

A Conversation with the President

A Clear Vision

The business environment was challenging during fiscal 2011 due to the effects of the European debt crisis and large-scale natural disasters. However, Fujitsu gradually began to see the benefits of its shift to a leaner management structure, reflecting a determined push to go on the offensive with structural reforms. Consequently, our fourth-quarter operating income margin was comparable to that of 2008, prior to the global financial crisis.

We designated fiscal 2012 as a "year to rekindle growth," and are decisively bolstering our capabilities in the areas of sales interaction, system engineering (SE), and technology. In addition to rebuilding a solid business foundation, we aim to achieve an operating income margin of 3%.

Along with these actions, Fujitsu is committed to the sustainable progress of humanity through ICT to realize a prosperous society in the future.

President
Masami Yamamoto

Masami Yamamoto



A review of fiscal 2011

Operating income fell short of initial projections, amounting to ¥105.3 billion in an extremely challenging business climate. During the fourth quarter, however, operating income and the operating income margin were both comparable to levels seen prior to the 2008 global financial crisis.

» To page 016 **Q.1**

Future challenges and measures

Fujitsu has designated fiscal 2012 as a “year to rekindle growth,” and is bolstering capabilities in the three areas of sales interactions, system engineering (SE), and technology. In addition to rebuilding a solid business foundation, we aim to achieve an operating income margin of 3%.

» To page 017 **Q.2**

» To page 018 **Q.3**

» To page 019 **Q.4**

Improving corporate value

Together with applying ICT to the challenge of resolving social issues, the Fujitsu Group is striving for improvement in corporate value through sustainable growth and development driven by a shared commitment to putting the Fujitsu Way into practice.

» To page 020 **Q.5**

Return of profits and dividend policy

Our policy is to provide a stable dividend while ensuring sufficient internal reserves to support the active expansion of our business. In fiscal 2011, we paid an annual dividend of ¥10 per share as originally planned.

» To page 021 **Q.6**

Message to shareholders and investors

Fujitsu believes in the power of ICT to transform society, and will leverage its strengths as a global ICT company originating in Japan to help resolve the world's problems.

» To page 021 **Q.7**

A review of fiscal 2011

Q.1 Looking back, what was the year ended March 31, 2012 like for Fujitsu?
How would you rate Fujitsu's business performance?

A.1 Operating income fell short of initial projections, amounting to ¥105.3 billion in an extremely challenging business climate. During the fourth quarter, however, operating income and the operating income margin were both comparable to levels seen prior to the 2008 global financial crisis.

In fiscal 2011, we emphasized our shift from defense to going on the offense. The global economic situation as a whole, however, continued to face substantial uncertainty. Europe's economic prospects receded as its sovereign debt problem worsened, which in turn triggered an economic slowdown in emerging markets. The US economy, meanwhile, has yet to mount a full-fledged recovery. In Japan, while the supply chain rebounded from the impact of the Great East Japan Earthquake more quickly than anticipated, the economy nonetheless stalled as the strong yen undermined exports and businesses reeled from the catastrophic flooding in Thailand. Regrettably, under the circumstances, we were only able to achieve operating income of ¥105.3 billion, falling short of our initial target of ¥135.0 billion.

Looking at performance by quarter, we posted a net loss in the first quarter as a result of the Great East Japan Earthquake. Although the economic impact from the earthquake had largely subsided by the second quarter, revenue declined as a result of the strong yen, centered on the Device Solutions segment. In the third quarter, the economic slump triggered by the flooding in Thailand and the European debt crisis led to postponement or other disruptions in certain transactions. This included delays in completing contracts, even for services. But by the fourth quarter, signs of a turnaround in the business climate began to appear, as the impact from the earthquake more or less dissipated, and the market for devices began to recover in certain sectors. In addition, we gradually started to see results from our shift to a leaner management structure by going on offense with structural reforms. We achieved fourth-quarter operating income of ¥95 billion, with an operating income margin of 7.3%, on a par with levels prior to the 2008 global financial crisis.

Structural reforms in fiscal 2011 allowed us to further solidify Fujitsu's foundations as an ICT² vendor. Our confidence was particularly bolstered by the strength of recovery in the Technology Solutions segment. To solidify it further, we will tackle a range of issues on the way to capturing new growth, and are determined to tie these steps to even greater improvement in future business performance.

» * See pp. 022-023 for a more detailed account of fiscal 2011 performance.

Financial Highlights

	(Billions of yen)		
(Years ended March 31)	2010	2011	2012
Net sales	4,679.5	4,528.4	4,467.5
Operating income	94.3	132.5	105.3
Net income	93.0	55.0	42.7
Interest-bearing loans	577.4	470.8	381.1
Net D/E ratio (times)	0.20	0.14	0.14

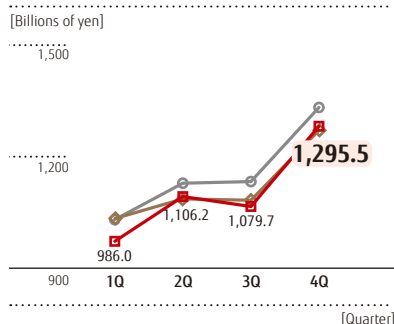
? Glossary

ICT

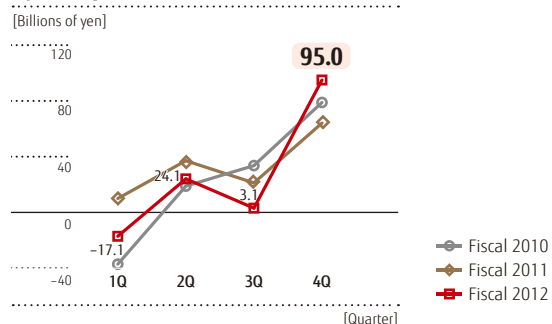
Information and communication technology, a term derived from IT (information technology) and communication, which includes the sharing of knowledge and information via communication networks. Used as a general term for information processing and communications processing technology and applied technology.

Quarterly Data by Segment (incl. intersegment transactions)

Net Sales



Operating Income (Loss)



Future challenges and measures

Q.2 After reviewing the results for fiscal 2011, what are some of the objectives and urgent measures for the current term, fiscal 2012?

A.2 Fujitsu has designated fiscal 2012 as a “year to rekindle growth,” and is bolstering capabilities in the three areas of sales interactions, system engineering (SE) and technology. While rebuilding a solid business foundation, we aim to achieve an operating income margin of 3%.

Our fiscal 2012 targets are net sales of ¥4,550.0 billion, with operating income of ¥135.0 billion and an operating income margin of 3%, representing both higher revenue and earnings. During fiscal 2011 we stated repeatedly that we are shifting from a defensive to an offensive posture. Fiscal 2012 we have designated as a “year to rekindle growth.” While maintaining our growth strategies of going on the offensive with structural reforms, accelerating globalization, and creating new services businesses, we will seek to strengthen our corporate structure. Our target operating income margin of 3% will serve as a milestone on the path to growth.

The business environment for ICT today is caught up in sweeping structural changes stemming from the current wave of cloud services² and big data². The extent to which we can continue to provide value to our customers and lay out a path for business development will determine the true value of Fujitsu. As we reach this important juncture, we recognize that we need to move away from our previous business model centered on system integration (SI), and build a solid business foundation that can respond to this new era.

On April 1 we adopted a matrix-type organization structured along customer segments and business lines. This was an offense-style structural reform intended to bolster capabilities in the three areas of sales interactions, SE and technology. We also took further steps toward a “fab-lite” business model to strengthen the business structure for Device Solutions, including selling the Iwate Plant to Denso Corporation.

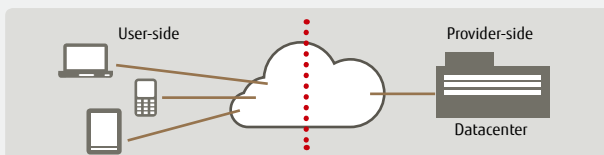


Our medium-term goals are unchanged, and we will continue to work steadily toward achieving our targets of ¥5,000 billion in net sales, with ¥250 billion in operating income and an operating income margin of 5%. Looking ahead 5 to 10 years, we will reawaken the “frontier spirit” that runs through our corporate DNA to pioneer new markets, and exceed our current growth trajectory to be a global company that stands alongside the world’s leading firms.

? Glossary

Cloud Computing

At Fujitsu, cloud computing refers to a platform enabling on-demand access via a network to IT resources (i.e., resources required to create an adequate computer operating environment such as servers, storage, networks, operating systems, and software) across the network.



Big Data

Yet to be definitively defined, big data does not simply refer to sheer volume. Rather, it denotes huge volumes of a wide variety of data that when processed in real time can be used to identify what users were looking for at that time and place. “Unstructured data” that is difficult to analyze such as image, voice, video, and sensor data accounts for a considerable proportion of big data.

Future challenges and measures

Q.3 Please tell us some of the specifics of this new matrix structure.

A.3 This is an organizational change to strengthen our hand in sales interactions, SE, and technology. It creates a framework that allows Fujitsu to compete on a global level.

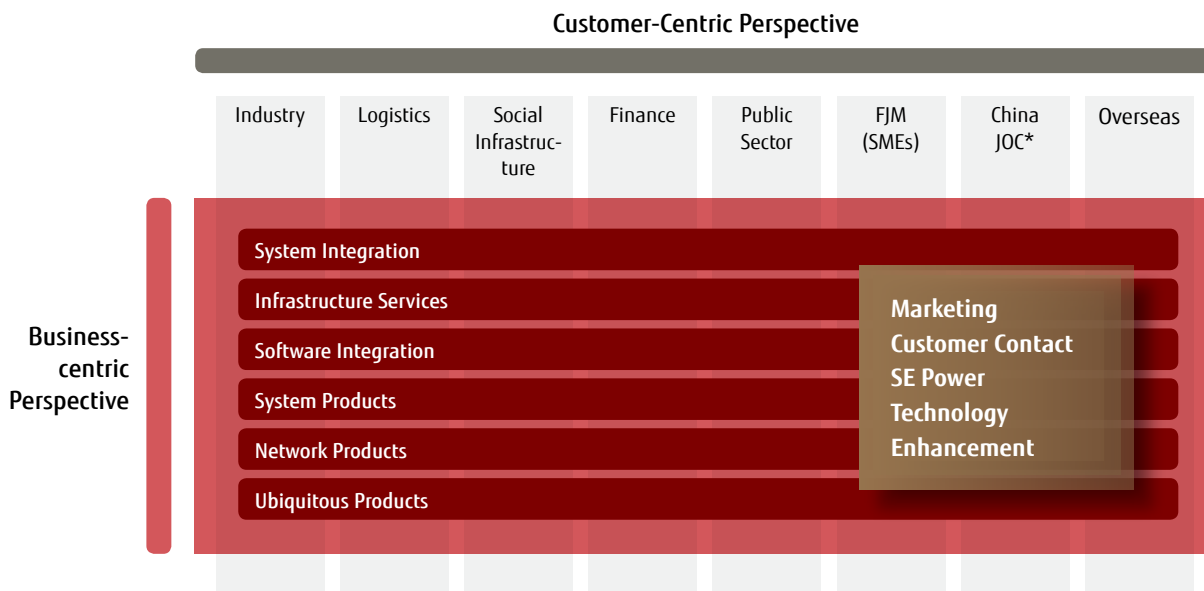
With the rise of cloud services and the rapid spread of smartphones and other mobile devices, coupled with the globalization of our customers' businesses and other acute changes in the ICT market*, it is important for us to bolster capabilities on the sales front, which is the contact point for customers, and in SE in order to adapt to new markets. To achieve this, we separated the sales and SE divisions, which had been combined under the previous Solution Business Restructuring (SBR) framework, in order to clarify roles and functions.

» * See pp. 050–057 for trends in the ICT market, including IT market projection graphs by geographical region.

The "customer-centric" axis is an across-the-board strengthening of our sales interactions, with the aim of positioning Fujitsu where it should be, that is, as a provider of consistent, one-stop solutions worldwide. While strengthening our Japanese sales divisions, we will integrate these with overseas business divisions to provide high-quality, uniform best practices. In the medium-size business market in Japan, we will clarify the position of the Fujitsu Marketing (FJM) Group, which plays a central role in this market, within the larger Fujitsu Group, and establish a structure to allow us to compete in an unimpeded fashion. Furthermore, by strengthening both our business solutions originating in Japan and support functions for Japanese companies expanding overseas, we will put in place a sales structure with seamless global coverage.

The "business-centric" axis is the full-scale development of a services business based on cloud services, which we intend to make a pillar for Fujitsu going forward. To accomplish this we combined our software business with the planning and development, verification and sales promotion divisions for cloud-related services, to create the new Software Integration Business. This reorganization is intended to allow us to quickly grasp market needs, as well as to shift to a business structure centered on software. It is also meant to expand business by strengthening ties with the Infrastructure Services Business.

We also integrated and combined marketing functions, which previously had been spread across the various business divisions, into a new corporate-level marketing division that will serve as a cornerstone for the entire Fujitsu Group.



* Business supporting overseas expansion and development by Japanese companies; short for Japan Originated Company.

Future challenges and measures

Q.4 What initiatives do you have planned for growth fields?

A.4 We will continue to concentrate investment in cloud services, big data, and global business operations.

One of Fujitsu's strengths is an integrated vertical model that begins with services, such as system integration and cloud services, and extends to products such as supercomputers, servers, and smartphones, as well as to technology, specifically semiconductors. We meet customer needs by developing this model on a global scale.

Areas where we can further capitalize on the strengths of this integrated vertical model are identified as Fujitsu's next growth fields. These are the areas where we will continue to invest. For example, as the paradigm for corporate ICT systems shifts from an ownership to a user model, customers are gaining a better understanding of concepts like public² and private² clouds, and utilizing them more. Fujitsu is investing in cloud computing worldwide, and has put a structure in place to meet customer needs. Consequently, cloud-related revenue on a non-consolidated basis was 275% higher than our initial projections for the fiscal year ended March 31, 2012.

With the explosive rise in digital data, coupled with improved cost performance for ICT, some customers have taken steps to put big data to work in ways beneficial to their own corporate management processes.

In the field of big data, Fujitsu has combined the collection, collation and integration of large volumes of sensing data with new knowledge to create predictive models through real-time and batch processing. We now offer this as Platform as a Service (PaaS), the world's first cloud service.

In parallel, we are converting this technology and operational knowhow into systems, which we offer as easy-to-use software products. For Fujitsu corporate customers looking to utilize big data, we are consolidating our system development expertise and technologies to offer on-premise system solutions.

This kind of new and highly sophisticated ICT utilization may prove useful for discovering new approaches to previously intractable social issues, while bringing greater abundance to people's lives. I hope to see ICT become even more useful in these ways. In agriculture, for instance, along with traditional supply chain management for agricultural goods, farm operators are beginning to use sensing data to grow even more delicious produce. Another example is in the field of healthcare, where pulse simulations that take advantage of the advanced simulation capacity of supercomputers are being used to pioneer tailor-made treatments optimized for individual patients. Fujitsu will hone its own integrated vertical strengths in these areas to unlock this kind of new ICT potential in the years ahead.

Our globalization is a key theme for Fujitsu's growth vision going forward, and our target is to have overseas sales account for 40% of net sales. As the global competitive environment heats up, so too do calls for a common framework for sales interaction supporting customers in the same region, along with the provision of competitive products built on extensive cost efficiency. By putting a globally integrated organization and systems in place, for example, we intend to support the global expansion aspirations of any and all companies looking to advance beyond their own shores. To this end, we have set about optimizing the product portfolios of every base, where lineups often varied, to standardize and enhance our offerings on a global scale. We will also invest in integrating global communications and other business infrastructure to bolster communication between offshore bases scattered across the globe and business divisions in Japan. Ultimately, we hope to translate our determination to tie global integration efforts to Fujitsu's integrated vertical strengths into a source of competitiveness in the years ahead.



? Glossary

Public Cloud

This is a platform providing unspecified users, from individuals to groups like companies, with access to shared use of servers, storage, operating systems, and other IT resources via a network. There is no need to build an in-house system or to own or manage IT assets onsite.

Private Cloud

Whereas public clouds offer shared use by unspecified users, private clouds are platforms created for specific users. The idea behind private clouds is to reduce IT costs by having user groups like group companies and departments share IT resources instead of providing them for each individual entity.

Improving corporate value

Q.5 Many people are looking to ICT to help resolve social issues. Tell us about the type of company Fujitsu aims to become, and your approach to social contributions.

A.5 Together with applying ICT to the challenge of resolving global issues, the Fujitsu Group is striving for improvement in corporate value through sustainable growth and development driven by a shared commitment to putting the Fujitsu Way* into practice.

» * See pp. 064-065 for more on the Fujitsu Way

The worldwide population topped seven billion in October 2011. The global economy continues to be driven by emerging markets, but at the same time concerns such as population growth, climate change and depletion of natural resources such as food, water and energy present serious issues for humankind. The Fujitsu Group is moving forward with the smart cities program and other initiatives that help drive positive change in society. We have a vision in which ICT utilization resolves a host of social issues, leading to the realization of a Human Centric Intelligent Society². We also believe that the essence of CSR is embodied in our will to contribute to society through our business operations, and we intend to conduct such activities to the fullest.

ICT has the ability to transform society in three ways. Simulations and cutting-edge ICT solutions can serve as "ICT that supports modern lifestyles," generating new value in a broad range of fields, including agriculture, medicine, transportation, and education. While helping to resolve problems, it paves the way to a sustainable and prosperous future. As "ICT that anyone can use," ICT can provide opportunities to people everywhere. Fujitsu assists with the framework for the introduction of ICT in developing countries, and through the development of devices that are intuitive by design, aims to bring about a society in which all people enjoy the benefits of ICT, regardless of location, age, or physical condition. Finally, as "ICT that supports society," Fujitsu recognizes that one of its major responsibilities is to ensure the stable operation of ICT infrastructure, and to provide security solutions.

The realization of a sustainable and prosperous society requires that individuals think and act on a global level. It is our duty as managers to create an environment that enhances the ability of all Fujitsu employees to both envision the problems facing society, and elicit the creativity to resolve them. Going forward, through a shared commitment to and implementation of the Fujitsu Way, which embodies the Group's corporate philosophy and our principles for conduct, we will seek sustainable growth for the Fujitsu Group, and through that growth, improvement in our corporate value.

? Glossary

Human Centric Intelligent Society

A society where everyone can benefit from value generated by ICT without worrying about complicated technologies or operations. Fujitsu's vision is to bring about a society where people live more fully, enjoying a life of greater safety, peace of mind, comfort, and convenience by pursuing greater realization of human values against a backdrop of ICT evolution.

Making Smart Communities a Reality

Resolving Social Issues through ICT Innovation

Energy management

Local economic revitalization

Knowledge transference

Innovation acceleration

Build meaningful bonds

Partnering with Customers for a Prosperous Society



Return of profits and dividend policy

Q.6 What is your stance on returns to shareholders and dividends?

A.6 Our policy is to provide a stable dividend while ensuring sufficient internal reserves to support the active expansion of our business. In fiscal 2011, we paid an annual dividend of ¥10 per share, as originally planned.

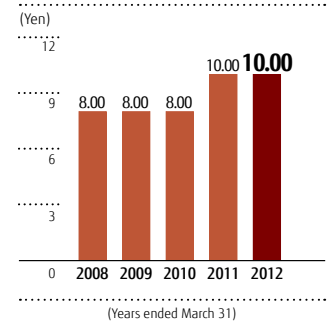
Under Fujitsu's policy on the distribution of earnings, a portion of retained earnings is paid to shareholders to provide a stable return on a continuous basis, and a portion is retained by the Company to strengthen its financial base and support new business development opportunities that will result 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 even more robustly when the financial base is sufficiently strong, including through share buybacks.

For fiscal 2011, operating income and net income declined year on year as a result of the sluggish recovery in ICT investment both in Japan and abroad, as well as the negative effects of the historically high yen and flooding in Thailand. These challenges aside, we managed to maintain a certain level of performance, with the profitability of the services business outside Japan improving, and net income exceeding the revised forecast announced in January 2012. Our financial position is also steadily improving, with the balance of interest-bearing loans falling to its lowest level in a decade. As a result, we were able to pay the planned year-end dividend of ¥5 per share, which together with the interim dividend (¥5 per share) amounted to an annual dividend of ¥10 per share, the same level as in the previous fiscal year.

In terms of the distribution of retained earnings, we plan to maintain a biannual payout comprising an interim and year-end dividend. For the fiscal 2012 annual dividend we plan to pay ¥10 per share, including an interim dividend of ¥5 per share, the same as in fiscal 2011.

We at Fujitsu are grateful for the continued understanding and support of our shareholders. We will make a concerted effort as a management team for sustained improvement in corporate value, in order to meet the expectations of all stakeholders.

Cash Dividends per Share



Message to shareholders and investors

Q.7 What message do you have for shareholders and investors?

A.7 Fujitsu believes in the power of ICT to transform society, and as a Japanese global ICT company exemplifying the best of what Japan has to offer, will help to resolve the world's pressing problems.

We believe Fujitsu's customers to be the whole of society. To achieve sustained growth as a company, it is important for us at Fujitsu to integrate the social and environmental aspects of our business activities, and to enhance our corporate value. As for the host of issues facing the world, we hope to achieve a shared understanding with governments, international institutions, and NGOs, and to contribute to the resolution of various social issues through our main business operations.

As Japan's leading company in the ICT field, we remain prepared to compete alongside the top players around the world. We intend to take full advantage of Fujitsu's strengths as an ICT company originating in Japan to strive for ongoing improvement in corporate value by meeting the expectations of all of our stakeholders.