*, and "Nikkei Superior Products and Services Awards—Top Award and Online-version Award" from Japan's foremost financial newspaper, the *Nihon Keizai Shimbun*.

* On-Demand Virtual System Service is now known as Fujitsu's Global Cloud Platform.

## Advanced R&D Strategic Direction in Fiscal 2011

Fujitsu has classified its framework for advanced research into the three categories below, with a view to achieving group-wide optimization from a global standpoint. Through this framework Fujitsu will carry out strategic R&D for the future of the Fujitsu Group, align business segment strategies with research strategies, and enhance resource shifts in response to changes in Fujitsu's business portfolio. Fujitsu will employ a top-down approach to setting research themes, and will conduct strategic research investment.

1. **Core Strategic Themes: Technologies essential to the medium- to long-term future of the Fujitsu Group**
2. **Business Strategic Themes: Short- to medium-term technologies that business segments have committed to commercializing**
3. **Seeds-oriented Themes: Budding technologies not specific to current businesses, and medium- to long-term technologies targeting unknown domains**

In particular, Fujitsu is promoting the following four themes as Core Strategic Themes.

**(1) Human Centric Computing**
Fujitsu will correlate, combine and analyze data from real-world applications with data from specific industry applications, to realize convergence services that generate value.

**(2) Intelligent Society**
Fujitsu will help create social infrastructure that solves increasingly complex social problems and transcends individual corporate and industry barriers, to contribute new value and knowledge to societies and corporations.

**(3) Cloud Fusion**
Through effortless connections between clouds, and with existing systems, Fujitsu will link and share information to expand the fields for applying ICT, thereby creating new markets.

**(4) Green Datacenters**
By optimizing power supply and cooling technologies, and employing optical networks, Fujitsu will build power-saving datacenters that realize high cost-performance as well.

The Story Behind the Shipment of the Next-Generation Supercomputer System

## No. 1 on TOP500 Supercomputer List!

# Combining the best of Fujitsu Group technology, the "K computer"*1 will support the creation of a "Human Centric Intelligent Society"


The K computer, being jointly developed by RIKEN and Fujitsu under the auspices of the Ministry of Education, Culture, Sports, Science and Technology (MEXT), has achieved the No. 1 ranking on the TOP500 list of most powerful supercomputers. In September 2010, Fujitsu began shipping computing units to RIKEN Advanced Institute for Computational Science in Kobe, Japan. The entire system will be comprised of more than 800 computing racks after its planned completion in 2012. The K computer is expected to be used in a wide range of scientific and engineering fields.

### *Aiming for 10-Petaflops Performance*

A supercomputer possesses the enormous processing power used to conduct virtual simulations which require sophisticated calculations. Fujitsu, with technological expertise and more than 30 years of supercomputer development experience, is jointly developing the K computer with RIKEN, aiming to achieve a new performance record of 10 petaflops*2.

### *SPARC64™ VIIIfx: High-performance, Energy-efficient CPU*

The K computer comprises more than 80,000 SPARC64™ VIIIfx processors manufactured by Fujitsu Semiconductor. Each SPARC64™ VIIIfx CPU has a processing speed of 128 gigaflops, and together the processors will have the combined capability of ten quadrillion operations per second (10 petaflops) when the system is complete. The system also employs innovative technologies to reduce power consumption, including a water-based cooling system and a configuration which shuts down circuits not in use. With these technologies, the system has a processing power of 2.2 gigaflops per watt, placing it among the most power-efficient supercomputers in the world.

### *First Shipment of Computing Racks for the K Computer*

On September 28, 2010 at its plant in Kahoku, Ishikawa Prefecture, Fujitsu IT Products loaded the first eight computing racks of the K computer into a truck bound for the RIKEN Advanced Institute for Computational Science in Kobe. At the RIKEN facility, the computing racks were set up in a computer room measuring 60 meters long by 50 meters wide. Regular shipments and configuration activities have continued since then, with completion scheduled for 2012.

### *Realizing a Prosperous, Secure Society*

Fujitsu has a vision of a "Human Centric Intelligent Society" in which sophisticated ICT solutions are used to solve a variety of social issues and help create a prosperous and secure society. Supercomputers are being used in a wide range of fields, from the prediction and prevention of global warming and natural disasters, to the development of new industrial materials and astronomical analysis. Through the development and manufacture of supercomputers, Fujitsu is helping to contribute to the creation of a "Human Centric Intelligent Society".

*1 K computer: The name given to the new Japanese supercomputer system by RIKEN in July 2010. The English is the transliteration of the Japanese kanji letter used for the system name.

*2 10 petaflops: Peta stands for one thousand trillion, or one quadrillion. FLOPS stands for floating point operations per second, or the number of calculations the machine is capable of in one second.

**No. 1 on TOP500 Supercomputer List!**

The 37th TOP500 supercomputer list was announced on June 20, 2011 at the 26th International Supercomputer Conference (ISC) in Hamburg, Germany. The K computer posted a world-record processing speed of 8.162 petaflops, an interim performance level as of June 2011, to take the No. 1 position. This is the first time since June 2004 that a system developed in Japan has garnered the top spot on the list.

**Tadao Amada**
Development Dept. I, System Development Div.,
Next Generation Technical Computing Unit

### Combining Fujitsu Group Capabilities to Achieve World-Record Performance

I joined the K computer project in 2007 as a project leader in charge of system assembly and testing. We've come a long way to achieve the No. 1 ranking on the definitive TOP500 supercomputer list. It started with combining the capabilities of the entire team and conducting initial tests in an environment where we were building prototypes by hand. This was the first system of its kind in the world, and to prepare for it we needed to reinforce the testing room floor, increase the number of cooling water circulators, air conditioners, and other equipment. We had other special requirements to work out, including procurement, as we had to choose materials with both cost and the environment in mind. In addition, there were upgrades to the semiconductor parts and resolving problems between each of the constituent components. After all the hard work and innovation, the results are immensely gratifying. There was a tremendous amount of collaboration between various teams at each phase of the project, from initial development to manufacture, testing, logistics, and configuration. We will continue to bring together all the capabilities of the Fujitsu Group to complete the manufacture, shipment and deployment of the world's fastest supercomputer system.

# INTELLECTUAL PROPERTY

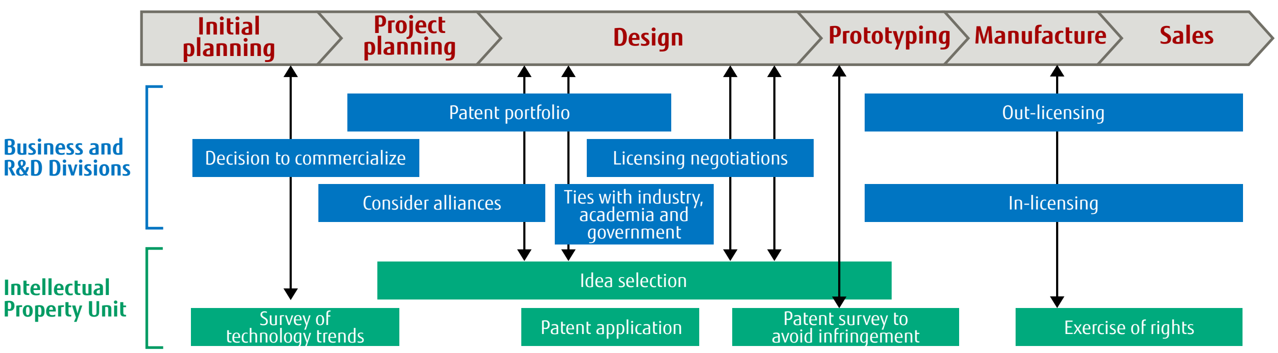
## The Importance of Intellectual Property

Protecting and respecting intellectual property is part of the Code of Conduct in the Fujitsu Way, which articulates the philosophy of the Fujitsu Group and the core values and principles guiding the actions of each of its employees. Accordingly, every employee recognizes intellectual property as a key corporate asset supporting business activities. Moreover, Fujitsu employees are acutely aware of the role that technologies backed by intellectual property play in enabling customers to rely with confidence on the products and services we deliver.

## Intellectual Property Strategy

We are promoting an intellectual property strategy closely integrated with our business and R&D strategies. Each business unit and R&D division is individually responsible for analyzing the intellectual property assets owned by Fujitsu and other companies in their respective fields. Based on this analysis, they formulate and implement intellectual property strategies.

Linking Business and R&D Divisions




## Group-wide Initiatives

We are developing a framework to strengthen Group-wide intellectual property activities to enable the entire Group to leverage our intellectual property assets. Some issues, such as the creation of international standards, require coordinated action among the global bases in the Group. Here, we use regular meetings among Group companies to share information as well as promote specific measures. In this way, we foster a unified approach to intellectual property activities.

### 1. Patent Rights

Patent rights support technological strength. Recognizing these rights as an important corporate asset, we are assembling a global patent portfolio centered on patents in Japan.

We ensure that the acquisition, maintenance, and utilization of patents are carried out in keeping with the Fujitsu Group's global business development strategy. We therefore acquire, maintain, and utilize the patents we need in the countries (regions) where they are needed, to support the operation of our R&D, production, and sales bases. Representative offices have been established in the US and China so that local research or inventions at development bases can be securely protected. For obtaining patents in the US, Fujitsu has a framework not only for yielding inventions, but for handling the entire adjudication process to achieve more efficient registration of high-quality patents.

### 2. Exploitation of IP

Fujitsu preserves the competitive advantage of its businesses by providing differentiated products and services which are protected by

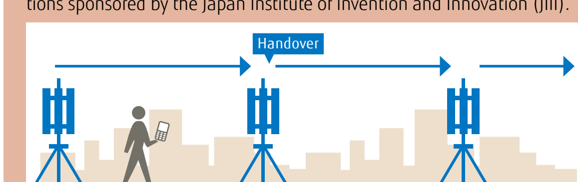
**Base Station Switching Method in Mobile Communication Systems**

The continuous switchover* of connecting base stations will enable users to continuously utilize mobile phones for calls or email while on the move.

* The switchover of connecting base stations is often referred to as "handover"

Conducting a switchover of base stations involves the combination of technologies covering mobile phones to core networks. In developing these technologies, Fujitsu also analyzes its strengths and weaknesses vis-à-vis its competitors from an intellectual property (IP) standpoint. Following an appropriate patent-filing strategy, Fujitsu promotes patent-filing activities that seamlessly integrate business and IP, and has built a network of some 80 patents worldwide.

One such patent, called "Handover method for CDMA mobile telecommunication systems (Japanese Patent No.3479935)" recently received the "Invention Prize" at the Fiscal 2011 National Invention Commendations sponsored by the Japan Institute of Invention and Innovation (JIII).



prominent technologies and IP. IP also helps to preserve greater latitude in business by enabling Fujitsu to establish more advantageous terms when partnering with other companies. Furthermore, exploitation of IP rights helps to preserve business earnings through licensing and other activities. One example of such utilization is crosslicensing, which is an essential tool for securing greater latitude in business. Fujitsu enters cross-licensing agreements with a host of companies. A sample of major cross-licensees would include Intel, International Business Machines (IBM), Alcatel-Lucent USA, Motorola, Texas Instruments, Microsoft, and Samsung Electronics.

### 3. Global Standards Initiatives

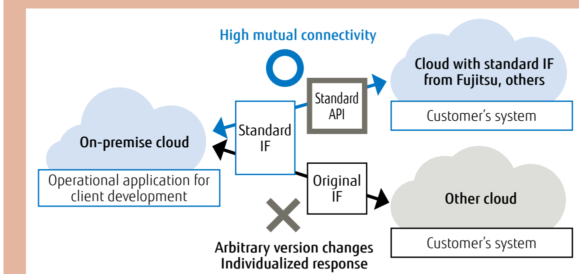
The technology and market landscape is shifting from an era of using rules to one of creating them. Amid this changing competitive environment, Fujitsu recognizes the need for each division to align its business strategies with standardization initiatives. Fujitsu is helping to develop global standards through participation in the International Organization for Standardization/International Electrotechnical Commission (ISO/IEC), Institute of Electrical and Electronics Engineers (IEEE), European Telecommunications Standards Institute (ETSI), Internet Engineering Task Force (IETF), 3rd Generation Partnership Project (3GPP), and other major global standard-setting organizations.

### Participation in Activities to Globally Standardize Cloud Computing-Related Technologies

Fujitsu is vigorously backing global standardization and open system environments for cloud computing technology in order to ensure high mutual connectivity and operational efficiency between cloud services. Fujitsu serves as an executive member of the DMTF (Distributed Management Task Force), an international standardization body involved in the operational management and virtualization technologies critical to cloud services. Fujitsu is also a participant in the CMWG (Cloud Management Working Group), and our proposing its own cloud technology* API as a standard specification.

In 2010, Mr. Jacques Durand of Fujitsu America Inc. received the 2010 DMTF Star Award which proved Fujitsu Group's excellent contribution to standardization activities.

* On-demand Virtual System Services
(http://fenics.fujitsu.com/outsourcingservice/saas/plat/sop/)




### 4. Respecting Third Parties' Rights

Infringing upon the rights of third parties could have a major financial impact on our company, including having to pay significant compensation and the loss of business opportunities. In addition, it could prevent us from providing products and services, thereby severely inconveniencing our customers. We are fostering a culture at Fujitsu that respects the patent rights of other companies, as well as creating an environment that allows all our engineers to utilize the ATMS/IR.net system* to efficiently and effectively research patents held by other companies.

* An ASP-based service which searches laid-open patent applications and prosecution history data provided by the Japan Patent Office.

#### Patents Issued in Japan in 2010

| | | |
|---|---|---|
| 1 | Panasonic Corporation | 5,574 |
| 2 | Sony Corporation | 4,766 |
| 3 | TOYOTA MOTOR CORPORATION | 3,959 |
| 4 | Canon Inc. | 3,903 |
| 5 | TOSHIBA CORPORATION | 3,782 |
| 6 | Honda Motor Co., Ltd. | 3,280 |
| 7 | DENSO CORPORATION | 3,171 |
| 8 | Mitsubishi Electric Corporation | 3,062 |
| 9 | Seiko Epson Corporation | 3,014 |
| 10 | Sharp Corporation | 2,858 |
| 11 | Ricoh Company, Ltd. | 2,736 |
| 12 | Hitachi, Ltd. | 2,268 |
| **13** | **FUJITSU LIMITED** | **2,129** |
| 14 | Fuji Xerox Co., Ltd. | 1,782 |
| 15 | FUJIFILM Corporation | 1,755 |
| 16 | Panasonic Electric Works Co., Ltd. | 1,608 |
| 17 | Dai Nippon Printing Co., Ltd. | 1,536 |
| 18 | KYOCERA Corporation | 1,422 |
| 19 | Olympus Corporation | 1,373 |
| 20 | NIPPON TELEGRAPH AND TELEPHONE CORPORATION | 1,355 |

Fujitsu survey based on Japan Patent Office data
(Number of issued patents)
The number of patents granted to Fujitsu Group companies other than Fujitsu Limited is 1040 (19 companies).
Total Fujitsu Group patents: 3,169

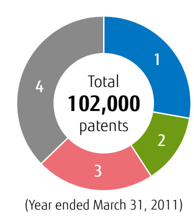
#### Patents Issued in US in 2010

| | | |
|---|---|---|
| 1 | IBM Corporation | 5,896 |
| 2 | SAMSUNG ELECTRONICS CO.,LTD. | 4,551 |
| 3 | Microsoft Corporation | 3,094 |
| 4 | Canon Inc. | 2,552 |
| 5 | Panasonic Corporation | 2,482 |
| 6 | TOSHIBA CORPORATION | 2,246 |
| 7 | Sony Corporation | 2,150 |
| 8 | Intel Corporation | 1,653 |
| 9 | LG Electronics, Inc. | 1,490 |
| 10 | Hewlett-Packard Development Company, L.P. | 1,480 |
| 11 | Hitachi, Ltd. | 1,460 |
| 12 | Seiko Epson Corporation | 1,443 |
| 13 | Hon Hai Precision Industry Co., Ltd. | 1,438 |
| **14** | **FUJITSU LIMITED** | **1,296** |
| 15 | General Electric Company | 1,225 |
| 16 | Ricoh Company, Ltd. | 1,200 |
| 17 | Cisco Systems, Inc. | 1,115 |
| 18 | Honda Motor Co., Ltd. | 1,050 |
| 19 | FUJIFILM Corporation | 1,041 |
| 20 | Hynix Semiconductor, Inc. | 973 |

Source: IFI CLAIMS Patent Services
(Number of issued patents)
The number of patents granted to Fujitsu Group companies other than Fujitsu Limited is 602 (10 companies).
Total Fujitsu Group patents: 1,898

#### Fujitsu Filings and Registered Patents by Business Segment

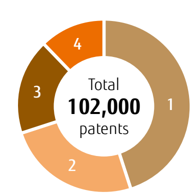
1 Technology Solutions 28%
2 Ubiquitous Solutions 13%
3 Device Solutions 22%
4 R&D and Corporate 37%




(Year ended March 31, 2011)

#### Fujitsu Filings and Registered Patents by Geographic Region

1 Japan 45%
2 North America 25%
3 Europe 18%
4 Asia/Oceania 12%




(Year ended March 31, 2011)

# FUJITSU Way

On April 1, 2008, Fujitsu announced a fully revised Fujitsu Way. The Fujitsu Way embodies the philosophy of the Fujitsu Group, articulates the Group's overarching values, and defines concrete principles and a code of conduct that Group employees follow in their daily business activities. The new Fujitsu Way will facilitate management innovation and promote a unified direction for the Group as we expand our global business activities.

As outlined below, the Fujitsu Way consists of four core elements—the Corporate Vision, Corporate Values, Principles, and Code of Conduct. The Corporate Vision embodies the reason for the Group's existence, as well as the social role that it should fulfill. Corporate Values encompasses a set of values important for realizing the Corporate Vision. Finally, the Principles and Code of Conduct articulate rules of behavior to which every Fujitsu Group employee should actively adhere in accordance with the Corporate Values.

The Group has also formulated a Business Policy that outlines the medium-term direction of Fujitsu's businesses as defined by the Fujitsu Way. This policy serves as the basis for all Group business activities.

All Fujitsu Group employees have a shared commitment to the Fujitsu Way, which promotes a common direction for Group employees as they conduct their daily business activities. Employees aim to contribute to enhanced corporate value for the Fujitsu Group and to the well-being of the global and local societies in which we operate.

## The Elements of FUJITSU Way

FUJITSU Way comprises four core elements:

**FUJITSU Way**

| | |
|---|---|
| CORPORATE VISION | The reason for the existence of the Fujitsu Group. |
| CORPORATE VALUES | A set of value statements for achieving our Corporate Vision. |
| PRINCIPLES | The principles we adhere to in all business dealings and actions in accordance with Corporate Values. |
| CODE OF CONDUCT | The rules and guidelines followed by everyone in the Fujitsu Group. |

| | |
|---|---|
| BUSINESS POLICY | Our current strategies pursued in accordance with the Fujitsu Way. |

## CORPORATE VISION

Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.

## CORPORATE VALUES

### What we strive for:

| | |
|---|---|
| Society and Environment | In all our actions, we protect the environment and contribute to society. |
| Profit and Growth | We strive to meet the expectations of customers, employees and shareholders. |
| Shareholders and Investors | We seek to continuously increase our corporate value. |
| Global Perspective | We think and act from a global perspective. |

### What we value:

| | |
|---|---|
| Employees | We respect diversity and support individual growth. |
| Customers | We seek to be their valued and trusted partner. |
| Business Partners | We build mutually beneficial relationships. |
| Technology | We seek to create new value through innovation. |
| Quality | We enhance the reputation of our customers and the reliability of social infrastructure. |

## PRINCIPLES

| | |
|---|---|
| Global Citizenship | We act as good global citizens, attuned to the needs of society and the environment. |
| Customer-Centric Perspective | We think from the customer's perspective and act with sincerity. |
| Firsthand Understanding | We act based on a firsthand understanding of the actual situation. |
| Spirit of Challenge | We strive to achieve our highest goals. |
| Speed and Agility | We act flexibly and promptly to achieve our objectives. |
| Teamwork | We share common objectives across organizations, work as a team and act as responsible members of the team. |

## CODE OF CONDUCT

- We respect human rights.
- We comply with all laws and regulations.
- We act with fairness in our business dealings.
- We protect and respect intellectual property.
- We maintain confidentiality.
- We do not use our position in our organization for personal gain.

## BUSINESS POLICY

- We use Field Innovation to find new approaches and the inspiration to improve ourselves, while delivering added value to our customers.
- We provide global environmental solutions in all our business areas.
- Fujitsu Group companies work together to accelerate our global business expansion.

### SHAREHOLDERS AND INVESTORS

## We seek to continuously increase our corporate value.

We aim to continuously increase corporate value and meet the expectations of shareholders and investors by achieving long-term sustainable growth and profit, and by pursuing strategic business expansion and focused management, while maintaining a sound financial standing.

We enhance our management transparency by appropriate and timely disclosure of our business activities and financial information. This ensures that investors and shareholders understand how we are performing in enhancing our corporate value.

> The Fujitsu Group's DNA
> "We need to provide returns to our shareholders commensurate with their investment.
> In return for their investment, we have a responsibility and duty to respond to their expectations regarding profits and Fujitsu's corporate value."
> (Hiroaki Kurokawa, 12th president, message to employees on "The Interests of Shareholders," 2007)

RESPONSIBILITY

# ENVIRONMENTAL AND SOCIAL ACTIVITIES

## Fujitsu Group Environmental Activities

The Fujitsu Group has pursued "manufacturing in harmony with nature" since its founding in 1935. Environmental conservation is one of our highest priorities, and our environmental management is guided by our corporate philosophy enshrined in the Fujitsu Way to "protect the environment and contribute to society."

As a framework for the consistent practice of environmental activities in all business fields, we formulated the Fujitsu Group Environmental Policy, which clearly sets out our philosophy and guidelines for action. We also drafted the Green Policy 21 environmental concept that serves as the foundation for all environmental activities, as well as Green Policy 2020, our medium-term environmental vision with targets to meet by 2020. In addition, we are implementing Green Policy Innovation, an initiative to lessen environmental impact using green information and communications technology (ICT) solutions, along with the Fujitsu Group Environmental Protection Program (Stage VI). Through these measures we aim to reduce the impact the Fujitsu Group, its customers, and society have on the environment.

**Fujitsu Group Environmental Policy**

▶ http://www.fujitsu.com/global/about/environment/approach/policy/

**Environmental Concept "Green Policy 21"**

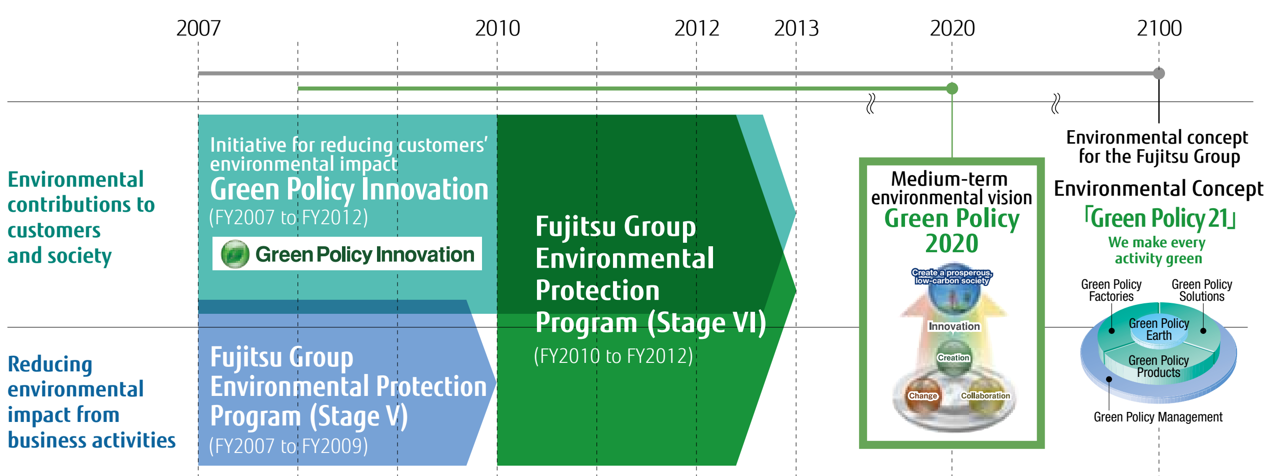
▶ http://www.fujitsu.com/global/about/environment/approach/greenpolicy21/

## Using Global ICT Solutions to Reduce the Environmental Impact in Our Corporate Activities, and for Our Customers and Society

The realization of a low-carbon society is one of the central challenges for humanity in the 21st century. With the goal to halve emissions of greenhouse gases worldwide by 2050, it will be necessary for society as a whole to find more environmentally friendly ways to work and live, as well as to boost energy efficiency. Multifaceted support from ICT solutions is an increasingly important part of these efforts.

As a global ICT solutions corporation, the Fujitsu Group develops advanced environmental technologies, and makes products and services employing these technologies available throughout the world. Through the pursuit of this mission we not only lessen the environmental impact from our own business activities, but help to reduce the environmental burden of our customers and society.

Fujitsu Group Environmental Activities




### History of Fujitsu's Environmental Activities

**1935** Park-style design adopted for new Kawasaki Plant at the direction of Fujitsu's first president, Manjiro Yoshimura.

**1938** Kawasaki Plant completed.

**1972** Environmental control sections established at each plant.

**1989** Environmental Committee established.

**1991** Environmental Engineering Promotion Center established.

**1992** Fujitsu's Commitment to the Environment formulated.

**1993** Fujitsu Environmental Protection Program (Stage I) formulated.

**1997** All domestic manufacturing sites certified ISO 14001 compliant.

**2000** Corporate Environmental Affairs Unit established.

**2002** Fujitsu Group Environmental Policy established.

**2006** ISO 14001 globally integrated certification acquired, including Group companies outside Japan.

**2007** Green Policy Innovation project, which reduces our customers' environmental burden through Green ICT, started.

**2008** Green Policy 2020 medium-term environmental vision formulated.

**2009** Biodiversity Action Principles formulated.

**2010** Fujitsu Group Environmental Protection Program (Stage VI) formulated.

## Launch of the Fujitsu Group Environmental Protection Program (Stage VI)

The Fujitsu Group has commenced Stage VI of the Fujitsu Group Environmental Protection Program, scheduled to run from April 2010 to March 2013.

This stage of the program identifies six priority areas based on the three goals of Green Policy 2020 of benefitting customers and society, internal reform within Fujitsu, and preserving biodiversity. These six priority areas are: 1) Strengthening advanced green ICT R&D; 2) Improving the environmental value of products and services, and enhancing the development and delivery of green ICT; 3) Enhancing efforts to reduce the Fujitsu Group's environmental footprint; 4) Strengthening environmental governance; 5) Promoting environmental contributions to society; and 6) Promoting efforts to preserve biodiversity. We have also established 18 specific activity targets for these areas.

We achieved all of our environmental targets for fiscal 2010, the first year of the Fujitsu Group Environmental Protection Program (Stage VI).

**Fujitsu Group Environmental Protection Program (Stage VI)**

Priority areas

- Strengthening advanced green ICT R&D
- Develop & deliver green ICT globally
- Enhancing efforts to reduce the Fujitsu Group's environmental footprint
- Strengthening environmental governance
- Promoting environmental contributions to society
- Promoting efforts to preserve biodiversity

**Green Policy 2020**

Three targets

- Benefitting customers and society
- Pursuing internal reforms
- Preserving biodiversity

## First IT Services Company to Garner "Eco-First" Credentials

Eco-First mark

On September 6, 2010, Fujitsu became the first IT services company to be certified under Japan's Ministry of the Environment's "Eco-First Program." Under the program, companies pledge to fulfill their environmental commitments to the Minister of the Environment as a way to promote their environmental preservation initiatives.

Masami Yamamoto, president of Fujitsu, made the following Group commitments to the Minister of the Environment: 1) To lower the environmental burden of its customers and society as a whole by offering green ICT; 2) To reduce the environmental burden of its own business activities; and 3) To contribute to the creation of a society which preserves biodiversity.

Furthermore, in response to the urgent need for energy conservation following the March 11 Great East Japan Earthquake, two months later in May Fujitsu pledged as an Eco-First company to conserve energy during the summer of 2011.


President Yamamoto receiving Eco-First certification from Japan's Minister of the Environment

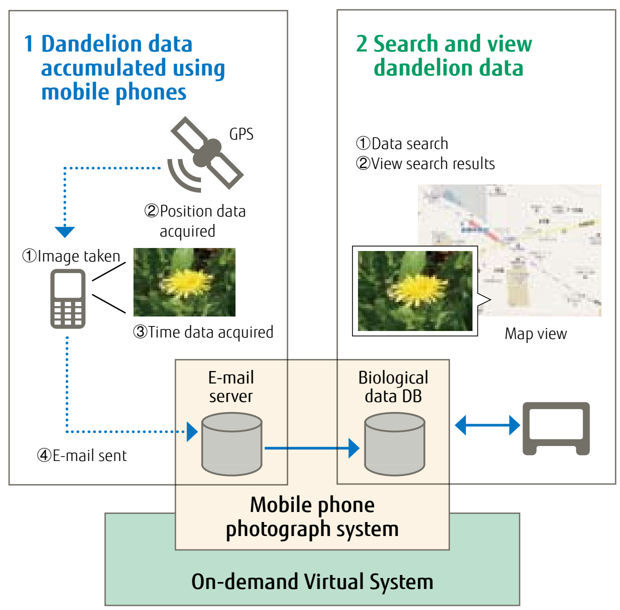
## Using ICT to Conserve Biodiversity

As part of its biodiversity conservation activities, in April 2010 the Fujitsu Group used ICT to conduct a dandelion distribution survey throughout Japan.

In the study, Fujitsu FIP Corporation developed a mobile phone photograph system to store dandelion photos taken by mobile phones with a GPS function. The accumulated image data was then mapped and analyzed. During a six-month trial, Fujitsu Group employees and their family members sent about 1,400 images of dandelions.

Based on the successful trial, we expanded the program in February 2011 by inviting citizens across Japan to take part, and started the "Let's Make a Nationwide Dandelion Front Map Together" initiative with the goal of sparking interest in biodiversity by using a familiar plant like the dandelion. By the end of May 2011, over 7,700 images had been received to complete the map. In implementing this survey, Fujitsu's On-demand Virtual System Service was adopted to flexibly increase system performance to cope with large amounts of image data received from participants.

Dandelion survey processes




Completed dandelion map of Japan

Major External Recognition in FY2010 (Fujitsu Group)

| Recognition | Year/Month | Sponsor | Initiative |
|---|---|---|---|
| Minister of Economy, Trade and Industry Award, Green IT Award 2010 | 2010/10 | Green IT Promotion Council | Significant contribution to energy efficiency of IT equipment through development of quantum dot semiconductor laser |
| Grand Prize, 12th Green Purchasing Awards | 2010/10 | Green Purchasing Network | Biodiversity conservation initiatives by Fujitsu Group procurement division |
| Performance Award, The Green Grid Most Improved Data Center Energy Efficiency Awards 2010 | 2010/10 | The Green Grid, Japan office/ DatacenterDynamics | Continuous monitoring of datacenter energy trends, and creation of energy-saving working groups |
| 2010 Environment Minister's Award to Distinguished Organization of Merit in Promoting the Creation of a Sustainable Society | 2010/11 | Japan Ministry of the Environment | For the establishment of medium- to long-term goals for reduction of waste generated by business sites, steady progress in achieving goals, and significant reduction in waste |
| Incentive Award, 7th Life Cycle Assessment Society of Japan Awards | 2010/12 | Life Cycle Assessment Society of Japan | Use of LCA for product development and product manufacturing activities |
| 2010 Minister of the Environment Award for the Prevention of Global Warming, Technology Introduction and Diffusion | 2010/12 | Japan Ministry of the Environment | Activities to reduce $CO_2$ emissions through modal shift for product and parts shipments<br>Significant reduction in ICT equipment energy consumption through development of advanced private cloud system at a Japanese university |
| Low $CO_2$ Kawasaki Pilot Brand '10 | 2011/2 | Kawasaki City, Japan | SPARC Enterprise M series, facility cube |

## All First-Year Targets Met for the Fujitsu Group Environmental Protection Program (Stage VI)
## Fujitsu is further enhancing its global environmental activities to be a leader in environmental management

The Fujitsu Group launched its 18-point Environmental Protection Program (Stage VI) in fiscal 2010, and met each of the plan's first-year targets. The main successes were in expanding offerings of green ICT, and cutting greenhouse gas emissions. We also developed quantitative indicators to measure the effectiveness of specific business activities for the new priority area of preserving biodiversity.

Fujitsu also made progress in expanding its environmental management globally. For example, to bolster development of eco-friendly products, we established common criteria for eco-conscious design based on global standards in conjunction with Fujitsu Technology Solutions in Germany, which designs servers and PCs. Further, to promote standardization in methods for evaluating reductions in environmental load, Fujitsu was an active participant in international standardization institutions such as the International Telecommunication Union and the ICT for Energy Efficiency Forum. These efforts have also produced successes, and earned Fujitsu numerous honors and praise from stakeholders during fiscal 2010.

**Atsuhisa Takahashi**
*Corporate Executive Advisor (Environment)*

**Minoru Takeno**
*Head of Unit, Corporate Environmental Strategy Unit*

Fujitsu will further enhance its global environmental actions to be a leader in environmental management in the future.

Our first efforts will focus on ensuring management compliance and strengthening global governance. We will take steps to make certain we achieve the targets in the Fujitsu Group Environmental Protection Program (Stage VI), which represents our promise to customers and society. We will also develop environmental technologies that create new value for customers, provide eco-friendly solutions, and deploy globally our advanced environmental technologies honed in datacenters and other sites in Japan.

The Great East Japan Earthquake of March 2011 has made it necessary for society as a whole to use energy more efficiently than ever before. The Fujitsu Group will implement a thorough energy-conservation program by drawing on its foundation in environmental management built up to now, and will continue to enhance energy efficiency across the Group. We will also assist customers by drawing on our own experience to actively develop products and services that are energy efficient and reduce $CO_2$ emissions.

## Social Contribution Activities

In December 2010, Fujitsu established a Corporate Social Responsibility (CSR) policy to enable the Fujitsu Group to contribute to the sustainable development of society and the planet. In implementing the new policy, the company has determined five priority issues around which it will focus its CSR practices. By addressing these issues, Fujitsu will promote socially responsible management as a global ICT company.

### Five Priority Issues

The five priority issues that the Fujitsu Group will focus on fall into three different categories.

#### 1. Addressing Society's Challenges through Corporate Activities

The Fujitsu Group will contribute to the sustainable development of society and the planet by addressing a variety of society's challenges through its corporate activities.

**Priority 1: Providing Opportunities and Security Through ICT**
Fujitsu will contribute to the creation of a society where ICT connects and supports the world's 7 billion people, providing them with security and opportunities to pursue their dreams.

**Priority 2: Protecting the Global Environment**
Fujitsu will contribute to the resolution of global environmental challenges through ICT, while at the same time reducing the Fujitsu Group's own environmental footprint.

#### 2. Strengthening the Foundation of CSR Activities

To contribute to the sustainable development of society, Fujitsu will strengthen the foundation of its CSR activities to foster an environment in which employees develop a global perspective and actively participate in the company's CSR activities.

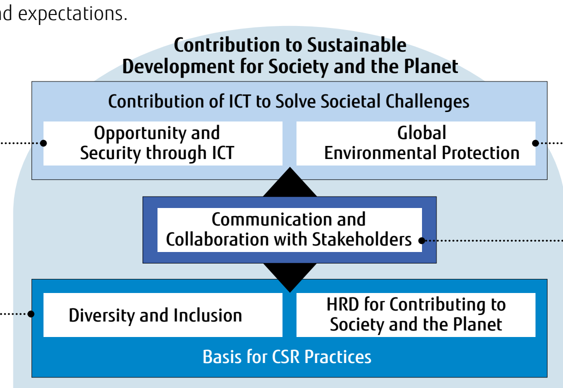
**Priority 3: Promoting Diversity and Inclusion**
Fujitsu will promote diversity in its human resources, irrespective of nationality, gender, age, or disability, to enable individuals to grow with the company.

**Priority 4: Fostering Employees Who Contribute to Society and the Planet**
Fujitsu will lead the way in fostering employees who, from a global perspective, are pioneers in contributing to the advancement of society.

#### 3. Communicating and Collaborating with Stakeholders

In order to promote the initiatives outlined above from multiple perspectives, Fujitsu will build relationships with a broad base of stakeholders, going beyond the boundaries of the company's existing business.

**Priority 5: Communicating and Collaborating with Stakeholders**
As a good corporate citizen, Fujitsu will pursue a thorough understanding of the multiple needs and expectations of its stakeholders and pursue business activities to meet these needs and expectations.

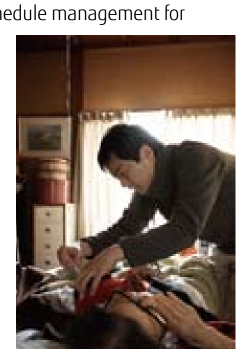



### Using Smartphones for At-Home Health Care

As Japanese society ages, concerns are mounting over the increasing number of elderly people living alone and faced with escalating health care costs. These trends are driving demand for conditions in which at-home treatment would be possible.

Since December 2010, at-home health care specialist You Home Clinic has used Fujitsu's cloud system to perform a growing range of tasks via smartphones. This includes everything from schedule management for patient home visits to map data confirmation, inputting patient vital signs, and sending prescriptions. The result has been a more than two-fold increase in the number of at-home patient visits and better quality health care.

Fujitsu has an over 30% share of Japan's market for electronic medical record systems, which are one important area where Fujitsu has contributed to improving Japan's health care environment. Fujitsu plans to expand its initiatives targeting the at-home health care sector, bringing private-sector health services and lifestyle support services together to establish a sustainable economic cycle in the field.



Physician examining an at-home patient

### Provision of New Biometric Authentication Solution for ATMs in Brazil

Banco Bradesco S.A. ("Bradesco"), Latin America's largest private bank with 3,628 branches, has equipped its 32,015 ATMs with Fujitsu's PalmSecure™ palm vein-based biometric authentication system.

Unauthorized ATM access is a serious social problem in Brazil. After researching various biometric technologies, Bradesco chose Fujitsu's PalmSecure™ for its outstanding features, such as high levels of verification accuracy, and the resistance of palm vein patterns to external manipulation. The same PalmSecure™ system is used for secure PC login, controlled entry, and in a growing array of other areas worldwide, supporting greater public safety and peace of mind.

Bradesco Security
At your palm of the hand

The Bradesco logo

Bradesco ATM

# MANAGEMENT

(As of June 30, 2011)







## BOARD OF DIRECTORS

### 1 Michiyoshi Mazuka

*Chairman*

Birth: October 17, 1943
Apr. 1968 Joined Fujitsu FACOM CO., Ltd.
Apr. 1971 Joined Fujitsu Limited
Jun. 2001 Member of the Board
Jun. 2002 Corporate Vice President
Apr. 2003 Corporate Senior Vice President
Jun. 2005 Member of the Board
Jun. 2006 Corporate Senior Executive Vice President and Representative Director
Jun. 2008 Chairman and Representative Director
Sep. 2009 Chairman, President and Representative Director
Apr. 2010 Chairman and Representative Director*

### 2 Masami Yamamoto

*President*

Birth: January 11, 1954
Apr. 1976 Joined Fujitsu Limited
Jun. 2004 Executive Vice President, Personal Systems Business Group
Jun. 2005 Corporate Vice President
Jun. 2007 Corporate Senior Vice President
Jan. 2010 Corporate Senior Executive Vice President
Apr. 2010 President
Jun. 2010 President and Representative Director*

### 3 Kazuo Ishida

*Corporate Senior Executive Vice President*

Birth: September 19, 1950
Apr. 1974 Joined Fujitsu Limited
Jun. 2003 Group President, Outsourcing Business Unit
Jun. 2004 Corporate Vice President
Jun. 2006 Corporate Senior Vice President
Jun. 2008 Corporate First Senior Vice President
Apr. 2010 Corporate Senior Executive Vice President
Jun. 2010 Corporate Senior Executive Vice President and Director*

### 4 Masami Fujita

*Corporate Senior Executive Vice President*

Birth: September 22, 1956
Apr. 1980 Joined Fujitsu Limited
Dec. 2001 General Manager, Secretary's Office
Jun. 2006 Corporate Vice President
Jun. 2009 Corporate Senior Vice President
Apr. 2010 Corporate Senior Executive Vice President
Jun. 2010 Corporate Senior Executive Vice President and Director*

### 5 Kazuhiko Kato

*Corporate Executive Vice President*

Birth: November 13, 1951
Apr. 1976 Joined Fujitsu Limited
Jun. 1996 General Manager, Controller and Accounting Division
Jun. 2001 Member of the Board
Jun. 2002 Corporate Vice President
Jun. 2006 Corporate Senior Vice President
Jun. 2008 Corporate First Senior Vice President and CFO*, *1
Apr. 2010 Corporate Executive Vice President
Jun. 2010 Corporate Executive Vice President and Director*

* to present
*1 CFO: Chief Financial Officer
*2 CSO: Chief Strategy Officer

### 6 Masahiro Koezuka

*Corporate Executive Vice President*

Birth: December 14, 1951
Apr. 1974 Joined the Ministry of International Trade and Industry (currently: the Ministry of Economy, Trade and Industry)
Jul. 2003 Cabinet Councillor
Sep. 2005 Director-General, Industrial Science and Technology Policy and Environment Bureau
Jul. 2006 Director-General, Commerce and Information Policy Bureau
Jul. 2007 Commissioner, Japan Patent Office
Aug. 2009 Advisor, Fujitsu Limited
Apr. 2010 Corporate Executive Vice President, CSO*, *2
Jun. 2010 Corporate Executive Vice President and Director*


## 7 Hiroshi Oura

*Director*
Honorary Advisor, Advantest Corporation

Birth: February 14, 1934
Apr. 1956 Joined Fujitsu Limited
Jul. 1978 General Manager, Corporate Planning Division
Jun. 1985 Member of the Board
Jun. 1988 Corporate Senior Vice President (until Jun.1989)
Jun. 2003 Director*

Jun. 1989 Representative Director, President, Advantest Corporation
Jun. 2001 Representative Director, Chairman of the Board
Jun. 2005 Director and Senior Executive Advisor
Jun. 2007 Senior Executive Advisor
Jun. 2010 Honorary Advisor*

## 8 Haruo Ito

*Director*
Senior Advisor, Fuji Electric Co., Ltd.

Birth: November 9, 1943
Apr. 1968 Joined Fuji Electric Co., Ltd.*[3]
Jun. 1998 Director, Fuji Electric Co., Ltd.*[3]
Oct. 2003 President and Representative Director, Fuji Electric Systems Co., Ltd.*[3]
Jun. 2006 President and Representative Director, Fuji Electric Holdings Co., Ltd.*[3]
Apr. 2010 Director and Senior Advisor
Jun. 2010 Senior Advisor*

Jun. 2007 Director, Fujitsu Limited*

## 9 Yoko Ishikura

*Director*
Professor, Keio University

Birth: March 19, 1949
Jul. 1985 Manager of Tokyo office, McKinsey & Company, Inc.
Apr. 1992 Professor, School of International Politics, Economics and Business, Aoyama Gakuin University
Apr. 2000 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
Apr. 2004 Outside Director, Japan Post
Oct. 2005 Vice President, Science Council of Japan
Jun. 2010 Director, Fujitsu Limited*
Apr. 2011 Professor, Graduate School of Media Design, Keio University*

## 10 Ryosei Kokubun

*Director*
Professor, Keio University

Birth: November 1, 1953
Apr. 1981 Assistant Professor, Faculty of Law, Keio University
Apr. 1985 Associate Professor, Faculty of Law, Keio University
Apr. 1992 Professor, Faculty of Law, Keio University*
Oct. 1999 Director, Keio Center for Area Studies*[4] (until September 2007)
Oct. 2007 Dean, Faculty of Law and Chair of the Graduate School of Law, Keio University*
Jun. 2010 Director, Fujitsu Limited*

## 11 Takashi Okimoto

*Director*
Chairman, Seiwa Sogo Tatemono Co., Ltd.

Birth: November 14, 1950
Apr. 1973 Joined the Dai-ichi Bank, Ltd.*[5]
Jun. 2001 Corporate Officer, the Dai-ichi Bank, Ltd.*[5]
Apr. 2002 Corporate Officer, Mizuho Corporate Bank, Ltd.
Oct. 2002 Managing Corporate Officer, Mizuho Corporate Bank, Ltd.
Apr. 2005 Vice President, (Representative Director) Mizuho Corporate Bank, Ltd.
Jun. 2007 Representative Director, Chairman and Corporate Officer, Orient Corporation
Jun. 2011 Director, Fujitsu Limited*
Jun. 2011 Chairman, Seiwa Sogo Tatemono Co., Ltd.*

* to present
*[3] currently Fuji Electric Co., Ltd.
*[4] currently Keio Institute of East Asian Studies
*[5] currently Mizuho Corporate Bank, Ltd. and Mizuho Bank, Ltd.

## AUDITORS

*Statutory Auditors*

Masamichi Ogura
Makoto Umemura
Yoshikazu Amano

*Auditors*

Megumi Yamamuro
*Professor, Nihon University Law School*

Hiroshi Mitani
*Special Counsel, TMI Associates*

## CORPORATE EXECUTIVE OFFICERS

*Corporate Senior Executive Vice Presidents*

Kazuo Ishida
Masami Fujita
Hideyuki Saso
Kenji Ikegai

*Corporate Executive Vice Presidents*

Kazuhiko Kato
Masahiro Koezuka

*Corporate Senior Vice Presidents*

Hirokazu Uejima
Tsuneo Kawatsuma
Masaaki Hamaba
Akira Yamanaka
Bunmei Shimojima
Susumu Ishikawa
Takashi Mori
Norihiko Taniguchi
Chikafumi Urakawa
Noriyuki Toyoki
Nobuo Otani
Rod Vawdrey
Yoshikazu Kudoh

*Corporate Vice Presidents*

Haruyuki Iida
Kazuhiro Igarashi
Takashi Yagi
Takanori Katayama
Yuichi Sakai
Yoshihiko Hanada
Hidehiko Suzuki
Hirofumi Gouda
Yutaka Abe
Akihiko Murakami
Tamotsu Inoue
Shinichi Koizumi
Mitsutoshi Hirono
Akira Kabemoto
Kuniaki Saito
Mitsuya Yasui
Hiroyasu Takeda
Hidehiro Tsukano
Sanya Uehara
Hiroyuki Ono
Takashi Yamada
Takato Noda
Hiromu Kawakami
Kiyoshi Handa

# ON STRENGTHENING CORPORATE GOVERNANCE

**Michiyoshi Mazuka**
Chairman

## In addition to enhancing management transparency, Fujitsu will seek to raise shareholder value by spurring even greater awareness of stock price and profits among directors.

### Q: As Chairman of the Board and a member of the Executive Nomination and Compensation Committee, what are your thoughts on corporate governance?

A company such as ours with global business operations requires transparency. In particular, our proportion of foreign investors, who take governance issues extremely seriously, has reached 36% as of March 31, 2011. To further expand our business globally, and to win greater trust from shareholders and customers, it's important for us to make further improvements in corporate governance.

### Q: What measures are you taking to enhance corporate governance?

In 2009 we established the Executive Nomination and Compensation Committee to enhance transparency and objectivity in the director selection process and to determine appropriate executive compensation systems and levels. This committee has held discussions on Board of Directors' structure, and the executive compensation system, and based on the findings it has submitted to the Board, we have strengthened our management oversight function and revised our policy regarding payment of executive compensation.

### Q: What specific measures did you take to strengthen management oversight?

We are further bolstering management oversight through outside directors and auditors. In terms of the Board of Directors' structure, we added an additional outside director for a total of four outside directors out of a total of 11 Board members. We have also strengthened oversight by increasing the number of statutory auditors with the selection of one outside auditor to that position.

### Q: In your Management Direction Briefing you indicated a target of 40% in overseas sales. Isn't a foreign director necessary?

The Executive Nomination Committee is constantly discussing appropriate candidates. Our Corporate Senior Vice President Rod Vawdrey, while not a director, heads the Global Business Group. Also, directors Yoko Ishikura and Ryosei Kokubun both have insight rooted in a global perspective and contact network, and they provide many types of advice in their roles as outside directors.

### Q: What reforms have you made to executive compensation, and what are the aims of these changes?

We revised our executive compensation policy in order to retain exceptional personnel to manage a global ICT corporation such as the Fujitsu Group, to strengthen the connection between business performance and shareholder value, and to enhance transparency in the compensation system. From the previous system of base salary plus bonuses, we adopted a structure comprising base compensation paid in fixed monthly amounts in accordance with position and responsibilities, stock-based compensation as a long-term incentive that also emphasizes a connection to shareholder value, and bonuses linked to short-term business performance. Stock-based compensation is paid for purchases of the company's own shares, which must be made through the Director Stock Ownership Plan, and held for the duration of the director's term. Bonuses are indexed to consolidated operating income and consolidated net income. We believe that these changes will enhance awareness among directors of our stock price and profits, and help to further increase shareholder value.

## Messages From Outside Directors

We spoke to two of Fujitsu's outside directors, both known for their tremendous knowledge and insight anchored by a global perspective, about initiatives for improving corporate value going forward.

**Yoko Ishikura**
Director
Professor, Keio University

### Q: As an outside director, you're expected to provide insights on innovation in management strategies and competitiveness from a global perspective. What do you think about this role?

Innovation using ITC technologies to respond to globally diverse and rapidly changing needs is increasingly important as a foundation of business strategy. During the gathering of world leaders at the World Economic Forum in Davos, held annually in January, I felt that my role was to utilize my years of experience and global network of contacts to promote the development of an innovative social IT system utilizing the cloud computing in which Fujitsu excels. In tandem with this is the need to nurture and appoint personnel with an international outlook to support this system that performs as a global response to frequent natural disasters and various types of risks.

### Q: What measures do you plan to take as an outside director to enhance corporate value?

Rather than the unilateral pursuit of short-term profit, a leading global trend in recent years for enhancing corporate value has been the creation of shared value with long-term benefit, in essence utilizing corporate assets to help resolve global issues such as energy, environment, poverty, security and education in cooperation with national governments, NPOs and social entrepreneurs. The breadth of Fujitsu's business operations provides ample opportunities in this regard, and I hope to pursue such activities and to present specific examples to the world.

**Ryosei Kokubun**
Director
Professor, Keio University

### Q: As an outside director, you're expected to provide deep insights on politics and economics from a global perspective. What are your thoughts on this role?

My expertise is in international relations with a focus on East Asia and China, so this is clearly the area of my expectations. Today, the existing world order represented by Europe, the U.S. and Japan is facing an enormous challenge, notably in the Asia region where these countries compete. Fujitsu's future success lies in the globalized world, centered on Asia. Fujitsu's future is also the future of Japan so I am hopeful that through Fujitsu my expertise will contribute, if only in a small way, to Japan's development.

### Q: What stance will you take as an outside director to enhance corporate value?

The greatest strength of an outside director is the lack of any direct interest. If the Board of Directors makes management decisions only looking down from above, that company will have no future. In this way a company is exactly the same as a society. The first issue in corporate value is whether or not a company is internally well grounded. Ultimately, it is the motivation of individual employees that will determine if a company succeeds or fails. It may sound like a cliché, but just as all politics are local, frontline worksites are where anything can happen. This is why in my role on the Board of Directors I look up from below as much as possible, and always try to raise simple and meaningful questions.

# CORPORATE GOVERNANCE

The following Fujitsu-prepared translation of the revised Fujitsu Limited Corporate Governance Report is provided for reference only. The original Japanese-language report was filed with the Tokyo Stock Exchange on June 23, 2011 under TSE securities code 6702.

## I. Basic Stance on Corporate Governance and Other Basic Information

### 1. Basic Stance

The Fujitsu Group's corporate philosophy is articulated as the "Fujitsu Way," comprised of our Corporate Vision, Corporate Values, Principles, and Code of Conduct. By sharing and practicing the Fujitsu Way, we aim to continuously enhance the value of the enterprise through the continuous growth and development of the Fujitsu Group.

In order to continuously raise the Fujitsu Group's corporate value, along with pursuing management efficiency it is also necessary to control the risks that arise from business activities. Recognizing that strengthening corporate governance is essential to achieving this, the Board of Directors has articulated the Basic Stance on Internal Control Framework, and these measures are continuously implemented.

Furthermore, by separating management oversight and operational execution functions, we aim to accelerate the decision-making process and clarify management responsibilities. Along with creating constructive tension between oversight and execution functions, we are further enhancing the transparency and effectiveness of management by proactively appointing outside directors.

With respect to group companies, we are pursuing total optimization for the Fujitsu Group by clarifying each group company's role and position in the process of generating value for the group as a whole and managing the group to continuously enhance its corporate value.

### 2. Policy on Measures for Protecting Minority Shareholders When Carrying out Transactions with Controlling-Interest Shareholders

—

### 3. Other Particular Factors that May Have an Important Impact on Corporate Governance

Among our consolidated subsidiaries and equity method affiliates, the following companies are publicly listed on Japanese stock exchanges:
<Consolidated Subsidiaries>
Fujitsu Frontech Limited, Fujitsu Broad Solution & Consulting Inc., NIFTY Corporation, Shinko Electric Industries Co., Ltd., FDK Corporation, Fujitsu Component Limited.
<Equity Method Affiliates>
Fujitsu General Limited

While we respect the autonomy of our publicly listed subsidiaries, we require them to receive our prior authorization when they use "Fujitsu" as a trade name or trademark. In addition, while they are responsible for decisions regarding nominations and compensation for members of the board, we are notified in advance regarding member of the board candidates and levels of compensation. Regarding the setting of budget plans and revisions as well as financial performance, because their results impact our consolidated earnings, to the extent that it is reasonable, we are kept informed.

## II. Status of Management Control Organization for Management Decision-Making, Operational Execution and Oversight, and Other Corporate Governance Structural Features

### 1. Matters Regarding Institutional Structure and Organizational Operation

| | |
|---|---|
| Type of Organization: | Corporation with Auditors |

**[Board of Directors]**

| | |
|---|---|
| Number of Directors Under the Articles of Incorporation | 15 |
| Term of Directors Under the Articles of Incorporation | 1 year |
| Board Chair: | Chairman (except when concurrently acting as President) |
| Number of Directors | 11 |
| Appointment of Outside Directors | Yes |
| Number of Outside Directors | 4 |
| Number of Outside Directors Designated as Independent Directors | 2 |

**Relationship with Company (1)**

| Name | Type of Affiliation | Relationship with Company *[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i |
| Haruo Ito | From other company | | | ○ | ○ | | | | ○ | ○ |
| Yoko Ishikura | Scholar | | | | ○ | | | | ○ | |
| Ryosei Kokubun | Scholar | | | | | | | | ○ | |
| Takashi Okimoto | From other company | | | | ○ | ○ | | | ○ | ○ |

*[1] Categories Describing Relationship with Company
a: From parent company
b: From other affiliated company
c : Principal shareholder of subject company
d: Concurrently serves as outside director or outside auditor of other company
e: Director or executive officer of other company
f : Close relative by blood or marriage to director or executive officer of the subject company or other designated interested party
g: Receives compensation or other material benefit as senior executive of parent company or subsidiary of the subject company
h: Has limited liability contract with subject company
i : Other

**Relationship with Company (2)**

| Name | Independent Officer | Supplemental Explanation of Relationship | Reason Appointed as Outside Director (Including reason for designation as independent officer where applicable) |
|---|---|---|---|
| Haruo Ito | | Mr. Ito is a Senior Advisor of Fuji Electric Co., Ltd (changed name from Fuji Electric Holdings Co., Ltd. as of April 1, 2011). The Fuji Electric Group, of which Fuji Electric Co., Ltd. is a member, holds 5.45% of Fujitsu's shares as well as an additional 5.75% of Fujitsu's shares as trust account assets for employee retirement benefits. In addition, Fujitsu holds 9.96% of the shares of Fuji Electric, and a senior executive advisor to Fujitsu serves as a Director of Fuji Electric. Fujitsu has business dealings with the Fuji Electric Group.<br>On April 8, 2011, Fuji Electric Co., Ltd and four other companies jointly submitted a change in large shareholding report dated April 1, 2011 to the Director General of the Kanto Local Finance Bureau, On the basis of this report, Fujitsu judged that Fuji Electric had become a major shareholder. Fujitsu is unable to confirm the number of shares that Fuji Electric actually holds, however. | Mr. Ito has had a long career in executive management and he has extensive knowledge of Fujitsu's business.<br>Mr. Ito is a Senior Advisor of Fuji Electric Co., Ltd., a major shareholder of the company. Fujitsu and the Fuji Electric Group have business dealings which in fiscal 2010 amounted to 89 million yen. However, taking into account the scale of Fujitsu's sales, this is not considered material. Beyond this business relationship, there are no other factors that would compromise Mr. Ito's independence. |
| Yoko Ishikura | ○ | Professor, Graduate School of Media Design, Keio University | Ms. Ishikura has expertise for innovation and business strategies in global competition.<br>Moreover, Ms. Ishikura has never been an executive of a major shareholder or major business partner of Fujitsu, or held another position that would compromise her independence. Fujitsu therefore has identified her as an independent director in reports to stock exchanges in Japan. |
| Ryosei Kokubun | ○ | Professor, Faculty of Law, Keio University | Mr. Kokubun has a deep understanding of politics and economics from a global perspective, especially relating to East Asia. Moreover, Mr. Kokubun has never been an executive of a major shareholder or major business partner of Fujitsu, or held another position that would compromise his independence. Fujitsu therefore has identified him as an independent director in reports to stock exchanges in Japan. |
| Takashi Okimoto | | Mr. Okimoto is a Representative Director, Chairman and Corporate Officer, Orient Corporation. Fujitsu holds 1.55% of Orient Corporation's outstanding stock. Orient Corporation and Fujitsu do have business dealings. Mr. Okamoto plans to retire from his position as Representative Director, Chairman and Corporate Office of Orient Corporation at the end of the company's general meeting of shareholders on June 29, 2011. | Mr. Okimoto has many years of experience in corporate management.<br>Takashi Okimoto is a Representative Director, Chairman and Corporate Officer, Orient Corporation. Orient Corporation and Fujitsu do have business dealings which in fiscal 2010 amounted to 2.9 billion yen. However, taking into account the scale of Fujitsu's sales, this is not considered material. Beyond this business relationship, there are no other factors that would compromise Mr. Okamoto's independence. |

RESPONSIBILITY

## [Board of Auditors]

| | |
|---|---|
| Existence of Board of Auditors: | Yes |
| Number of Auditors Under the Articles of Incorporation | 5 |
| Number of Auditors: | 5 |

**Coordination between Auditors, Accounting Auditors and Internal Auditing Division**

The accounting auditor, Ernst & Young ShinNihon LLC, reports to the Board of Auditors concerning the audit plan and results. The accounting auditor also conducts exchange of opinions when needed and carries out coordinated audits of business operations.

The Corporate Internal Audit Unit (with 64 members) serves as an internal audit group. This unit audits the internal affairs of the entire Fujitsu Group in cooperation with the internal audit groups of each Group company. The Corporate Internal Audit Unit reports once a month as a rule to the statutory auditors on the audit plans and results of internal audits, including matters relating to group companies, and makes regular reports (once every quarter as a rule) to the Board of Auditors and the accounting auditors.

| | |
|---|---|
| Appointment of Outside Auditors to the Board of Auditors: | Yes |
| Number of Outside Auditors: | 3 |
| Number of Outside Auditors Designated as Independent Officers | 3 |

**Relationship with Company (1)**

| Name | Type of Affiliation | Relationship with Company *1 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i |
| Megumi Yamamuro | Attorney | | | | ○ | | | | ○ | |
| Hiroshi Mitani | Attorney | | | | ○ | | | | ○ | |
| Yoshikazu Amano | From other company | | | | | | | | ○ | |

*1 Categories Describing Relationship with Company
a: From parent company
b: From other affiliated company
c: Principal shareholder of subject company
d: Concurrently serves as outside director or outside auditor of other company
e: Director or executive officer of other company
f: Close relative by blood or marriage to director or executive officer of the subject company or other designated interested party
g: Receives compensation or other material benefit as senior executive of parent company or subsidiary of the subject company
h: Has limited liability contract with subject company
i: Other

**Relationship with Company (2)**

| Name | Independent Officer | Supplemental Explanation of Relationship | Reason Appointed as Outside Auditor (Including reason for designation as an independent officer where applicable) |
|---|---|---|---|
| Megumi Yamamuro | ○ | Professor, Nihon University Law School | Mr. Yamamuro has extensive experience in the legal field and extensive knowledge of legal matters, including Japan's Company Law.<br>Mr. Yamamuro has never been an executive of a major shareholder or major business partner of Fujitsu, or held another such position that would compromise his independence. Since he is independent, the company has identified Mr. Yamamuro as an independent auditor in reports to stock exchanges in Japan. |
| Hiroshi Mitani | ○ | Special Counsel, TMI Associates | Mr. Mitani has a deep understanding of not only legal affairs, but also of economic, social and other factors that affect the management of a company due to his service as a public prosecutor and as a member of the Fair Trade Commission.<br>Mr. Mitani has never been an executive of a major shareholder or major business partner of Fujitsu, or held another such position that would compromise his independence. Since he is independent, the company has identified Mr. Mitani as an independent auditor in reports to stock exchanges in Japan. |
| Yoshikazu Amano | ○ | – | Mr. Amano has experience in corporate management at a global corporation.<br>Moreover, Mr. Amano has never been an executive of a major shareholder or major business partner of Fujitsu, or held another position that would compromise his independence. Fujitsu therefore has identified him as an independent director in reports to stock exchanges in Japan. |

**[Independent Officers]**

| | |
|---|---|
| Number of independent officers | 5 |

**Other Issues Relating to Independent Officers**

None

**[Incentives]**

| | |
|---|---|
| Implementation Status of Incentive Policies for Directors: | Introduced bonus system linked to the performance of the company, and introduced stock option plan. |

**Supplemental Explanation**

To achieve clear management accountability, with respect to compensation paid to directors, we utilize basic compensation, specifically a fixed monthly salary in accordance with position and responsibilities; stock-based compensation, which is a long-term incentive that emphasizes a connection to shareholder value; and bonuses, which are compensation linked to short-term business performance. At the 107th Annual Shareholders' Meeting held on June 22, 2007, a resolution terminating the retirement allowance system for directors was passed.

| | |
|---|---|
| Stock Option Eligibility: | Directors, outside directors, employees |

**Supplemental Explanation**

Stock options were granted in 2000 and 2001.

In 2000, stock options were granted to 32 directors (including outside directors) and 17 employees (expired on June 30, 2010).

In 2001, stock options were granted to 32 directors (including outside directors) and 18 employees (scheduled to expire on June 26, 2011).

**[Compensation of Directors]**

| | |
|---|---|
| Disclosure of individual director's compensation | Partial disclosure only |

**Supplemental Explanation**

Total consolidated compensation is disclosed for individual directors and auditors only if they were paid 100 million yen or more.

Total compensation and total compensation by type for directors and auditors who were paid 100 million yen or more during fiscal 2010 is as follows.

- Michiyoshi Mazuka, Representative Director and Chairman

| | |
|---|---|
| From Fujitsu: | 118 million yen (Basic compensation of 92 million yen and bonuses of 25 million yen) |
| From consolidated companies: | – |
| Total: | 118 million yen (Basic compensation of 92 million yen and bonuses of 25 million yen) |

* The above bonus amount was a directors' bonus paid by resolution of the 111th Annual Shareholders' Meeting held on June 23, 2011.

For fiscal 2010, total compensation to directors and auditors was as follows:

| | |
|---|---|
| • Directors | 16 people, 465 million yen (Basic compensation of 364 million yen and bonuses of 101 million yen) |
| Of which, compensation paid to outside directors | 5 people, 28 million yen (Basic compensation of 28 million yen) |
| • Auditors | 5 people, 117 million yen (Basic compensation of 93 million yen and bonuses of 23 million yen) |
| Of which, compensation paid to outside auditors | 3 people, 28 million yen (Basic compensation of 28 million yen) |

* The above includes directors and auditors who resigned or retired in fiscal 2010.

* The limit on remuneration to directors was resolved to be 600 million yen per year, and the limit on remuneration to auditors was resolved to be 100 million yen per year at the 106th Annual Shareholders' Meeting held June 23, 2006. The company is paying the basic compensation shown in the above table, which is within these limits. The limit on remuneration to auditors (including outside auditors) from fiscal 2011 onward was resolved to be 150 million yen at the 111th Annual Shareholders' Meeting held on June 23, 2011.

* The above bonus amounts were decided at the 111th Annual Shareholders' Meeting held on June 23, 2011.

| | |
|---|---|
| Policy on Calculation and Determination of Compensation Amounts | Yes. |

**Disclosed Policy on Calculation and Determination of Compensation Amounts**

Executive Compensation Policy

To secure exceptional human resources required to manage the Fujitsu Group as a global ICT company, and to further strengthen the link between its financial performance and shareholder value, while at the same time improving its transparency, Fujitsu establishes its Executive Compensation Policy as follows.

Executive compensation is comprised of the following: "Basic Compensation", specifically a fixed monthly salary in accordance with position and responsibilities; "Stock-based Compensation", which is a long-term incentive that emphasizes a connection to shareholder value; and "Bonuses" that are compensation linked to short-term business performance.

Basic Compensation

- Basic compensation is paid to all directors and auditors, in accordance with position and responsibilities, as compensation for work responsibilities with regard to management oversight and the carrying out of executive responsibilities.

Stock-based Compensation

- Stock-based compensation, intended for directors responsible for carrying out executive duties, is a long-term performance incentive, with the amount to be paid determined based on a qualitative evaluation of medium- to long-term initiatives.
- Stock-based compensation is to be paid for the purchase of the company's own shares. These purchases are to be made through the Director Stock Ownership Plan. Shares purchased for this purpose are to be held by each director for the term of his or her service.

Bonuses

- Bonuses are short-term performance incentives to be paid to directors who carry out executive responsibilities. The amount of a bonus is to reflect business performance in the respective fiscal year.
- As a specific method to calculate a bonus, Fujitsu will adopt a "Profit Sharing model" which uses consolidated operating income and consolidated net income as an index. However, bonuses will not be paid in the event of negative net income recorded under non-consolidated accounting.

In accordance with a resolution of the Annual Shareholders' Meeting, the total amount of basic compensation, stock-based compensation and bonuses shall not exceed 600 million yen per year for directors and 150 million yen per year for auditors.

**[Support Structure for Outside Directors and Outside Auditors]**

Certain staff members of the Secretary Office are responsible for providing support to outside directors and outside auditors. In addition, the Legal Unit (Secretariat of Board of Directors) and the Auditor's Office (Secretariat of Board of Auditors) are also responsible for providing support to outside directors and outside auditors. This responsibility involves complying with requests from outside directors or outside auditors to provide and explain information about Fujitsu or the entire Fujitsu Group that is required for management oversight or audits. Depending on the information, relevant business unit managers are made available to provide additional explanations. We also provide a dedicated webpage for all board members (directors and auditors) to use to access material relevant to Board of Directors' meetings, such as agenda items, before meetings are held in order to allow board members to gain a proper understanding of the material.

The above measures are intended to provide indirect support to help outside directors and outside auditors provide effective management oversight and auditing of the execution of duties throughout the entire Fujitsu Group by facilitating mutual communication during internal audits, statutory audits and accounting audits.

## 2. Issues Relating to Functions for Business Execution, Auditing, Oversight, Nominating, and Compensation Decisions Overview of Current Structure (Overview of Current Corporate Governance Structure)

The Company has a Board of Directors to serve as a body for overseeing management. The Board of Directors is responsible for management oversight, supervising the business execution functions of the President and Representative Director and the Management Council, an executive organ under its authority. Moreover, outside members of the board are actively recruited for positions in the Board of Directors in order to strengthen its oversight function. The Management Council deliberates upon fundamental policies and strategy regarding business management, as well as makes decisions on important matters regarding business execution. Issues discussed by the Management Council and a summary of its discussions are reported to the Board of Directors, which makes decisions on items of particular importance. In principle, the Management Council meets three times a month, but meetings may be convened whenever necessary.

The company has a Board of Auditors, who perform the auditing function. The auditing function is carried out by auditors, who review the Board of Directors as well as business execution functions and attend important meetings, including meetings of the Board of Directors as well as the Management Council. The Auditing Support Division provides support for the audits by the auditors, and in order to promote the independence and effectiveness of the auditing, the company holds discussions with auditors prior to selecting candidates for positions in the division. Personnel with the appropriate qualifications are selected as division staff candidates, and as a general rule, as full-time staff.

The Board of Directors has 11 members, comprising seven internal directors and four outside directors, and the Board of Auditors has five members, comprising two internal auditors and three outside auditors. In order to better define the management responsibility of the directors, their terms were reduced from two years to one year in accordance with a resolution at the June 23, 2006 Annual Shareholders' Meeting.

In addition, the Corporate Internal Audit Unit (with 64 members) serves as an internal audit group. This unit audits the internal affairs of the entire Fujitsu Group in cooperation with the internal audit groups of each Group company. The Corporate Internal Audit Unit reports once a month as a rule to the statutory auditors on the audit plans and results of internal audits, including matters relating to group companies, and makes regular reports (once every quarter as a rule) to the Board of Auditors and the accounting auditors. The Corporate Internal Audit Unit includes a significant number of employees with specialist internal auditing knowledge, including Certified Internal Auditors (CIA), Certified Information Systems Auditors (CISA), and Certified Fraud Examiners (CFE).

The accounting auditor, Ernst & Young ShinNihon LLC, reports to the Board of Auditors concerning the audit plan and results. The accounting auditor also conducts exchange of opinions when needed and carries out coordinated audits of business operations. The four certified public accountants associated with Ernst & Young ShinNihon LLC who performed the accounting audit were Yasunobu Furukawa, Yuichi Mochinaga, Hideaki Karaki, and Takao Kamitani. In addition, they were assisted by a further 37 certified public accountants, 21 accounting assistants and another 31 persons, all associated with Ernst & Young ShinNihon LLC.

The Fujitsu Way Promotion Council promotes internal control relating to the Fujitsu Way and financial reporting in the Fujitsu Group and forms the core of operations to upgrade and evaluate internal control for the Group. During internal control audits by the accounting auditor and statutory auditors, the Fujitsu Way Promotion Council holds regular meetings to provide and explain information as required. The council also provides and explains information to assist the Corporate Internal Audit Unit in performing internal audits.

The company established an Executive Nomination Committee and Compensation Committee in order to ensure the transparency and objectivity of the process for choosing candidates for the Board of Directors, determining their compensation and ensuring that the compensation system and levels are appropriate. The Executive Nomination Committee takes into consideration the current business climate and anticipated trends, and makes recommendations on candidates (draft) for the Board of Directors, choosing candidates having objectivity in making management decisions, foresight and perceptiveness, and a superior character. The Compensation Committee is tasked with making recommendations on executive salaries and methods for calculating bonuses linked to financial performance, taking into consideration compensation levels at other companies with similar business activities, business scale, and other factors. The aim of this activity is to retain superior management talent, and provide effective incentives for improving the company's financial performance.

### 3. Reasons for Adopting the Current Corporate Governance Structure

The current structure clarifies the management responsibility of members of the board, who, after their election at the annual meeting of shareholders, become involved in making decisions about important matters concerning the management of the company. Furthermore, the current structure maintains the robustness and efficiency of governance by having the dual features of (1) the mutual monitoring by the members of the board, and (2) the audits by the auditors. At the time of the introduction in Japan of the corporation-with-committees governance system, Fujitsu was using the corporation-with-auditors system, and since the auditors were performing the auditing function effectively, we have continued to use the system.

The company maintains the robustness of its governance system by having an effective auditing function in which auditors who are independent of the management perform objective audits, by actively appointing outside directors, and by having established the Executive Nomination Committee, Compensation Committee and an internal audit organization.

Finally, to further improve efficiency, we have established a Management Council, which has accelerated decision-making and management execution.

## III. Implementation of Policies Regarding Shareholders and Other Stakeholders

### 1. Initiatives to Enliven Annual Shareholders' Meetings and Facilitate Voting

| | Supplemental Information |
|---|---|
| Distribute invitation notices to Annual Shareholders' Meeting early | To give shareholders sufficient time to exercise voting rights, we make efforts to send invitation notices three weeks prior to the Annual Shareholders' Meeting. |
| Schedule Annual Shareholders' Meeting to avoid busiest days of overlap with other corporations' annual meetings | To facilitate the attendance of as many shareholders as possible, since the Annual Shareholders' Meeting held in June 2001 we have scheduled our Annual Shareholders' Meeting to avoid the busiest days of overlap with other corporations' annual meetings. |
| Utilize electronic methods for exercise of voting rights | To improve convenience and facilitate the exercise of voting rights for shareholders who are unable to attend the Annual Shareholders' Meeting, since the Annual Shareholders' Meeting held in June 2002 we have accepted the exercise of voting rights through electronic methods, and since the Annual Shareholders' Meeting held in June 2006 we have been using a platform to allow institutional investors to electronically exercise voting rights. |
| Participation in Electronic Proxy Voting Platform and Other Measures to Enhance the Proxy Voting Environment for Institutional Investors | Fujitsu participates in the electronic proxy voting platform operated by Investor Communications Japan (ICJ) as part of its efforts to enhance the proxy voting environment for institutional investors. |
| Availability of English-language Notice of Convocation of Annual Shareholders' Meeting (summary of Japanese) | Fujitsu creates an English-language Notice of Convocation of the Annual Shareholders' Meeting (contents correspond to the Japanese invitation and business report) and sends the notice to foreign investors in order to promote a wider understanding of the proposals presented at the shareholders' meeting. The notice is disclosed on the Company website the same day it is sent to shareholders as part of our policy to disclose information in a prompt, accurate, and fair manner. |
| Other | To clarify the results of voting at the Annual Shareholders' Meetings, in addition to public notification of the results of the Shareholders' Meetings, beginning with the Annual Shareholders' Meeting held in June 2010, Fujitsu began posting the numbers of votes for and against each resolution on its website. |

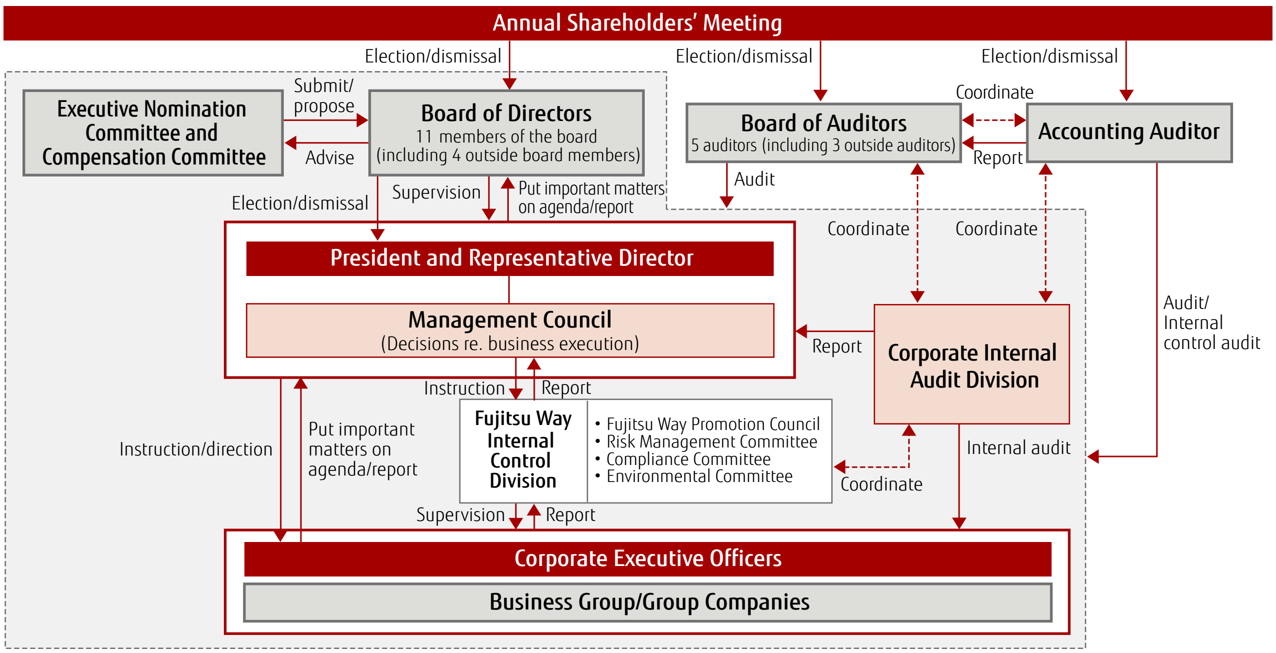
## 2. Investor Relations Activities

| | Supplemental Information | Explanation by Company Representatives |
|---|---|---|
| Creation and Publication of Disclosure Policy | Fujitsu has established the following disclosure policy and made the policy available on its website.<br>**Disclosure Policy**<br>The Fujitsu Group's corporate philosophy is articulated as the "Fujitsu Way," comprised of our Corporate Vision, Corporate Values, Principles, and Code of Conduct. By sharing and practicing the Fujitsu Way, we aim to continuously enhance the value of the enterprise through the continuous growth and development of the Fujitsu Group. Our basic policy on disclosure is to enhance our management transparency by appropriate and timely disclosure of our business activities and financial information. This ensures that investors, shareholders, and all other stakeholders can understand how we are performing in enhancing our corporate value.<br>**Basic Policy on Information Disclosure**<br>Fujitsu emphasizes fairness and continuity in disclosure of information, in accordance with the Financial Instruments and Exchange Act and other laws and regulations, as well as the rules of the exchanges on which its shares are listed. Moreover, our policy is to be proactive in disclosing any information that we judge to be effective for helping shareholders, investors and other stakeholders to deepen their understanding of Fujitsu, even if such disclosure is not required by laws, regulations or other rules.<br>**Methods of Information Disclosure**<br>Fujitsu uses prescribed information disclosure methods (TDnet, EDINET, etc.) to disclose information which it is required to disclose by law or regulation. Following disclosure, materials containing the disclosed information may be made available on the Company's website if deemed necessary. The Company may also disclose information which it is not required to disclose by law or regulation. In these cases, the Company will disclose the information as necessary, using an appropriate method of disclosure (press release, website disclosure, seminar presentation, etc.) based on the contents.<br>**Forward-looking Statements**<br>Forward-looking statements included in disclosed information are based on management's views and assumptions at the time the information was disclosed. A variety of changes in the internal and external business environment may cause actual results to differ materially from those expressed or implied in such statements. The Company strives to enhance the accuracy of forward-looking statements, and in cases where its outlook changes, the Company discloses the change as necessary using an appropriate disclosure method.<br>**Silent Period**<br>The Company institutes a silent period beginning the day after its quarterly financial settlement date until the day of the financial results announcement as a way to prevent financial information from being disclosed prior to the formal announcement. During the silent period, the Company does not respond to inquiries regarding its financial results. If the possibility arises that the Company's financial results will differ significantly from previous forecasts, however, the Company will disclose the change appropriately during the silent period. | |
| Regular Presentations to Individual Investors | Although currently we do not hold presentations for individual investors, we have a dedicated IR website for individual investors (in Japanese). In addition, through the inquiry form on our IR website and other measures, we are working to improve relations with individual investors. | No |
| Regular Presentations to Analysts and Institutional Investors | We hold regular presentations, including presentations by the president on our management direction, presentations by the president and CFO on our earnings results, and presentations by various senior executives on business strategy for the operations they oversee. In addition, media are always invited to the briefings by the president, CFO, and heads of businesses, with the understanding that individual investors can thereby obtain information through reports that appear in the media. | Yes |
| Regular Presentations to Foreign Investors | The CFO meets with foreign institutional investors regularly. We also have IR managers stationed in Europe and the US who meet and communicate regularly with investors, not just at the time of earnings announcements. We also take materials from IR presentations held in Japan, translate them into English, and post them to our English IR website, including English translations of Q&A sessions. | Yes |
| Posting of IR Materials to Website | We post the *Yukashoken Hokokusho* (Financial Report) in Japanese and *Jigyo Hokoku* (Business Report) in Japanese and English, the Annual Report in Japanese and English, *Tanshin* (Financial Earnings) reports in Japanese and English, and various other IR presentation materials in Japanese and English. Also posted in English and Japanese is the Fujitsu Group Sustainability Report. Additionally, all materials accompanying the invitation notice to the Annual Shareholders' Meeting are posted on our website. | |
| Unit Dedicated to IR Activities | The officer in charge of IR activities is the CFO; the division in charge of IR activities is the Public and Investor Relations Division. | |
| Other | In addition to the above, along with posting materials from presentations made to institutional investors and securities analysts on our website, we broadcast streaming audio of these presentations. | |

## 3. Initiatives in Consideration of the Position of Stakeholders

| | Supplemental Explanation |
|---|---|
| Internal Company Rules Reflecting Consideration for the Position of Stakeholders | The philosophy and principle of the Fujitsu Way, the guide for the actions of the Group and its employees, is to bring about a prosperous future that fulfills the dreams of people throughout the world. As part of our Values, we strive to meet the expectations of all stakeholders, including customers, shareholders, investors, business partners, and employees. |
| Activities Promoting Environmental Protection and Corporate Social Responsibility | With respect to environmental activities, in the Values section of the Fujitsu Way, we clearly state that "in all our actions, we protect the environment and contribute to society," and we are continuing to actively pursue activities in this area. We are currently implementing programs based on Stage VI of the Fujitsu Group Environmental Protection Program (fiscal 2010, 2012). In March 2006, we extended our environmental management system to our overseas consolidated subsidiaries, receiving integrated global ISO14001 certification. With respect to CSR activities, based on the Fujitsu Way, each business unit is promoting thorough adherence to our Code of Conduct and our customer-centric management perspective in order to earn the trust and meet the expectations of our stakeholders. Further details are listed in the Fujitsu Group Sustainability Report that we publish every year.<br>Fujitsu also became a signatory to the UN Global Compact in December 2009, and has declared its intention to strengthen CSR activities from a global perspective. 2010 saw the publication of ISO26000, an international standard for social responsibility, and revisions to the Nippon Keidanren's Charter of Corporate Behavior. These and other events show the increasing importance of approaching CSR from a long-term perspective.<br>Under these conditions, the Fujitsu Group set out a Corporate Social Responsibility (CSR) policy in December 2010 that identifies five priority issues to be tackled.* Fujitsu will contribute to the sustainable development of the earth and society by promoting CSR activities that are integrated with management.<br>* http://jp.fujitsu.com/about/csr/philosophy/policies/ |
| Policies to Promote the Provision of Information to Stakeholders | With respect to our disclosure policies, we recognize that prompt and appropriate disclosure of company information to shareholders and investors as well as securities analysts is essential to the proper functioning of the securities markets, and we disclose information in compliance with the Securities and Exchange Law and regulations of the stock exchanges on which we are listed. Even if we are not legally required to do so under the regulations, and even if the content of the information is unfavorable to Fujitsu, if we deem the information to be material to investment decisions, our basic policy is to disclose the information in a manner that is prompt, accurate, and fair. Moreover, in consideration of the position of customers, communities, and other stakeholders, for information we deem necessary to disclose, including information that may be unfavorable to Fujitsu, our basic policy is to disclose the information in a manner that is prompt, accurate, and fair. |
| Other | We are promoting a customer-centric management perspective in order to be a trusted and valued partner to our customers. In order that all employees adopt a customer-centric mindset and apply it to their daily work, we are deepening our commitment in each business unit to previously initiated management quality improvement activities and we are attempting to create an organizational framework to facilitate continuous improvement from a customer-centric perspective. As one specific initiative, among those ideas and suggestions received by Fujitsu customer care centers and contact lines, those concerning real issues about systems and organizations, not individual matters, are viewed as something that should be shared throughout the Fujitsu Group. Therefore, the specific details of these problems and examples of how they have been resolved are shared at regular meetings where Fujitsu Group executives are assembled. As a result, we have a heightened awareness of what our customers are saying and we can take positive action to make improvements. |

## IV. Basic Stance on Internal Control Framework and Status of Implementation




### 1. Basic Stance on Internal Control System and Status

[Basic Stance on Internal Control Framework]

The Company, through a resolution by the Board of Directors, has adopted the following basic stance on the framework for internal control (resolved on May 25, 2006, and revised on April 28, 2008*[1]).

1. Objective

The Fujitsu Way, which embodies the philosophy, values, principles and code of conduct for the Fujitsu Group, describes the vision of the Fujitsu Group as follows: "Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world."

We believe that by conducting our activities in accordance with the Fujitsu Way, we maximize the value of the Fujitsu Group and enhance our contribution to the communities in which we operate and to society as a whole.

In addition, in order to continuously enhance the corporate value of the Fujitsu Group, it is necessary to pursue management efficiency and control risk arising from our business activities. Recognizing that it is essential to strengthen our corporate governance in order to accomplish this, we will continuously strive to implement the policies described below.

2. Systems to ensure the appropriateness of Fujitsu and Fujitsu Group business

(1) System to ensure efficient business execution by directors

a. At Fujitsu, there is a separation of the oversight and operational execution functions of management. The Board of Directors oversees the execution functions of the Management Council and other management bodies, and makes decisions on important matters. Among executive organs, the Management Council discusses and decides upon basic management policies and strategies and also decides upon important matters regarding management execution. Matters taken up by the Management Council, including discussion items, are reported to the Board of Directors, and any important issues are decided upon by the Board of Directors.

b. To strengthen the management oversight function, we proactively employ outside directors and auditors.

c. The Board of Directors clarifies the scope of authority for board directors, corporate vice presidents and managing directors (hereafter collectively referred to as "senior management") as well as other business execution organs, and ensures that business is conducted in accordance with the division of business duties.

d. In performing their duties, senior management follows appropriate decision-making procedures, such as the Board of Directors Rules, Management Council Regulations, and Regulations on Corporate Decision-Making.

e. In addition to making employees thoroughly aware of management policies, senior management sets and achieves concrete goals in order to accomplish overall management goals.

f. To pursue operational efficiency, senior management promotes continuous improvement of internal control systems and reform of business processes.

g. By having senior management and other business execution organs provide monthly financial reports and business operation reports, the Board of Directors observes and oversees the status of achievement of management goals.

(2) System to ensure that business execution of directors and employees complies with laws and articles of incorporation
  a. Senior management adheres to the Fujitsu Way as a basic vision for compliance issues, including compliance to laws and the articles of incorporation, and proactively promotes the Group's overall compliance on an ethical basis.
  b. By continuously administering training, senior management instills adherence to the Fujitsu Way in employees and promotes the overall Group's compliance.
  c. Senior management clarifies the legal and other regulations that relate to the Fujitsu Group's business activities and implements internal rules, training and oversight systems necessary to adhere to them, thereby promoting the compliance of the Group as a whole.
  d. If senior management or employees become aware of the possibility of a major compliance violation in connection with the execution of business activities, they immediately inform the Board of Directors and the Board of Auditors via normal reporting channels.
  e. In order to use independent information sources outside of normal reporting channels to discover and deal appropriately with compliance problems on a prompt basis, senior management establishes and operates an internal reporting system that protects whistle-blowers.
  f. The Board of Directors receives periodic reports on the status of business execution from executive officers and verifies that there are no compliance violations in relation to the execution of work.

(3) Regulations and other systems relating to loss mitigation
  a. Senior management strives to maintain the Fujitsu Group's business continuity, increase its corporate value and sustainably expand its business activities. In order to deal with risks that pose a threat to achieving these goals, they assign certain departments to be responsible for each type of risk and put in place appropriate risk management systems.
  b. Senior management is constantly assessing and verifying risks that might cause losses to the Fujitsu Group, and they report significant cases to the Board of Directors.
  c. In regard to risks discovered through assessment described in b., as well as potential risks arising from the execution of business, senior management carries out risk mitigation initiatives and strives to minimize losses from risks. In order to minimize losses from risks that arise, senior management creates a risk management committee and carries out necessary countermeasures. In addition, it periodically analyzes risks that arise and reports them to the Board of Directors. In these ways, the committee engages in activities intended to prevent the recurrence of risks.
  d. In order to collect risk information that cannot be gathered by the methods mentioned above, an internal reporting system has been set up and is operated to ensure the protection of whistle-blowers.

(4) Information storage and management system regarding business execution by directors
  a. In accordance with company rules, senior management shall establish an appropriate system, including appointing documentation managers, to store and manage documents relating to the execution of their business duties (including electronic documents, as with the items listed below) and other important information.
    • Minutes of shareholders' meetings and related documents
    • Minutes of Board of Directors meetings and related documents
    • Minutes and related documents for other important decision-making meetings
    • Approval documents from senior management
    •Other important documents relating to the execution of business duties by senior management
  b. In order for directors and auditors to verify the status of execution of business duties, there is a system enabling them to view the documents described in the above item at any time. The system also provides that, in response to requests they make to those in charge of managing documents, board members and statutory auditors can see the documents whenever they wish.

(5) System to ensure the appropriateness of Fujitsu Group business
  a. Using the Fujitsu Way as a foundation, in order to continuously increase the value of the Fujitsu Group, Fujitsu will provide direction and support to senior management of each Group company for setting up efficient, law-abiding and appropriate business execution systems as detailed in sections (1) through (4) above.
  b. In order to implement the above item a., the company has established common rules for the management of the group, such as the "Fujitsu Group Management Policy" that set out the roles, responsibilities, authority, and decision-making processes for each of the companies in the group.
  c. Senior management of Fujitsu and all Group companies periodically confirms issues related to Group management strategies and achievement of management goals through management update conferences and other means. In addition, Fujitsu Group statutory auditors deal with Fujitsu Group issues from the auditing viewpoint through Group auditor update conferences.
  d. In regard to measures needed to resolve challenges related to achieving management goals that are identified as a result of the activities described in item c., senior management of Fujitsu and Group companies implements such measures following full discussion and, when necessary, completion of reporting to Fujitsu and approval processes specified separately.
  e. Fujitsu's internal audit organization is linked to the internal audit organization of each Group company. It carries out audits of the entire Fujitsu Group and reports periodically to the Board of Directors and Board of Auditors of Fujitsu.
    Important matters regarding the audits of Group companies are reported to the Board of Directors and Board of Auditors of Fujitsu.

(6) System to ensure the appropriateness of audits by statutory auditors
<Ensuring independence of auditors>

a. Fujitsu has set up an Auditing Support Division with employees assigned to assist the statutory auditors in carrying out their duties. Appropriate employees with the ability and expertise required by the statutory auditors are assigned to the division.
b. In order to ensure the independence of the staff in the Auditing Support Division, matters relating to their appointment, transfer and compensation are decided on the basis of prior consultation with the auditors.
c. In principle, senior management does not assign division staff to other divisions or duties. In instances, however, where a need arises to give dual assignments to staff with specialized knowledge in response to requests from statutory auditors, care is given to ensuring their independence in accordance with item b.

<Reporting system>

a. Senior management of Fujitsu and Group companies provides the statutory auditors with the opportunity to attend important meetings.
b. In cases where risks arise that could affect management or financial results, or where there is an awareness of major compliance violations in connection with the execution of business activities, senior management as well as employees of Fujitsu and Group companies immediately report on them to the statutory auditors.
c. Senior management as well as employees of Fujitsu and Group companies periodically report to the statutory auditors on the status of business execution.

<Ensuring effectiveness of statutory auditors>

a. Senior management of Fujitsu and Group companies periodically exchange information with the statutory auditors.
b. The internal audit organization periodically reports to the statutory auditors on audit results.
c. The auditors have the independent accounting auditor explain and report on accounting audits as required and periodically exchange information with the independent accounting auditors.

*[1] Embodying the mission, values, and code of conduct of the Fujitsu Group, the Fujitsu Way has provided the guiding principles for the conduct of the Group and its employees. In order, however, to provide a more enduring and universal as well as simple message that could be put into practice and instilled throughout the Fujitsu Group, on April 1, 2008, Fujitsu published a fully revised version of the Fujitsu Way consisting of a Corporate Vision, Corporate Values, Principles, and Code of Conduct.

[Status of Internal Control System]

Fujitsu has established a department with executive responsibility for internal controls. The company is continuing its steps to implement an even more robust operational execution structure by reviewing and revising its regulations and business operations.

In addition, Fujitsu has established the Fujitsu Way, consisting of a Corporate Vision, Corporate Values, Principles, and Code of Conduct, which guides the Group and its employees in their daily activities.

To accelerate the penetration and implementation of the Fujitsu Way and ensure the appropriateness of business operations, Fujitsu is promoting the implementation and evaluation of its internal control structure. This effort is led by the Fujitsu Way Promotion Council, which reports directly to the Management Council. In addition to the Fujitsu Way Promotion Council, three other groups were established directly under the Management Council and tasked with pursuing more robust and efficient business execution: the Risk Management Committee, the Compliance Committee and the Environmental Committee. The functions of each are described below:

• Fujitsu Way Promotion Council

The Fujitsu Way Promotion Council promotes the inculcation and implementation of the Fujitsu Way. In addition, it has also been promoting Project EAGLE, which is a company-wide activity for building an internal compliance system for effective and reliable financial reporting in compliance with the Financial Instruments and Exchange Act, and by which the company has been able to promote the implementation and evaluation of internal control. By establishing a promotion organization dedicated to this endeavor, the Council has been working to extend it across the Group. Along with improving deficiencies, the goals of the project also include achieving greater efficiency through the pursuit of business process reforms across the Group.

• Risk Management Committee

This committee sets out risk management rules and risk management guidelines for risks inherent in Fujitsu's business activities. The committee also places risk management promotion officers in Fujitsu and its Group companies. These officers coordinate with one another to address prevention and mitigation of potential risk events, and response to emergent risks. In this way they construct risk management systems and processes for the entire Fujitsu Group. The committee is also responsible for implementation and ongoing upgrading of these systems and processes. The committee reports important matters to the Management Council and the Board of Directors, deliberates on appropriate responses and ensures that all Group employees are aware of risk related issues. Moreover, the committee promotes business continuity management (BCM), so that when unforeseen events such as natural disasters occur, the Company can continue its key businesses, fulfill its responsibilities to society, and provide customers with a stable supply of the high performance, high-quality products and services that they need.

• Compliance Committee

This committee promotes adherence to social norms and corporate rules as well as the creation of corporate systems and initiatives for fostering a corporate culture of respect for norms. In conjunction with efforts to maximize compliance, a help-line system was set up as a confidential liaison point to receive reports from employees and provide guidance to them on matters of conduct.

• Environmental Committee
This committee is responsible for promoting the environmental protection activities of the Fujitsu Group, which are based on the Fujitsu Group Environmental Policy and the Fujitsu Group Environmental Protection Program.

As a result of our Project EAGLE initiative to build an internal control system for effective and reliable financial reporting, in fiscal 2010 the accounting auditors, Ernst & Young ShinNihon LLC, issued their opinion that the Fujitsu Group has effective internal controls for its financial reporting.

### 2. Basic Stance and Preparedness for Rejection of Antisocial Elements

[Basic Stance on Rejection of Antisocial Elements]
In the Fujitsu Way, the Fujitsu Group's Code of Conduct calls for respect for and compliance with laws and socially accepted rules. Accordingly, our basic stance is to take a resolute attitude toward antisocial elements and have absolutely no dealings with them.

[Preparedness Regarding Rejection of Antisocial Elements]
We maintain a system that can quickly respond when necessary by designating a centralized response department, creating a common Group manual, maintaining liaisons and exchanging information with outside legal counsel, police and specialist organizations, as well as by carrying out training and keeping employees fully informed about the workplace.

## V. Other

### 1. Adoption of Takeover Defense Measures

| | |
|---|---|
| Adoption of Takeover Defense Measures | No |

**Supplemental Explanation**
Because raising corporate value is ultimately the best defense against potential takeovers, we are focusing our efforts on raising corporate value. At the present time, we have not put in place any takeover defense measures.

Going forward, while placing first priority on corporate value and shareholder profits, we will pay careful attention to social trends and changes in the environment and continuously consider the possible need for protective measures.

### 2. Other Provisions Relating to Corporate Governance

The following is the status of the Company's internal structure for timely information disclosure.

**1. Internal Structure for Timely Disclosure of Corporate Information**
The Company endeavors to quickly and accurately grasp information (decisions, events, and financial results) related to the business, operation, and financial performance of each of its Business Groups, the organizations responsible for business operations. This information is used to improve management, and the Company uses the following deliberation and decision-making structure to ensure timely disclosure of the information in cases where the information is important and necessary for investors.

(1) Important management matters are deliberated and decided by the Management Council.
Among the matters deliberated by the Management Council, items of significant importance are decided by the Board of Directors.
Each Business Group conducts business under the control of the Management Council and the Board of Directors, which are the decision-making bodies.

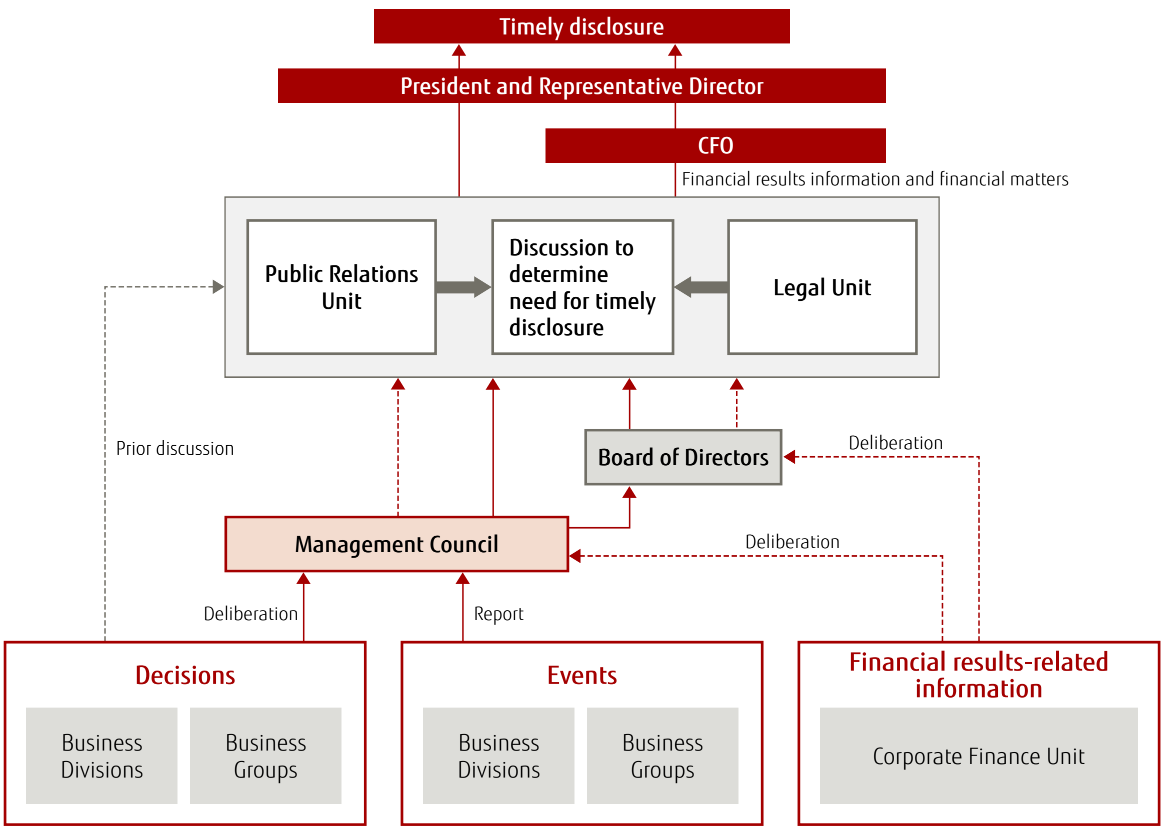
(2) Each Business Group reports matters of importance to the Company's business, operation, or financial performance to the Management Council or the Board of Directors on a regular and as-needed basis.
Each Business Group endeavors to establish a structure to conduct risk management within its own organization. Under this structure, each Business Group controls the gathering of information within its organization and is constantly enhancing its structure to quickly and accurately grasp events and other risk information.

(3) The Finance and Accounting Department reports financial results, revisions to financial results and forecasts, dividends and other information to the Board of Directors, based on financial information gathered from each Business Group.
Based on information disclosure regulations, the Legal Department and Public Relations Department jointly review decisions, events, and financial results gathered as explained above to confirm the timeliness and accuracy of the information in relation to disclosing it to investors. The Company's representative director and president conducts a final review of the information before the information is disclosed to investors in a timely and accurate manner. With regard to financial results and financial items included in decisions or events, the chief financial officer (CFO) approves the information prior to the final review by the representative director and president.

**2. Internal System Confirmation Function for Timely Information Disclosure**

(1) The Company has established the FUJITSU Way Promotion Council, Risk Management Committee, and Compliance Committee to enhance the internal structure for timely information disclosure by providing organizational support for the gathering and reporting of risk information. These organizations support and promote the risk management activities carried out by each Business Group.
The Compliance Committee oversees a help-line system to promptly gather information on inappropriate activities within the Company, as part of the measures to prevent impropriety, including activities related to information disclosure.

(2) The Company has established a Corporate Internal Audit Division to audit the status of the internal control function and internal events (including risk information).
The Corporate Internal Audit Division continuously audits the risk management structure of each Business Group and contributes to the maintenance and improvement of the accuracy and appropriateness of information regarding the business, operation, and financial performance of the entire Group, including subsidiaries.



# BUSINESS AND OTHER RISKS

Listed below are the principal business and other risks affecting the Fujitsu Group (Fujitsu Limited and its consolidated subsidiaries) that we believe may influence investors' decisions. With a view to proactively disclosing information to investors, we have also included items that may not necessarily have significant bearing on such decisions. We are aware of and have evaluated these risks and are making efforts to prevent, mitigate, transfer, and retain potential risks, and immediately confront risks should they occur. Please note that the following is not an exhaustive list of all the risks that may affect the Group. Among the risks listed below are some items related to future developments, but the list only includes items that the Group deems necessary to publicly disclose as of the date of submission of these materials (June 23, 2011).

## 1. Economic and Financial Market Trends

Economic and financial market trends have an impact on the Group's business results, financial base and other aspects of its operations. Examples of such risks are listed below.

### 1) Economic Trends in Key Markets

The Fujitsu Group provides ICT services, server and storage products, network products, as well as semiconductors and other components, to clients in corporate and public institutions, as well as consumers in Japan and every region of the globe. Hence, sales and income generated from these operations are greatly affected by economic conditions in each respective market. The economic trends in our key markets, namely Japan, North America, Europe, and Asia (including China), can significantly impact Fujitsu Group operations.

### 2) High-tech Market Volatility

The ICT sector is periodically subject to dramatic changes in the balance of supply and demand that exceed the scope of normal cyclical market variations. This tendency is particularly evident with regard to semiconductors, PCs, and other general-purpose products. The Fujitsu Group gives ample consideration to market cycles and volatility when deciding to develop new global technology solutions and other businesses, launch new products, initiate volume production, or scale back production, among other actions. Nonetheless, we may fail to accurately forecast market changes, or changes in market conditions could exceed our forecasts. Accordingly, there is a risk that we may be unable to recoup investment costs, as well as the risk of opportunity losses. Further, the Group continuously implements structural reforms in a bid to respond to market changes. However, drastic market changes could force us to enact structural reforms on a far greater scale than initially expected, resulting in a temporary increase in related expenses.

### 3) Exchange Rates

The Fujitsu Group is expanding its business outside Japan. As a result, sudden fluctuations in exchange rates could have a significant impact on sales and income, resulting in such factors as the lowering of competitive pricing for the services and products that we deliver outside Japan. This in turn, can affect the components and materials that we import from outside Japan, as well as the various products that we export. In addition, with respect to assets held by the Group outside Japan, as well as liabilities, there is the possibility that exchange rate fluctuations could lead to depreciation of assets and/or appreciation of liabilities.

### 4) Interest Rates

The Fujitsu Group has interest-bearing loans which include debt directly impacted by interest rate fluctuations. Consequently, rising interest rates could increase borrowing costs.

### 5) Capital Markets

Stock market trends in and outside of Japan have a substantial effect on the value of Group stockholdings in other companies and the management of pension assets. Weak stock market performance could thus force us to incur losses on the devaluation of marketable securities held or a reduction in pension assets, exposing the Group to the risk of higher valuation losses or additional pension obligations.

## 2. Customers

Fujitsu Group operations are highly influenced by the business trends of customers. Examples of potential risks are described below.

### 1) Changes in Customers' ICT Investment Trends

A growing proportion of our technology solutions and other businesses is with the public institutions such as the Japanese, local and foreign governments; telecommunications carriers; financial services institutions; and large manufacturers. The business environment within these industries, including shifting market trends and structural reforms, could lead to changes in customers' IT investment trends, having a significant impact on Group sales and profitability. In addition, the trends in sales of our customers' products and services have a large impact on the demand for and prices of the Group's products and services. Accordingly, soft demand and falling prices for customers' products and services, a decline in the size of customers' businesses, or customers' reduced market share, as well as restrains on customer ICT investments could negatively impact Group sales and earnings.

In our business outside Japan, for example, government-related projects in the UK are an especially important part of our business. Accordingly, changes and restrains placed on the ICT investment plans of the UK government could impact sales and profitability.

### 2) Ability to Maintain Long-Term Relationships with Customers

The Fujitsu Group is creating long-lasting ties with its customers, striving to be a valued and trusted business partner and provide solutions across the full ITC system lifecycle. Accordingly, business stability hinges on maintaining relations with customers. An inability to maintain trusted relationships with such customers, or the failure to renew contracts with them, could therefore affect sales and profitability.

## 3. Competitors/Industry

The ICT sector is characterized by intense competition and fast-paced technological innovation. Events within the industry or actions by competitors could therefore have a substantial impact on our business results. Examples of such potential risks are listed below.

### 1) Price Competition

Changes in market environments, intensifying competition, technological innovation and other factors may cause prices for products and services to decline. Anticipating such technology- and competition-driven price reduction of ICT services, including cloud computing, and the escalation of PC prices, we are pursuing a variety of measures to reduce costs, including the introduction of Toyota Production System reforms, the industrialization of services and standardization, and software modularization, as well as efforts to expand sales of new products and services. Despite these steps, the Group still faces the risk of larger-than-expected declines in prices, as well as being unable to achieve cost reductions or sales growth due to fluctuations in procurement costs. Any of these risks could negatively impact Group sales and profitability.

### 2) Competition from New Market Entrants and Others

In addition to challenges posed by existing industry peers, competition from new market entrants continues to intensify in the ICT sector. Today, new entrants and other competitors continue to emerge in market areas where the Fujitsu Group has a competitive advantage, thus entailing the risk that we may lose our competitive edge, or fail to secure a clear competitive advantage in future business operations.

### 3) Competition in Technology Development

Technological advancement in the ICT sector occurs at an extremely fast pace, leading to rapid turnover in new products and technologies. In this context, remaining competitive requires the continuous development of state-of-the-art technology. While the Fujitsu Group does its utmost to maintain highly competitive technologies by expanding into markets such as cloud computing and smartphones, a loss in competitiveness versus other companies in the race to develop innovative technologies could lead to a decline in the Group's market share and profitability, which would negatively impact sales and earnings. Further, sales and profitability could be affected by the development of groundbreaking technologies and services by competitors that would severely compromise the value of the Group's services and products.

## 4. Suppliers, Alliances, etc.

In the course of its operations, the Fujitsu Group conducts business with a wide range of suppliers and alliance partners. Accordingly, any significant changes in relationships with these and other business partners could affect the Group's business.

### 1) Procurement

The Fujitsu Group utilizes sophisticated technologies to provide a range of products and services. There is therefore a risk that we may encounter difficulties in procuring a stable supply of certain key components or raw materials, or in cases where regular supply channels are unavailable, that we may be unable to secure alternative procurement sources. There is also the risk that the Group may be unable to sufficiently procure certain parts or raw materials in the large volumes required. Moreover, natural disasters, accidents and other events, as well as any deterioration in business conditions at suppliers, could hinder the ability of business partners to provide the Group with a stable supply of required components or raw materials. These and other events could cause delays in the provision of products and services, resulting in postponement of deliveries to customers and opportunity losses. In respect to procurement of components and other materials, foreign exchange rate fluctuations, tight supply and demand conditions, and other pressures could drive procurement costs higher than initial estimates, leading to diminished returns on products and services, as well as lower sales due to the higher prices. Additionally, while we make every effort to ensure the quality of procured components, we cannot guarantee that all components purchased will be free of defects. The discovery of such issues could result in processing delays, as well as defective products, opportunity losses, repair costs, and disposal costs for defective goods, plus the potential obligation to pay damages to customers.

### 2) Collaborations, Alliances and Technology Licensing

To enhance competitiveness within a global ICT business environment, the Fujitsu Group works with a large number of companies through business alliances, technology collaborations, joint ventures and other means, a practice that we intend to actively continue in the future. If, however, as a result of managerial, financial, or other causes, it becomes difficult to establish or maintain such collaborative ties or to gain sufficient results from them, the Group's business could be adversely affected. Moreover, many of our products and services employ other companies' patents, technologies, software, and trademarks with the consent of their owners. However, there is no guarantee that other companies will continue to grant or license the right to use their property under terms acceptable to the Fujitsu Group.

## 5. Public Regulations, Public Policy, and Tax Matters

The business operations of the Fujitsu Group are global in scope, and are therefore impacted by a variety of public regulations, public policies, tax laws and other such factors in all countries where the Group does business. Specifically, wherever it operates, the Group must comply with a variety of government policies, regulations, such as authorizations for business or investment, import/export regulations and restrictions, as well as laws pertaining to antimonopoly policies, intellectual property rights, consumers, the environment and recycling, labor conditions, subcontracting, and taxation. Earnings might be affected by increased compliance costs associated with measures to make stricter or otherwise revise such policies, laws and regulations. We also provide solutions in certain fields and business domains such as healthcare, communications, and construction that are subject to other public regulations, meaning that regulatory trends in these sectors may potentially impact the Group's business.

## 6. Other Operational Risks

The Fujitsu Group makes every effort to eliminate known risks but can offer no guarantee of its ability to always achieve every desired outcome in the course of executing business operations. Some of the specific risks faced in this respect are detailed below.

### 1) Deficiencies or Flaws in Products and Services

The Fujitsu Group builds and supports the infrastructure behind the modern network society, which has become increasingly global and sophisticated. In accordance with our corporate philosophy the Fujitsu Way, quality is one of our most important values, and it underpins the trust that customers and society place in us.

We are committed to improving quality at the design and development stages as well as in manufacturing by setting rules on quality control throughout the company. We are also promoting strict quality control when purchasing components from external suppliers. These efforts notwithstanding, it is impossible to totally eliminate the possibility of deficiencies or flaws occurring in products, including software. While the Group is also setting rules on quality control throughout the company, promoting software modularization, standardization of development work, and enhanced security measures in order to improve the quality of system development and other services in the technology solutions business, the possibility of defects arising cannot be excluded. With respect to systems that play a critical role in supporting social infrastructure, following the incidents involving system problems at the Tokyo Stock Exchange in November 2005, we have been checking for any potential problems in these systems, including the operating environment, software and hardware, in cooperation with our customers. In addition, we have continuously made improvements to the quality, contracts, and related rules in order to ensure the stable operation of social infrastructure systems. We cannot, however, entirely eliminate the possibility of deficiencies or flaws. In the event that such deficiencies or flaws occur in the products or services, the Group may have to initiate product recalls or repairs, engage in system recovery work, pay damages to customers or suffer opportunity losses, all of which would negatively impact Group sales and profitability.

### 2) Project Management

Due to such factors as the increasing scale and sophistication of systems and more rigorous demands from customers, as well as the advance of open system environments, system development work is becoming increasingly complex. At the same time, greater competition is leading to increasingly intense pricing pressures. To deal with this situation and prevent incidences of delayed delivery and loss-generating projects, we have been revising our approach to making contracts with customers, advancing the standardization of sales and system engineering business processes, and working to manage risk from the business negotiation stage through actual project implementation. The Group continues to maintain reserves for losses as necessary. In addition, we are striving to industrialize the system development process in order to strengthen our cost competitiveness. Nevertheless, in spite of these measures, there is a possibility that we may be unable to completely prevent incidences of delayed delivery the occurrence of loss-generating projects.

### 3) Investment Decisions and Business Restructuring

In the ICT industry, large investments in R&D, capital expenditure, business acquisitions, and business restructuring are necessary to maintain competitiveness. Accordingly, the success or failure of these initiatives has a profound effect on the business results of the Fujitsu Group. When making such investment and restructuring decisions, we give ample consideration to a range of factors such as market trends, customer needs, the superiority of the Group's own technologies, the financial performance of acquisition candidates and our business portfolio. There is, however, the risk that markets and technologies, as well as acquisition candidates deemed attractive by the Group, may fail to grow as anticipated, or that supply and demand imbalances or price erosion may be more severe than expected. The Group takes a number of steps to mitigate this risk, including the consideration of investment efficiency and responding to inherent fluctuations by dividing investment into multiple phases and forging agreements with customers prior to investment. Nonetheless, there is no guarantee that the Group can generate sufficient returns on such investments.

### 4) Intellectual Property Rights

The Fujitsu Group has accumulated technologies and expertise that help distinguish its products from those of other companies. Legal restrictions in certain regions, however, may impair our ability to fully protect some of the Group's proprietary technologies, with the result that we could be unable to effectively prevent the manufacture and sale of similar products developed by third parties using the Group's own intellectual property. Moreover, the creation of comparable or superior technologies by other companies could erode the value of the Group's intellectual property. The Group has instituted internal policies, including stringent clearance procedures prior to launching new products, to ensure that no infringement of other companies' intellectual property occurs. However, there is the possibility that the Group's products, services or technologies may be found to infringe on other companies' intellectual property, and that earnings may be impacted by such consequences as the need to pay for usage rights or cover costs associated with modifying designs. In addition, the Group has previously instituted a program to compensate employees for innovations that they make in the course of their work, and will continue to implement this program in the future in accordance with related laws and regulations. Nevertheless, the Group faces potential risk from lawsuits initiated by employees in regard to compensation for innovation created in the workplace.

### 5) Human Resources

The growth and profitability of the Fujitsu Group depends heavily on human resources. As such, a major issue for the Group is the ability to recruit, foster, and prevent the attrition of talented technical experts, system engineers, managers and other key personnel. The inability to do so could negatively impact the Group's growth and profitability.

### 6) Environment-related Risks

Making contributions to society and protecting the environment are part of the corporate values of the Fujitsu Group, as set forth in the Fujitsu Way. While committed to minimizing environmental burden and preventing environmental pollution in accordance with the Fujitsu Group Environmental Policy, the Group cannot guarantee that environmental pollution will not occur as a result of its operations. Moreover, although we monitor soil and wastewater as well as engage in clean-up activities at former factory sites, this does not mean that pollution will not be found at such sites in the future. In the event that environmental pollution were to occur or be identified, social trust in the Group may weaken, and clean up and other costs could be incurred, which would adversely affect the Group's earnings.

### 7) Information Management

In order to safeguard the personal and confidential information of customers, business partners, and the Fujitsu Group itself, the Group has taken such measures as establishing strict regulations, instituting training programs for employees, and providing consultation to business subcontractors. Nevertheless, the Group cannot guarantee that information will not be leaked. In the unlikely event that this should occur, trust in the Fujitsu Group could decline and the Group may be obligated to pay damages to customers.

### 8) Credit Ratings and Other Factors that Affect the Group's Credit

In addition to having a major influence on financing, credit ratings by outside institutions serve as reliable sources of information for our customers when they conduct transactions with us. Lower credit ratings caused by failure to meet earnings targets, deteriorating financial conditions and other reasons could influence our ability to secure financing and place the Group at a disadvantage in bidding for projects and in other business dealings.

## 7. Natural Disasters and Unforeseen Incidents

Natural disasters and other unforeseen situations could have a major impact on the business results and financial standing of the Fujitsu Group. Examples of the potential risks posed are found below.

### 1) Damage from Earthquakes, Other Natural Disasters and Accidents

The Fujitsu Group has instituted a Business Continuity Plan (BCP) to ensure that, even in the event of natural disasters like earthquakes, major floods, or volcanic eruptions, as well as accidents or the outbreak of infectious diseases like new forms of influenza, we can continue our critical business operations to fulfill our corporate social responsibility, while at the same time continuing to provide a stable flow of high-quality, highly-reliable products and services, which our customers rely on for their business. As part of this initiative, we have taken steps to make our sites resistant to earthquakes and we conduct regular site inspections, along with disaster-readiness drills. Nevertheless, there is a possibility that the Group may be forced to suspend the delivery of products and services to customers or its support for customer information systems in the event an unforeseen natural disaster or accident forces sites to suspend operations, inflicts damage to facilities and equipment, interrupts the supply of electricity or water, disrupts public transportation or communications infrastructure, or causes damage to our supply chains.

Immediately following the Tohoku Earthquake on Friday, March 11, 2011, a disaster response headquarters was established, with the company president acting as chief, and information was collected about the status of all Fujitsu Group facilities in eastern Japan and the status of customers. At the same time, the Group restored critical business operations in accordance with its BCP, and in order to restore the supply of products and services to customers and to uphold the Fujitsu Group's role in society, we have pursued business continuity initiatives, including temporarily transferring a portion of the production lines for PCs, semiconductors, and other products to alternate facilities. Despite these recovery efforts, in the event of a major aftershock or other event, there is a possibility that the Group's business activities may be affected by interruptions to public infrastructure, fuel shortages, damage to facilities and equipment, damage to supply chains, and other circumstances.

In response to power shortages caused by the Tohoku Earthquake, the Fujitsu Group is fulfilling its corporate responsibility by appropriately responding to government and industry demands. Furthermore, in order to evaluate the Group's energy usage from a medium- and long-term perspective, we have established a power conservation committee, with the company president as chairman. The committee is monitoring government developments while implementing an energy-conservation strategy for the entire Fujitsu Group. There is a possibility that the Group's business activities may be affected by necessary changes in business operations due to power shortage counter-measures, particularly during the summertime, as well as scheduled power outages and unpredictable large-scale power outages.

We have a well-developed system in place to ensure the integrity and stable operation of critical in-house networks, which are a key element of our business infrastructure. However, the Group cannot guarantee its ability to prevent invasive computer viruses and other disruptions from impeding network operations.

### 2) Geopolitical Risk

Armed conflicts, terrorism, political instability, currency crises, and other events in nations or regions where the Fujitsu Group operates could have a significant impact on its businesses.

## 8. Risks Associated with Financial Statements

For details, please refer to "Critical Accounting Policies and Estimates" on page 100.

FACTS & FIGURES

# FINANCIAL SECTION

# FIVE-YEAR SUMMARY
Fujitsu Limited and Consolidated Subsidiaries

| Years ended March 31 | 2007 | 2008 | 2009 | 2010 | Yen (millions) 2011 | U.S. Dollars (thousands) 2011 |
|---|---|---|---|---|---|---|
| Net sales | ¥5,100,163 | ¥5,330,865 | ¥4,692,991 | ¥4,679,519 | **¥4,528,405** | **$54,559,096** |
| Operating income | 182,088 | 204,989 | 68,772 | 94,373 | **132,594** | **1,597,518** |
| Income (loss) before income taxes and minority interests | 214,495 | 109,444 | (113,314) | 112,706 | **102,236** | **1,231,759** |
| Net income (loss) | 102,415 | 48,107 | (112,388) | 93,085 | **55,092** | **663,759** |
| Amounts per share of common stock (Yen and U.S. Dollars): | | | | | | |
| Earnings (loss) | | | | | | |
| Basic | ¥ 49.54 | ¥ 23.34 | ¥ (54.35) | ¥ 45.21 | **¥ 26.62** | **$ 0.321** |
| Diluted | 44.95 | 19.54 | (54.35) | 42.17 | **25.75** | **0.310** |
| Cash dividends | 6.00 | 8.00 | 8.00 | 8.00 | **10.00** | **0.120** |
| Owners' equity | 469.02 | 458.31 | 362.30 | 386.79 | **396.81** | **4.781** |
| Total assets | ¥3,943,724 | ¥3,821,963 | ¥3,221,982 | ¥3,228,051 | **¥3,024,097** | **$36,434,904** |
| Net assets | 1,160,719 | 1,130,176 | 925,602 | 948,373 | **953,779** | **11,491,314** |
| Cash and cash equivalents | ¥ 448,705 | ¥ 547,844 | ¥ 528,174 | ¥ 420,166 | **¥ 358,593** | **$ 4,320,398** |
| Interest-bearing loans | 745,817 | 887,336 | 883,480 | 577,443 | **470,823** | **5,672,566** |
| D/E ratio (times) | 0.77 | 0.94 | 1.18 | 0.72 | **0.57** | |
| Net D/E ratio (times) | 0.31 | 0.36 | 0.47 | 0.20 | **0.14** | |
| Free cash flow | 257,682 | 38,146 | 23,487 | 296,409 | **113,426** | **1,366,578** |
| R&D expenses | ¥ 254,095 | ¥ 258,717 | ¥ 249,902 | ¥ 224,951 | **¥ 236,210** | **$ 2,845,904** |
| Capital expenditure | 305,285 | 249,063 | 167,690 | 126,481 | **130,218** | **1,568,892** |
| Depreciation | 202,825 | 200,509 | 223,975 | 164,844 | **141,698** | **1,707,205** |
| Number of employees | 160,977 | 167,374 | 165,612 | 172,438 | **172,336** | |
| Average exchange rate (yen) | | | | | | |
| U.S. Dollar | ¥ 117 | ¥ 114 | ¥ 101 | ¥ 93 | **¥ 86** | |
| Euro | 150 | 162 | 144 | 131 | **113** | |
| Pound Sterling | 222 | 229 | 174 | 148 | **133** | |
| Ratio of sales outside Japan | 35.8% | 36.1% | 32.0% | 37.4% | **35.1%** | |
| Net sales by customers' geographic location: | | | | | | |
| Japan | ¥3,274,908 | ¥3,407,244 | ¥3,193,105 | ¥2,931,215 | **¥2,941,042** | **$35,434,241** |
| EMEA | 795,877 | 839,719 | 657,073 | 981,622 | **845,485** | **10,186,566** |
| The Americas | 472,975 | 521,989 | 391,443 | 321,603 | **322,272** | **3,882,795** |
| APAC & China | 556,403 | 561,913 | 451,370 | 445,079 | **419,606** | **5,055,494** |
| Total | ¥5,100,163 | ¥5,330,865 | ¥4,692,991 | ¥4,679,519 | **¥4,528,405** | **$54,559,096** |

Notes: 1. The U.S. dollar amounts stated above and in the following Management's Discussion and Analysis of Operations have been translated from yen, for readers' convenience only, at the rate of ¥83 = US$1, which was the approximate rate on the Tokyo Foreign Exchange Market at March 31, 2011.
2. See Note 16 of Notes to Consolidated Financial Statements for specific calculation of basic and diluted earnings (loss) per share.
3. Cash dividends per share of common stock for the year ended March 31, 2011 are the total of interim and year-end dividends approved by the Company's Board of Directors on October 27, 2010 and May 23, 2011, respectively.
4. Owners' equity: Net assets less minority interests in consolidated subsidiaries and subscription rights to shares
5. The capital expenditure and depreciation stated above exclude those of intangible assets.

# 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, 2011 (fiscal 2010). Forward-looking statements in this section are based on management's understanding and best judgment as of March 31, 2011. The impact of exchange rate fluctuations is calculated by taking the average exchange rates in fiscal 2009 for the U.S. dollar, euro and British pound and applying them to foreign currency-denominated transactions in fiscal 2010.

## 1. Analysis of Results

### Business Environment

The overall business environment during fiscal 2010 was characterized by a mild recovery, mainly attributable to higher demand in China and other emerging markets, despite high unemployment in Europe and the US as well as fiscal austerity measures and concerns about the stability of financial markets in Europe. In Japan, the economy was in a mild recovery trend, with an improvement in labor market, a recovery in capital spending, and rising exports, particularly in the first half of the fiscal year (from April to September 2010). The second half of the fiscal year (from October 2010 to March 2011), however, was witness to an increasingly severe business environment with government incentive policies running their course and an ongoing appreciation of the yen. Moreover, with the Great East Japan Earthquake on March 11, 2011, the recovery trend came to a sudden halt and the country's near-term economic prospects became uncertain.

With respect to investment in information and communication technology (ICT), though there were signs of recovery in demand for hardware during the first half, overall investment continued to be restrained. A severe investment environment now prevails following the Great East Japan Earthquake, with many investment projects postponed or cancelled.

### Net Sales

Consolidated net sales for fiscal 2010 were ¥4,528.4 billion ($54,559 million), a decline of 3.2% from fiscal 2009. On a constant currency basis, however, sales were on par with the prior fiscal year. Sales in Japan were essentially unchanged from fiscal 2009. Although sales of LSI devices and electronic components were strong as a result of the continued market recovery since the previous year, there was a decline in sales of car audio and navigation systems, as new car sales stalled after the government's subsidy program for eco-friendly car purchases ended in the first half of the fiscal year. In addition, sales of PCs and other products were adversely affected by temporary production stoppages and shipment delays resulting from the Great East Japan Earthquake. Sales outside Japan decreased 9.2%. On a constant currency basis, however, sales were essentially unchanged from the previous fiscal year. Particularly in the first half of the fiscal year, there were higher sales of x86 servers in Europe, LSI devices and electronic components in Asia, and optical transmission systems in North America. As a result of the transfer of the HDD business in October 2009, however, overall sales outside Japan remained essentially unchanged.

**Condensed Consolidated Income Statements** (Unit: billion yen)

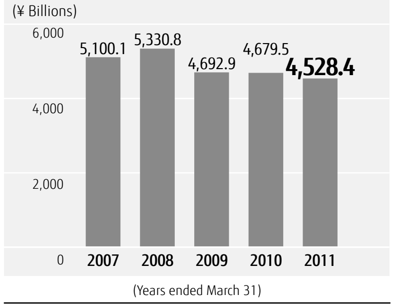
| Years ended March 31 | 2010 | 2011 | YoY Change | Change (%) |
|---|---|---|---|---|
| Net sales | 4,679.5 | **4,528.4** | (151.1) | (3.2) |
| Cost of sales | 3,436.4 | **3,270.9** | (165.4) | (4.8) |
| Gross profit | 1,243.1 | **1,257.4** | 14.3 | 1.2 |
| Selling, general and administrative expenses | 1,148.7 | **1,124.8** | (23.8) | (2.1) |
| Operating income | 94.3 | **132.5** | 38.2 | 40.5 |
| Other income (expenses) | 18.3 | **(30.3)** | (48.6) | – |
| Income before income taxes and minority interests | 112.7 | **102.2** | (10.4) | (9.3) |
| Income taxes | 15.7 | **48.1** | 32.4 | 205.4 |
| Minority interests in income (loss) of consolidated subsidiaries | 3.8 | **(1.0)** | (4.8) | – |
| Net income | 93.0 | **55.0** | (37.9) | (40.8) |

**Reference: Financial Indicators** (Unit: billion yen)

| Years ended March 31 | 2010 | 2011 | YoY Change |
|---|---|---|---|
| Net sales | 4,679.5 | **4,528.4** | (151.1) |
| Sales outside Japan | [1,748.3] | **[1,587.3]** | [(160.9)] |
| Ratio of sales outside Japan | [37.4%] | **[35.1%]** | [(2.3%)] |
| Operating income margin | 2.0% | **2.9%** | 0.9% |
| Return on equity | 12.0% | **6.8%** | (5.2%) |

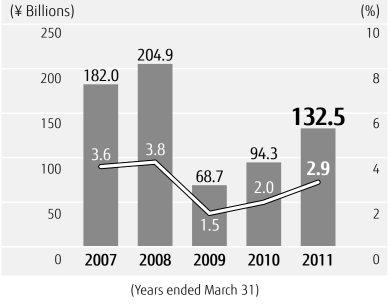
Note: Owners' equity: Net assets – Subscription rights to shares – Minority interests
Return on equity (ROE): Net income ÷ {(Owners' equity at beginning of period + Owners' equity at end of period) ÷ 2}

Net Sales




(Years ended March 31)

Operating Income and Operating Income Margin




(Years ended March 31)

■ Operating Income (Left Scale)
Operating Income Margin (Right Scale)

FACTS & FIGURES

Ratio of sales outside Japan was 35.1%, a decrease of 2.3 percentage points compared to the previous fiscal year. Although sales of optical transmission systems and other products increased in the Americas, sales declined in Europe, Middle East, Africa (EMEA) and the Asia-Pacific (APAC)/China market due to the effect of exchange rate fluctuations and the transfer of the HDD business.

In fiscal 2010, the average yen exchange rates against the U.S. dollar, the euro, and the British pound were ¥86, ¥113, and ¥133, respectively, representing a year-on-year appreciation of ¥7 against the U.S. dollar, ¥18 against the euro, and ¥15 against the British pound. Exchange rate fluctuations versus the U.S. dollar, euro, and British pound caused a reduction in net sales of approximately ¥40.0 billion, ¥80.0 billion, and ¥40.0 billion respectively. As a result, currency exchange rate fluctuations had a negative impact of approximately ¥160.0 billion on net sales for fiscal 2010.

## Cost of Sales, Selling, General & Administrative Expenses, and Operating Income

The cost of sales was ¥3,270.9 billion ($39,409 million), and gross profit was ¥1,257.4 billion ($15,150 million), for a gross profit margin of 27.8%. Despite the adverse effects of the earthquake and yen appreciation, gross profit increased by ¥14.3 billion compared to the previous year. This was the result of increased sales of LSI devices and electronic components, lower depreciation and other fixed costs in the Group's LSI device business as a result of structural reforms, in addition to the completion, in the previous fiscal year, of the amortization of unrecognized obligation for retirement benefits in accordance with new accounting standards in fiscal 2000. The gross profit margin improved by 1.2 percentage points compared to fiscal 2009.

Selling, general and administrative expenses were ¥1,124.8 billion ($13,553 million), a decline of ¥23.8 billion from the previous year. Selling, general and administrative expenses declined due to one-time expenses incurred in the previous year as a result of the conversion of Fujitsu Technology Solutions (Holding) B.V. into a wholly-owned subsidiary, along with the transfer of the HDD business and appreciation of the yen. Research and development expenses including selling, general and administrative expenses rose ¥11.2 billion compared with the previous year to ¥236.2 billion ($2,846 million). Although expenses related to the development of mobile phone base stations declined as LTE*[1] commercial services began, development expenses for cloud services, smartphones and other products increased. The ratio of R&D expenses to sales increased from 4.8% in the previous year to 5.2%.

*[1] An abbreviation for Long Term Evolution, a next-generation standard for high-speed mobile communications which improves upon the third-generation (3G) standard.

As a result, operating income was ¥132.5 billion ($1,598 million), an increase of ¥38.2 billion compared to fiscal 2009. The operating income margin improved 0.9 of a percentage point year-on-year, to 2.9%, chiefly due to improved profitability from structural reforms in the LSI business, and the Group-wide cost-reduction measures.

The Group strives to minimize the impact of currency exchange rate fluctuations on earnings. During fiscal 2010, fluctuations in currency exchange rates had the effect of lowering operating income by approximately ¥24.0 billion relative to the previous year. For fiscal 2010, a one yen (¥1) fluctuation in the currency exchange rate translated into an impact on operating income of approximately ¥0.9 billion for the U.S. dollar, ¥0.2 billion for the euro, and ¥0.1 billion for the British pound.

## Other Income (Expenses), Net Income and Comprehensive Income

Other income (expenses) totaled a loss of ¥30.3 billion ($366 million). The financial balance (interest income plus dividend income minus interest charges) was negative ¥5.6 billion ($68 million), an improvement of ¥2.6 billion compared to the previous year due to a decline in interest-bearing loans and other factors. Net loss on foreign exchange, however, increased by ¥6.8 billion to a loss of ¥11.0 billion ($133 million) due to appreciation of the yen. A gain on sales of investment securities of ¥9.3 billion ($113 million) was booked as other income from the sale of shares in affiliates owned by a UK subsidiary. The Group recorded ¥11.6 billion ($140 million) in loss on disaster as other expenses, covering the costs of restoring plant and equipment damaged in the Great East Japan Earthquake, along with fixed costs during temporary plant shutdowns and the disposal loss on inventories. Other expenses also included a loss of ¥4.1 billion ($50 million) on adjustment for adoption of accounting standard for asset retirement obligations, representing the cost of applying the standard to past years.

The Great East Japan Earthquake caused damage to some of the buildings and production equipment at manufacturing plants for LSI devices, x86 servers and PCs, network products and mobile phones. Operations at some of these plants were also suspended due to a temporary lack of electricity, water, gas and other critical infrastructure. As of April 20, 2011, operations at all affected plants had been fully restored.

(Manufacturing Plants Affected by Great East Japan Earthquake)

LSI Devices
Fujitsu Semiconductor Limited
Five plants including the Iwate Plant (Kanegasaki-cho, Isawa-gun, Iwate Prefecture, Japan)

x86 Server/PC
Fujitsu Isotec Limited
Head Office Plant (Date-shi, Fukushima Prefecture, Japan)

Network Product/Mobile Phone
Fujitsu Limited
Nasu Plant (Otawara-shi, Tochigi Prefecture, Japan), Oyama Plant (Oyama-shi, Tochigi Prefecture, Japan)

Power Supply Equipment
Fujitsu Telecom Networks Limited
Furudono Plant (Furudono-cho, Ishikawa-gun, Fukushima Prefecture, Japan)

The Company reported consolidated net income of ¥55.0 billion ($664 million), representing a decrease of ¥37.9 billion from fiscal 2009. Although operating income increased ¥38.2 billion year-on-year, income before income taxes and minority interests declined ¥10.4 billion to ¥102.2 billion ($1,232 million) as a result of the gain on sales of investment securities of ¥89.6 billion posted as other income in the previous year for the sales of shares of FANUC Ltd. and other securities. Income taxes increased ¥32.4 billion year-on-year to ¥48.1 billion ($580 million). The income tax rate against income before income taxes and minority interests increased to 47% compared with 14% in the previous year, when the gain on sales of investment securities increased the amount of recoverable deferred tax assets, leading to a reversal of the valuation allowance. Minority interests totaled a loss of ¥1.0 billion ($12 million), a deterioration of ¥4.8 billion due to worsening performance of a subsidiary developing, manufacturing and selling automotive equipment.

The Group views profitability and efficiency of invested capital in businesses as important management indicators. For fiscal 2010, the return on equity, calculated by dividing net income by average owners' equity, was 6.8%, a decline of 5.2 percentage points from the previous fiscal year.

Other comprehensive income totaled a loss of ¥15.2 billion ($184 million), primarily as a result of a foreign currency translation adjustments loss stemming from the ongoing appreciation of the yen. Because the Group's global business development primarily revolves around service businesses, foreign currency fluctuations in the value of the net assets of subsidiaries outside Japan are recorded in other comprehensive income. As a result of the fiscal 2009 sale of shares in FANUC Ltd., the impact of stock price fluctuations on the unrealized gain and loss on securities, net of taxes, was limited.

Comprehensive income, representing the total of other comprehensive income and income before minority interests, was ¥38.7 billion ($467 million).

## 2. Segment Information

### Information by Operating Segment

#### Change in Segmentation

The Group is pursuing "a business growth strategy based on the acceleration of its globalization" and "the creation of new services businesses to support the realization of a Human Centric Intelligent Society*[2]." On the basis of this management strategy, the company revised its operating segments from fiscal 2010. In addition, from fiscal 2010 the company has implemented "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Statement No. 17, issued March 27, 2009) and "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, issued March 21, 2008).

*[2] A society where all people can benefit from the value created by ICT, without needing to be aware of sophisticated technologies and operations.
Vast amounts of information generated by the behavior of people and organizations can be collected by high-speed, high-capacity wireless networking technologies as well as a variety of information terminals and sensing technologies that are permeating society, including corporate activities and the daily lives of people. This information can be used to make visible the movements of people and things that were, up until now, difficult to track. By analyzing this information through utilizing ICT infrastructure, such as cloud platforms and supercomputers, effective data can be generated. As a result, new value and business models can be created. Through new discoveries on the issues facing society as a whole, including healthcare, the global environment, and energy problems, as well as business activities, and through sophisticated human interfaces, the Group is committed to bringing about a prosperous, human-centric society that delivers the benefits of ICT to as many people as possible.

Prior to fiscal 2010, the Group's operating segments consisted of "Technology Solutions," "Ubiquitous Product Solutions," "Device Solutions," and "Other Operations," based on the similarity of the products and services and sales methods. From fiscal 2010, 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. "Other Operations/ Elimination & Corporate" covers items not included in the above three reportable segments, including Japan's Next-Generation Supercomputer project, facility services and the development of information systems for the Group companies, and welfare benefits for Fujitsu Group employees. The main changes in segmentation are described below.

(Car audio and navigation systems, mobile communication equipment, and automotive electronic equipment)
In the "Human Centric Intelligent Society" that the Group is seeking to bring about, car audio and navigation systems will, along with PCs and mobile phones, play an important role as ubiquitous terminals and sensors in collecting and utilizing information and knowledge generated from the patterns of movements of people and organizations. Prior to fiscal 2010, these products were included in the "Other Operations/Elimination & Corporate" segment, but they are now included in the "Ubiquitous Solutions" segment. At the same time, the name of the segment was revised from "Ubiquitous Product Solutions" to "Ubiquitous Solutions."

(Optical transceiver modules, printed circuit boards)
In accordance with the internal management reorganization associated with the segments, a subsidiary manufacturing, developing and selling optical transceiver modules previously included in the "Ubiquitous Product Solutions" segment and a subsidiary manufacturing printed circuit boards previously included in the "Other Operations/Elimination and Corporate" segment are now included in the "Device Solutions" segment.

(HDD business transferred in fiscal 2009)
The HDD business was included in the "Ubiquitous Product Solutions" segment prior to its transfer. Figures for fiscal 2009 were reclassified into the "Other Operations/ Elimination & Corporate" segment for comparison purposes.

#### Sales and Operating Income by Segment

Sales (including intersegment sales) and operating income by segment for fiscal 2010 are shown on the following pages. Due to the changes in segmentation from the current year, figures for fiscal 2009 have been reclassified into the new segments for comparison and analysis purposes.

(Unit: billion yen)

| Years ended March 31 | | 2010 | 2011 | YoY Change | Change (%) |
|---|---|---|---|---|---|
| Technology Solutions | Net sales | 3,129.3 | **3,014.3** | (114.9) | (3.7) |
| | Operating income | 153.5 | **162.8** | 9.2 | 6.0 |
| Ubiquitous Solutions | Net sales | 1,119.6 | **1,125.6** | 5.9 | 0.5 |
| | Operating income | 40.6 | **22.6** | (18.0) | (44.3) |
| Device Solutions | Net sales | 589.0 | **630.6** | 41.5 | 7.0 |
| | Operating income | (9.0) | **20.9** | 30.0 | — |
| Other Operations/ Elimination & Corporate | Net sales | (158.6) | **(242.2)** | (83.6) | — |
| | Operating income | (90.8) | **(73.9)** | 16.9 | — |
| Consolidated | Net sales | 4,679.5 | **4,528.4** | (151.1) | (3.2) |
| | Operating income | 94.3 | **132.5** | 38.2 | 40.5 |

## 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/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.

Consolidated net sales were ¥3,014.3 billion ($36,318 million), a year-on-year decline of 3.7%. Excluding the impact of exchange rate fluctuations, sales were on par with fiscal 2009. Sales in Japan decreased 1%. High-volume production of dedicated servers for the Next-Generation Supercomputer system helped boost sales, but mobile phone base station sales were adversely impacted by the industry entering a transition period prior to the full-fledged deployment of commercial LTE services. In addition, corporate investment constraints continued reaction against yen appreciation and the effect of government policies, despite a rebound in sales in areas of the financial services industry during the second half of the fiscal year. Furthermore, the Great East Japan Earthquake delayed some customer contracts and product shipments. Although sales outside Japan declined 8.1%, the decline mainly results from yen appreciation. In the UK, government fiscal austerity measures adversely impacted. Sales of infrastructure services and x86 servers rose in continental Europe, and sales of optical transmission systems and other equipment in the US achieved steady growth.

The segment posted operating income of ¥162.8 billion ($1,962 million), an increase of ¥9.2 billion compared to fiscal 2009. In Japan, despite lower sales of mobile phone base stations and other equipment, income rose with the completion, in the previous fiscal year, of the amortization of the unrecognized obligation for retirement benefits in accordance with new accounting standards in fiscal 2000. Another positive factor was that development expenses related to mobile phone base stations and other equipment had already peaked in the previous year. Outside Japan, despite the positive impact of the completion in fiscal 2009 of the amortization of goodwill stemming from the acquisition of UK-based ICL PLC (now Fujitsu Services Holdings PLC) and a decrease in expenses associated with retirement benefit obligations of a UK subsidiary, income declined due to reduced services sales to the UK government and a deterioration in the profitability of some projects.

## 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."

Net sales in the segment were ¥1,125.6 billion ($13,562 million), essentially unchanged from fiscal 2009. Excluding the impact of exchange rate fluctuations, sales increased by 3%. Sales in Japan increased 4.6%. Mobile phone sales volume increased due to a merger in the mobile phone business and growth in sales of smartphones. On the other hand, demand for PCs for educational institutes was lower than in the previous fiscal year, and there was a halt in operations at some manufacturing plants due to the earthquake damage. Sales of car audio and navigation systems in the mobilewear sub-segment also decreased, due to a decline in new automobile purchases as the Japanese government's eco-car subsidy expired and to earthquake damage. Sales outside Japan declined 10.3%, but were on par with the previous year when excluding the impact of exchange rate fluctuations. Sales of desktop PCs in Europe grew steadily, but remained anemic in the US and Asia. Sales of mobilewear devices outside Japan were on par with the prior fiscal year.

Operating income was ¥22.6 billion ($273 million), a decrease of ¥18.0 billion compared to the previous fiscal year. In Japan, income was adversely impacted by downward pricing pressure for feature phones*3 in the mobile phone business, as well as an increase of development expenses related to smartphones and other devices. The earthquake and other factors also caused sales of PCs and mobilewear devices to decline. Outside Japan, in fiscal 2009, there was a one-time decrease in expenses due to settlement with a national copyright organization which reduced copyright levies imposed on PC manufacturers. On the other hand, in fiscal 2010, the Group promoted cost reductions and enhanced cost efficiencies.

*3 A standard mobile handset which is distinguishable from smartphones, which have functions of personal digital assistants (PDA) and can be customized like a PC.

Regarding the new company established for the merger of the mobile phone businesses of the Company and Toshiba Corporation, on October 1, 2010, Toshiba completed the transfer of its mobile phone operations to the new company, and upon the Company's acquisition of an 80.1% share of the new company, it commenced operations. The Company's existing mobile phone operations will continue to operate as a part of the Company.

### 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 consisted chiefly of semiconductor packages.

Net sales were ¥630.6 billion ($7,598 million), an increase of 7% compared to fiscal 2009. Excluding the impact of foreign exchange fluctuations, sales increased by 11%. Sales in Japan increased 8.9%. Sales of LSI devices increased due to mass production of CPUs for Japan's Next-Generation Supercomputer system, as well as the recovery in demand for mobile phones and automotive devices. The acquisition of a nickel-hydride battery business also contributed to higher sales of electronic components. Sales outside Japan increased 4.7% and by 13% when excluding the impact of exchange rate fluctuations. Sales of LSI devices in Asia, Europe and the US increased. Despite the transfer of the communications devices business to Taiyo Yuden Co. Ltd. in fiscal 2009, there was an increase in sales of semiconductor packages associated with the expansion of the PC and other markets, primarily in the US. The acquisition of the nickel-hydride battery business also had a positive impact.

Operating income was ¥20.9 billion ($253 million), an improvement of ¥30.0 billion over the previous fiscal year. In Japan, although LSI devices business income was negatively affected by earthquake-related production stoppages, overall income improved as a result of lower fixed overhead costs enabled by realigning production facilities and enhancing efficiencies in administrative operations, as well as the maintenance of a high capacity utilization rate at factories in Japan up until the earthquake. Income in the electronic components business also increased as a result of higher sales and cost reductions. Outside Japan, increased sales and cost reductions in the LSI and electronic components businesses outweighed the negative effects of exchange rate fluctuations and resulted in higher income.

### 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. Fiscal 2009 figures for the HDD business, transferred on October 1, 2009, are included in this category.

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

The category posted an operating loss of ¥73.9 billion ($891 million), representing an improvement of ¥16.9 billion over fiscal 2009.

The improvement was the result of the October 2009 transfer of the loss-generating HDD business, and the loss reserves posted in the previous fiscal year for anticipated expenses associated with the Next-Generation Supercomputer system.

## Geographic Information

One of the Group's management priorities is to increase sales 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.

(Unit: billion yen)

| Years ended March 31 | | 2010 | **2011** | YoY Change | Change (%) |
|---|---|---|---|---|---|
| Japan | Net sales | 3,400.5 | **3,389.2** | (11.3) | (0.3) |
| | Operating income | 166.3 | **215.7** | 49.4 | 29.7 |
| Europe, Middle East, Africa (EMEA) | Net sales | 975.6 | **849.5** | (126.0) | (12.9) |
| | Operating income | (2.6) | **(18.4)** | (15.8) | – |
| The Americas | Net sales | 293.8 | **298.4** | 4.5 | 1.6 |
| | Operating income | 1.8 | **2.6** | 0.8 | 46.9 |
| Asia-Pacific (APAC) & China | Net sales | 505.4 | **405.1** | (100.2) | (19.8) |
| | Operating income | 12.9 | **11.0** | (1.9) | (15.1) |
| Elimination & Corporate | Net sales | (496.0) | **(414.0)** | 81.9 | – |
| | Operating income | (84.1) | **(78.3)** | 5.7 | – |
| Consolidated | Net sales | 4,679.5 | **4,528.4** | (151.1) | (3.2) |
| | Operating income | 94.3 | **132.5** | 38.2 | 40.5 |

### Japan

Net sales amounted to ¥3,389.2 billion ($40,835 million), roughly on par with fiscal 2009. Despite growth in sales of LSI devices and electronic components and the benefits of the Company and Toshiba Corporation mobile phone business merger, sales were impacted by the transfer of the HDD business in the previous fiscal year, as well as lower sales resulting from the Great East Japan Earthquake. Sales of system integration services were sluggish due to continued corporate spending constraints. Operating income in Japan was ¥215.7 billion ($2,599 million), a year-on-year increase of ¥49.4 billion. Income improved as a result of a reduction in retirement benefit expenses, progress in restructuring the LSI devices business, and the positive effect of transferring the loss-generating HDD business.

### EMEA

Net sales amounted to ¥849.5 billion ($10,236 million), down 12.9% from fiscal 2009. Excluding the impact of currency fluctuations, net sales remained on par with the previous fiscal year. Despite growth in x86 server sales in continental Europe, mainly in Germany, overall sales were undercut by the transfer of the HDD business and the impact of UK government fiscal austerity measures on the services business. EMEA recorded an operating loss of ¥18.4 billion ($223 million), a decline of ¥15.8 billion from the previous fiscal year. Despite the benefit of the completion in fiscal 2009 of goodwill amortization stemming from the acquisition of ICL PLC (now Fujitsu Services Holdings PLC) in the UK, the region posted a loss as a result of lower sales to the government in the UK services business, as well as the one-time recognition of upfront costs and other expenses associated with the cancellation of certain long-term services contracts. While retirement benefit costs of a UK subsidiary increased in fiscal 2010 due to higher obligations at the end of the previous fiscal year, pension system revisions led to the recording of one-time gain that exceeded the additional costs.

### The Americas

Net sales were ¥298.4 billion ($3,596 million), an increase of 1.6% from fiscal 2009. Excluding the impact of foreign exchange rate fluctuations, sales increased 8%. In addition to the steady growth of sales of optical transmissions systems, sales of LSI devices, electronic components, and car audio and navigation systems also increased, mainly during the first half of the fiscal year. Although sales of service business to the Canadian government experienced strong sales, demand in the US private sector was slightly decreased. Operating income for the region amounted to ¥2.6 billion ($32 million), an improvement of ¥0.8 billion from fiscal 2009 as a result of higher sales of optical transmissions systems and other factors.

### APAC & China

Net sales were ¥405.1 billion ($4,882 million), a year-on-year decline of 19.8%. Operating income was ¥11.0 billion ($133 million), representing a decrease of ¥1.9 billion over fiscal 2009, reflecting the transfer of the HDD business and other factors.

## 3. Capital Resources and Liquidity

### Assets, Liabilities and Net Assets

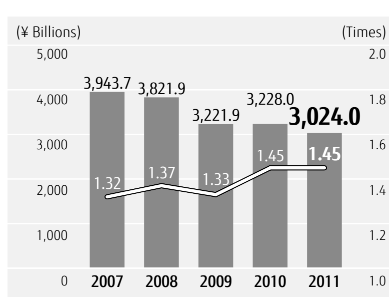
Consolidated total assets at the end of fiscal 2010 were ¥3,024.0 billion ($36,435 million), a decrease of ¥203.9 billion compared to the end of fiscal 2009. Current assets totaled ¥1,760.6 billion ($21,212 million), a decrease of ¥111.3 billion compared to the end of fiscal 2009. The decline was due to the use of cash on hand to redeem corporate bonds along with a decrease in trade receivables due to lower fourth quarter sales following the Great East Japan Earthquake and a decrease in revenue from the services business outside of Japan. Inventories at the end of fiscal 2010 totaled ¥341.4 billion ($4,114 million), up ¥19.1 billion from the end of the previous fiscal year. This increase was attributable to the commencement of full-scale production and delivery of the Next-Generation Supercomputer system and to the effect of the earthquake on primarily the PC and mobile phone businesses. The monthly inventory turnover ratio, which is an indication of asset utilization efficiency, was 1.02 times, a deterioration of 0.02 times from end of the previous fiscal year. Investments and long-term loans were ¥372.8 billion ($4,492 million), a decrease of ¥41.2 billion compared to the end of the preceding fiscal year, partly due to the redemption of investment securities. Property, plant and equipment totaled ¥638.6 billion ($7,694 million), a decline of ¥24.0 billion, and intangible assets totaled ¥251.9 billion ($3,036 million), a decline of ¥27.2 billion. The declines were a result of capital expenditure below the level of depreciation, and appreciation of yen mainly affecting European subsidiaries' figures in consolidation.

Total liabilities were ¥2,070.3 billion ($24,944 million), a decrease of ¥209.3 billion from the end of fiscal 2009. The balance of interest-bearing loans was ¥470.8 billion ($5,673 million), a decrease of ¥106.6 billion from the end of fiscal 2009, due primarily to the redemption of ¥100.0 billion of convertible bonds at maturity mainly in cash on hand. In addition, because of higher company contributions to offset the unrecognized obligation for retirement benefits, accrued retirement benefits decreased ¥24.8 billion from the end of fiscal 2009. Due to repayment of interest-bearing loans, the D/E ratio was 0.57 times, an improvement of 0.15 percentage point compared to the end of fiscal 2009, and the net D/E ratio dropped to 0.14 times, an improvement of 0.06 percentage point compared to the end of the preceding fiscal year. Both the D/E ratio and the net D/E ratio marked the lowest levels historically attained by the Group.

Net assets were ¥953.7 billion ($11,491 million), an increase of ¥5.4 billion from the end of the previous fiscal year. Despite a ¥17.1 billion decrease in minority interests in conjunction with the conversion of PFU Limited into a wholly owned subsidiary and a ¥15.4 billion decrease in accumulated other comprehensive income due to foreign currency translation adjustments in line with yen appreciation, shareholders' equity increased ¥38.0 billion from the end of fiscal 2009 because of the net income recorded in fiscal 2010. The owners' equity ratio was 27.2%, an increase of 2.5 percentage points over the end of fiscal 2009.

Regarding the unrecognized obligation for retirement benefits*4, the level in Japan increased by ¥38.6 billion year on year, to ¥315.2 billion ($3,798 million) at the end of fiscal 2010, due to worsened performance of pension plan assets under management. Outside Japan,

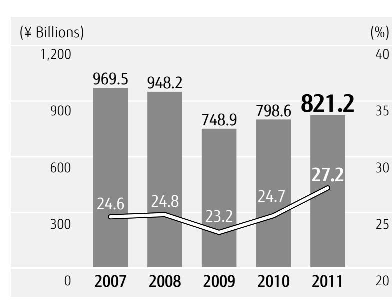
Total Assets/
Total Assets Turnover Ratio*




■ Total Assets (Left Scale)
⊂⊃ Total Assets Turnover Ratio (Right Scale)

* Net Sales divided by Average Total Assets

Owners' Equity/Owners' Equity Ratio




■ Owners' Equity (Left Scale)
⊂⊃ Owners' Equity Ratio (Right Scale)

the level declined by ¥35.7 billion to ¥74.3 billion ($895 million). In addition, the future minimum lease payment required under non-cancelable operating leases at the end of fiscal 2010 decreased by ¥12.4 billion from the end of fiscal 2009 to ¥85.6 billion ($1,032 million).

*4 Unrecognized obligations consist primarily of unrecognized actuarial losses. "Actuarial losses" refer to disparities that occur chiefly as the result of differences between expected and actual returns from pension plan assets under management, differences between the estimates used for the actuarial calculation of retirement benefit obligations and actual obligations, and changes in estimates. Of these differences, those that have not yet been expensed are referred to as "unrecognized actuarial losses." The Group expenses actuarial losses that arise over the average remaining service period of its employees.

## Condensed Consolidated Balance Sheets

(Unit: billion yen)

| As of March 31 | 2010 | **2011** | YoY Change |
|---|---|---|---|
| Assets | | | |
| Current assets | 1,871.9 | **1,760.6** | (111.3) |
| Investments and long-term loans | 414.1 | **372.8** | (41.2) |
| Property, plant and equipment | 662.7 | **638.6** | (24.0) |
| Intangible assets | 279.2 | **251.9** | (27.2) |
| Total assets | 3,228.0 | **3,024.0** | (203.9) |
| Liabilities | | | |
| Current liabilities | 1,560.0 | **1,507.8** | (52.2) |
| Long-term liabilities | 719.6 | **562.5** | (157.1) |
| Total liabilities | 2,279.6 | **2,070.3** | (209.3) |
| Net assets | | | |
| Shareholders' equity | 865.8 | **903.9** | 38.0 |
| Accumulated other comprehensive income | (67.1) | **(82.6)** | (15.4) |
| Minority interests in consolidated subsidiaries | 149.6 | **132.4** | (17.1) |
| Total net assets | 948.3 | **953.7** | 5.4 |
| Total liabilities and net assets | 3,228.0 | **3,024.0** | (203.9) |
| Cash and cash equivalents at end of year | 420.1 | **358.5** | (61.5) |
| Interest-bearing loans | 577.4 | **470.8** | (106.6) |
| Net interest-bearing loans | 157.2 | **112.2** | (45.0) |
| Owners' equity | 798.6 | **821.2** | 22.5 |

Notes: Year-end balance of cash and cash equivalents: Cash and time deposits + Investment securities – Time deposits and investment securities with a maturity of greater than three months
Year-end balance of interest-bearing loans: Short-term borrowings and current portion of bonds payable (Current liabilities) + Long-term borrowings and bonds payable (Non-current liabilities)
Net debt (Interest-bearing loans – cash and cash equivalents)
Owners' equity: Net assets – Subscription rights to shares – Minority interests in consolidated subsidiaries

## Reference: Financial Indicators

(Unit: billion yen)

| Years ended March 31 | 2010 | **2011** | YoY Change |
|---|---|---|---|
| Inventories | 322.3 | **341.4** | 19.1 |
| [inventory turnover ratio] | [14.88] | **[13.65]** | [(1.23)] |
| [Monthly inventory turnover rate] | [1.04] | **[1.02]** | [(0.02)] |
| Shareholders' equity ratio | 26.8% | **29.9%** | 3.1% |
| Owners' equity ratio (%) | 24.7% | **27.2%** | 2.5% |
| D/E ratio (times) | 0.72 | **0.57** | (0.15) |
| Net D/E ratio (times) | 0.20 | **0.14** | (0.06) |

Note: Inventory turnover ratio: Net sales ÷ {(Beginning balance of inventories + year-end balance of inventories) ÷ 2}
Monthly inventory turnover: Net sales ÷ Average inventories during period* ÷ 12
Shareholders' equity ratio: Shareholders' equity ÷ Total assets
Owners' equity ratio: (Net assets – Subscription rights to shares – Minority interests in consolidated subsidiaries) ÷ Total assets
D/E ratio: Interest-bearing loans ÷ Owners' equity
Net D/E ratio: Net debt (Interest-bearing loans – cash and cash equivalents) ÷ Owners' equity

* Average inventories during period are calculated as the average of the ending balance of inventories for each of the four quarters of the fiscal year.

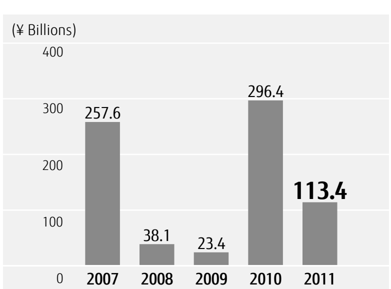
## Cash Flows

Net cash flows provided by operating activities during fiscal 2010 were ¥255.5 billion ($3,079 million), a year-on-year decrease of ¥39.8 billion. The decrease was the result of an increase in inventories stemming from the initiation of full-scale production and delivery of the Next-Generation Supercomputer system and the effect of the earthquake. Other factors were the payment during fiscal 2010 of costs associated with both the restructuring initiatives in the services business in Europe and a settlement with a German copyright organization on royalty payments related to the personal reproduction of copyrighted materials by PC users from the previous year.

Net cash used in investing activities was ¥142.1 billion ($1,712 million). Although there was cash inflow from the sale of investment securities and from the final sale of shares in conjunction with the transfer of the HDD business in the prior fiscal year, there were outflows of ¥122.2 billion ($1,473 million) for the acquisition of property, plant and equipment, primarily for use in outsourcing services, and ¥59.6 billion ($719 million) for the acquisition of intangible assets, resulting in higher cash outflows of ¥143.1 billion compared with the previous fiscal year. During fiscal 2009, there was an inflow of ¥116.8 billion from the sale of investment securities, including shares in FANUC Ltd., in accordance with FANUC's solicitation to repurchase its shares, an inflow of ¥50.4 billion in conjunction with the conversion of Fujitsu Technology Solutions (Holding) B.V. and FDK Corporation into consolidated subsidiaries and the aggregation of the companies' cash and cash equivalents, and an inflow of ¥17.5 billion in line with the transfer of the HDD and other business.

Free cash flow (the sum of cash flows from operating and investing activities) was positive ¥113.4 billion ($1,367 million), representing a decrease of ¥182.9 billion year on year. Excluding one-time items, such as proceeds from sales of investment securities, free cash flow decreased by ¥38.2 billion.

Free Cash Flow




(Years ended March 31)



FACTS & FIGURES

Net cash used in financing activities was ¥166.9 billion ($2,011 million). Although the company issued ¥50.0 billion in straight bonds in October 2010 to cover the redemption of ¥50.0 billion in straight bonds maturing in November 2010, the company also redeemed ¥100.0 billion in convertible bonds maturing in fiscal 2010, primarily in cash on hand. Moreover, in addition to year-end and interim dividend payments of ¥23.1 billion in line with the increase in dividends from the prior fiscal year, there was also a payment of ¥9.4 billion for the acquisition of shares from minority shareholders in conjunction with the conversion of PFU Limited into a wholly owned subsidiary. Compared to fiscal 2009, when ¥300.0 billion in corporate bonds was redeemed, there was a decrease in outflows of ¥238.3 billion.

As a result of the above factors, cash and cash equivalents at the end of fiscal 2010 totaled ¥358.5 billion ($4,320 million), down ¥61.5 billion from a year earlier.

To ensure efficient fund procurement when the need for funds arises, the Company 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, 2011, the Group had liquidity of ¥561.3 billion ($6,763 million), of which ¥358.5 billion ($4,320 million) was cash and cash equivalents and ¥202.7 billion ($2,443 million) was the yen value of unused commitment lines.

To raise funds from global capital markets, the Company 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, 2011, the Company had bond ratings (long-term/short-term) of A3 (long-term) from Moody's, A– (long-term) from S&P, and A+ (long-term) and a-1 (short-term) from R&I.

### Condensed Consolidated Statements of Cash Flows

(Units: billion yen)

| Fiscal year ended March 31 | 2010 | **2011** | YoY Change |
|---|---|---|---|
| I Cash flows from operating activities | 295.3 | **255.5** | (39.8) |
| II Cash flows from investing activities | 1.0 | **(142.1)** | (143.1) |
| I+II Free cash flow | 296.4 | **113.4** | (182.9) |
| [Excluding one-time items] | [111.6] | **[73.3]** | [(38.2)] |
| III Cash flows from financing activities | (405.3) | **(166.9)** | 238.3 |
| IV Cash and cash equivalents at end of year | 420.1 | **358.5** | (61.5) |

Note: "Free cash flow excluding one-time items" refers to free cash flow excluding proceeds from sales of investment securities, transfer of businesses and purchase of shares in subsidiaries.

## 4. Capital Expenditure

In fiscal 2010, capital expenditure totaled ¥130.2 billion ($1,569 million), an increase of 3.0% from ¥126.4 billion spent in the previous fiscal year. In the Technology Solutions segment, capital expenditures totaled ¥67.2 billion ($810 million) for expansion of datacenters in Japan, including the opening of the Yokohama datacenter, along with datacenters in Australia and other regions outside Japan. In the Ubiquitous Solutions segment, the Group spent ¥15.5 billion ($188 million), mainly for new models of PC and mobile phone, along with manufacturing facilities for car audio and navigation systems. In the Device Solutions segment, expenditures totaled ¥39.4 billion ($475 million), mainly for LSI device manufacturing facilities and facilities to increase production of electronic components.

## 5. Consolidated Subsidiaries

As of the end of fiscal 2010, the number of consolidated subsidiaries in Japan totaled 198, and the number outside Japan totaled 337, for a total of 535 subsidiaries, down five from 540 subsidiaries in fiscal 2009.

The number of affiliated companies accounted for by the equity method as of the fiscal year-end totaled 15, five less than a year earlier.

## 6. Critical Accounting Policies and Estimates

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Financial Instruments and Exchange Law of Japan. The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the amount of the assets, liabilities, contingent assets and contingent liabilities reported at the end of the fiscal year, as well as the amount of revenue and expenses recognized during that term. Actual results may differ from these estimates. 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.

### Revenue Recognition

Revenue from sales of ICT systems and products, excluding customized software under development contracts, is recognized upon acceptance by the customers, whereas revenue from sales of personal computers, other peripheral equipment and electronic devices is recognized when the products are delivered to the customers. Revenue from customized software under development contracts is recognized on a percentage-of-completion basis.

The Group stringently assesses the potential revenue recoverable on projects for which estimated costs have exceeded estimated revenue, and recognizes the amounts assessed as non-recoverable as losses. If the estimated costs relating to such contracts increase further in the future, additional losses may be recognized.

### Inventories

Inventories are carried at the acquisition cost. However, should the net realizable value ("NRV") at the fiscal year-end fall below that of the acquisition cost, inventories are subsequently listed based on the NRV, with the difference in value between the acquisition cost and the NRV, in principle, booked as cost of sales. Inventories 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 compared to forecasts.

**Property, Plant and Equipment:**
Depreciation for property, plant and equipment is computed principally 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 recognized as shorter than their originally estimated useful lives. As such, there is a risk that depreciation expenses 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.

**Software**
Computer software for sale is amortized by a method based on projected sales volume over the estimated life. Computer software for internal use is amortized by the straight-line method over the useful life. Should actual sales volumes fail to meet initial projected volumes, or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses may increase.

**Goodwill**
Goodwill arising from the acquisition of a business, including those purchased by consolidated subsidiaries, is amortized by the straight-line method over the period corresponding to the premium of the acquired business. Losses may be recognized if the profitability of the acquired business decreases, or if the Group withdraws from or sells the business during the period the Group expected the return.

**Marketable Securities**
Held-to-maturity investments are stated at amortized cost, while available-for-sale securities with market value are carried at fair market value as of the balance sheet date. Available-for-sale securities without market value are carried at cost based on the moving-average method. Fluctuations in the value of available-for-sale securities with market value cause fluctuations in the carrying value of investment securities, resulting in increases or decreases in net assets. Impairment loss is recognized on available-for-sale securities when the market value or the net worth falls significantly and is considered to be unrecoverable. If a significant decline in market value or net worth occurs and is expected to be unrecoverable in the future, additional impairment losses may need to be recognized.

**Deferred Tax Assets**
The Group records an appropriate balance of deferred tax assets against losses carried forward and temporary differences. Future increases or decreases in the balance of deferred tax assets may occur if projected taxable income decreases or increases as a result of trends in future business results. In addition, changes in the effective tax rate due to future revisions to taxation systems could result in increases or decreases of deferred tax assets.

**Provision for Product Warranties**
Some of the Group's products are covered by contracts that require the Group to repair or exchange them free of charge during a set period of time. Based on past records, the Group recognizes a provision for estimated repair and exchange expenses at the time of sale. 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.

**Provision for Construction Contract Losses**
The Group records provisions for projected losses on customized software under development contracts and construction contracts that show an acute deterioration in profitability as of the fiscal year-end. 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 a project (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.

**Retirement Benefits**
Retirement benefit costs and obligations are determined based on certain actuarial assumptions. These assumptions include the discount rate, rates of retirement, mortality rates, and the expected rate of return on the plan assets. In the event an actuarial loss arises, the actuarial loss is amortized using a straight-line method over employees' average remaining service period. When actual results differ from the assumptions or when the assumptions are changed, retirement benefit costs and obligations can be affected.

**Provision for Loss on Repurchase of Computers**
Certain computers manufactured by the Group are sold to Japan Electronic Computer Co., Ltd. (JECC) and other leasing companies. Contracts with these companies require the buyback of the computers once lease contracts are terminated. An estimated amount for the loss arising from such buybacks is provided at the time of sale and is recorded as a provision. Any future changes in the usage trends of end-users may result in additions or reductions to the provision.

# CONSOLIDATED BALANCE SHEETS

Fujitsu Limited and Consolidated Subsidiaries

| At March 31 | Notes | Yen (millions) 2010 | Yen (millions) 2011 | U.S. Dollars (thousands) (Note 2) 2011 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | 12, 13 | ¥ 420,166 | **¥ 358,593** | **$ 4,320,398** |
| Short-term investments | 12, 13 | 7,794 | **6,101** | **73,506** |
| Receivables, trade | 12, 15 | 921,349 | **877,069** | **10,567,096** |
| Allowance for doubtful accounts | 12 | (15,924) | **(14,781)** | **(178,084)** |
| Inventories | 3 | 322,301 | **341,438** | **4,113,711** |
| Others | 9 | 216,294 | **192,207** | **2,315,746** |
| Total current assets | | 1,871,980 | **1,760,627** | **21,212,373** |
| **Investments and long-term loans:** | | | | |
| Affiliates | 12 | 36,770 | **37,532** | **452,193** |
| Others | 8, 9, 12, 13 | 377,353 | **335,338** | **4,040,217** |
| Total investments and long-term loans | | 414,123 | **372,870** | **4,492,410** |
| **Property, plant and equipment:** | 4, 5, 7 | | | |
| Land | | 119,530 | **117,481** | **1,415,434** |
| Buildings | | 801,744 | **817,816** | **9,853,205** |
| Machinery and equipment | | 1,629,060 | **1,492,627** | **17,983,458** |
| Construction in progress | | 21,924 | **16,413** | **197,746** |
| | | 2,572,258 | **2,444,337** | **29,449,843** |
| Less accumulated depreciation | | (1,909,523) | **(1,805,695)** | **(21,755,361)** |
| Property, plant and equipment, net | | 662,735 | **638,642** | **7,694,482** |
| **Intangible assets:** | 5 | | | |
| Software | | 139,546 | **135,118** | **1,627,928** |
| Goodwill | 6 | 93,945 | **80,083** | **964,855** |
| Others | | 45,722 | **36,757** | **442,856** |
| Total intangible assets | | 279,213 | **251,958** | **3,035,639** |
| **Total assets** | | ¥ 3,228,051 | **¥ 3,024,097** | **$ 36,434,904** |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

| At March 31 | Notes | Yen (millions) 2010 | 2011 | U.S. Dollars (thousands) (Note 2) 2011 |
|---|---|---|---|---|
| **Liabilities and net assets** | | | | |
| **Liabilities** | | | | |
| **Current liabilities:** | | | | |
| Short-term borrowings and current portion of long-term debt | 7, 12 | ¥ 220,457 | **¥ 225,554** | **$ 2,717,518** |
| Lease obligation | 5, 12 | 29,790 | **24,470** | **294,819** |
| Payables, trade | 12, 15 | 626,986 | **604,264** | **7,280,289** |
| Accrued expenses | 12 | 334,458 | **323,144** | **3,893,301** |
| Accrued income taxes | 9 | 26,728 | **23,617** | **284,542** |
| Provision for product warranties | | 25,429 | **25,254** | **304,265** |
| Provision for construction contract losses | | 24,575 | **21,392** | **257,735** |
| Provision for bonuses to board members | | 93 | **125** | **1,506** |
| Others | 9 | 271,537 | **259,988** | **3,132,386** |
| Total current liabilities | | 1,560,053 | **1,507,808** | **18,166,361** |
| **Long-term liabilities:** | | | | |
| Long-term debt | 7, 12 | 356,986 | **245,269** | **2,955,048** |
| Lease obligation | 5, 12 | 39,509 | **26,775** | **322,590** |
| Accrued retirement benefits | 8 | 206,404 | **181,572** | **2,187,614** |
| Provision for loss on repurchase of computers | | 23,514 | **16,320** | **196,627** |
| Provision for product warranties | | 3,585 | **2,207** | **26,590** |
| Provision for recycling expenses | | 5,550 | **6,363** | **76,663** |
| Others | 9 | 84,077 | **84,004** | **1,012,097** |
| Total long-term liabilities | | 719,625 | **562,510** | **6,777,229** |
| **Total liabilities** | | 2,279,678 | **2,070,318** | **24,943,590** |
| **Net assets** | | | | |
| **Shareholders' equity:** | | | | |
| Common stock | 10 | 324,625 | **324,625** | **3,911,145** |
| Capital surplus | | 235,985 | **236,437** | **2,848,639** |
| Retained earnings | | 307,964 | **343,072** | **4,133,397** |
| Treasury stock, at cost | | (2,723) | **(214)** | **(2,578)** |
| Total shareholders' equity | | 865,851 | **903,920** | **10,890,603** |
| **Accumulated other comprehensive income:** | | | | |
| Unrealized gain and loss on securities, net of taxes | | 16,006 | **13,564** | **163,422** |
| Deferred gains or losses on hedges and others, net of taxes | | 2,300 | **2,817** | **33,940** |
| Foreign currency translation adjustments | | (85,495) | **(99,057)** | **(1,193,458)** |
| Total accumulated other comprehensive income | | (67,189) | **(82,676)** | **(996,096)** |
| **Subscription rights to shares** | | 53 | **76** | **915** |
| **Minority interests in consolidated subsidiaries** | | 149,658 | **132,459** | **1,595,892** |
| **Total net assets** | | 948,373 | **953,779** | **11,491,314** |
| Commitments and contingent liabilities | 11 | | | |
| **Total liabilities and net assets** | | ¥3,228,051 | **¥3,024,097** | **$36,434,904** |

# CONSOLIDATED INCOME STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

| Years ended March 31 | Notes | Yen (millions) 2010 | 2011 | U.S. Dollars (thousands) (Note 2) 2011 |
|---|---|---|---|---|
| **Net sales** | 19 | ¥4,679,519 | **¥4,528,405** | **$54,559,096** |
| **Operating costs and expenses:** | | | | |
| Cost of sales | | 3,436,412 | **3,270,923** | **39,408,711** |
| Selling, general and administrative expenses | 17 | 1,148,734 | **1,124,888** | **13,552,867** |
| | | 4,585,146 | **4,395,811** | **52,961,578** |
| **Operating income** | 19 | 94,373 | **132,594** | **1,597,518** |
| **Other income (expenses):** | | | | |
| Interest income | | 4,239 | **2,723** | **32,807** |
| Dividend income | | 3,778 | **3,398** | **40,940** |
| Interest charges | | (16,321) | **(11,728)** | **(141,301)** |
| Equity in earnings of affiliates, net | | 2,805 | **3,804** | **45,831** |
| Other, net | 17 | 23,832 | **(28,555)** | **(344,036)** |
| | | 18,333 | **(30,358)** | **(365,759)** |
| **Income before income taxes and minority interests** | | 112,706 | **102,236** | **1,231,759** |
| **Income taxes:** | 9 | | | |
| Current | | 27,059 | **35,057** | **422,373** |
| Deferred | | (11,283) | **13,122** | **158,097** |
| | | 15,776 | **48,179** | **580,470** |
| **Income before minority interests** | | 96,930 | **54,057** | **651,289** |
| **Minority interests in income (loss) of consolidated subsidiaries** | | 3,845 | **(1,035)** | **(12,470)** |
| **Net income** | | ¥ 93,085 | **¥ 55,092** | **$ 663,759** |

| | Notes | Yen 2010 | 2011 | U.S. Dollars (Note 2) 2011 |
|---|---|---|---|---|
| **Amounts per share of common stock:** | | | | |
| Basic earnings | 16 | ¥45.21 | **¥26.62** | **$0.321** |
| Diluted earnings | 16 | 42.17 | **25.75** | **0.310** |
| Cash dividends | | 8.00 | **10.00** | **0.120** |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fujitsu Limited and Consolidated Subsidiaries

| Years ended March 31 | Yen (millions) 2010 | 2011 | U.S. Dollars (thousands) (Note 2) 2011 |
|---|---|---|---|
| **Income before minority interests** | ¥ 96,930 | **¥ 54,057** | **$ 651,289** |
| **Other comprehensive income:** | | | |
| Unrealized gain and loss on securities, net of taxes | (35,793) | **(2,495)** | **(30,060)** |
| Deferred gains or losses on hedges and others, net of taxes | (2,934) | **63** | **759** |
| Foreign currency translation adjustments | 4,153 | **(11,989)** | **(144,446)** |
| Share of other comprehensive income of associates accounted for using the equity method | 228 | **(846)** | **(10,193)** |
| Total other comprehensive income | (34,346) | **(15,267)** | **(183,940)** |
| **Comprehensive income** | ¥ 62,584 | **¥ 38,790** | **$ 467,349** |
| Attributable to: | | | |
| Owners of the parent | ¥ 59,847 | **¥ 40,954** | **$ 493,422** |
| Minority interests | 2,737 | **(2,164)** | **(26,072)** |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Note: Effective the year ended March 31, 2011, the Group has adopted the "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan, Statement No. 25).

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fujitsu Limited and Consolidated Subsidiaries

Yen (millions)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Unrealized gain and loss on securities, net of taxes | Deferred gains or losses on hedges and others, net of taxes | Foreign currency translation adjustments | Subscription rights to shares | Minority interests in consolidated subsidiaries | Total net assets |
| Balance at March 31, 2009 | ¥ 324,625 | ¥ 236,612 | ¥ 223,797 | ¥ (2,133) | ¥ 782,901 | ¥ 51,661 | ¥ 5,212 | ¥ (90,833) | ¥ 26 | ¥ 176,635 | ¥ 925,602 |
| Effect of changes in accounting policies applied to foreign subsidiaries | | | 999 | | 999 | | | | | | 999 |
| Increase (decrease) during the term: | | | | | | | | | | | |
| Cash dividends from retained earnings | | | (12,399) | | (12,399) | | | | | | (12,399) |
| Net income | | | 93,085 | | 93,085 | | | | | | 93,085 |
| Purchase of treasury stock | | | | (22,691) | (22,691) | | | | | | (22,691) |
| Disposal of treasury stock | | (627) | | 22,101 | 21,474 | | | | | | 21,474 |
| Change in scope of consolidation | | | 2,482 | | 2,482 | | | | | | 2,482 |
| Net increase (decrease) during the term, except for items under shareholders' equity | | | | | | (35,655) | (2,912) | 5,338 | 27 | (26,977) | (60,179) |
| Net increase (decrease) during the term | – | (627) | 83,168 | (590) | 81,951 | (35,655) | (2,912) | 5,338 | 27 | (26,977) | 21,772 |
| Balance at March 31, 2010 | ¥ 324,625 | ¥ 235,985 | ¥ 307,964 | ¥ (2,723) | ¥ 865,851 | ¥ 16,006 | ¥ 2,300 | ¥ (85,495) | ¥ 53 | ¥ 149,658 | ¥ 948,373 |
| Increase (decrease) during the term: | | | | | | | | | | | |
| Cash dividends from retained earnings | | | **(20,672)** | | **(20,672)** | | | | | | **(20,672)** |
| Net income | | | **55,092** | | **55,092** | | | | | | **55,092** |
| Purchase of treasury stock | | | | **(145)** | **(145)** | | | | | | **(145)** |
| Disposal of treasury stock | | **452** | | **2,654** | **3,106** | | | | | | **3,106** |
| Change in scope of equity method | | | **720** | | **720** | | | | | | **720** |
| Reversal of revaluation reserve for land | | | **(32)** | | **(32)** | | | | | | **(32)** |
| Net increase (decrease) during the term, except for items under shareholders' equity | | | | | | **(2,442)** | **517** | **(13,562)** | **23** | **(17,199)** | **(32,663)** |
| Net increase (decrease) during the term | **–** | **452** | **35,108** | **2,509** | **38,069** | **(2,442)** | **517** | **(13,562)** | **23** | **(17,199)** | **5,406** |
| Balance at March 31, 2011 | **¥ 324,625** | **¥ 236,437** | **¥ 343,072** | **¥ (214)** | **¥ 903,920** | **¥ 13,564** | **¥ 2,817** | **¥ (99,057)** | **¥ 76** | **¥ 132,459** | **¥ 953,779** |

U.S. Dollars (thousands) (Note 2)

| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Unrealized gain and loss on securities, net of taxes | Deferred gains or losses on hedges and others, net of taxes | Foreign currency translation adjustments | Subscription rights to shares | Minority interests in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at March 31, 2010 (in U.S. Dollars) | $3,911,145 | $2,843,193 | $3,710,410 | $(32,807) | $10,431,941 | $192,843 | $27,711 | $(1,030,060) | $639 | $1,803,108 | $11,426,182 |
| Increase (decrease) during the term: | | | | | | | | | | | |
| Cash dividends from retained earnings | | | **(249,061)** | | **(249,061)** | | | | | | **(249,061)** |
| Net income | | | **663,759** | | **663,759** | | | | | | **663,759** |
| Purchase of treasury stock | | | | **(1,747)** | **(1,747)** | | | | | | **(1,747)** |
| Disposal of treasury stock | | **5,446** | | **31,976** | **37,422** | | | | | | **37,422** |
| Change in scope of equity method | | | **8,675** | | **8,675** | | | | | | **8,675** |
| Reversal of revaluation reserve for land | | | **(386)** | | **(386)** | | | | | | **(386)** |
| Net increase (decrease) during the term, except for items under shareholders' equity | | | | | | **(29,421)** | **6,229** | **(163,398)** | **276** | **(207,216)** | **(393,530)** |
| Net increase (decrease) during the term | **–** | **5,446** | **422,987** | **30,229** | **458,662** | **(29,421)** | **6,229** | **(163,398)** | **276** | **(207,216)** | **65,132** |
| Balance at March 31, 2011 (in U.S. Dollars) | **$3,911,145** | **$2,848,639** | **$4,133,397** | **$ (2,578)** | **$10,890,603** | **$163,422** | **$33,940** | **$(1,193,458)** | **$915** | **$1,595,892** | **$11,491,314** |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS
Fujitsu Limited and Consolidated Subsidiaries

| | | Yen (millions) | | U.S. Dollars (thousands) (Note 2) |
|---|---|---|---|---|
| Years ended March 31 | Notes | 2010 | **2011** | **2011** |
| **Cash flows from operating activities (A):** | | | | |
| Income before income taxes and minority interests | | ¥ 112,706 | **¥ 102,236** | **$ 1,231,759** |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 231,741 | **207,767** | **2,503,217** |
| Impairment loss | | 2,902 | **1,579** | **19,024** |
| Amortization of goodwill | | 23,317 | **15,610** | **188,072** |
| Increase (decrease) in provisions | | (29,831) | **(45,500)** | **(548,193)** |
| Interest and dividend income | | (8,017) | **(6,121)** | **(73,747)** |
| Interest charges | | 16,321 | **11,728** | **141,301** |
| Equity in earnings of affiliates, net | | (2,805) | **(3,804)** | **(45,831)** |
| Loss on disposal of non-current assets | | 10,535 | **7,309** | **88,060** |
| Gain on sales of investment securities, net | | (89,657) | **(9,366)** | **(112,843)** |
| (Increase) decrease in receivables, trade | | 48,937 | **25,687** | **309,482** |
| (Increase) decrease in inventories | | 18,793 | **(22,706)** | **(273,566)** |
| Increase (decrease) in payables, trade | | (23,047) | **(1,718)** | **(20,699)** |
| Other, net | | 15,773 | **13,361** | **160,976** |
| Cash generated from operations | | 327,668 | **296,062** | **3,567,012** |
| Interest and dividends received | | 8,969 | **6,893** | **83,048** |
| Interest paid | | (17,879) | **(11,179)** | **(134,687)** |
| Income taxes paid | | (23,369) | **(36,242)** | **(436,650)** |
| Net cash provided by operating activities | | 295,389 | **255,534** | **3,078,723** |
| **Cash flows from investing activities (B):** | | | | |
| Purchases of property, plant and equipment | | (114,525) | **(122,267)** | **(1,473,096)** |
| Proceeds from sales of property, plant and equipment | | 9,177 | **6,861** | **82,663** |
| Purchases of intangible assets | | (58,825) | **(59,693)** | **(719,193)** |
| Purchases of investment securities | | (23,662) | **(16,029)** | **(193,120)** |
| Proceeds from sales of investment securities | | 116,814 | **35,120** | **423,132** |
| Proceeds from transfer of business | 18 | 17,549 | **4,214** | **50,771** |
| Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation | 18 | 50,416 | **715** | **8,614** |
| Other, net | | 4,076 | **8,971** | **108,084** |
| Net cash provided by (used in) investing activities | | 1,020 | **(142,108)** | **(1,712,145)** |
| **A+B*** | | 296,409 | **113,426** | **1,366,578** |
| **Cash flows from financing activities:** | | | | |
| Increase (decrease) in short-term borrowings | | (80,861) | **7,373** | **88,831** |
| Proceeds from long-term debt | | 82,047 | **63,739** | **767,939** |
| Repayment of long-term debt | | (326,605) | **(174,142)** | **(2,098,096)** |
| Proceeds from sales of treasury stock | | 25 | **24** | **289** |
| Purchase of treasury stock | | (22,691) | **(145)** | **(1,747)** |
| Dividends paid | | (13,842) | **(23,187)** | **(279,361)** |
| Other, net | | (43,383) | **(40,595)** | **(489,096)** |
| Net cash used in financing activities | | (405,310) | **(166,933)** | **(2,011,241)** |
| **Effect of exchange rate changes on cash and cash equivalents** | | (983) | **(8,091)** | **(97,482)** |
| **Net decrease in cash and cash equivalents** | | (109,884) | **(61,598)** | **(742,145)** |
| **Cash and cash equivalents at beginning of year** | | 528,174 | **420,166** | **5,062,241** |
| **Cash and cash equivalents of newly consolidated subsidiaries** | | 1,876 | **25** | **302** |
| **Cash and cash equivalents at end of year** | | ¥ 420,166 | **¥ 358,593** | **$ 4,320,398** |
| **Non-cash investing and financing activities:** | | | | |
| Acquisition of assets under finance leases | | ¥ 20,580 | **¥ 13,171** | **$ 158,687** |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
* This is referred to as "free cash flow" in Management's Discussion and Analysis of Operations.

## 1. Significant Accounting Policies

### (a) Basis of presenting consolidated financial statements and the principles of consolidation

The accompanying consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the regulations under the Financial Instruments and Exchange Law of Japan and accounting principles and practices generally accepted in Japan. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries.

The acquisition of companies is accounted for by the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies.

Investments in affiliates, with minor exceptions, are accounted for by the equity method.

The Company's consolidated subsidiaries outside Japan prepare their financial statements in accordance with IFRS (International Financial Reporting Standards).

However, certain items are adjusted 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 May 17, 2006).

<Changes in accounting principles and practices effective the year ended March 31, 2011>

Effective the year ended March 31, 2011, the Group has adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Statement No. 18, dated March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Guidance No. 21, dated March 31, 2008).

As a result of the adoption of the above accounting standard, operating income decreased by ¥531 million ($6,398 thousand). The difference between the amount of the asset retirements obligations newly recognized as a liability at the beginning of the fiscal year in which the standard was adopted and the amount of asset retirement expenses recognized as an asset was recorded as an expense of ¥4,113 million ($49,554 thousand) in Other income (expenses). As a result, income before income taxes and minority interests decreased by ¥4,644 million ($55,952 thousand).

Effective the year ended March 31, 2011, the Group has adopted the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21, dated December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (Accounting Standards Board of Japan Statement No. 22, dated December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, revision dated December 26, 2008).

### (b) Cash equivalents

Cash equivalents are considered to be short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of fluctuation in value.

### (c) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates.

The assets and liabilities accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Income and expense accounts are translated at the average exchange rate during the year. The resulting translation adjustments are recorded in a separate component of accumulated other comprehensive income as "foreign currency translation adjustments."

### (d) Revenue recognition

Revenue from sales of ICT systems and products excluding customized software under development contracts (the "customized software") is recognized upon acceptance by the customers, whereas, revenue from sales of personal computers, other equipment and electronic devices is recognized when the products are delivered to the customers. Revenue from sales of the customized software is recognized by reference to the percentage-of-completion method.

**(e) Marketable securities**

Marketable securities mainly included in "investments and long-term loans" are classified as either held-to-maturity investments, which are the debt securities that the Group has the positive intent and ability to hold to maturity, or available-for-sale securities, which are "equity securities" or "debt securities not classified as held-to-maturity."

Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premium or accretion of discounts to maturity. The cost of available-for-sale securities sold is calculated by the moving average method.

Available-for-sale securities are carried at fair market value, with the unrealized gains or losses, net of taxes, included in accumulated other comprehensive income.

**(f) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

**(g) Inventories**

Finished goods are mainly stated at cost determined by the moving average method.

Work in process is mainly stated at cost determined by the specific identification method or the average cost method.

Raw materials and supplies are mainly stated at cost determined by the moving average method.

Inventories with lower profitability are written down.

**(h) Property, plant and equipment and depreciation**

Property, plant and equipment, including renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the straight-line method over the estimated useful lives, reflected by the likely period over which the value of the asset can be realized under actual business conditions.

Certain property, plant and equipment are impaired based on consideration of their future usefulness. Accumulated impairment loss is subtracted directly from each asset.

**(i) Intangible assets**

Goodwill, including the goodwill acquired by subsidiaries, representing the premium paid to acquire a business is amortized using the straight-line method over periods not exceeding 20 years as these are periods over which the Group expects to benefit from the acquired business.

Computer software for sale is amortized based on the current year sales units to the projected total products' sales units. Computer software for internal use is amortized by the straight-line method over the estimated useful lives.

Other intangible assets are amortized by the straight-line method over the estimated useful lives of the respective assets.

**(j) Leases**

Assets acquired by lessees in finance lease transactions are recorded in the corresponding asset accounts.

Operating lease payments are recognized as an expense over the lease term.

**(k) Provision for product warranties**

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

**(l) Provision for construction contract losses**

Provision for construction contract losses is the estimated amount of future losses on customized software or construction contracts whose costs are probable to exceed total contract revenues.

**(m) Provision for bonuses to board members**

Provision for the bonuses to board members is recorded based on an estimated amount.

**(n) Retirement benefits**

The Company and the majority of the consolidated subsidiaries have retirement benefit plans.

Under the significant defined benefit plans, the actuarial valuation used to determine the pension costs is the projected unit credit method.

<Changes in accounting principles and practices effective the year ended March 31, 2010>

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries in Japan newly applied “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (Accounting Standards Board of Japan, Statement No. 19, dated July 31, 2008).

This change did not have any impact on operating income and income before income taxes and minority interests for the year ended March 31, 2010.

**(o) Provision for loss on repurchase of computers**

Certain computers manufactured by the Group are sold to Japan Electronic Computer Co., Ltd. (“JECC”) and other leasing companies for leasing to ultimate users under contracts which require the Group to repurchase the computers if they are returned by the users after a certain period. Based on past experience, an estimated amount for the loss arising from such repurchases is provided at the point of sales and is charged to income.

**(p) Provision for recycling expenses**

A provision for anticipated recycling expenses has been made based on the regime for PC recycling enforced in Japan to prepare for recycling expenses incurred upon collection of consumer PCs sold.

**(q) Income taxes**

The Group has mainly adopted the asset and liability method of tax effect accounting in order to recognize income tax effect of all temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes.

**(r) Earnings per share**

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted earnings per share is computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stocks issuable upon the exercise of subscription rights to shares and the conversion of convertible bonds.

**(s) Derivative financial instruments**

The Group uses derivative financial instruments mainly for the purpose of hedging against the risk of fluctuations in foreign exchange rates and interest rates on receivables and payables denominated in foreign currencies.

The hedging instruments consist of forward exchange, option and swap contracts and related complex contracts.

Derivative financial instruments are stated at fair value, and gains or losses on changes in fair values of the hedging instruments are recognized as “Other income (expenses).”

However, gains or losses on changes in fair values of derivative financial instruments, which qualify for deferral hedge accounting, are deferred on the balance sheet until gain or loss on the hedged items are recognized.

## 2. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥83 = US$1, the approximate exchange rate at March 31, 2011.

The U.S. dollar amounts are presented solely for the convenience of readers and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

## 3. Inventories

Inventories at March 31, 2010 and 2011 consist of the following:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Finished goods | ¥145,646 | **¥150,685** | **$1,815,482** |
| Work in process | 100,904 | **112,995** | **1,361,386** |
| Raw materials and supplies | 75,751 | **77,758** | **936,843** |
| Total inventories | ¥322,301 | **¥341,438** | **$4,113,711** |

Amounts above are net of write-downs.

The amounts of write-downs recognized as cost of sales for the years ended March 31, 2010 and 2011 were ¥29,840 million and ¥22,545 million ($271,627 thousand) respectively.

## 4. Property, Plant and Equipment

Changes in property, plant and equipment, net of accumulated depreciation are as follows:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Land | | | |
| Balance at beginning of year | ¥112,834 | **¥119,530** | **$1,440,120** |
| Additions | 45 | **1,505** | **18,133** |
| Impairment loss | 443 | **1,255** | **15,120** |
| Translation differences | (194) | **(525)** | **(6,325)** |
| Other, net | 7,288 | **(1,774)** | **(21,374)** |
| Balance at end of year | ¥119,530 | **¥117,481** | **$1,415,434** |
| Buildings | | | |
| Balance at beginning of year | ¥264,842 | **¥273,133** | **$3,290,759** |
| Additions | 29,952 | **29,101** | **350,614** |
| Depreciation | 24,660 | **23,095** | **278,253** |
| Impairment loss | 1,177 | **25** | **301** |
| Translation differences | (121) | **(2,375)** | **(28,614)** |
| Other, net | 4,297 | **1,105** | **13,313** |
| Balance at end of year | ¥273,133 | **¥277,844** | **$3,347,518** |
| Machinery and equipment | | | |
| Balance at beginning of year | ¥279,838 | **¥248,148** | **$2,989,735** |
| Additions | 96,027 | **105,626** | **1,272,602** |
| Depreciation | 140,158 | **118,603** | **1,428,952** |
| Impairment loss | 856 | **299** | **3,602** |
| Translation differences | (685) | **(3,706)** | **(44,651)** |
| Other, net | 13,982 | **(4,262)** | **(51,349)** |
| Balance at end of year | ¥248,148 | **¥226,904** | **$2,733,783** |
| Construction in progress | | | |
| Balance at beginning of year | ¥ 15,514 | **¥ 21,924** | **$ 264,145** |
| Additions | 82,627 | **60,640** | **730,602** |
| Impairment loss | 413 | **–** | **–** |
| Translation differences | 82 | **(571)** | **(6,880)** |
| Transfers | (75,886) | **(65,580)** | **(790,120)** |
| Balance at end of year | ¥ 21,924 | **¥ 16,413** | **$ 197,747** |
| Total of balance at end of year | ¥662,735 | **¥638,642** | **$7,694,482** |

## 5. Leases

The following is a summary of acquisition cost, accumulated depreciation, book value of leased assets, and minimum lease payments required under finance leases, which were recorded in the corresponding asset accounts, at March 31, 2010 and 2011.

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Acquisition cost | ¥142,392 | **¥108,165** | **$1,303,193** |
| Accumulated depreciation | 88,293 | **68,637** | **826,952** |
| Book value | 54,099 | **39,528** | **476,241** |
| Minimum lease payments required | | | |
| Within one year | 31,315 | **25,611** | **308,566** |
| Over one year but within five years | 36,760 | **24,353** | **293,410** |
| Over five years | 9,054 | **7,630** | **91,928** |
| Total | ¥ 77,129 | **¥ 57,594** | **$ 693,904** |

The following is a summary of future minimum lease payments required under non-cancelable operating leases in the aggregate and for each of the following periods.

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Within one year | ¥20,868 | **¥19,368** | **$ 233,349** |
| Over one year but within five years | 45,950 | **42,692** | **514,362** |
| Over five years | 31,375 | **23,637** | **284,783** |
| Total | ¥98,193 | **¥85,697** | **$1,032,494** |

## 6. Goodwill

An analysis of goodwill is presented below:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Balance at beginning of year | ¥46,508 | **¥93,945** | **$1,131,867** |
| Additions | 69,258 | **1,883** | **22,687** |
| Amortization | 23,317 | **15,610** | **188,072** |
| Translation differences and others | 1,496 | **(135)** | **(1,627)** |
| Balance at end of year | ¥93,945 | **¥80,083** | **$ 964,855** |

## 7. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt at March 31, 2010 and 2011 consist of the following:

### Short-term borrowings

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Short-term borrowings, principally from banks, with a weighted average interest rate of 1.24% at March 31, 2010 and 2011: | | | |
| Secured | ¥ – | **¥ –** | **$ –** |
| Unsecured | 49,885 | **54,148** | **652,386** |
| **Total short-term borrowings (A)** | ¥49,885 | **¥54,148** | **$652,386** |

## Long-term debt (including current portion)

| At March 31 | Yen (millions) 2010 | 2011 | U.S. Dollars (thousands) 2011 |
|---|---|---|---|
| **a) Long-term borrowings** | | | |
| Long-term borrowings, principally from banks and insurance companies, | | | |
| due from 2010 to 2020 with a weighted average interest rate of 1.43% at March 31, 2010: | | | |
| due from 2011 to 2020 with a weighted average interest rate of 1.30% at March 31, 2011: | | | |
| Secured | ¥ 89 | **¥ –** | **$ –** |
| Unsecured | 147,269 | **136,375** | **1,643,072** |
| **Total long-term borrowings** | ¥147,358 | **¥136,375** | **$1,643,072** |
| **b) Bonds and notes** | | | |
| Bonds and notes issued by the Company: | | | |
| Secured | ¥ – | **¥ –** | **$ –** |
| Unsecured | | | |
| unsecured convertible bonds due 2010 | 100,000 | **–** | **–** |
| unsecured convertible bonds due 2011*[1, 2] | 100,000 | **100,000** | **1,204,819** |
| 3.0% unsecured bonds due 2018 | 30,000 | **30,000** | **361,446** |
| 1.05% unsecured bonds due 2010 | 50,000 | **–** | **–** |
| 1.49% unsecured bonds due 2012 | 60,000 | **60,000** | **722,891** |
| 1.73% unsecured bonds due 2014 | 40,000 | **40,000** | **481,928** |
| 0.307% unsecured bonds due 2013 | – | **20,000** | **240,964** |
| 0.42% unsecured bonds due 2015 | – | **30,000** | **361,446** |
| Bonds and notes issued by consolidated subsidiaries, | | | |
| Secured | – | **–** | **–** |
| Unsecured | | | |
| [Japan] | | | |
| zero coupon unsecured convertible bonds due 2013 | 200 | **200** | **2,409** |
| zero coupon unsecured convertible bonds due 2015 | – | **100** | **1,205** |
| **Total bonds and notes** | ¥380,200 | **¥280,300** | **$3,377,108** |
| **Total long-term debt (including current portion) (a+b)** | ¥527,558 | **¥416,675** | **$5,020,180** |
| Current portion (B) | 170,572 | **171,406** | **2,065,132** |
| Non-current portion (C) | 356,986 | **245,269** | **2,955,048** |
| **Total short-term borrowings and long-term debt (including current portion)** | ¥577,443 | **¥470,823** | **$5,672,566** |
| Short-term borrowings and current portion of long-term debt (A+B) | 220,457 | **225,554** | **2,717,518** |
| Long-term debt (excluding current portion) (C) | 356,986 | **245,269** | **2,955,048** |

Convertible bonds are treated solely as liabilities and the conversion option is not recognized as equity in accordance with accounting principles and practices generally accepted in Japan.

*[1] The corresponding interest rates are as follows. The unsecured convertible bonds due 2011 were redeemed at the maturity date (May 31, 2011).

| | Before May 27, 2009 | On and after May 28, 2009 | |
|---|---|---|---|
| Unsecured convertible bonds due 2011 | 1.60% | 0.00% [1.75%] | [ ] represents interest rates if the weighted average share price of 10 consecutive days is below ¥900, and the bonds are redeemed before May 18, 2011. |

*[2] The main details on convertible bonds at March 31, 2011

| | Unsecured convertible bonds due 2011 |
|---|---|
| Date issued | 2007/8/31 |
| Stock to be issued | Common Stock |
| Issue price of subscription rights to shares | Zero |
| Conversion price of the bonds (Yen) | 900 |
| Total issue price (Millions of yen) | 100,000 |
| Total issue price of stock issued by the exercise of subscription rights to shares (Millions of yen) | – |
| Subscription rights to shares granted (%) | 100 |
| Exercisable periods of subscription rights to shares | May 28, 2009 to May 24, 2011 |

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

| Years ending March 31 | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|
| 2012 | ¥171,406 | $2,065,132 |
| 2013 | 77,321 | 931,578 |
| 2014 | 54,126 | 652,121 |
| 2015 | 43,682 | 526,289 |
| 2016 and thereafter | 70,140 | 845,060 |
| Total | ¥416,675 | $5,020,180 |

At March 31, 2011, the Group had committed facility contracts with banks aggregating ¥202,748 million ($2,442,747 thousand) and all of it was unused.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2010 and 2011 are principally presented below:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Property, plant and equipment, net | ¥3,403 | **¥2,563** | **$30,880** |

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under bank transaction agreements which stipulate that, at the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned. These bank transaction agreements further stipulate that the banks have the right to offset deposits at the banks against indebtedness which matures or becomes due prematurely by default owed to the banks.

## 8. Retirement Benefits

The Company and the majority of the consolidated subsidiaries in Japan have unfunded lump-sum retirement plans which, in general, cover all employees who retire before a retirement age prescribed in their internal labor codes. The employees are entitled to the benefits primarily based on their length of service and base salary as of the retirement date.

In addition, the Company and the majority of the consolidated subsidiaries in Japan participate in contributory defined benefit plans which cover substantially all employees. The major contributory defined benefit plan (the "Plan"), which is referred to as the Fujitsu Corporate Pension Fund, entitles employees upon retirement at the normal retirement age to either a lump-sum payment or pension annuity payments for life commencing at age 60, or a combination of both based on their length of service, base salary and the number of years of participation in the Plan. The contributions of the Company and the subsidiaries covered by the Plan and their employees are made to the Fujitsu Corporate Pension Fund which is an external organization.

The Fujitsu Welfare Pension Fund, in which the Company and certain consolidated subsidiaries in Japan participated, received approval of an elimination of the future benefit obligations of the substitutional portion on March 23, 2004, and then received approval of transfer of past benefit obligation of the substitutional portion on September 1, 2005, from the Minister of Health, Labour and Welfare. Accordingly, Fujitsu Welfare Pension Fund changed to the Defined Benefit Corporate Plan based on the Japanese Defined Benefit Corporate Pension Law from the Japanese Welfare Pension Plan based on the Japanese Welfare Pension Insurance Law, and concurrently a part of the pension system was revised.

The majority of the consolidated subsidiaries outside Japan have defined benefit plans and/or defined contribution plans covering substantially all their employees. The major defined benefit pension plans provided outside Japan are the plans that Fujitsu Services Holdings PLC (including its consolidated subsidiaries, "FS") and Fujitsu Technology Solutions B.V. (including its consolidated subsidiaries) provide. The plan provided by FS entitles employees payments based on their length of service and salary. The defined benefit section of the plan was closed to new entrants for the year ended March 31, 2001. New employees are, however, eligible for membership of the defined contribution section of the plan. From the year ended March 31, 2011, FS started to switch future accrual of benefits relevant to the employees participating in the defined benefit section of the plan to the defined contribution section of the plan, and will complete in the year ending March 31, 2012.

The balances of the "Projected benefit obligation and plan assets" and the "Components of net periodic benefit cost" in the plans in both Japan and outside Japan are summarized as follows:

**<In Japan>**

**Projected benefit obligation and plan assets**

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Projected benefit obligation | ¥(1,268,623) | **¥(1,280,145)** | **$(15,423,434)** |
| Plan assets | 934,673 | **905,592** | **10,910,747** |
| Projected benefit obligation in excess of plan assets | (333,950) | **(374,553)** | **(4,512,687)** |
| Unrecognized actuarial loss | 378,619 | **398,681** | **4,803,386** |
| Unrecognized prior service cost (reduced obligation) | (102,041) | **(83,413)** | **(1,004,976)** |
| Prepaid pension cost | (57,142) | **(55,194)** | **(664,988)** |
| Accrued retirement benefits | ¥ (114,514) | **¥ (114,479)** | **$ (1,379,265)** |

As a result of pension revisions, unrecognized prior service cost (reduced obligation) occurred for the year ended March 31, 2006 in Fujitsu Corporate Pension Fund in which the Company and certain consolidated subsidiaries in Japan participate.

**Components of net periodic benefit cost**

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Service cost | ¥ 39,191 | **¥ 38,931** | **$ 469,048** |
| Interest cost | 30,155 | **31,550** | **380,121** |
| Expected return on plan assets | (23,243) | **(26,651)** | **(321,096)** |
| Amortization of unrecognized obligation for retirement benefits: | | | |
| Amortization of net obligation at transition | 16,290 | **–** | **–** |
| Amortization of actuarial loss | 42,953 | **37,355** | **450,060** |
| Amortization of prior service cost | (18,591) | **(18,633)** | **(224,494)** |
| Others*[1] | – | **353** | **4,253** |
| Net periodic benefit cost | 86,755 | **62,905** | **757,892** |
| Loss (gain) on termination of retirement benefit plan | (86) | **1,266** | **15,253** |
| Total | ¥ 86,669 | **¥ 64,171** | **$ 773,145** |

*[1] Contribution for defined contribution plans.

In addition to the net periodic benefit cost stated above, extra retirement benefits of ¥15,939 million and ¥1,279 million ($15,410 thousand) were paid for the years ended March 31, 2010 and 2011, respectively.

**Assumptions used in accounting for the plans**

| At March 31 | 2010 | **2011** |
|---|---|---|
| Discount rate | 2.5% | **2.5%** |
| Expected rate of return on plan assets | 2.9% | **2.9%** |
| Method of allocating actuarial loss | Straight-line method over the employees' average remaining service period | **Straight-line method over the employees' average remaining service period** |
| Method of allocating prior service cost | Straight-line method over 10 years | **Straight-line method over 10 years** |
| Method of allocating net obligation at transition | Straight-line method over 10 years | **–** |

For the year ended March 31, 2001, the Company fully recognized its portion of the unrecognized net obligation at transition as income. For additional plan assets to cover the unrecognized net obligation at transition, the Company placed its holding of marketable securities in a trust which was solely established for the retirement benefit plan.

**<Outside Japan>**

FS adopted International Financial Reporting Standards ("IFRS") for the year ended March 31, 2006, and accounts for retirement benefits in accordance with IAS 19 "Employee Benefits." For this change in accounting principles and practices, FS adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards," and recognized the projected benefit obligation in excess of plan assets as of the beginning of the year ended March 31, 2005. For the year ended March 31, 2009, other subsidiaries outside Japan applied IAS19 in accordance with adoption of IFRS. They recognized actuarial gain or loss over future periods after the adoption of IFRS 1 and applied the "corridor approach" to amortization of actuarial gain and loss.

### Projected benefit obligation and plan assets

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Projected benefit obligation | ¥(592,144) | **¥(534,999)** | **$(6,445,771)** |
| Plan assets | 390,251 | **395,927** | **4,770,205** |
| Projected benefit obligation in excess of plan assets | (201,893) | **(139,072)** | **(1,675,566)** |
| Unrecognized actuarial loss | 110,060 | **74,321** | **895,434** |
| Prepaid pension cost | (57) | **(2,342)** | **(28,217)** |
| Accrued retirement benefits | ¥ (91,890) | **¥ (67,093)** | **$ (808,349)** |

### Components of net periodic benefit cost

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Service cost | ¥ 8,396 | **¥ 8,044** | **$ 96,916** |
| Interest cost | 28,786 | **29,781** | **358,807** |
| Expected return on plan assets | (24,803) | **(26,003)** | **(313,289)** |
| Amortization of the unrecognized obligation for retirement benefit: | | | |
| Amortization of actuarial gain and loss | (151) | **5,838** | **70,337** |
| Amortization of prior service cost*1 | — | **(13,322)** | **(160,506)** |
| Others*2 | 7,557 | **9,774** | **117,759** |
| Net periodic benefit cost | 19,785 | **14,112** | **170,024** |
| Loss (gain) on termination of retirement benefit plan | (2) | **112** | **1,349** |
| Total | ¥ 19,783 | **¥ 14,224** | **$ 171,373** |

*1 As a result of pension revisions, mainly in FS, the negative prior service cost has been recognized immediately. The majority of this credit arises from offering an option whereby future variable increases in line with the fluctuation in prices may be exchanged for a one-off uplift in payments.

*2 Contribution for defined contribution plans.

### Assumptions used in accounting for the plans

| At March 31 | 2010 | **2011** |
|---|---|---|
| Discount rate | Mainly 5.6% | **Mainly 5.6%** |
| Expected rate of return on plan assets | Mainly 7.8% | **Mainly 7.2%** |
| Method of allocating actuarial loss | Straight-line method over the employees' average remaining service period | **Straight-line method over the employees' average remaining service period** |

## 9. Income Taxes

The Group is subject to a number of different income taxes. The statutory income tax rate in the aggregate in Japan was approximately 40.6% for the years ended March 31, 2010 and 2011.

The components of income taxes are as follows:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Current | ¥ 27,059 | **¥35,057** | **$422,373** |
| Deferred | (11,283) | **13,122** | **158,097** |
| Income taxes | ¥ 15,776 | **¥48,179** | **$580,470** |

The reconciliations between the statutory income tax rate and the effective income tax rates for the years ended March 31, 2010 and 2011 are as follows:

| Years ended March 31 | 2010 | **2011** |
|---|---|---|
| Statutory income tax rate | 40.6% | **40.6%** |
| Increase (Decrease) in tax rates: | | |
| Valuation allowance for deferred tax assets | (38.0%) | **7.6%** |
| Goodwill amortization | 8.4% | **6.2%** |
| Tax credit | (1.3%) | **(4.1%)** |
| Non-deductible expenses for tax purposes | 2.7% | **3.5%** |
| Non-taxable income | (0.5%) | **(1.8%)** |
| Tax effect on equity in earnings of affiliates, net | (1.0%) | **(1.5%)** |
| Other | 3.1% | **(3.4%)** |
| Effective income tax rates | 14.0% | **47.1%** |

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2011 are as follows:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Deferred tax assets: | | | |
| Accrued retirement benefits | ¥ 152,967 | **¥ 150,851** | **$ 1,817,482** |
| Tax loss carryforwards | 142,631 | **145,132** | **1,748,579** |
| Excess of depreciation and amortization and impairment loss, etc. | 64,696 | **54,591** | **657,723** |
| Accrued bonus | 41,907 | **43,489** | **523,964** |
| Inventories | 23,977 | **23,081** | **278,084** |
| Loss on revaluation of investment securities | 12,725 | **9,615** | **115,843** |
| Provision for product warranties | 4,959 | **6,250** | **75,301** |
| Provision for loss on repurchase of computers | 8,825 | **6,056** | **72,964** |
| Intercompany profit on inventories and property, plant and equipment | 2,950 | **5,688** | **68,530** |
| Other | 66,567 | **57,224** | **689,446** |
| Gross deferred tax assets | 522,204 | **501,977** | **6,047,916** |
| Less: Valuation allowance | (261,079) | **(256,153)** | **(3,086,181)** |
| Total deferred tax assets | 261,125 | **245,824** | **2,961,735** |
| Deferred tax liabilities: | | | |
| Gains from establishment of stock holding trust for retirement benefit plan | ¥(110,617) | **¥(110,617)** | **$(1,332,735)** |
| Unrealized gains on securities | (10,558) | **(9,639)** | **(116,133)** |
| Tax allowable reserves | (3,444) | **(2,245)** | **(27,048)** |
| Other | (7,448) | **(8,944)** | **(107,759)** |
| Total deferred tax liabilities | (132,067) | **(131,445)** | **(1,583,675)** |
| Net deferred tax assets | ¥ 129,058 | **¥ 114,379** | **$ 1,378,060** |

Net deferred tax assets are included in the consolidated balance sheets as follows:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Current assets–others | ¥ 76,308 | **¥ 76,666** | **$ 923,687** |
| Investments and long-term loans–others | 83,279 | **72,093** | **868,590** |
| Current liabilities–others | (5) | **(50)** | **(602)** |
| Long-term liabilities–others | (30,524) | **(34,330)** | **(413,615)** |
| Net deferred tax assets | ¥129,058 | **¥114,379** | **$1,378,060** |

The Company and its wholly owned subsidiaries in Japan have adopted the consolidated tax return system of Japan.

Tax losses can be carried forward up to 7 years in Japan, 20 years in the United States, and indefinitely in the United Kingdom. Realization depends on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. With respect to deferred tax assets, we recorded a valuation allowance to cover the amount in excess of what we are likely to recover in the future.

## 10. Shareholders' Equity

The number of authorized and issued shares of common stock at March 31, 2010 and 2011 is stated as follows:

**Ordinary shares (no par value)**

| At March 31 | 2010 | **2011** |
|---|---|---|
| The number of authorized shares | 5,000,000,000 | **5,000,000,000** |
| The number of issued shares | 2,070,018,213 | **2,070,018,213** |

## 11. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2011 for purchases of property, plant and equipment were approximately ¥7,585 million ($91,386 thousand).

Contingent liabilities for guarantee contracts amounted to ¥2,927 million ($35,265 thousand) at March 31, 2011 and referred mainly to ¥2,904 million ($34,988 thousand) guarantees given for employees' housing loans.

## 12. Financial Instruments

### 1. Status of Financial Instruments

#### (1) Policies for Financial Instruments

The Group carries out its financial activities in accordance with the "Fujitsu Group Treasury Policy," and primarily obtains funds through bank borrowing 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 dealing purposes.

#### (2) Description and Risks of Financial Instruments

Trade 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. Investment securities are comprised primarily of certificates of deposit and available for sale securities issued by the customers. The certificates of deposit are held for fund management and the shares are held for maintaining and strengthening business relationship with the customers. Shares are exposed to market price fluctuation risk and financial risk of the company invested.

Trade liabilities such as payables, trade 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 lease obligation related to finance lease transactions are mainly for the purpose of obtaining working capital and preparing for capital expenditures. Because some of the foregoing have a floating interest rate, they are exposed to interest rate fluctuation risk.

Derivative transactions consist primarily of the use 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.

### (3) Risk Management of Financial Instruments

(i) Management of 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 and dependable collection of trade receivables. The counterparties to derivative transactions are selected upon assessment of their credit risk. The amounts of the largest credit risks as of the reporting date are indicated in the balance sheet values of the financial assets that are exposed to credit risk.

(ii) Management of Market Risk

The Group utilizes mainly exchange forward contracts in respect to trade receivables and trade liabilities denominated in foreign currencies to mitigate exchange rate fluctuation risk monitored by each currency respectively, currency swap contracts to mitigate the foreign currency exchange rate fluctuation risk of cash flow denominated in foreign currency, and interest swap contracts in respect to borrowings and corporate bonds to mitigate interest rate fluctuation risk. The Group regularly monitors the market price and the financial condition of the issuer in respect to its securities and continuously reconsiders investment in each company, taking into account its relationship with the counterparty.

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 and records them and also 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 chief of the accounting department.

(iii) Management of Liquidity Risk in Financing Activities

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.

### (4) Supplementary explanation of Fair Value of Financial Instruments

The fair value of Financial Instruments is based on the market price, but in case a market price is not available, the fair value is reasonably estimated. As variable factors are incorporated in the estimation of values, values may vary depending on the assumptions used. The contract amount related to derivative transactions under “14. Derivative Financial Instruments” does not express the market risk related to the derivative transactions.

**2. Fair Value of Financial Instruments**

Amounts recorded on the consolidated balance sheet as of March 31, 2010 and 2011, fair values, and the variances between the two are as shown below. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below (Note 2 stated below).

| | Yen (millions) | | | U.S. Dollars (thousands) | | |
|---|---|---|---|---|---|---|
| At March 31, 2011 | Carrying value in consolidated balance sheet | Fair value | Variance | Carrying value in consolidated balance sheet | Fair value | Variance |
| Current assets | | | | | | |
| (1) Cash and cash equivalents | **¥ 358,593** | **¥ 358,593** | **¥ –** | **$ 4,320,398** | **$ 4,320,398** | **$ –** |
| (2) Short-term investments | **6,101** | **6,101** | **–** | **73,506** | **73,506** | **–** |
| (3) Receivables, trade | **877,069** | | | **10,567,096** | | |
| Allowance for doubtful accounts*1 | **(14,781)** | | | **(178,084)** | | |
| | **862,288** | **862,288** | **–** | **10,389,012** | **10,389,012** | **–** |
| Investments and long-term loans | | | | | | |
| (4) Affiliates | **18,733** | **43,165** | **24,432** | **225,699** | **520,060** | **294,361** |
| (5) Others | **86,224** | **86,224** | **–** | **1,038,843** | **1,038,843** | **–** |
| Total assets | **1,331,939** | **1,356,371** | **24,432** | **16,047,458** | **16,341,819** | **294,361** |
| Current liabilities | | | | | | |
| (1) Short-term borrowings and current portion of long-term debt | **225,554** | **225,554** | **–** | **2,717,518** | **2,717,518** | **–** |
| (2) Lease obligation | **24,470** | **24,470** | **–** | **294,819** | **294,819** | **–** |
| (3) Payables, trade | **604,264** | **604,264** | **–** | **7,280,289** | **7,280,289** | **–** |
| (4) Accrued expenses | **323,144** | **323,144** | **–** | **3,893,301** | **3,893,301** | **–** |
| Long-term liabilities | | | | | | |
| (5) Long-term debt | **245,269** | **252,083** | **6,814** | **2,955,048** | **3,037,145** | **82,097** |
| (6) Lease obligation | **26,775** | **26,983** | **208** | **322,590** | **325,097** | **2,507** |
| Total liabilities | **1,449,476** | **1,456,498** | **7,022** | **17,463,565** | **17,548,169** | **84,604** |
| Derivative transactions*2 | | | | | | |
| (i) Transactions which do not qualify for hedge accounting | **[3,646]** | **[3,646]** | **–** | **[43,928]** | **[43,928]** | **–** |
| (ii) Transactions which qualify for hedge accounting | **9** | **9** | **–** | **108** | **108** | **–** |
| Total derivative transactions | **[3,637]** | **[3,637]** | **–** | **[43,819]** | **[43,819]** | **–** |

| At March 31, 2010 | Carrying value in consolidated balance sheet | Fair value | Variance |
|---|---|---|---|
| | | | Yen (millions) |
| Current assets | | | |
| (1) Cash and cash equivalents | ¥ 420,166 | ¥ 420,166 | ¥ — |
| (2) Short-term investments | 7,794 | 7,794 | — |
| (3) Receivables, trade | 921,349 | | |
| Allowance for doubtful accounts*1 | (15,924) | | |
| | 905,425 | 905,425 | — |
| Investments and long-term loans | | | |
| (4) Affiliates | 16,601 | 37,518 | 20,917 |
| (5) Others | 103,553 | 103,553 | — |
| Total assets | 1,453,539 | 1,474,456 | 20,917 |
| Current liabilities | | | |
| (1) Short-term borrowings and current portion of long-term debt | 220,457 | 220,457 | — |
| (2) Lease obligation | 29,790 | 29,790 | — |
| (3) Payables, trade | 626,986 | 626,986 | — |
| (4) Accrued expenses | 334,458 | 334,458 | — |
| Long-term liabilities | | | |
| (5) Long-term debt | 356,986 | 368,365 | 11,379 |
| (6) Lease obligation | 39,509 | 39,753 | 244 |
| Total liabilities | 1,608,186 | 1,619,809 | 11,623 |
| Derivative transactions*2 | | | |
| (i) Transactions which do not qualify for hedge accounting | [1,557] | [1,557] | — |
| (ii) Transactions which qualify for hedge accounting | [67] | [67] | — |
| Total derivative transactions | [1,624] | [1,624] | — |

*1 It comprises the allowance for doubtful accounts in respect to Receivables, trade, short-term loan receivable and others.
*2 The net amount of the assets and liabilities is shown. If the net amount is a liability, it is written in parentheses [ ].

(Note 1) Calculation method relating to fair value of Financial Instruments

Current assets
(1) Cash and cash equivalents ,(2) Short-term investments and (3) Receivables, trade
The fair value of these items approximates the carrying value due to the short maturity of these instruments.

Investments and long-term loans
(4) Affiliates and (5) Others
The fair value of securities is based on the market price on the stock exchanges, and fair value of bonds is based on quotes obtained from the financial institutions or on the market price on the stock exchanges.

Current liabilities
(1) Short-term borrowings and current portion of long-term debt, (2) Lease obligation, (3) Payables, trade and (4) Accrued expenses
The fair value of these items approximates the carrying value due to the short maturity of these instruments.

Long-term liabilities
(5) Long-term debt and (6) Lease obligation
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. The fair value of long-term debt and lease obligation is calculated by discounting the sum of future principal and interest payments to the present value at the rate expected in another loan or lease transaction with the same conditions.

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value
Unlisted stocks are classified as "Financial Instruments for which it is extremely difficult to determine the fair value," because no market price is available and it is not possible to estimate the future cash flow in accordance with "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan, Statement No. 10) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19). Accordingly unlisted stocks are not included in the "Investments and long-term loans" stated above. The carrying values of the stocks in the consolidated balance sheet as of March 31, 2010 and 2011 are ¥50,781 million and ¥47,404 million ($571,133 thousand), consisting of Affiliate: ¥20,169 million and ¥18,799 million ($226,494 thousand) and Others: ¥30,612 million and ¥28,605 million ($344,639 thousand) respectively.

## 13. Marketable Securities

At March 31, 2010 and 2011, marketable securities included in “Others” of “Investments and long-term loans” and other accounts are as follows:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Available-for-sale securities | | | |
| Acquisition costs | ¥182,655 | **¥74,355** | **$ 895,843** |
| Carrying value (Market value) | 208,776 | **97,025** | **1,168,976** |
| Net unrealized gain | ¥ 26,121 | **¥22,670** | **$ 273,133** |

Held-to-maturity investments are not listed above due to the immaterial balances.

## 14. Derivative Financial Instruments

1. Derivative transactions which do not qualify for hedge accounting

<Currency-related transactions>

| | Yen (millions) | | | | U.S. Dollars (thousands) | | | |
|---|---|---|---|---|---|---|---|---|
| At March 31, 2011 | Contract Amount | Contract Amount Over 1 Year | Fair Value | Gain/Loss | Contract Amount | Contract Amount Over 1 Year | Fair Value | Gain/Loss |
| Foreign Exchange Forward Contracts | | | | | | | | |
| To buy foreign currencies | | | | | | | | |
| U.S. Dollars | **¥48,517** | **¥5,462** | **¥(3,667)** | **¥(3,667)** | **$584,542** | **$65,807** | **$(44,181)** | **$(44,181)** |
| Euro | **22,270** | **1,550** | **599** | **599** | **268,313** | **18,675** | **7,217** | **7,217** |
| Other currencies | **1,088** | **137** | **(6)** | **(6)** | **13,108** | **1,651** | **(72)** | **(72)** |
| To sell foreign currencies | | | | | | | | |
| U.S. Dollars | **12,709** | **–** | **(178)** | **(178)** | **153,120** | **–** | **(2,145)** | **(2,145)** |
| Euro | **10,781** | **–** | **(132)** | **(132)** | **129,892** | **–** | **(1,590)** | **(1,590)** |
| Other currencies | **2,775** | **–** | **(50)** | **(50)** | **33,434** | **–** | **(602)** | **(602)** |
| Foreign Exchange Swap Contracts | | | | | | | | |
| Receive Pound Sterling | **15,223** | **–** | **(282)** | **(282)** | **183,410** | **–** | **(3,398)** | **(3,398)** |
| Pay Pound Sterling | **18,994** | **–** | **108** | **108** | **228,843** | **–** | **1,301** | **1,301** |
| Others | **11,458** | **–** | **(38)** | **(38)** | **138,048** | **–** | **(458)** | **(458)** |
| Total | | | **¥(3,646)** | **¥(3,646)** | | | **$(43,928)** | **$(43,928)** |

| | | | | Yen (millions) |
|---|---|---|---|---|
| At March 31, 2010 | Contract Amount | Contract Amount Over 1 Year | Fair Value | Gain/Loss |
| Foreign Exchange | | | | |
| Forward Contracts | | | | |
| To buy foreign currencies | | | | |
| U.S. Dollars | ¥44,928 | ¥14,687 | ¥ (501) | ¥ (501) |
| Euro | 22,007 | 4,294 | 550 | 550 |
| Other currencies | 2,686 | 465 | 6 | 6 |
| To sell foreign currencies | | | | |
| U.S. Dollars | 28,579 | 5,118 | (1,604) | (1,604) |
| Euro | 5,407 | 2,583 | (17) | (17) |
| Other currencies | 4,911 | – | (67) | (67) |
| Foreign Exchange | | | | |
| Options Contracts | | | | |
| To buy options | | | | |
| U.S. Dollars puts | 1,737 | – | | |
| | <23> | <–> | 47 | 24 |
| To sell options | | | | |
| U.S. Dollars calls | 1,737 | – | | |
| | <(23)> | <–> | (8) | 15 |
| Foreign Exchange | | | | |
| Swap Contracts | | | | |
| Receive Pound Sterling | 17,820 | – | (456) | (456) |
| Pay Pound Sterling | 27,753 | – | 392 | 392 |
| Others | 14,896 | – | 101 | 101 |
| Total | | | ¥(1,557) | ¥(1,557) |

1) The method for estimating the fair value is principally based on obtaining quotes provided by financial institutions.
2) Regarding some of the foreign exchange forward contracts, difference between the fair value of contract amount and the contract amount are presented as the fair value.
3) Collateral conditions are attached to some foreign exchange forward contracts, and there is the possibility of change in contract amount and duration due to the fluctuation of the currency exchange rate.
4) In the column "Contract Amount," option premiums are disclosed in brackets < >, and corresponding fair value and valuation gains and losses are disclosed on the same line.

## 2. Derivative transactions which qualify for hedge accounting

### (i) Currency-related transactions

At March 31, 2011

Not applicable for the year.

| At March 31, 2010 | | | | Yen (millions) |
|---|---|---|---|---|
| Type of derivative transaction | Principal Item Hedged | Contract Amount | Contract Amounts over 1 Year | Fair Value |
| Foreign exchange forward transactions | | | | |
| To buy foreign currencies | | | | |
| U.S. Dollars | Receivables, trade | ¥4,758 | – | ¥(77) |

### (ii) Interest-related transactions

| At March 31, 2011 | | | | Yen (millions) | | | U.S. Dollars (thousands) |
|---|---|---|---|---|---|---|---|
| Type of derivative transaction | Principal Item Hedged | Contract Amount | Contract Amounts over 1 Year | Fair Value | Contract Amount | Contract Amounts over 1 Year | Fair Value |
| Interest rate swap transaction | | | | | | | |
| Pay fixed/Receive variable | **Borrowings** | **¥2,798** | **¥1,937** | **¥9** | **$33,711** | **$23,337** | **$108** |

| At March 31, 2010 | | | | Yen (millions) |
|---|---|---|---|---|
| Type of derivative transaction | Principal Item Hedged | Contract Amount | Contract Amounts over 1 Year | Fair Value |
| Interest rate swap transaction | | | | |
| Pay fixed/Receive variable | Borrowings | ¥3,625 | ¥2,772 | ¥10 |

## 15. Supplementary Information to the Consolidated Balance Sheets

Receivables, trade from and payables, trade to affiliates at March 31, 2010 and 2011 are as follows:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2010 | **2011** | **2011** |
| Receivables, trade | ¥24,546 | **¥22,891** | **$275,795** |
| Payables, trade | 7,681 | **8,248** | **99,373** |

## 16. Earnings per Share

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Basic earnings per share | ¥45.21 | **¥26.62** | **$0.321** |
| Diluted earnings per share | 42.17 | **25.75** | **0.310** |

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Net income | ¥93,085 | **¥55,092** | **$663,759** |
| Net income not attributable to common stock holders | – | **–** | **–** |
| Net income attributable to common stock holders | 93,085 | **55,092** | **663,759** |
| Effect of dilutive securities | 3,101 | **1,499** | **18,060** |
| Diluted net income | ¥96,186 | **¥56,591** | **$681,819** |

| | | thousands |
|---|---|---|
| Basic weighted average number of shares | 2,058,748 | **2,069,731** |
| Effect of dilutive securities | 222,222 | **127,549** |
| Diluted weighted average number of shares | 2,280,970 | **2,197,280** |

## 17. Supplementary Information to the Consolidated Income Statements

Research and development expenses charged to "selling, general and administrative expenses" for the years ended March 31, 2010 and 2011 were ¥224,951 million and ¥236,210 million ($2,845,904 thousand), respectively.

"Other, net" of "Other income (expenses)" for the years ended March 31, 2010 and 2011 consists of the following:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Gain on sales of investment securities | ¥ 89,657 | **¥ 9,366** | **$ 112,843** |
| Gain on change in interest | – | **2,368** | **28,530** |
| Foreign exchange gains (losses), net | (4,205) | **(11,063)** | **(133,289)** |
| Gain on negative goodwill | – | **1,220** | **14,699** |
| Gain on transfer of business | 2,211 | **–** | **–** |
| Loss on disaster | – | **(11,645)** | **(140,301)** |
| Loss on disposal of property, plant and equipment and intangible assets | (3,923) | **(5,477)** | **(65,988)** |
| Loss on adjustment for adoption of accounting standard for asset retirement obligations | – | **(4,113)** | **(49,554)** |
| Impairment loss | (2,902) | **(1,579)** | **(19,024)** |
| Loss on changes in retirement benefit plan | – | **(1,266)** | **(15,253)** |
| Restructuring charges | (47,406) | **–** | **–** |
| Other, net | (9,600) | **(6,366)** | **(76,699)** |
| | ¥ 23,832 | **¥(28,555)** | **$(344,036)** |

**Gain on sales of investment securities**

Gain on sales of investment securities for the year ended March 31, 2010 referred mainly to the sales of shares in FANUC Ltd. in connection with the issuer's own stock repurchase.

Gain on sales of investment securities for the year ended March 31, 2011 referred mainly to the sales of affiliates' shares held by a subsidiary in the U.K.

**Gain on change in interest**

Gain on change in interest for the year ended March 31, 2011 referred to changes in interest due to the issuance of new shares by an affiliate (Nantong Fujitsu Microelectronics Co., Ltd.) listed in Shenzhen, China.

**Gain on negative goodwill**

Gain on negative goodwill for the year ended March 31, 2011 referred mainly to the conversion of PFU Limited into a wholly owned subsidiary.

**Gain on transfer of business**

Gain on transfer of business for the year ended March 31, 2010 referred mainly to the transfer of the communications device (SAW device, etc.) business.

**Loss on disaster**

Loss on disaster for the year ended March 31, 2011 referred mainly to the restoration costs for fixed assets damaged by the Great East Japan Earthquake, the fixed costs for factories that suspended operations due to the earthquake and the disposal losses on inventories. In addition, ¥4,876 million ($58,747 thousand) for a provision for loss on disaster is also included in this account.

**Loss on adjustment for adoption of accounting standard for asset retirement obligations**

Loss on adjustment for adoption of accounting standard for asset retirement obligations for the year ended March 31, 2011 referred mainly to the loss related to the obligation of restoration for rental buildings in conjunction with the adoption of the Accounting Standard for Asset Retirement Obligations. The loss arose from the difference between the amount of the asset retirement obligations newly recognized as a liability at the beginning of the fiscal year in which the standard was adopted and the amount of asset retirement expenses recognized as an asset. The difference consists largely of the accumulated depreciation amounts of the assets in the years before the adoption of the standard.

**Impairment loss**

In principle, the Group's business-use assets are grouped according to managed business units, and idle assets are grouped on an individual asset basis.

Impairment loss for the year ended March 31, 2011 referred mainly to an investment property determined to be sold.

**Loss on changes in retirement benefit plan**

Loss on changes in retirement benefit plan for the year ended March 31, 2011 referred to the costs related to the changes to a defined contribution pension plan by consolidated subsidiaries in Japan.

**Restructuring charges**

Restructuring charges for the year ended March 31, 2010 included ¥26,301 million in expenses related to workforce streamlining in the UK/Ireland region, Germany, the Netherlands and other countries in the Continental Europe region in relation to business restructuring among European subsidiaries, along with ¥21,105 million in expenses for the reorganization of manufacturing plants for the LSI device business and the reassignment of personnel due to the streamlining of the business's administrative operations.

## 18. Supplementary Information to the Consolidated Statements of Cash Flows

For the year ended March 31, 2011

As a result of the transfer of the HDD business for the year ended March 31, 2010, the Company received ¥4,214 million ($50,771 thousand) as the remaining portion of the proceeds for the year ended March 31, 2011. Total consideration related to this transfer is ¥27,845 million with ¥23,631 million received for the year ended March 31, 2010.

For the year ended March 31, 2010

[Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation]

Net proceeds consist of ¥42,912 million and ¥7,504 million from acquisitions of shares of Fujitsu Technology Solutions (Holding) B.V. (FTS) and FDK Corporation, respectively.

The following breakdown provides details on the amount of assets and liabilities resulting from the acquisition of shares of FTS, as of the date of its consolidation, along with the acquisition cost of the FTS shares, and the net proceeds generated from the FTS acquisition.

| | Yen (millions) |
|---|---|
| | 2010 |
| Current assets | ¥ 276,694 |
| Non-current assets | 79,047 |
| Goodwill | 62,468 |
| Current liabilities | (256,679) |
| Long-term liabilities | (101,797) |
| Minority interests | (193) |
| Acquired net assets | 59,540 |
| Investment value using equity method | 4,974 |
| Share acquisition cost | 54,566 |
| | |
| Share acquisition cost | (54,566) |
| Expenses not recognized in current fiscal year | 788 |
| Expenses for share acquisition in current fiscal year | (53,778) |
| Cash and cash equivalents of FTS | 96,690 |
| Net proceeds from acquisition | 42,912 |

[Proceeds from transfer of business]

Proceeds are mainly from transfer of the HDD business.

The breakdown below shows the decline in assets and liabilities resulting from the transfer of HDD business, along with consideration for the transfer and the net proceeds for the year ended March 31, 2010.

| | Yen (millions) |
|---|---|
| | 2010 |
| Current assets | ¥ 44,152 |
| Non-current assets | 15,645 |
| Current liabilities | (28,231) |
| Long-term liabilities | (3,721) |
| Decline in net assets as a result of transfer of business | 27,845 |
| Consideration for transfer of business | 27,845 |
| | |
| Consideration for transfer of business | 27,845 |
| Proceeds not recognized in current year | (4,214) |
| Proceeds from transfer of business in current year | 23,631 |
| Cash and cash equivalents of transferred subsidiaries | (8,142) |
| Net proceeds from transfer of business | 15,489 |

## 19. Segment Information

### 1. Reportable Segments 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 executive decision-making body to make decisions about resource allocation to the segments and assess their performance.

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

(1) Technology Solutions

To optimally deliver to customers comprehensive services that integrate products, software, and services, the segment is organized in a matrix management structure comprised of business groups that are organized by product and service type in order to manage costs and devise global business strategies, and business groups that are organized along industry and geographic lines, integrating sales groups with system engineers covering customers.

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.

(2) 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).

(3) Device Solutions

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

### 2. Method Used to Calculate Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Accounting methods applied to Reportable Segments are almost the same as that presented in "1. Significant Accounting Policies".

Income figures for operating segments are based on operating income. The Group's financing (including financial expense and income) as well as other items such as corporate tax are managed by the whole Group and have not been allocated within the operating segments.

Inter-segment transactions are based on an arm's length basis.

## 3. Amounts of Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Yen (millions)

| | Reportable segments | | | | | | |
|---|---|---|---|---|---|---|---|
| Years ended March 31 | Technology Solutions | Ubiquitous Solutions | Device Solutions | Total | Other Operations | Elimination & Corporate | Consolidated |
| **2011** | | | | | | | |
| Net Sales | | | | | | | |
| External customers | **¥2,927,651** | **¥1,013,056** | **¥545,729** | **¥4,486,436** | **¥32,738** | **¥ 9,231** | **¥4,528,405** |
| Inter-segment | **86,735** | **112,586** | **84,871** | **284,192** | **49,766** | **(333,958)** | **–** |
| Total sales | **3,014,386** | **1,125,642** | **630,600** | **4,770,628** | **82,504** | **(324,727)** | **4,528,405** |
| Operating income (loss) | **162,881** | **22,679** | **20,976** | **206,536** | **(7,222)** | **(66,720)** | **132,594** |
| Total assets | **1,481,119** | **332,121** | **434,718** | **2,247,958** | **37,707** | **738,432** | **3,024,097** |
| Other items | | | | | | | |
| Capital expenditure (including intangible assets) | **116,218** | **20,578** | **44,837** | **181,633** | **1,376** | **6,902** | **189,911** |
| Depreciation | **116,690** | **20,675** | **60,941** | **198,306** | **2,014** | **7,447** | **207,767** |
| Amortization of goodwill | **14,991** | **46** | **573** | **15,610** | **–** | **–** | **15,610** |
| Balance of goodwill at end of the fiscal year | **79,974** | **184** | **(75)** | **80,083** | **–** | **–** | **80,083** |
| 2010 | | | | | | | |
| Net Sales | | | | | | | |
| External customers | ¥3,061,504 | ¥1,005,531 | ¥510,615 | ¥4,577,650 | ¥ 94,925 | ¥ 6,944 | ¥4,679,519 |
| Inter-segment | 67,859 | 114,153 | 78,462 | 260,474 | 54,910 | (315,384) | – |
| Total sales | 3,129,363 | 1,119,684 | 589,077 | 4,838,124 | 149,835 | (308,440) | 4,679,519 |
| Operating income (loss) | 153,590 | 40,682 | (9,028) | 185,244 | (27,200) | (63,671) | 94,373 |
| Total assets | 1,536,068 | 362,678 | 448,319 | 2,347,065 | 23,986 | 857,000 | 3,228,051 |
| Other items | | | | | | | |
| Capital expenditure (including intangible assets) | 122,258 | 15,235 | 36,934 | 174,427 | 3,637 | 7,242 | 185,306 |
| Depreciation | 120,401 | 21,527 | 75,550 | 217,478 | 5,037 | 9,226 | 231,741 |
| Amortization of goodwill | 22,181 | – | 1,136 | 23,317 | – | – | 23,317 |

U.S. Dollars (thousands)

| Year ended March 31 | Reportable segments: Technology Solutions | Ubiquitous Solutions | Device Solutions | Total | Other Operations | Elimination & Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| **2011 (in U.S. Dollars)** | | | | | | | |
| Net sales | | | | | | | |
| External customers | **$35,272,903** | **$12,205,494** | **$6,575,048** | **$54,053,445** | **$394,434** | **$ 111,217** | **$54,559,096** |
| Inter-segment | **1,045,000** | **1,356,458** | **1,022,542** | **3,424,000** | **599,590** | **(4,023,590)** | **–** |
| Total sales | **36,317,903** | **13,561,952** | **7,597,590** | **57,477,445** | **994,024** | **(3,912,373)** | **54,559,096** |
| Operating income (loss) | **1,962,421** | **273,241** | **252,723** | **2,488,385** | **(87,012)** | **(803,855)** | **1,597,518** |
| Total assets | **17,844,807** | **4,001,458** | **5,237,567** | **27,083,832** | **454,301** | **8,896,771** | **36,434,904** |
| Other items | | | | | | | |
| Capital expenditure (including intangible assets) | **1,400,216** | **247,928** | **540,205** | **2,188,349** | **16,578** | **83,157** | **2,288,084** |
| Depreciation | **1,405,904** | **249,096** | **734,229** | **2,389,229** | **24,265** | **89,723** | **2,503,217** |
| Amortization of goodwill | **180,614** | **554** | **6,904** | **188,072** | **–** | **–** | **188,072** |
| Balance of goodwill at end of the fiscal year | **963,542** | **2,217** | **(904)** | **964,855** | **–** | **–** | **964,855** |

Notes 1. The Group has adopted "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Statement No. 17) and "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan Guidance No. 20) effective the year ended March 31, 2011. Figures for the year ended March 31, 2010 have been reclassified for comparison purposes.

In accordance with the adoption of the standards, car audio and navigation systems and other businesses which were previously included in "Other Operations" segment have been reclassified to "Ubiquitous Solutions" segment. Based on the change, the Company has renamed "Ubiquitous Product Solutions" segment as "Ubiquitous Solutions" segment.

Subsidiaries related to development, manufacturing and sales for optical transceiver modules, which were formerly included in "Ubiquitous Product Solutions" segment, and manufacturing subsidiaries for printed circuit board, which were previously included in "Other Operations" segment have been changed to "Device Solutions" segment. HDD business was formerly included in "Ubiquitous Product Solutions" segment, however, the amounts for the year ended March 31, 2010 are included in "Other Operations" segment as a result of the transfer of business at October 2009.

2. "Other Operations" 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 the Group companies, welfare benefits for the Group employees and HDD business (Please refer to Note 1).

3. Operating income (loss) of "Elimination & Corporate" consists of corporate expenses and elimination.

Amounts incurred for the years ended March 31, 2010 and 2011 were, corporate expenses: ¥64,013 million and ¥68,341 million ($823,386 thousand), elimination: ¥342 million and ¥1,621 million ($19,530 thousand), respectively.

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

4. Total assets of "Elimination & Corporate" consist of corporate assets and elimination. Balances at March 31, 2010 and 2011 were, corporate assets: ¥963,360 million and ¥840,672 million ($10,128,578 thousand), elimination: ¥106,360 million and ¥102,240 million ($1,231,807 thousand), respectively.

Corporate assets mainly consist of temporary excess funds, certificate of deposit, shares of customers held for maintaining and strengthening business ties and deferred tax assets.

5. The Group has adopted "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10) effective the year ended March 31, 2011. The negative goodwill generated by the business combination before the adoption of the standards is included in "Amortization of goodwill" and "Balance of goodwill at end of the fiscal year."

## 4. Related Information

### (1) Information by products and services

Sales to external customers

| Years ended March 31 | Yen (millions) 2010 | Yen (millions) 2011 | U.S. Dollars (thousands) 2011 |
|---|---|---|---|
| Technology Solutions | | | |
| Services | ¥2,492,375 | **¥2,385,345** | **$28,739,096** |
| System Platforms | 569,129 | **542,306** | **6,533,807** |
| Ubiquitous Solutions | | | |
| Personal Computers and Mobile Phones | 705,496 | **733,035** | **8,831,747** |
| Mobilewear | 300,035 | **280,021** | **3,373,747** |
| Device Solutions | | | |
| LSI | 274,260 | **280,868** | **3,383,952** |
| Electronic Components | 236,355 | **264,861** | **3,191,096** |
| Other Operations | 94,925 | **32,738** | **394,434** |
| Elimination & Corporate | 6,944 | **9,231** | **111,217** |
| Total | ¥4,679,519 | **¥4,528,405** | **$54,559,096** |

Note: The details of products and services are noted in "Business Overview" (page 30).

### (2) Geographic information

a. Net sales

| Years ended March 31 | 2010 | | 2011 Yen (millions) | | U.S. Dollars (thousands) 2011 |
|---|---|---|---|---|---|
| Japan | ¥2,931,215 | 62.6% | **¥2,941,042** | **64.9%** | **$35,434,241** |
| Outside Japan | | | | | |
| EMEA | 981,622 | 21.0% | **845,485** | **18.7%** | **10,186,566** |
| The Americas | 321,603 | 6.9% | **322,272** | **7.1%** | **3,882,795** |
| APAC & China | 445,079 | 9.5% | **419,606** | **9.3%** | **5,055,494** |
| Sub Total | 1,748,304 | 37.4% | **1,587,363** | **35.1%** | **19,124,855** |
| Total | ¥4,679,519 | 100.0% | **¥4,528,405** | **100.0%** | **$54,559,096** |

b. Property, plant and equipment

| At March 31 | Yen (millions) 2010 | 2011 | U.S. Dollars (thousands) 2011 |
|---|---|---|---|
| Japan | ¥547,358 | **¥531,438** | **$6,402,868** |
| Outside Japan | | | |
| EMEA | 63,058 | **54,064** | **651,373** |
| The Americas | 17,847 | **16,586** | **199,831** |
| APAC & China | 34,472 | **36,554** | **440,410** |
| Sub Total | 115,377 | **107,204** | **1,291,614** |
| Total | ¥662,735 | **¥638,642** | **$7,694,482** |

Notes 1. The principal countries and regions included in the Outside Japan segment are as follows:
(1) EMEA (Europe, Middle East and Africa) ............ U.K., Germany, Spain, Finland, Sweden
(2) The Americas .................................................. U.S.A., Canada
(3) APAC & China (APAC = Asia-Pacific) .................. Australia, Singapore, Thailand, Taiwan, Korea, Vietnam, the Philippines, China
2. There is no country which is required to be disclosed individually.
3. Net sales are classified by countries or regions based on locations of customers.
4. The property, plant and equipment are classified by countries or regions based on locations of the Group.

### (3) Information about major customer

Net Sales

| Years ended March 31 | Yen (millions) 2010 | 2011 | U.S. Dollars (thousands) 2011 |
|---|---|---|---|
| NTT Group | ¥509,729 | **¥528,327** | **$6,365,386** |

Related segment: Technology Solutions, Ubiquitous Solutions and other segment

Note: NIPPON TELEGRAPH AND TELEPHONE CORPORATION, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, NTT DOCOMO, Inc. and NTT DATA CORPORATION are included in NTT Group.

## 20. Related-party Transactions

For the years ended March 31, 2010 and 2011

(Related-party transactions)

No significant transactions.

(Note to significant affiliate)

Not applicable for the years.

## 21. Share-based Payment Plans

1. Account and amount of stock options charged as expenses for the year ended March 31, 2011

| | | |
|---|---|---|
| Cost of sales | **¥ 6 million** | **$ 72 thousand** |
| Selling, general and administrative expenses | **15** | **181** |

The above charges were related to stock options granted by the Company's consolidated subsidiary, Fujitsu Frontech Limited. Since the year ended March 31, 2007, "Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan, Statement No. 8) and "Implementation Guidance on Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan, Guidance No. 11) have been applied in Japan, which require that stock options granted on and after May 1, 2006, or the enforcement date of the Japanese Corporate Law, should be charged as expenses. The stock options, which the Company granted before the enforcement date of Japanese Corporate Law, were not charged as expenses because their conditions have not changed.

2. Description and changes in the size of stock options

(1) the Company

(i) Resolution at shareholders' meeting on June 29, 2000

| | |
|---|---|
| Position and number of people entitled to stock options | 32 members of the Board of Directors<br>15 executives with director-level responsibilities |
| Number of shares for stock options | 1,305,000 shares of common stock |
| Date granted | August 1, 2000 |
| Conditions to be vested | Not specified |
| Corresponding service period | Not specified |
| Exercisable period | From August 1, 2000 to June 29, 2010 |

| | Shares | |
|---|---|---|
| Years ended March 31 | 2010 | **2011** |
| Outstanding at beginning of year | 275,000 | **200,000** |
| Granted during the year | – | **–** |
| Forfeited during the year | 75,000 | **200,000** |
| Exercised during the year | – | **–** |
| Outstanding at end of year | 200,000 | **–** |
| Exercisable at end of year | 200,000 | **–** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Exercised price | ¥3,563 | **¥3,563** | **$42.93** |

(ii) Resolution at shareholders' meeting on June 26, 2001

| | |
|---|---|
| Position and number of people entitled to stock options | 32 members of the Board of Directors<br>18 executives with director-level responsibilities |
| Number of shares for stock options | 1,360,000 shares of common stock |
| Date granted | August 1, 2001 |
| Conditions to be vested | Not specified |
| Corresponding service period | Not specified |
| Exercisable period | From August 1, 2001 to June 26, 2011 |

| | Shares | |
|---|---|---|
| Years ended March 31 | 2010 | **2011** |
| Outstanding at beginning of year | 385,000 | **310,000** |
| Granted during the year | – | **–** |
| Forfeited during the year | 75,000 | **90,000** |
| Exercised during the year | – | **–** |
| Outstanding at end of year | 310,000 | **220,000** |
| Exercisable at end of year | 310,000 | **220,000** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Exercised price | ¥1,450 | **¥1,450** | **$17.47** |

(2) Fujitsu Frontech Limited (the Company's subsidiary)

(i) Resolution at Board of Directors on July 23, 2008

| | |
|---|---|
| Position and number of people entitled to stock options | 4 members of the Board of Directors (excluding external board members)<br>8 corporate vice presidents (excluding persons holding concurrent post of board members) |
| Number of shares for stock options | 28,500 shares of common stock |
| Date granted | August 11, 2008 |
| Conditions to be vested | Resignation from both board member and corporate vice president |
| Corresponding service period | No corresponding service period due to difficulties in making a reasonable forecast on the vesting date |
| Exercisable period | From August 12, 2008 to August 11, 2038 |

| | Shares | |
|---|---|---|
| Years ended March 31 | 2010 | **2011** |
| Outstanding at beginning of year | 28,500 | **26,800** |
| Granted during the year | – | **–** |
| Forfeited during the year | – | **–** |
| Exercised during the year | 1,700 | **–** |
| Outstanding at end of year | 26,800 | **26,800** |
| Exercisable at end of year | – | **–** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Exercised price | ¥ 1 | **¥ 1** | **$ 0.01** |
| Average price at exercise date | 960 | **–** | **–** |
| Fair value per share at grant date | 924 | **924** | **11.13** |

(ii) Resolution at Board of Directors on July 28, 2009

| | |
|---|---|
| Position and number of people entitled to stock options | 4 members of the Board of Directors (excluding external board members)<br>10 corporate vice presidents (excluding persons holding concurrent post of board members) |
| Number of shares for stock options | 33,100 shares of common stock |
| Date granted | August 13, 2009 |
| Conditions to be vested | Resignation from both board member and corporate vice president |
| Corresponding service period | No corresponding service period due to difficulties in making a reasonable forecast on the vesting date |
| Exercisable period | From August 14, 2009 to August 13, 2039 |

| | Shares | |
|---|---|---|
| Years ended March 31 | 2010 | **2011** |
| Outstanding at beginning of year | – | **33,100** |
| Granted during the year | 33,100 | **–** |
| Forfeited during the year | – | **–** |
| Exercised during the year | – | **–** |
| Outstanding at end of year | 33,100 | **33,100** |
| Exercisable at end of year | – | **–** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Exercised price | ¥ 1 | **¥ 1** | **$ 0.01** |
| Fair value per share at grant date | 876 | **876** | **10.55** |

(iii) Resolution at Board of Directors on July 28, 2010

| | |
|---|---|
| Position and number of people entitled to stock options | 5 members of the Board of Directors (excluding external board members)<br>12 corporate vice presidents (excluding persons holding concurrent post of board members) |
| Number of shares for stock options | 38,600 shares of common stock |
| Date granted | August 13, 2010 |
| Conditions to be vested | Resignation from both board member and corporate vice president |
| Corresponding service period | No corresponding service period due to difficulties in making a reasonable forecast on the vesting date |
| Exercisable period | From August 14, 2010 to August 13, 2040 |

| | Shares | |
|---|---|---|
| Years ended March 31 | 2010 | **2011** |
| Outstanding at beginning of year | – | **–** |
| Granted during the year | – | **38,600** |
| Forfeited during the year | – | **–** |
| Exercised during the year | – | **–** |
| Outstanding at end of year | – | **38,600** |
| Exercisable at end of year | – | **–** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2010 | **2011** | **2011** |
| Exercised price | – | **¥ 1** | **$0.01** |
| Fair value per share at grant date | – | **588** | **7.08** |

3. Estimation method for fair value per share of stock options

The per share fair value of the stock options of Fujitsu Frontech Limited, granted during the year ended March 31, 2009, was estimated as follows,

| | |
|---|---|
| (1) Valuation method: | Black-Scholes model |
| (2) Basic factors and estimation method: | |
| Expected volatility of the share price*[1] | 39.031% |
| Expected life of the option*[2] | 4.628 years |
| Expected dividend*[3] | 14 yen per share |
| Risk-free interest rate*[4] | 0.958% |

*[1] The volatility is calculated based on the share price over a period of 4.628 years (December 26, 2003 through August 11, 2008).
*[2] The expected life of the options is based on the expected service years of board member after allotment date, which is estimated from past periods of serving as board members and the period between the date that a person to be vested becomes a board member and the allotment date.
*[3] The actual dividend on common stock for the year ended March 31, 2008.
*[4] Interest on government bond over the expected life of the options.

The per share fair value of the stock options of Fujitsu Frontech Limited, granted during the year ended March 31, 2010, was estimated as follows,

| | |
|---|---|
| (1) Valuation method: | Black-Scholes model |
| (2) Basic factors and estimation method: | |
| Expected volatility of the share price*[1] | 38.233% |
| Expected life of the option*[2] | 4.623 years |
| Expected dividend*[3] | 16 yen per share |
| Risk-free interest rate*[4] | 0.664% |

*[1] The volatility is calculated based on the share price over a period of 4.623 years (December 28, 2004 through August 13, 2009).
*[2] The expected life of the options is based on the expected service years of board member after allotment date, which is estimated from past periods of serving as board members and the period between the date that a person to be vested becomes a board member and the allotment date.
*[3] The actual dividend on common stock for the year ended March 31, 2009.
*[4] Interest on government bond over the expected life of the options.

The per share fair value of the stock options of Fujitsu Frontech Limited, granted during the year ended March 31, 2011, was estimated as follows,

| | |
|---|---|
| (1) Valuation method: | Black-Scholes model |
| (2) Basic factors and estimation method: | |
| Expected volatility of the share price*1 | 32.825% |
| Expected life of the option*2 | 4.724 years |
| Expected dividend*3 | 16 yen per share |
| Risk-free interest rate*4 | 0.311% |

*1 The volatility is calculated based on the share price over a period of 4.724 years (November 21, 2005 through August 13, 2010).
*2 The expected life of the options is based on the expected service years of board member after allotment date, which is estimated from past periods of serving as board members and the period between the date that a person to be vested becomes a board member and the allotment date.
*3 The actual dividend on common stock for the year ended March 31, 2010.
*4 Interest on government bond over the expected life of the options.

4. Estimation method for number of vesting shares

The number is based on past results of forfeited stock options because of difficulties in a reasonable estimation for future forfeiture.

## 22. Business Combinations

For the year ended March 31, 2011

No significant transactions.

For the year ended March 31, 2010

[Acquisitions Accounted for by Applying the Purchase Method]

■ Conversion of Fujitsu Technology Solutions (Holding) B.V. into a Consolidated Subsidiary of the Company

1. Name and Business Description of the Acquired Business; Principal Reasons for Carrying Out the Business Combination; Date of the Business Combination; Legal Form of the Business Combination and the Name of the Business Subsequent to the Combination; Percentage of Voting Rights Held

   1) Name and Business Description of the Acquired Business

      Name of the acquired business: Fujitsu Siemens Computers (Holding) B.V.

      Business description: Development, manufacture, sale and maintenance of information systems

   2) Principal Reasons for Carrying Out the Business Combination

      The Company and Siemens AG of Germany integrated their information system businesses in Europe and established Fujitsu Siemens Computers (Holding) B.V. on October 1, 1999 for the development, manufacture, sale and maintenance of information systems. Due to changes in the competitive environment in the ICT industry and new business opportunities, particularly in the infrastructure services market, the Company decided to convert Fujitsu Technology Solutions (name changed from Fujitsu Siemens Computers in April 2009) into a consolidated subsidiary. Fujitsu Technology Solutions, which mainly operates in Germany, one of the biggest ICT markets in Europe, will help the Company promote the globalization of its products business. In addition, the Company will offer high value-added services to customers by strengthening the relationship between Fujitsu Technology Solutions and Fujitsu Services Holdings PLC, a UK subsidiary leading in service business in Europe, in order to accelerate the improvement of profitability outside Japan and pursue opportunities for growth in the infrastructure service business.

   3) Date of the Business Combination

      April 1, 2009

   4) Legal Form of the Business Combination and the Name of the Business Subsequent to the Combination

      Legal form of the business combination: Acquisition of shares

      Name of the business subsequent to the combination: Fujitsu Technology Solutions (Holding) B.V.

   5) Percentage of Voting Rights Held

| | |
|---|---|
| Prior to the acquisition | 50% |
| Subsequent to the acquisition | 100% |

FACTS & FIGURES

2. Period for Which the Acquired Company's Financial Results Are Included in Consolidated Results
   April 1, 2009–March 31, 2010

3. Acquisition Cost and Breakdown

| | Yen (millions) |
|---|---|
| Acquisition cost | ¥54,566 |

Cash: ¥53,740 million; Related costs: ¥826 million

4. Amount of Goodwill; Reason for Recognition; Amortization Method and Period

| | Yen (millions) |
|---|---|
| Amount of Goodwill: | ¥62,468 |

Reason for Recognition: The acquisition cost exceeded the fair value of the net assets of the acquired company at the time of the business combination, and the difference between these values is recognized as goodwill.

Amortization Method, Period: Straight-line method over 10 years

5. Assets Acquired and Liabilities Assumed in the Business Combination

| | Yen (millions) |
|---|---|
| Current assets | ¥276,694 |
| Non-current assets | 79,047 |
| Total assets | 355,741 |
| | |
| Current liabilities | 256,679 |
| Long-term liabilities | 101,797 |
| Total liabilities | 358,476 |

6. Amount and Account of Acquisition Cost Expensed as R&D Costs, etc.

| | Yen (millions) |
|---|---|
| Selling, general and administrative expenses | ¥4,639 |

■ Conversion of FDK Corporation into a Consolidated Subsidiary of the Company through Subscription to Private Placement

1. Name and Business Description of the Acquired Business; Principal Reasons for Carrying Out the Business Combination; Date of the Business Combination; Legal Form of the Business Combination and the Name of the Business Subsequent to the Combination; Percentage of Voting Rights Held
   1) Name and Business Description of the Acquired Business
      Name of the acquired business: FDK Corporation ("FDK")
      Business description: Manufacture and sale of electronic components, batteries and related products
   2) Principal Reasons for Carrying Out the Business Combination
      To respond to the changes taking place in the marketplace, FDK (listed on second section, Tokyo Stock Exchange) has undertaken reforms of its business structure with the aim of leveraging its materials technologies to strengthen its products lineup, particularly power systems and high frequency devices. The sharp downturn in worldwide economic conditions starting from the second half of fiscal 2008, however, has had a severe impact on the business of FDK. As a result of recording a large loss in the third quarter of fiscal 2008 (October through December 2008), FDK's liabilities exceeded its assets. The Company, in addition to its transactions with FDK, such as the purchase of its products, provides financial support to FDK, and as FDK's major shareholder, creditor and customer, accordingly believes that, from the standpoint of maintaining the Company's corporate value, it is necessary to eliminate the material adverse effect on FDK's business activities that might occur if its capital deficiency should continue. By the Company subscribing to the private placement to increase the capital of FDK, FDK will be in a stronger position to successfully implement its structural reforms and attain the targeted expansion of its business.

3) Date of the Business Combination
May 1, 2009

4) Legal Form of the Business Combination and the Name of the Business Subsequent to the Combination

| | |
|---|---|
| Legal form of the business combination: | Acquisition of shares |
| Name of the business subsequent to the combination: | FDK Corporation |

5) Percentage of Voting Rights Held

| | |
|---|---|
| Prior to the acquisition | 39.80% |
| Subsequent to the acquisition | 64.64% |

2. Period for Which the Acquired Company's Financial Results Are Included in Consolidated Results
April 1, 2009–March 31, 2010

3. Acquisition Cost and Breakdown

| | Yen (millions) |
|---|---|
| Acquisition cost: | ¥11,000 |
| | (Cash; ¥11,000) |

4. Amount of Goodwill; Reason for Recognition; Amortization Method and Period

| | Yen (millions) |
|---|---|
| Amount of Goodwill: | ¥2,914 |
| Reason for Recognition: | The acquisition cost exceeded the fair value of the net assets of the acquired company at the time of the business combination, and the difference between these values is recognized as goodwill. |
| Amortization Method, Period: | Straight-line method over 5 years |

5. Assets Acquired and Liabilities Assumed in the Business Combination

| | Yen (millions) |
|---|---|
| Current assets | ¥29,943 |
| Non-current assets | 18,432 |
| Total assets | 48,375 |
| | |
| Current liabilities | 46,113 |
| Long-term liabilities | 14,078 |
| Total liabilities | 60,191 |

[Transactions under Common Control and Others]

■ Conversion of Consolidated Subsidiary into Wholly Owned Subsidiary of the Company through a Share Exchange

1. Names and Business Description of the Combined Businesses; Legal Form of the Business Combination and the Name of the Business Subsequent to the Combination; Overview of the Transaction including its Objectives

1) Names and Business Description of the Combined Businesses

| | |
|---|---|
| Names of the combined businesses: | Fujitsu Limited and consolidated subsidiary Fujitsu Business Systems Ltd. ("FJB") |
| Business description (Fujitsu Business Systems Ltd.): | Comprehensive services including consultation, network integration, software development, installation and maintenance |

2) Legal Form of the Business Combination and the Name of the Business Subsequent to the Combination

| | |
|---|---|
| Legal form of the business combination: | Share exchange |
| Name of the business subsequent to the combination: | No change in corporate name |

3) Overview of the Transaction including its Objectives

To meet customers' diversifying ICT needs in a timely fashion and strengthen the Technology Solutions business, including platforms and ICT solutions, for medium-size businesses in Japan, the Company allotted treasury stock to shareholders of FJB in exchange for common stock of FJB on August 1, 2009. As a result, FJB became a wholly owned subsidiary of the Company and the common stock of FJB was delisted from the First Section, Tokyo Stock Exchange on July 28, 2009.

2. Summary of Accounting Procedure

As the share exchange falls under the category of transaction with minority shareholders based on "Transactions under common control and others" described in Japanese accounting standards, the interest in the additional shares of the subsidiary acquired through the transactions was deducted from minority interests, and the difference between that amount and the additional investment amount was treated as goodwill.

3. Information Concerning the Additional Acquisition of Shares in the Subsidiary

1) Acquisition cost and breakdown

| | Yen (millions) |
|---|---|
| Acquisition cost: | ¥21,464 |

Value of Fujitsu shares: ¥21,449 million; Direct acquisition costs: ¥15 million; All shares used in exchange were treasury stock

2) Exchange ratio for each type of shares; Method for Calculating the Exchange ratio ; Number and valuation of shares distributed

| | |
|---|---|
| Exchange ratio for each type of shares: | Each common share of FJB exchanged for 3.50 common shares of Fujitsu. |
| Method for Calculating the Exchange Ratio: | The Company and FJB decided on the exchange ratio after considerable study based on analysis and advice from independent advisors to calculate the share exchange ratio. |
| Number and valuation of shares distributed: | 42,983,290 shares ¥21,449 million |

4. Amount of Negative Goodwill; Reason for Recognition; Amortization Method and Period

| | |
|---|---|
| Amount of Negative Goodwill: | ¥6,816 million |
| Reason for Recognition: | The fair value of the net assets of the acquired company at the time of the business combination exceeded the acquisition cost, and the difference between these values is recognized as negative goodwill. |
| Amortization Method, Period: | Straight-line method over 5 years |

[Business Divestitures]

■ Transfer of Hard Disk Drive (HDD) Businesses

1. Names of the Transferees; Business Description of the Separated Businesses; Principal Reasons for Carrying Out the Business Divestitures; Date of Business Divestitures; Overview of the Business Divestitures including their Legal Form

1) Names of the Transferees

| | |
|---|---|
| HDD drive business: | Toshiba Corporation ("Toshiba") |
| HDD media business: | Showa Denko K.K. ("Showa Denko") |

2) Business Description of the Separated Businesses

| | |
|---|---|
| Business description: | Design, development, manufacture and sales of HDDs |

3) Principal Reasons for Carrying out the Business Divestitures

The HDD market continued to be exposed to severe business conditions, including a worldwide intensification of price competition and a contraction of overall demand. The Company decided to carry out these business divestitures based on its judgment that the respective transferees of the businesses, through the integration of the technical expertise and developmental capabilities accumulated by the Company with their own technologies, would be better able to compete in the current severe business environment and thus support and grow these operations.

4) Date of the Business Divestitures

| | |
|---|---|
| HDD drive business: | October 1, 2009 |
| HDD media business: | July 1, 2009 |

5) Overview of the Business Divestitures including their Legal Form

| | |
|---|---|
| HDD drive business: | The Company established Toshiba Storage Device Corporation ("Toshiba Storage Device") to prepare for the transfer of the HDD drive business. On October 1, 2009, the Company carried out a corporate split and completed the transfer of all rights and obligations in the drive business to Toshiba Storage Device, and the transfer of Toshiba Storage Device shares to Toshiba. In addition, a new company established out of the HDD-related business of Yamagata Fujitsu Limited, along with the Company's HDD manufacturing subsidiaries, Fujitsu (Thailand) Co., Ltd., and Fujitsu Computer Products Corporation of the Philippines became subsidiaries of Toshiba Storage Device. The Company's HDD sales and marketing offices outside Japan, with the exception of some offices in certain regions, were integrated into Toshiba's overseas business operations. To facilitate the transfer, the Company will hold a stake of 19.9% in Toshiba Storage Device until the end of December 2010, after which it will become a wholly owned subsidiary of Toshiba. |
| HDD media business: | The Company established a new company, Showa Denko HD Yamagata K.K., to succeed the HDD media business of Yamagata Fujitsu Limited. All of the shares in the new company were transferred to Showa Denko. |

2. Summary of Accounting Procedure

| | |
|---|---|
| 1) Profit/loss from the transfers | There is no difference between the proceeds from the transfers and the net assets calculated by the appropriate book value of assets and liabilities of the businesses prior to the transfers. |

2) Appropriate book value of assets and liabilities of the businesses

| | Yen (millions) |
|---|---|
| Current assets | ¥44,152 |
| Non-current assets | 15,645 |
| Total assets | 59,797 |
| | |
| Current liabilities | 28,231 |
| Long-term liabilities | 3,721 |
| Total liabilities | 31,952 |

3. Name of segment the businesses were included in
Ubiquitous Product Solutions

4. Overview of sales, profit/loss of the separated businesses included in consolidated results for the year ended March 31, 2010.

| | Yen (millions) |
|---|---|
| Net sales: | ¥82,228 |
| Operating loss: | (9,793) |

Net sales stated above include inter-segment sales of ¥2,331 million.

## 23. Events after the Reporting Period

No significant events.

# INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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## Report of Independent Auditors

The Board of Directors
FUJITSU LIMITED

We have audited the accompanying consolidated balance sheets of Fujitsu Limited and consolidated subsidiaries (the "Group") as of March 31, 2010 and 2011, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in net assets, and consolidated statements of cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly, in all material respects, the consolidated financial position of the Group at March 31, 2010 and 2011, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of March 31, 2011 of the Group (the "Management's Report"). The Group's management is responsible for designing and operating internal control over financial reporting and preparing the Management's Report. Our responsibility is to express an opinion on the Management's Report based on our audit. Internal control over financial reporting may not prevent or detect misstatements.

ERNST & YOUNG

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free of material misstatement. An internal control audit includes examining, on a test basis, the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as of March 31, 2011 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 21, 2011

# DIRECTOR'S RESPONSIBILITY STATEMENT PURSUANT TO THE U.K. DTR4

I, Masami Yamamoto, being Representative Director of Fujitsu Limited confirm, to the best of my knowledge, that:

(i) the financial statements, prepared in accordance with Japanese GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of Fujitsu Limited and the undertakings included in the consolidation taken as a whole; and
(ii) the management report includes a fair review of the development and performance of the business and the position of Fujitsu Limited and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Masami Yamamoto

# MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### 1. Basic Framework of Internal Control Over Financial Reporting

Masami Yamamoto, President and Representative Director of Fujitsu Limited (the "Company"), and Kazuhiko Kato, Corporate Executive Vice President and Director and Chief Financial Officer of the Company, are responsible for the design and operation of internal control over financial reporting for the Fujitsu Group's consolidated financial statements. The Fujitsu Group designs and operates its internal control over financial reporting in accordance with guidelines set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" from the Business Accounting Council of the Financial Service Agency of Japan.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of basic individual components of internal control as a whole. There are inherent limitations to the extent that internal control can be achieved. Such limitations include misjudgments and carelessness by individuals carrying out internal control activities, or fraud caused by the collusion of two or more individuals. Accordingly, internal control may not completely prevent or detect misstatements in financial reporting.

### 2. Scope of Assessment, Assessment Date and Assessment Procedure

The Fujitsu Group performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2011, in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

In making an assessment of the entire Fujitsu Group, including the parent company, Fujitsu Limited, and its consolidated subsidiaries and equity method affiliates, the necessary scope of the assessment was determined from the perspective of material impact on the reliability of financial reporting. Within the scope of assessment, the Company identified the risks of misstatement which would have a material impact on the reliability of financial reporting and the controls which mitigate such risks to a reasonably accepted level, and then assessed the effectiveness of the design and operation of those controls.

The Company determined that 125 consolidated companies and 1 equity method affiliate should be subject to the assessment of company-level controls, and financial closing and reporting process controls, taking into account the degree of quantitative and qualitative impact on the consolidated financial statements.

With respect to process-level controls, considering the results of the assessment of company-level controls, the Company designated 23 business locations that accounted for approximately two-thirds of the aggregated sales for this fiscal year (before elimination of inter-company transactions) of the consolidated companies as "significant business locations/units" which should be subject to the assessment.

In regard to those "significant business locations/units," the Company determined that sales, accounts receivables and inventories were the accounts closely associated with the Company's business objectives and, in principle, all business processes relating to those accounts should be subject to assessment. Some of those business processes, which do not have a material quantitative impact or are not closely associated with business objectives, were excluded from the scope of the assessment. Other business processes relating to significant accounts involving estimates and management's judgment were included in the scope of assessment, taking into account the impact on financial reporting individually.

Regarding IT general control for "significant business locations/units," the Company performed an assessment of the systems used to automate business process controls. These systems were assessed according to the type of infrastructure.

**3. Assessment Result**

As a result of performing the assessment in accordance with the above policy, the Company concluded that the design and operation of internal control over financial reporting for the Fujitsu Group were effective as of March 31, 2011.

# PRINCIPAL SUBSIDIARIES AND AFFILIATES

(As of March 31, 2011)

## Consolidated Subsidiaries (535 companies)

### Japan

**Listed**

Shinko Electric Industries Co., LTD.
NIFTY Corporation
Fujitsu Component Limited
Fujitsu Broad Solution & Consulting Inc.
Fujitsu Frontech Limited
FDK Corporation

**Unlisted**

Shimane Fujitsu Limited
PFU Limited*1
Fujitsu Isotec Limited
Fujitsu IT Products Limited
Fujitsu FIP Corporation
Fujitsu FSAS Inc.
Fujitsu Electronics Inc.
Fujitsu Laboratories LTD.
Fujitsu System Solutions Limited
Fujitsu Peripherals Limited
Fujitsu Semiconductor Limited*2
Fujitsu Telecom Networks Limited
Fujitsu TEN Limited
Fujitsu Toshiba Mobile Communications Limited*3
Fujitsu Personal System Limited
Fujitsu Marketing Limited*4
Fujitsu Mobile-phone Products Limited

### EMEA

**Unlisted**

Fujitsu Services Holdings PLC
Fujitsu Technology Solutions (Holding) B.V.

### The Americas

**Unlisted**

Fujitsu America, Inc.
Fujitsu Network Communications, Inc.

### APAC/China

**Unlisted**

Fujitsu Australia Limited

*1 On April 1, 2010, PFU Limited became a wholly owned subsidiary following an exchange of shares.
*2 On April 1, 2010, Fujitsu Microelectronics Limited was renamed Fujitsu Semiconductor Limited.
*3 On October 1, 2010, Fujitsu Toshiba Mobile Communications Limited became a new consolidated subsidiary of Fujitsu Limited.
*4 On October 1, 2010, Fujitsu Business Systems Limited was renamed Fujitsu Marketing Limited.

## Equity-method Affiliates (15 companies)

### Japan

**Listed**

Fujitsu General Limited

**Unlisted**

Fujitsu Leasing Co., LTD.

# SHAREHOLDERS' DATA

(As of March 31, 2011)

| | |
|---|---|
| Capital: | ¥324,625 million |
| Common Stock: Authorized: | 5,000,000,000 shares |
| Issued: | 2,070,018,213 shares |
| Number of Shareholders: | 193,421 |

## Equity Shareholdings by Type of Shareholder

| Japanese Financial Institutions and Securities Firms | Other Japanese Corporations | Foreign Institutions and Individuals | Japanese Individuals and Others |
|---|---|---|---|
| 27.18% | 13.53% | 36.16% | 23.13% |

* The 119,112 thousand shares of Fujitsu Limited stock held by Fuji Electric Holdings Co., Ltd. and its consolidated subsidiaries as retirement benefit trust assets are categorized under the shareholdings of "Other Japanese Corporations."

| Principal Shareholders | Number of shares held (thousands) | Percentage of shares held (%) |
|---|---|---|
| Fuji Electric Systems Co., Ltd. | 114,623 | 5.54 |
| State Street Bank and Trust Company (Standing Proxy, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch) | 105,322 | 5.09 |
| The Master Trust Bank of Japan, Ltd. (for trust) | 98,753 | 4.77 |
| Fuji Electric Holdings Co., Ltd. | 95,957 | 4.64 |
| Japan Trustee Services Bank, Ltd. (for trust) | 95,257 | 4.60 |
| Japan Trustee Services Bank, Ltd. (for trust 9) | 48,051 | 2.32 |
| Asahi Mutual Life Insurance Company | 41,389 | 2.00 |
| SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS (Standing Proxy, The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch) | 40,411 | 1.95 |
| Fujitsu Employee Shareholding Association | 38,407 | 1.86 |
| Mizuho Corporate Bank, Ltd. | 32,654 | 1.58 |
| Total | 710,828 | 34.30 |

Notes: 1. The shares held by The Master Trust Bank of Japan, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust), and Japan Trustee Services Bank, Ltd. (for trust 9), are related to the institutions' trust businesses.

2. Of the shares held by Fuji Electric Systems Co., Ltd., and Fuji Electric Holdings Co., Ltd., 98,775 thousand shares and 2,707 thousand shares, respectively, are trust assets entrusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights attached to these shares are exercised upon instructions of the respective shareholders. The Fujitsu shares held by Fuji Electric Holdings Co., Ltd. and its consolidated subsidiaries total 231,872 thousand shares (which accounts for 11.20% of outstanding shares), and includes 119,112 thousand shares held in the form of retirement benefit trust assets.

3. Of the shares held by the Mizuho Corporate Bank, Ltd., 212 thousand shares are trust assets entrusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd. as retirement benefit trust assets. The voting rights attached to these shares are exercised upon instructions of Mizuho Corporate Bank, Ltd.

4. Citigroup Global Markets Japan Inc., in conjunction with two affiliates, submitted a change in large shareholding report dated June 7, 2010 to the Director General of the Kanto Local Finance Bureau containing information that the companies were obligated to report as of May 31, 2010. Because Fujitsu was unable to verify the effective shareholdings listed in the change in large shareholding report regarding its shares, as of the fiscal year-end, the companies have not been included in the above list of principal shareholders. The details of the change in shareholding report are as follows:

| Shareholders | Number of shares held (thousands) | Percentage of total shares outstanding (%) |
|---|---|---|
| Citigroup Global Markets Japan Inc. | 111,323 | 5.10 |
| Citigroup Global Markets Limited | 450 | 0.02 |
| Citigroup Global Markets Inc. | 2 | 0.00 |
| Total | 111,776 | 5.12 |

The number of shares held includes 111,111 thousand residual shares issuable upon the exercise of warrants.

Citigroup Global Markets Japan Inc. submitted a change in large shareholding report dated June 6, 2011 to the Director General of the Kanto Local Finance Bureau containing information that the company was obligated to report as of May 31, 2011, but Fujitsu was unable to verify the effective shareholdings of Citigroup Global Markets Japan Inc. The details of the change in shareholding report are as follows:

| Shareholders | Number of shares held (thousands) | Percentage of total shares outstanding (%) |
|---|---|---|
| Citigroup Global Markets Japan Inc. | 592 | 0.03 |
| Total | 592 | 0.03 |

5. Fuji Electric Co., Ltd. and four of its affiliates jointly submitted a change in large shareholding report dated April 8, 2011 to the Director General of the Kanto Local Finance Bureau containing information that the companies were obligated to report as of April 1, 2011, but Fujitsu was unable to verify the effective shareholdings listed in the change in large shareholding report regarding its shares. Based on the change in shareholding report, Fujitsu judged that Fuji Electric Co., Ltd. was a major shareholder, and on April 8, 2011 submitted an extraordinary report to the Director General of the Kanto Local Finance Bureau. The details of the change in shareholding report are as follows:

| Shareholders | Number of shares held (thousands) | Percentage of total shares outstanding (%) |
|---|---|---|
| Fuji Electric Co., Ltd. | 210,581 | 10.17 |
| Fuji Office & Life Service Co., Ltd. | 3,404 | 0.16 |
| Fuji Electric Retail Systems Co., Ltd. | 13,574 | 0.66 |
| Fuji Electric Systems Co., Ltd. | – | – |
| Fuji Electric Device Technology Co., Ltd. | 4,235 | 0.20 |
| Total | 231,795 | 11.20 |

**Corporate Headquarters:**

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Telephone: +81-3-6252-2220

**Transfer Agent:**

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-8212, Japan

**Stock Exchange Listings:**

Japan: Tokyo, Osaka, Nagoya
Overseas: London

**Independent Auditors:**

Ernst & Young ShinNihon LLC

**Shareholder Information:**

For further information, please contact:
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Public & Investor Relations
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