

OPERATIONAL REVIEW AND OUTLOOK

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

2,419.5
(-4.8%)

Operating Income

117.3
(-10.2)

* For entire Technology Solutions segment

Capital Expenditure*

67.2
(-6.8)





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



TeamPoS 1100 is a compact, high-performance POS terminal

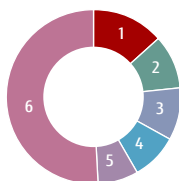


New annex at the Fujitsu Tatebayashi System Center

OUR STRENGTH

IT Services Market Share in Japan 2010 (Revenue Basis)

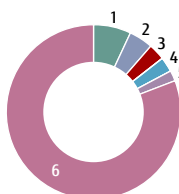
1	Fujitsu	13.5%
2	Company A	10.0%
3	Company B	9.6%
4	Company C	8.8%
5	Company D	7.4%
6	Others	50.7%



(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.

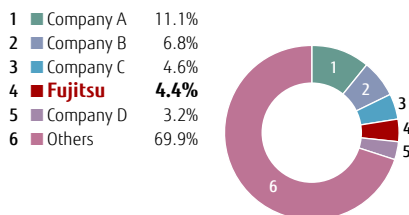
Outsourcing services are a key field for us, where through our network of 100 datacenters in 16 countries worldwide, mainly in Japan and Europe, we meet a wide variety of customer needs. Among other benefits, our services make operation of customers' information and communication technology (ICT) systems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

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GRAPH 1

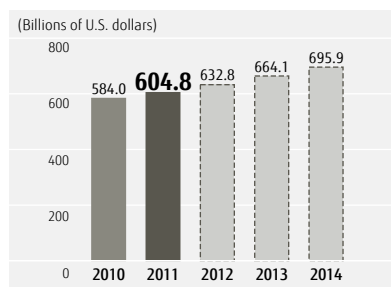
Global Outsourcing (IT Management) Market Share in 2010 (Revenue Basis)



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

GRAPH 2

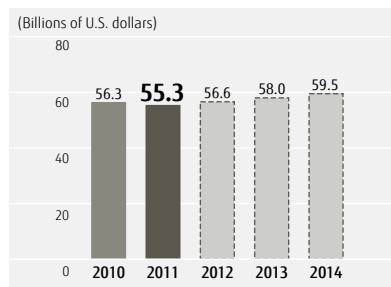
Global IT Services Market Forecast



(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

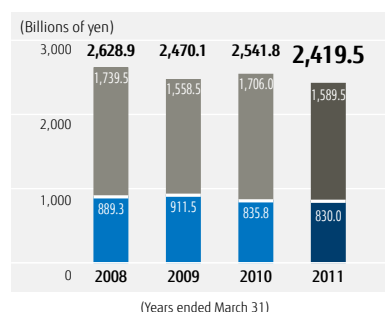
system integration as a way to enhance the efficiency of application development. These initiatives are enabling us to raise efficiency through higher standardization, which translates into lower-cost, faster systems integration for our customers.

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.

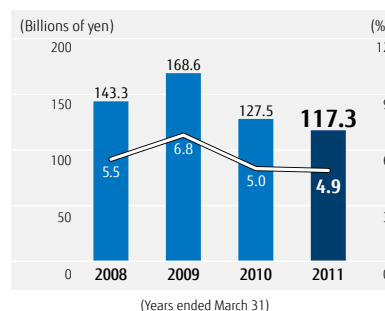
GRAPH 4
Sub-segment Sales*



■ Solutions/System Integration
■ Infrastructure Services

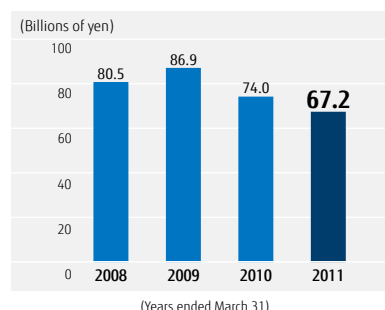
* Including intersegment sales

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

594.8
(+1.2%)

Operating Income

45.5
(+19.5)

Capital Expenditure*

67.2
(-6.8)

* For entire Technology Solutions segment





PRIMERGY TX140 S1 1-way
tower x86 server



PRIMEQUEST 1800E2 mission-critical
x86 server

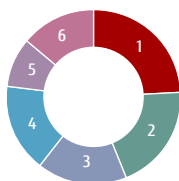


SPARC Enterprise M3000 UNIX server
equipped with the SPARC64 VII processor

OUR STRENGTH

Server Share in Japan 2010 (Revenue Basis)

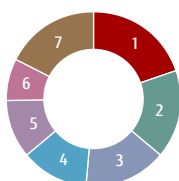
1	Fujitsu	24.4%
2	Company A	19.6%
3	Company B	16.6%
4	Company C	16.4%
5	Company D	9.3%
6	Others	13.7%



(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)

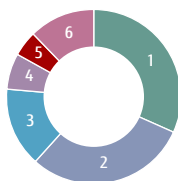
In system products, Fujitsu has a broad lineup of offerings to meet the needs of customers around the world. These include sophisticated and highly reliable mainframe and UNIX servers that support the backbone systems of corporations and that are equipped with proprietary CPUs—Fujitsu being one of the 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)

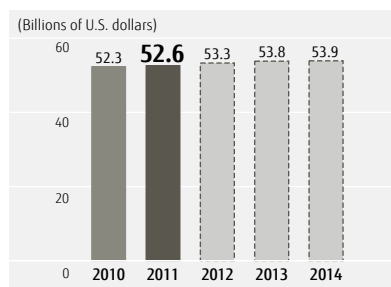
1	Company A	31.8%
2	Company B	30.1%
3	Company C	14.6%
4	Company D	6.7%
5	Fujitsu	4.6%
6	Others	12.2%



(Source: IDC Worldwide Quarterly Server Tracker 2011 Q1)

GRAPH 2

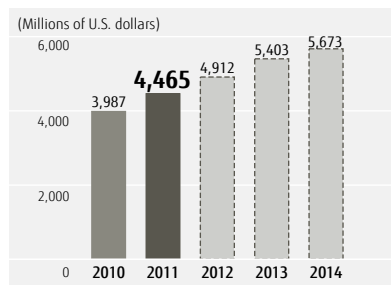
Global Server Market Forecast



(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

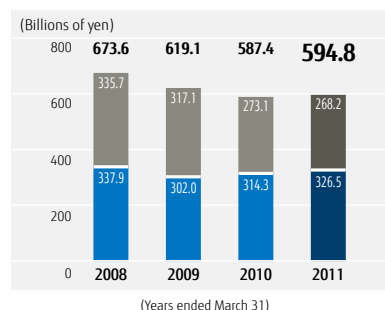
System Products: Information and communication technology (ICT) plays an increasingly vital role in ensuring social prosperity and security. This trend is raising the importance of servers, storage, software and other infrastructure products that support society's development. High reliability and high 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.

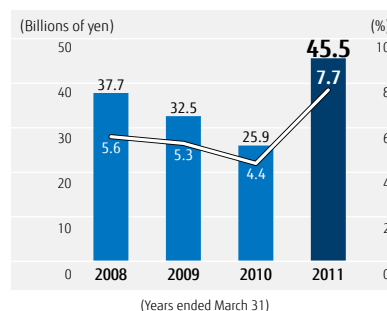
GRAPH 4
Sub-segment Sales*



■ System Products
■ Network Products

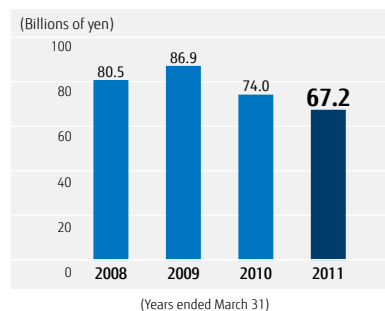
* Including intersegment sales

GRAPH 5
Operating Income/
Operating Income Margin



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

GRAPH 6
Capital Expenditure*



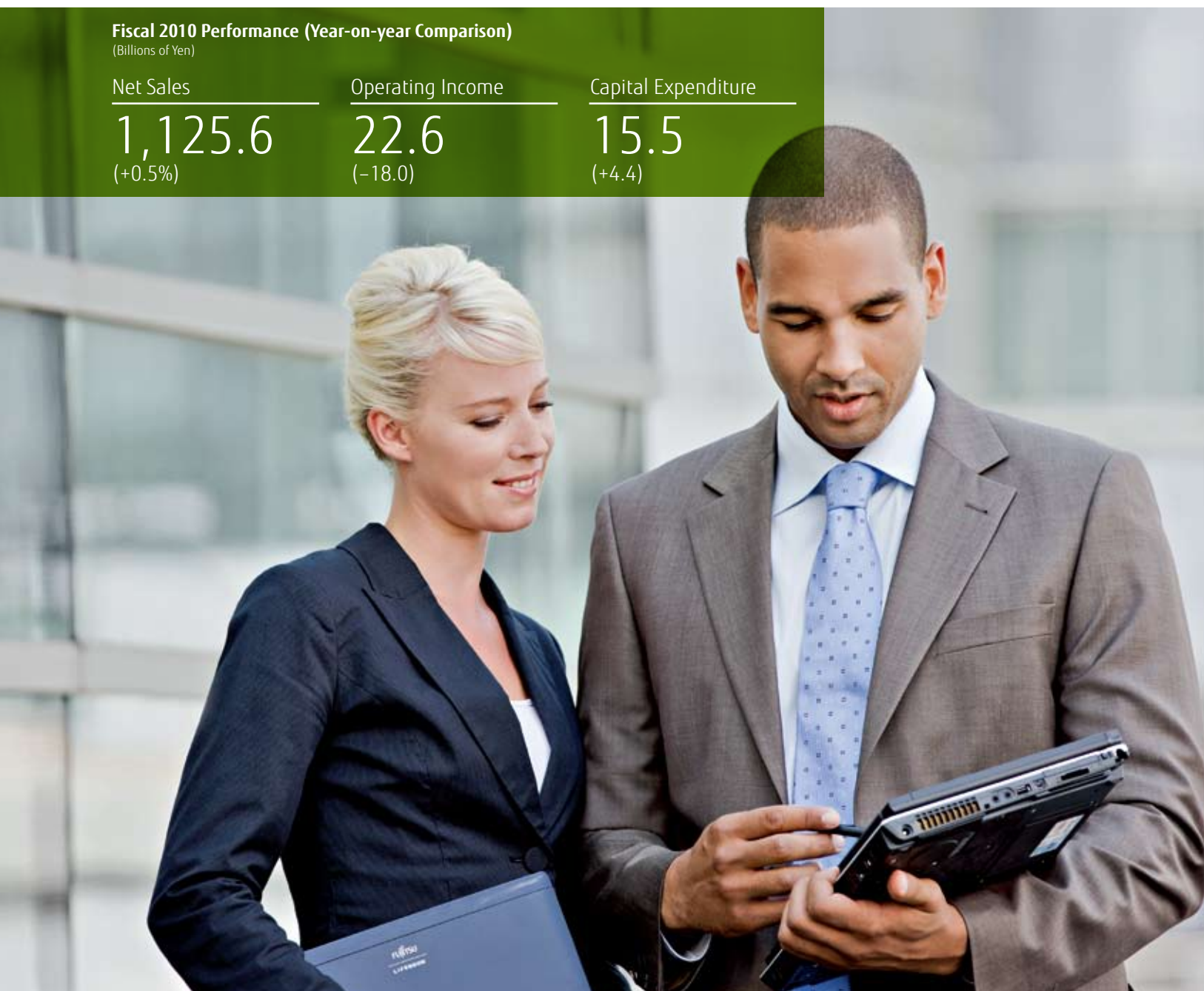
* For entire Technology Solutions segment

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

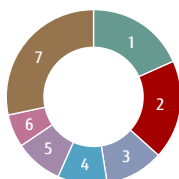


The F-07C smartphone is a palm-sized Windows® 7 PC

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%

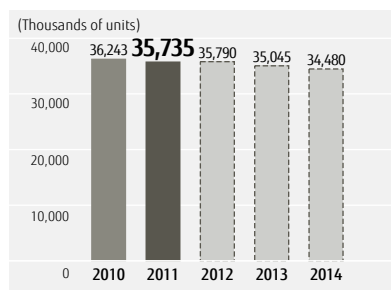


(Source: IDC Japan, Japan Quarterly Mobile Phone Tracker, 2011Q1)

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

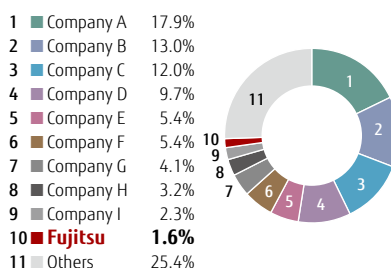
Mobile Phone Shipment Forecast for Japan



(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

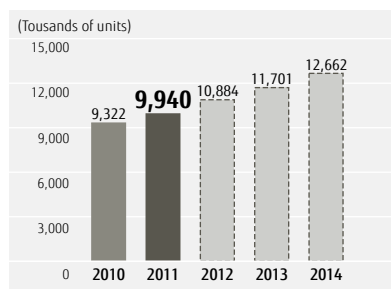
Global PC Market Share in 2010 (Unit Basis)



(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

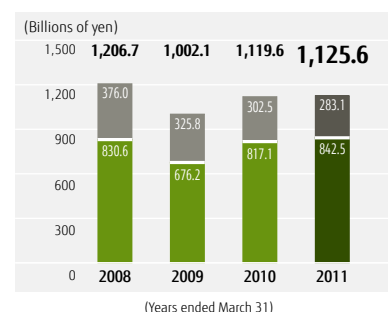
LCD integrated desktop computers with exceptional image quality and realistic sound. We will also tap demand from older consumers and first-time PC users with the FMV Raku-Raku PC Series. For the corporate market, we will expand sales of models offering high levels of added value by enhancing energy 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*

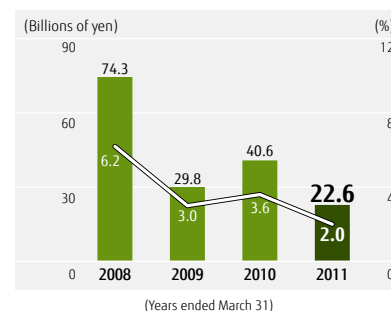


■ PCs/Mobile Phones
■ Hard Disk Drives

* Including intersegment sales

GRAPH 5

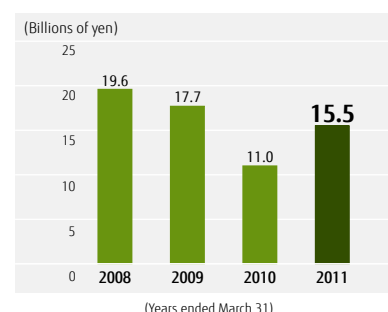
Operating Income/ Operating Income Margin



■ 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

630.6

(+7.0%)

Operating Income

20.9

(+30.0)

Capital Expenditure

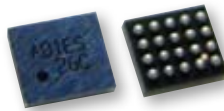
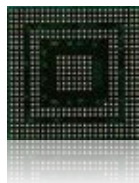
39.4

(+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



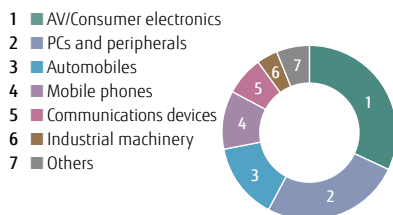
Fujitsu Semiconductor's Mie Plant employs seismic isolation construction



Vertical furnace installed with a seismic isolation platform

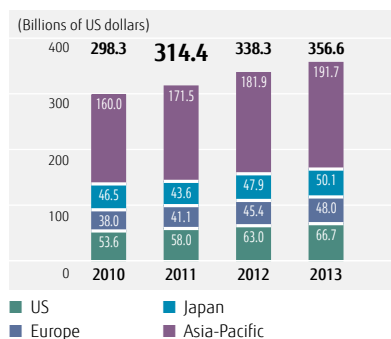
GRAPH 1

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-hydrate 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-hydrate 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

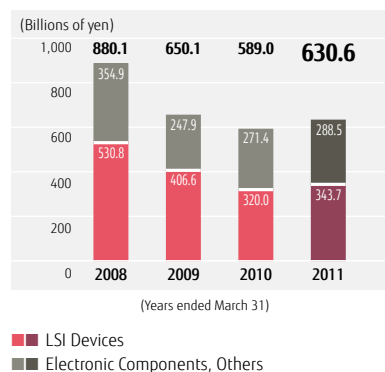
We are promoting the global expansion of the LSI business with a focus on newly emerging economies. The Chinese market offers particularly attractive growth opportunities. At our Chinese operations, we are building a structure with functions to deliver new products, from product planning and development 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.

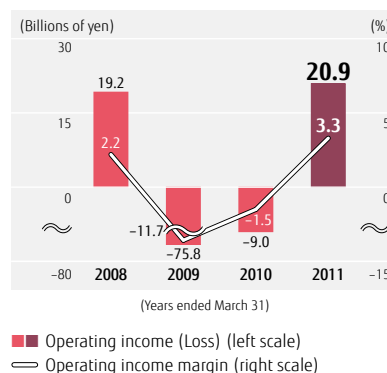
We have outsourced the manufacture of 40nm and above semiconductors to Taiwan Semiconductor Manufacturing Company (TSMC) as part of our fab-lite business model. We are collaborating with TSMC on the development of 28nm processing technology in order to achieve the early launch of next-generation semiconductor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

GRAPH 3
Sub-segment Sales*



* Including intersegment sales

GRAPH 4
Operating Income (Loss)/
Operating Income Margin



GRAPH 5
Capital Expenditure

