



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**
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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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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.

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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**
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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.

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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).

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

(Years ended March 31)	2009	2010	2011 (Billions of yen)
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

* 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.

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.

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

*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.

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.

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.

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

*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.

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.

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

Future challenges and measures



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.

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

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.

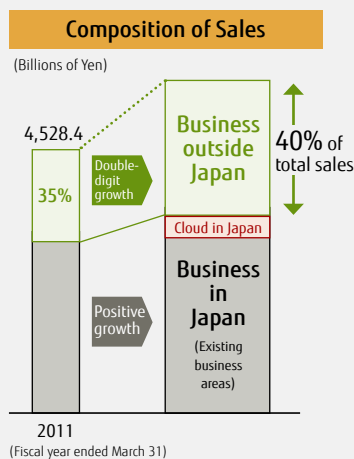
With regard to going on offense with structural reforms, we are striving to maintain our dominant position in Japan by merging the capabilities of the entire Group around services. In the medium term, in order to grow the volume of business, we must enhance our sales capabilities and forge new areas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



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.

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.

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

***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

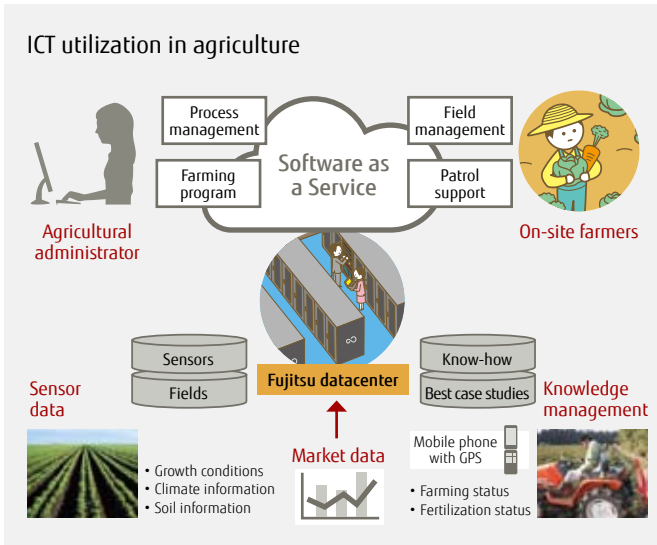


QUESTION. 7

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.



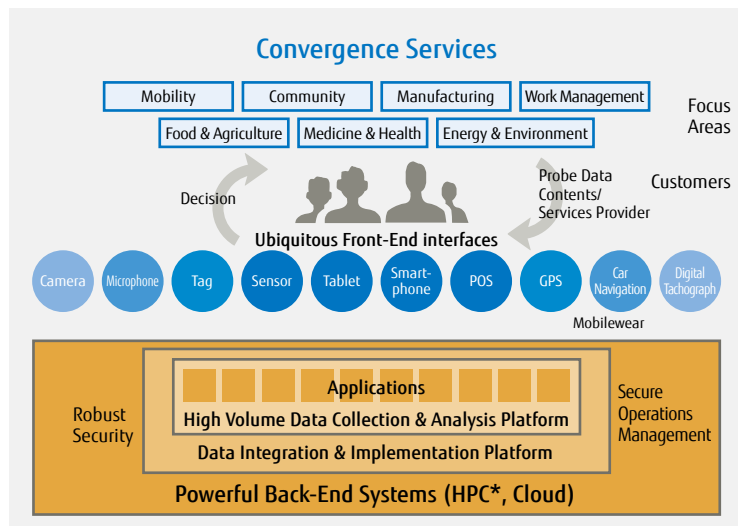
ICT has evolved from the computer-centric era, in which the computer itself was the focus, to the network-centric era, in which the Internet was the focus. Now, we see a future era in which human values are the focus and ICT is used to achieve their realization. This is our vision of the “Human Centric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

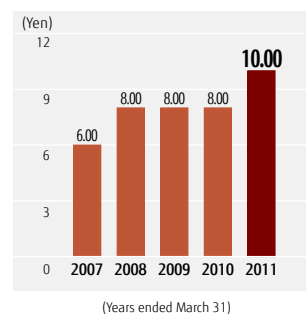
We began fiscal 2010 with a forecast of net income of ¥95 billion and an annual dividend of ¥10 per share. The actual result was net income of ¥55 billion, falling short of expectations and the previous year's results due to an extraordinary disaster-related loss and the booking in the previous year 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



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.