

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 2011 Performance (Year-on-year Comparison)

(Billions of Yen)

Net Sales

2,371.2
(-2.0%)

Operating Income

124.0
(+6.6)

Capital Expenditure*

73.4
(+6.2)

* For entire Technology Solutions segment



Fujitsu Trusted Cloud Square



PalmSecure-LT palm vein biometric authentication device (mouse sensor-type) exclusively for PC login



Integrated Control Room of Tatebayashi System Center

Our Strength

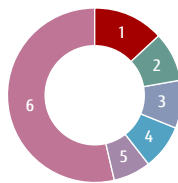
Fujitsu's services business holds the leading market share in Japan and the third-largest share worldwide. We provide services across a wide range of countries and regions, including Europe, the Americas, Asia, and Oceania.

Outsourcing services are a key field for us, where through our network of approximately 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 ICT systems, including for government organizations and customers with a presence worldwide.

IT Services Market Share in Japan 2011 (Revenue Basis)

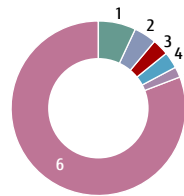
1	Fujitsu	13.1%
2	Company A	9.3%
3	Company B	8.7%
4	Company C	8.5%
5	Company D	7.0%
6	Others	53.6%



(Source: Gartner, "Market Share: IT Services 2011" 9 April 2012)

Global IT Services Market Share in 2011 (Revenue Basis)

1	Company A	7.1%
2	Company B	4.2%
3	Fujitsu	3.0%
4	Company C	3.0%
5	Company D	1.9%
6	Others	80.7%



(Source: Gartner, "Market Share: IT Services 2011" 9 April 2012)

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? Glossary

Cloud Computing

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.

SaaS (Software as a Service)

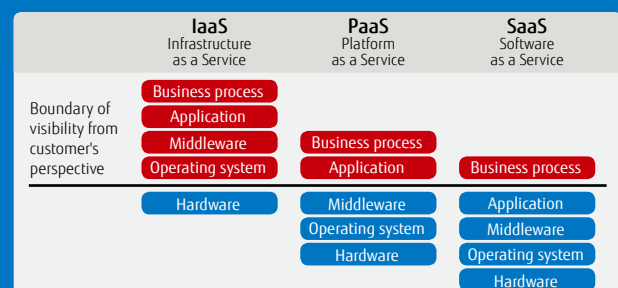
This platform provides access via a network to service providers' software (application) offerings.

PaaS (Product as a Service)

This platform provides access via a network to hardware, operating systems, and other infrastructure required for application development and deployment.

IaaS (Infrastructure as a Service)

This platform provides access via network to network lines, servers, and other infrastructure required for computer system building and operation.



Market Trends

2011 Global Market Trends

The value of Japan's IT services market in 2011 declined 2.2% year on year to US\$60.6 billion. >> **GRAPH 3** The domestic economy slowed due to the effects of the Great East Japan Earthquake and Thai flooding damage, as well as the yen's further appreciation caused by sovereign debt problems in Europe. As a result, corporate IT investment was constrained and the public sector placed priority on rebuilding from the earthquake, which led to a reduction in domestic IT investment, as was the case in 2010.

By service field, demand for system-building slumped significantly. The outsourcing field, which had continued to grow to date, also saw a decrease in market scope year on year due to strongly curtailed current investments, despite rising needs for disaster-response measures and datacenter usage with an eye on business continuity planning in the wake of the Great East Japan Earthquake.

The global market for IT services expanded 3.4% year on year to US\$627.6 billion. >> **GRAPH 2** In Europe, IT investment was led by Germany, where export industries performed strongly due to the euro's depreciation. IT investment reductions continued in other areas, however,

as a result of economic deterioration, and the overall market was limited to a slight increase. In the North American market, however, IT investment tended toward recovery with the spread of cloud computing².

Outlook for 2012

The Japanese IT services market in 2012 is projected to grow 1.9% year on year to US\$61.8 billion. >> **GRAPH 3**

Domestic economic conditions that had continued to be severe due to stagnation caused by the Great East Japan Earthquake and flooding damage in Thailand, as well as the yen's appreciation, are turning around, and we expect a gradual recovery to continue. The recovery in domestic IT investment is expected to be modest in the first half of fiscal 2012, but is projected to broaden in the second half as corporate earnings rebound and progress is made in rebuilding from the disaster.

The global IT services market is projected to grow 3.7% year on year to US\$650.8 billion. >> **GRAPH 2** The IT market will expand globally, but severe conditions are forecast to continue in Europe in 2012 due to deterioration in the real economy caused by government debt problems. Although there are uncertainties such as the US presidential

election and the impact on Australian resource industries of a slowing Chinese economy, IT investment in the Asia-Pacific markets will generally be active, driving market expansion.

Operational Review and Initiatives

Fiscal 2011 Business Results

Sales from the Services sub-segment (Solutions/System Integration, Infrastructure Services) decreased 2.0% year on year to ¥2,371.2 billion. Excluding the impact of currency exchange rates, sales were virtually unchanged from the previous fiscal year.

Solutions/System Integration: Sales decreased 0.6% to ¥824.8 billion.

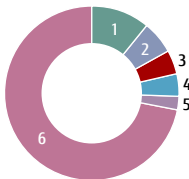
>> **GRAPH 4** Excluding currency exchange rate effects, sales were virtually unchanged from the previous fiscal year.

Investment recovered in domestic manufacturing and distribution industries, as well as in public sectors such as local governments and healthcare. On the other hand, there was a reduction in large projects compared to the previous year in the finance field, and in social infrastructure fields such as electric power and telecommunications, sales fell off from the previous year as priority was placed on infrastructure investment

GRAPH 1

Global IT Outsourcing Market Share in 2011 (Revenue Basis)

1	Company A	10.9%
2	Company B	6.1%
3	Fujitsu	4.5%
4	Company C	4.2%
5	Company D	2.6%
6	Others	71.6%

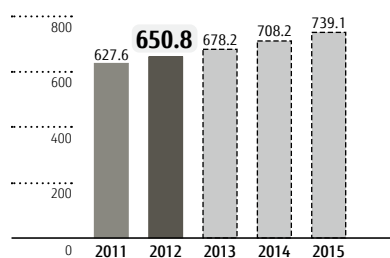


(Source: Gartner, "Market Share: IT Services 2011" 9 April 2012)

GRAPH 2

Global IT Services Market Forecast

(Billions of U.S. dollars)

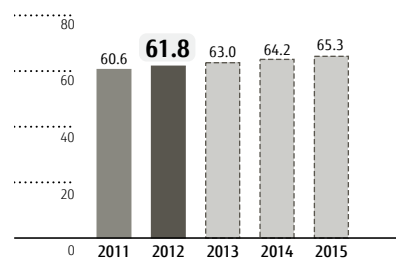


(Source: IDC The Worldwide Black Book Q1 2012)

GRAPH 3

IT Services Market Forecast in Japan

(Billions of U.S. dollars)



(Source: IDC The Worldwide Black Book Q1 2012)

related to rebuilding after the earthquake. Investment by telecom carriers also shifted to hardware in response to increased communications traffic.

Infrastructure Services: Sales decreased 2.7% to ¥1,546.4 billion. Excluding currency exchange rate effects, sales were virtually unchanged from the previous fiscal year.

In Japan, demand for outsourcing services remained strong, although revenue declined partly due to a shift from packaged products (including access fees) to standalone products in the internet service provider (ISP) business in Network Services. Outside Japan, the impact of austerity measures by the UK government continued, coupled with an economic slump in continental Europe, the impact of flooding in Thailand, and stagnation in the US market. Australia and the Nordic region grew, however, causing revenue to increase by 1% (excluding currency exchange rate effects).

Operating income increased ¥6.7 billion year on year to ¥124.0 billion.

» **GRAPH 5** In Japan, operating income fell due to the impact of a revenue decline caused by a decrease in large system projects and continued upfront investments in cloud services.

Outside Japan, operating income rose as profitability in the European services business turned upward.

Initiatives Going Forward

Solutions/System Integration: In a reorganization that took place in April 2012, we set up a system integration division that reunites Group SE divisions. We did this to further globalization and to enhance productivity and competitiveness beyond the bounds of various sectors, bolster SE capabilities, and provide new value to customers. We also reorganized regional SE companies into a new structure that as a group is intended to fully exhibit their strengths and characteristics, effectively utilize resources and streamline development investment to bolster competitiveness. We will create a powerful SE team with overwhelming competitiveness by expanding business based on our strength in existing assets, and by bolstering global responsiveness.

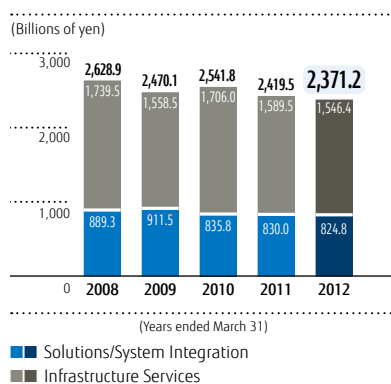
Infrastructure Services: Cloud computing will be the foundation upon which we will accelerate bringing to market new services, such as those associated with big data.

Cloud computing in Japan is spreading rapidly, and is available in a wide range of solutions and services, such as SaaS-model cloud services which leverage packaged software, PaaS and IaaS as infrastructure platforms and private clouds. We are also rolling out new

offerings such as convergence services that utilize big data, which is now attracting attention. In addition, customer interest in system backup and business continuity has greatly risen since the Great East Japan Earthquake, and outsourcing primarily using datacenters and BCP-related services is gaining momentum. In recognition that cloud computing's future expansion is all but certain, we will bolster new service proposals that apply ICT in innovative ways.

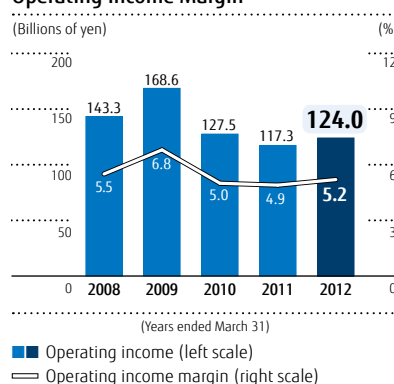
Outside Japan, we will reinforce a structure that can provide common products and services as "One Fujitsu" regardless of location or region, based on the spirit of global integration. We will also provide both private and public cloud platforms by utilizing our Fujitsu Global Cloud Platform, deployed in 2011 to six locations around the world, and other platforms. In this way, Fujitsu will provide consistent, high-quality ICT services globally to support all customers in their endeavors, no matter where they do business.

GRAPH 4
Sub-segment Sales*

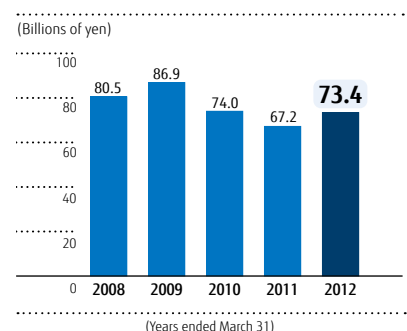


* Including intersegment sales

GRAPH 5
Operating Income/
Operating Income Margin



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 2011 Performance (Year-on-year Comparison)

(Billions of Yen)

Net Sales

563.6

(-5.2%)

Operating Income

47.2

(+1.7)

Capital Expenditure*

73.4

(+6.2)

* For entire Technology Solutions segment



PRIMERGY RX200 S7 2-way 1U rack server



PRIMERGY CX250 S1 server node
(installed in PRIMERGY CX400 S1)



ETERNUS VX710 storage for virtual
environments

Our Strength

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.

Server Share in Japan 2011 (Revenue Basis)

1	■ Fujitsu	27.7%
2	■ Company A	19.9%
3	■ Company B	16.0%
4	■ Company C	15.4%
5	■ Company D	9.2%
6	■ Others	11.8%



(Source: IDC Japan, Japan Server Quarterly Model Analysis, 2012 Q1)

Optical Transmission Market Share in North America 2011 (Revenue Basis)

1	■ Fujitsu	22.2%
2	■ Company A	19.8%
3	■ Company B	13.3%
4	■ Company C	12.7%
5	■ Company D	8.7%
6	■ Company E	6.0%
7	■ Others	17.3%



(Source: Ovum, Market Share: 1Q12 ON Global, June 2012)

? Glossary

Supercomputer

Computers with phenomenal computing power, which are used in cases such as when a large volume of highly sophisticated mathematical operations must be performed under hypothetical conditions.

3G

General term for the third-generation mobile phone communications standard.

LTE

Abbreviation for Long Term Evolution, a mobile phone communication standard.

Router

A device that relays the data flow from one network to another.

Mobile Backhaul

A network covering multiple mobile base stations in different locations responsible for transferring data traffic from mobile devices to the mobile core network.

Backbone

The basic trunk line at the core of a network.

Market Trends

2011 Global Market Trends

System Products: The Japanese server market expanded by 3.9% in 2011 to US\$6.2 billion. Year-on-year expansion came atop growth in shipments of super-computers² and x86 servers for the IT services and telecommunications sectors.

The global server market grew by 2.3%, to US\$56.6 billion. >> **GRAPH 2**

While the European debt crisis and other concerns curtailed investment, most notably in Europe, market growth prevailed in China and other Asian economies.

Network Products: In the Japan market for network devices, although the current investment cycle in Next-Generation Network (NGN) equipment has passed its peak, Japan's optical transmission market grew year on year. Along with incorporating existing networks into NGN, growth came atop greater investment to enhance backbone infrastructure in order to cope with the rollout of LTE and increased data traffic. The router market experienced similar growth, reflecting investments in response to increased traffic. The mobile infrastructure market also reported overall growth year on year on the back of increased Long Term Evolution (LTE²) investment, despite 3G² investment by NTT DOCOMO having now run its course.

In North America, overall spending in the optical transmission market was higher than the previous year, reflecting steady investment in mobile backhaul² networks and other backbone² infrastructure to cope with increased data traffic.

Outlook for 2012

System Products: In 2012, the Japanese server market is expected to contract by a substantial 10.4% to US\$5.6 billion. This decline will reflect the absence of the strong impact from supercomputers during the previous fiscal year.

Outside of Japan, the server market is projected to edge 0.8% lower year on year, to \$56.2 billion. >> **GRAPH 2**
Market expansion is anticipated in China and other Asian countries, although the sluggish European market and other factors are expected to cause a backlash and economic instability in Japan.

Network Products: The 2012 Japanese communication devices market is likely to experience year-on-year growth, reflecting the full-scale rollout of LTE services, along with anticipated growth in investment to cope with increased traffic and to upgrade networks.

In North America's optical transmission market, flat performance appears likely for the year. Although investments to enhance mobile backhaul and other backbone infrastructure are set

to continue during 2012, lower fiscal expenditures due to economic deterioration and waning consumer spending remain causes for concern. >> **GRAPH 3**

Operational Review and Initiatives

Fiscal 2011 Business Results

The System Platforms sub-segment, comprising System Products and Network Products, reported sales of ¥563.6 billion, a decrease of 5.2% from the previous fiscal year. >> **GRAPH 4**

System Products: Sales for the fiscal year ended March 31, 2012 decreased 13.4% year on year to ¥282.7 billion.

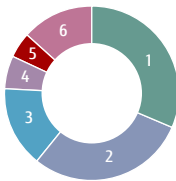
In Japan, server-related sales dropped off sharply due to a decline in business deals for large-scale systems for the finance and public sectors, as well as the impact of the mass production of supercomputer server systems in the previous year. Nevertheless, Fujitsu remained the top server company for a fifth consecutive year in terms of market share in Japan.

Outside Japan, sales of x86 servers were strong in every major geographic region. Overall, however, system product sales declined due to slumping UNIX server shipments, the halting of some business deals due to HDD supply shortages caused by flooding in Thailand, and

GRAPH 1

Global Server Share in 2011 (Revenue Basis)

1	Company A	31.5%
2	Company B	29.3%
3	Company C	15.0%
4	Company D	6.2%
5	Fujitsu	4.8%
6	Others	13.2%

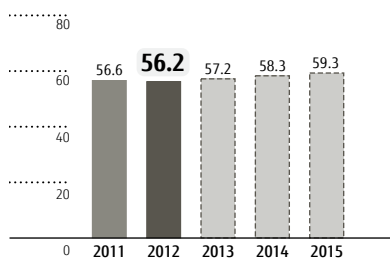


(Source: IDC Worldwide Quarterly Server Tracker 2012 Q1)

GRAPH 2

Global Server Market Forecast

(Billions of U.S. dollars)

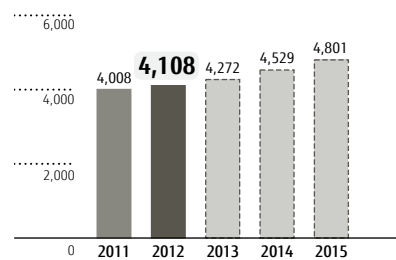


(Source: IDC The Worldwide Black Book Q1 2012)

GRAPH 3

North American Optical Transmission Market Forecast

(Millions of U.S. dollars)



(Source: Ovum, ON Market Forecast: 2012-17, June 2012)

the impact of foreign exchange rates, among other factors.

Network Products: Sales increased 4.7% year on year to ¥280.8 billion.

Sales of optical transmission systems decreased for the year as previously robust performance in North America suffered in line with a slowdown in capital investments in the second half of 2011. Another factor was NGN investment in Japan, which has now come full circle.

Sales of mobile systems and network solutions rose sharply due to higher sales of 3G equipment and routers to cope with higher data traffic stemming from the increasing popularity of smartphones. Sales also increased on the back of full-scale LTE investment.

Operating income for the System Platforms sub-segment totaled ¥47.2 billion, an increase of ¥1.7 billion from the previous year. Income from System Products fell on account of a precipitous drop in UNIX and other server-related sales, despite the effect of cost cutting, particularly for x86 servers. >> GRAPH 5

Profit from Network Products also increased, benefiting from higher revenues stimulated by greater investments aimed at coping with increased data traffic stemming from the widespread popularization of smartphones, and in LTE.

Initiatives Going Forward

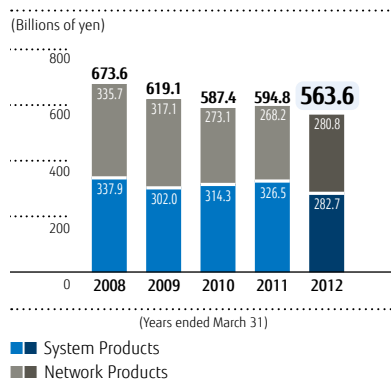
System Products: ICT plays an increasingly vital role in ensuring social prosperity and security. This trend is raising the importance of servers, storage, software and other infrastructure products that support society's development. Along those lines, Fujitsu will move forward with developing platforms optimized for supporting cloud computing, which will enable flexible ICT utilization. >> GRAPH 6

In the x86 and storage divisions, we are raising development efficiency 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 expand our global business 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 product capabilities through our alliance with Oracle, with an eye to expanding our business.

Network Products: Network products are playing an increasingly important role in the cloud era as data and networks merge. In recent years, we have returned the business to profitability by reforming the development process to achieve significant cost savings and expanded sales in key markets like Japan and North America. In the next stage of growth for the business, we are aiming to improve profitability by promoting cost reductions, together with developing new business fields using networks, such as home networks and domains specializing in related services. In the optical transmission system business, we will further solidify our market position in Japan and North America with the launch of advanced products.

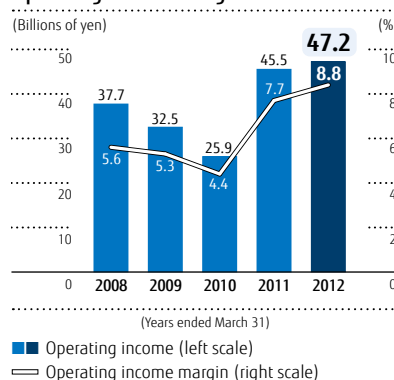
In mobile systems, together with the definitive rollout of an LTE business for NTT DOCOMO in Japan, we will leverage our advantages in LTE base stations and alliances with other companies to offer total solutions and develop peripheral services, with an eye to achieving business expansion.

GRAPH 4
Sub-segment Sales*

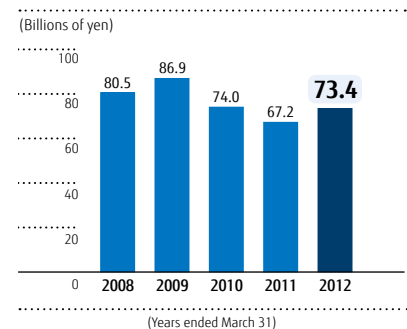


* Including intersegment sales

GRAPH 5
Operating Income/
Operating Income Margin



GRAPH 6
Capital Expenditure*



* For entire Technology Solutions segment

Ubiquitous Solutions

In PCs, Fujitsu is enhancing functionality through smartphone compatibility, energy efficiency, and a fast boot-up feature, and driving the development of tablet PCs. We also have a product lineup in the Japanese market that capitalizes on high domestic standards of quality. In mobile phones, along with conventional feature phones, Fujitsu is developing smartphones and tablet devices under the new ARROWS brand. In mobilewear, Fujitsu is answering diverse needs through "Connectivity Products," among them intuitively operated car navigation systems that connect with smartphones for a more enjoyable driving experience.



Fiscal 2011 Performance (Year-on-year Comparison)

(Billions of Yen)

Net Sales

1,154.2
(+2.5%)

Operating Income

19.9
(-2.7)

Capital Expenditure

15.6
(0.1)



ARROWS Tab Wi-Fi high-spec, water-resistant tablet with fingerprint sensor



Portable Navigation Device EP001



Palm-sized F-07C Windows® 7 Mobile Phone is the world's smallest PC

Our Strength

Fujitsu offers PCs with high added value and a firm commitment to quality. Our notebook PCs are manufactured entirely by Shimane Fujitsu Limited, with operations that consolidate everything from design to manufacturing, assembly and customization in one location. Our desktop PCs use components sourced from outside Japan, and 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 and tablet PCs, we offer a diverse lineup of high-quality models with advanced functions, including smartphones² with cutting-edge, high-speed CPUs, and the Raku-Raku Phone series with easy-to-read displays, clear-sounding speakers, and intuitive functionality. In mobilewear², we draw on our long-nurtured expertise with in-vehicle technologies to provide car navigation systems and other types of automotive electronics that make the driving experience safer and more comfortable.

PC Market Share in Japan 2011 (Unit Basis)

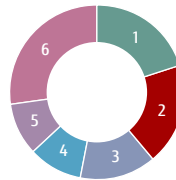
1	Company A	24.2%
2	Fujitsu	17.3%
3	Company B	12.2%
4	Company C	8.7%
5	Company D	8.5%
6	Company E	6.6%
7	Others	22.6%



(Source: Gartner, "Quarterly Statistics: Personal Computers, Worldwide by Region, 1Q12 Update" 9 May 2012)

Mobile Phone Shipments in Japan in 2011 (Unit Basis)

1	Company A	20.1%
2	Fujitsu	18.8%
3	Company B	14.2%
4	Company C	10.0%
5	Company D	9.7%
6	Others	27.2%



(Source: IDC Japan, Japan Quarterly Mobile Phone Tracker, 2012Q1)

? Glossary

HDD

Hard disc drive. This refers to a memory system into which information is written commonly found in PCs and other computing equipment.

Mobilewear

A term coined by Fujitsu that mainly refers to car audio and navigation equipment, most notably car navigation systems, but also to mobile communication and automotive electronic equipment.

Ultrabook™

A term originated by Intel of the United States to describe an ultra-thin, lightweight mobile notebook PC. This class of notebook PCs is notable for having shorter waiting times from power up to operation.

Universal Design

Refers to specifications prefaced on enabling use by the elderly, the disabled, or non-native populations by overcoming barriers due to physical limitations, as well as intellectual or linguistic barriers.

Smartphones

Mobile phones offering voice calling and email that also enable users to customize functionality by individually adding new software.

Feature Phones

General term for non-smartphone (i.e., "conventional") mobile phones.

Market Trends

2011 Global Market Trends

Total PC shipments in Japan fell 2.8% year on year in 2011 to 15.65 million units. Factors affecting shipments included the suspension of factory operations following the Great East Japan Earthquake, and a shortage of HDDs² due to the flooding in Thailand. In the consumer market, sales increased as lower retail prices for high-end models stimulated demand by making them seem a comparative bargain. In the corporate market, PC shipments, which are generally concentrated in March, declined due to the earthquake. Globally, the PC market expanded 0.5% year on year to 352.56 million units. The anemic rise in sales stemmed from the European debt crisis, the HDD shortage due to the flooding in Thailand, and competition from smartphones and tablet PCs.

In Japan, mobile phone shipments in 2011 increased 5.1% year on year to 37.95 million units. >> **GRAPH 1** This was due mainly to the rapid spread of smartphones, which offset a decline in sales of feature phones².

Worldwide shipments of car navigation systems climbed 5.1% year on year to 9.84 million units. >> **GRAPH 3** Shipments declined in Japan due to the falloff in production and sales following the

earthquake, but increased in emerging markets with the rapid rise in car ownership, and also grew steadily in Europe and North America.

Outlook for 2012

For PCs, the Japanese consumer market is expected to decline slightly year on year as a certain segment of consumers shift to tablet PCs, offsetting the demand stimulated by the release of Ultrabook™² models and PCs with Windows® 8. The Japanese corporate market, however, is expected to grow as companies replace their PCs running on Windows® XP operating systems. As a result, the Japanese market overall is projected to grow slightly. Outside Japan, the consumer market is projected to increase on higher sales stimulated by Windows® 8 and Ultrabook™ models, while demand in the corporate market is expected to remain strong. Accordingly, the worldwide PC market is forecast to expand 4.4% year on year to 368.23 million units.

In mobile phones, domestic shipments in 2012 are expected to increase 3.6% year on year to 39.33 million units. Overall market scale is forecast to expand in line with the soaring popularity of smartphones, offsetting a contraction in the feature phone market.

Worldwide shipments of car navigation systems are expected to increase

11.5% year on year to 10.97 million units. This is due to rising automobile sales in emerging markets, leading to the accumulation and maintenance of data across a wider geographic area, as well as to an anticipated higher level of product lineups and standard options that result from rising incomes.

Operational Review and Initiatives

Fiscal 2011 Business Results

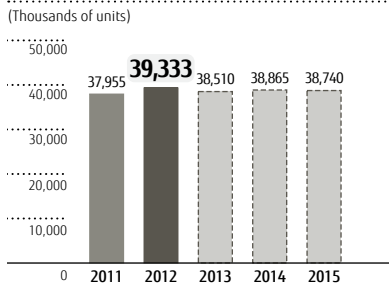
Net sales in the Ubiquitous Solutions segment totaled ¥1,154.2 billion in fiscal 2011 (up 2.5% year on year). >> **GRAPH 4**

Worldwide shipments of Fujitsu PCs increased 11.1% year on year to 6.02 million units. In Japan, there were several large-volume deals for corporate clients, though the consumer market was affected by a fall in unit prices and a shortage of HDDs due to the flooding in Thailand. Outside Japan, Europe recorded higher sales of notebook PCs to corporate clients.

Mobile phone shipments in Japan rose 19.4% year on year to 8.00 million units. This was due mainly to the boost from the mobile phone business merger with Toshiba Corporation, and a wide lineup of new models centered on smartphones.

GRAPH 1

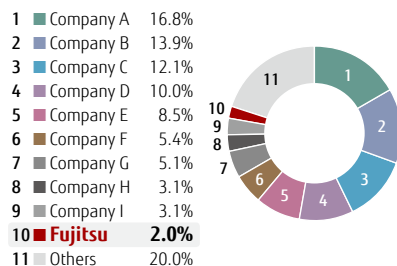
Mobile Phone Shipment Forecast for Japan



(Source: IDC Japan, Japan Quarterly Mobile Phone Tracker, 2012Q1)
* The above figures are as of the end of each fiscal year (March 31)

GRAPH 2

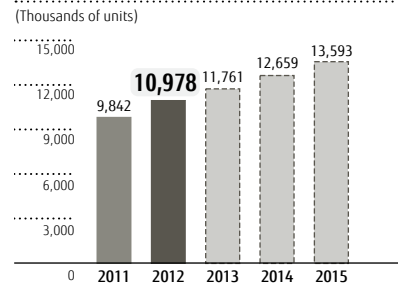
Global PC Market Share in 2011 (Unit Basis)



(Source: Gartner, "Quarterly Statistics: Personal Computers, Worldwide by Region, 1Q12 Update" 9 May 2012)

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 2012)

In mobilewear, sales of audio and navigation devices declined year on year, due mainly to the drop in factory utilization rates in the wake of the earthquake, and production slowdowns among auto-makers due to the flooding in Thailand.

Operating income declined ¥2.7 billion from the previous fiscal year to ¥19.9 billion. >> **GRAPH 5** In the PC business, earnings in Japan rose for both the consumer and corporate markets as the decline in retail prices and rising cost of HDDs was offset by reductions in material and component procurement expenses due to the strong yen. Outside Japan, despite higher unit sales, primarily in Europe, earnings declined on lower revenue as a result of a falloff in unit prices. In the mobile phone business, unit sales and prices both rose considerably, but earnings were flat as a result of stepped-up investment in smartphone development, and costs associated with the earthquake and Thailand flooding. In mobilewear, earnings fell significantly on the sharp decline in revenue.

An additional factor regarding audio and navigation device sales was Fujitsu's restructuring of its domestic production framework and its efforts to strengthen overseas production with the aim of enhancing cost competitiveness and our ability to respond to the global expansion of clients.

Initiatives Going Forward

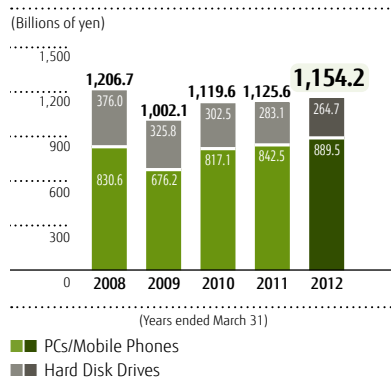
For the PC market, Fujitsu will conduct a global campaign for its high-quality and exceptionally reliable PCs made in Japan, the "Izumo Models" produced by Shimane Fujitsu Limited and the "Date Models" manufactured by Fujitsu Isotec Limited. We will also offer the Japan-developed LIFEBOOK UH SERIES, the world's thinnest Ultrabook™, as well as the ESPRIMO FH Series of desktop PCs with enhanced television features and design. We will further promote the new "My Cloud" PC concept as a way for users to easily organize data that can be collected throughout their homes, and to vastly broaden their enjoyment of that data by utilizing it over a cloud service. Outside Japan, Fujitsu will step up PC sales for the corporate market in Germany, while in North America the focus will be on bolstering sales of slate PCs in the medical and educational fields, and in Asia-Pacific and China, on developing consumer demand.

In mobile phones, Fujitsu is developing such products as the high-spec, water-resistant ARROWS F-10D smartphone utilizing a quad-core CPU, the high-quality, compact and water-resistant ARROWS Me F-11D easy-to-use smartphone that allows for easy transfer of data, and the Raku-Raku Smartphone, a large-screen smartphone that is the latest model in the long-selling

Raku-Raku Phone Series for seniors. We will distinguish our products from the competition by further enhancing our strengths in such areas as universal design² technologies, water-proofing and dust-resistance. We will retain our leading share in the Japan market, while accelerating efforts to bolster and increase efficiency in our product development structure in preparation for global business growth.

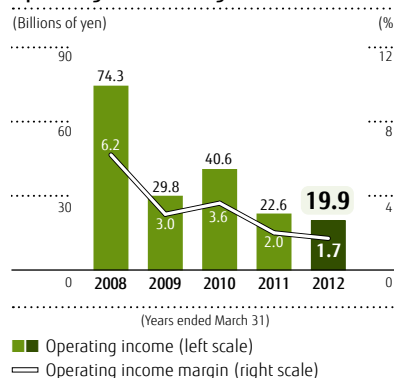
In mobilewear, Fujitsu will expand sales of high-value-added products that use ICT to connect people and society via automobiles, such as the ECLIPSE Series AVN-ZX02i car navigation system. Featuring a nine-inch screen that is among the largest in the industry, this system can also be linked to smartphones and portable game devices. In July 2012, Fujitsu Group subsidiary Fujitsu TEN Limited established a joint venture with NK MINDA Group, a major automobile component manufacturer in India. With this new company, we intend to put in place a unified structure for the development, design and manufacture of car navigation systems and other devices, as well as to increase our business in the rapidly expanding Indian market.

GRAPH 4
Sub-segment Sales*

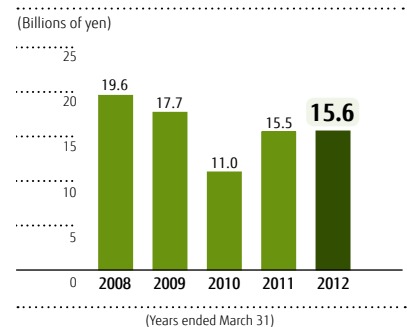


* Including intersegment sales

GRAPH 5
Operating Income/
Operating Income Margin



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 home appliances, 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 structural components such as batteries, relays, and connectors.



Fiscal 2011 Performance (Year-on-year Comparison)

(Billions of Yen)

Net Sales

584.7

(-7.3%)

Operating Loss

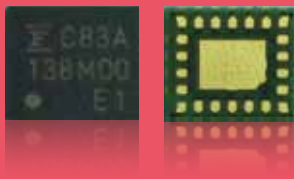
-10.1

(-31.1)

Capital Expenditure

47.2

(+7.7)



MB86C83 multiband power amp for wireless mobile devices



MB86M01 and MB86M02 memory-embedded transcoders compatible with H.264 transcoding



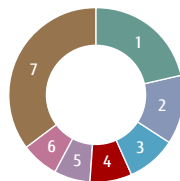
MB91580 series microcontroller with drive motor control functions for electric and hybrid vehicles

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 is expanding its business globally through development and sales sites in Japan, the Americas, Europe, and Asia.

2011 Global ASIC Market Share (based on sales)

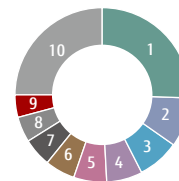
1	Company A	21.6%
2	Company B	12.8%
3	Company C	9.0%
4	Fujitsu Semiconductor Limited	7.8%
5	Company D	6.9%
6	Company E	6.7%
7	Others	35.3%



(Source: IHS iSuppli May 2012)

2011 Microcontroller Market Share (based on sales)

1	Company A	26.9%
2	Company B	9.4%
3	Company C	8.2%
4	Company D	7.0%
5	Company E	6.2%
6	Company F	5.8%
7	Company G	5.6%
8	Company H	5.0%
9	Fujitsu Semiconductor Limited	4.4%
10	Others	25.8%



(Source: IHS iSuppli May 2012)

? Glossary

Fab-lite

A combination of the words “fab” (i.e., a semiconductor manufacturing plant) and “lite,” this term refers to maintaining minimal in-house manufacturing capacity, with additional production outsourced. This approach contrasts with a fabless model, in which development and design alone are conducted in-house, with all manufacturing outsourced.

Microcontroller (Microcomputers)

Microcontrollers (also, microcomputers) contain a CPU, memory, and I/O (input/output) interface circuits all on a single chip.

ASIC

An IC custom-manufactured for a particular customer

ASSP

A standard product that implements a specific function, such as image or network processing

SoC

System on Chip. Also known as system LSI, refers to the condensing onto a single chip of functionality derived by combining functions previously spread across multiple individual ICs; the result is devices that are more compact but offer higher performance.

IP

For LSIs, refers to conventional intellectual property as well as circuit diagrams, software and other design assets

Market Trends

2011 Global Market Trends

In 2011, the global semiconductor market grew 0.4%* year on year to a new record high of US\$299.5 billion. The rate of growth, however, was markedly slower than the 31.8% increase achieved in 2010. >> **GRAPH 2**

In stark contrast with the previous year, the industry struggled as demand faltered under a global economic slowdown triggered by Europe's debt crisis, coupled with the impact of the Great East Japan Earthquake, flooding in Thailand, and other natural disasters.

Geographically, the Japanese market shrank 7.9%* year on year (16.3%* on a yen basis) due to factors such as the Great East Japan Earthquake of March 2011, worldwide economic weakness, the yen's appreciation, and the Thai floods, which drove down production of digital cameras and other AV equipment, as well as PC- and automobile-related production. This contraction in the Japanese market was severe compared to other markets. Similarly, the Asian market grew just 2.5% year on year, as a lackluster global economy and the effects of flooding in Thailand significantly undercut market expansion. These negative factors

offset robust demand for smartphones and other communications equipment. In other regions, weak demand and negative growth caused by the European debt crisis resulted in negative market growth in Europe. In the Americas, market growth was up slightly, as a drop in demand for PCs largely undermined firm demand for communications equipment and automotive applications.

Outlook for 2012

In 2012, the global semiconductor market is expected to grow a mere 0.4%* year on year to US\$300.8 billion, suggesting that challenging market conditions will remain unchanged. >> **GRAPH 2** The US market is forecast to grow 3.2%* and Europe is set to contract by 3.5%*. The Japanese market is expected to grow 1.7%*, while the Asia-Pacific market is expected to increase 0.1%*. Essentially, a return to positive growth is forecast for the Japanese market, in a rebound from the contraction seen in 2011. There is the potential for retrenchment in the European market to be greater than currently forecast, with the still-smoldering debt crisis prolonging economic uncertainty.

In terms of products, although the memory market, which includes DRAM and Flash memory, and the market for

MOS microcontrollers are both expected to decline slightly year on year, by 3.1%* and 1.7%, respectively, the market for logic products should sustain modest growth of 2.0%.

The market is projected to continue growing gradually from 2013, with an anticipated increase of 7.2%* to US\$322.4 billion in 2013. The market is also expected to grow by 4.4%* in 2014, to US\$336.5 billion, for an average annual growth rate of 4.0%* between 2012 and 2014.

* Semiconductor market estimates according to World Semiconductor Trade Statistics (WSTS), spring 2012 forecast.

Operational Review and Initiatives

Fiscal 2011 Business Results

Net sales in this segment totaled ¥584.7 billion, a decrease of 7.3% from the previous fiscal year. >> **GRAPH 3** Sales in Japan fell 5.1%. Sales of LSI devices decreased due to the completion in the first quarter of shipments of CPUs for supercomputers, which were mass produced in fiscal 2010, as well as to the impact from the earthquake in the first quarter. Another factor was the decline in sales of LSIs for digital AV devices in the second half of the year as a result of the

GRAPH 1

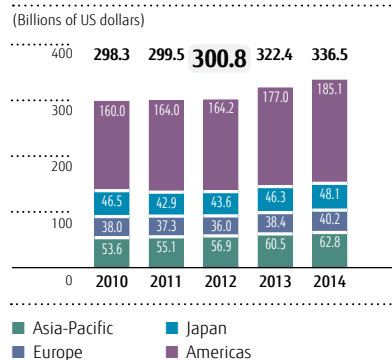
Sales of Logic LSI Products by Application for the Year Ended March 31, 2012

- 1 AV/Consumer electronics
- 2 Mobile phones
- 3 PCs and peripherals
- 4 Automobiles
- 5 Industrial machinery
- 6 Communications devices
- 7 Others



GRAPH 2

Global Semiconductor Market Forecasts



(Source: World Semiconductor Trade Statistics (WSTS))

flooding in Thailand. Electronic component sales also fell due to decreased demand for semiconductor packages. Sales outside Japan were also lower, even excluding the impact of foreign exchange rates. In LSIs, sales were brisk for image processing LSIs used in smartphones. In electronic components, however, sales of semiconductor packages and LCD modules declined, primarily in Asia.

The segment posted an operating loss of ¥10.1 billion, a deterioration of ¥31.1 billion from operating income in fiscal 2010. >> **GRAPH 4** In Japan, LSI earnings were affected by lower revenue, while earnings for electronic components were hampered by lower sales and rising prices for materials, as well as the impact of foreign exchange rates.

Initiatives Going Forward

In April 2012, the Fujitsu Group finalized an agreement to transfer ownership of the Iwate Plant to DENSO CORPORATION. Since 2009, Fujitsu has been pursuing a unique "fab-lite"² business model, outsourcing advanced process technologies for 40 nm and beyond to Taiwan Semiconductor Manufacturing Company (TSMC). The transfer of ownership of the Iwate Plant is in line with this plan, and will help Fujitsu to optimize manufacturing

resources while continuing to ensure a stable supply of products to customers, thereby enhancing the business foundation and improving corporate management in the Fujitsu Group's LSI business.

As Fujitsu establishes its unique fab-lite business model going forward, ASICs² and microcontrollers² will be at the center of business, with imaging, wireless and other ASSPs² positioned as priority fields in pursuing growth.

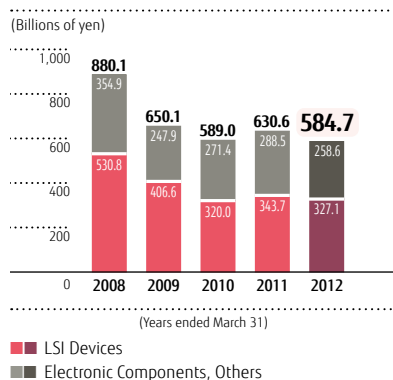
In ASICs, Fujitsu will lead in offering ASIC solutions based on advanced 28 nm processing technology offered to customers in an optimal package. At the same time, Fujitsu is poised to meet a wide range of needs by assembling a wealth of IP² to support customers' state-of-the-art SoC² development.

As for microcontrollers, in addition to its own original cores, Fujitsu from 2010 began offering globally viable microcontrollers that incorporate ARM's Cortex™-M3 cores. Looking ahead, Fujitsu will further enhance its microcontroller lineup, adding high-performance automotive microcontrollers with graphics functions to the available options, in order to deliver optimal products for a host of applications.

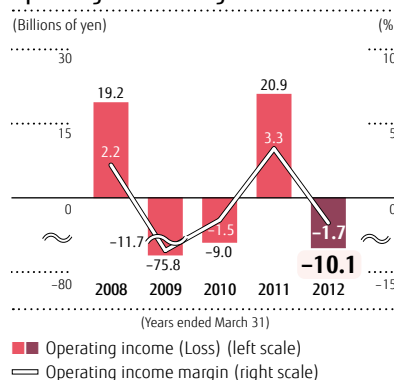
In ASSPs*, Fujitsu's market strategy is to draw together cutting-edge LSI technologies to develop products that deliver high performance and outstanding functionality for mobile phones, PCs, communications networks and a range of other systems.

*Transfer scheduled for October 1, 2012

GRAPH 3
Sub-segment Sales*



GRAPH 4
Operating Income (Loss)/
Operating Income Margin



GRAPH 5
Capital Expenditure

