Notes to Consolidated Financial Statements

Fujitsu Limited and Consolidated subsidiaries

1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements and the principles of consolidation

The accompanying consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the regulations under the Financial Instruments and Exchange Law of Japan and accounting principles and practices generally accepted in Japan. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries.

The Company's consolidated subsidiaries outside Japan prepare their financial statements in accordance with IFRS (International Financial Reporting Standards).

However, certain items, such as amortization of goodwill, are adjusted in the process of consolidation based on "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan, Practical Issues Task Force, No. 18 dated February 19, 2010).

The acquisition of companies is accounted for by the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies.

Investments in affiliates, with minor exceptions, are accounted for by the equity method.

(b) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates.

The assets and liabilities accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Income and expense accounts are translated at the average exchange rate during the year. The resulting translation adjustments are recorded in a separate component of accumulated other comprehensive income as "foreign currency translation adjustments."

(c) Revenue recognition

Revenue from sales of ICT systems and products excluding customized software under development contracts (the "customized software") is recognized upon acceptance by the customers, whereas, revenue from sales of PCs, other equipment and electronic devices is recognized when the products are delivered to the customers. Revenue from sales of the customized software is recognized by reference to the percentage-of-completion method.

(d) Cash equivalents

Cash equivalents are considered to be short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of fluctuation in value.

(e) Investment securities

Investment securities included in "cash and cash equivalents" and "investments and long-term loans" are classified as "Affiliates" such as investments in affiliates; held-to-maturity investments, which are the debt securities that the Group has the positive intent and ability to hold to maturity; or available-for-sale securities, which are investment securities not classified as "Affiliates" or "held-to-maturity."

Investments in affiliates are accounted for by the equity method. Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premiums or accretion of discounts to maturity. Available-for-sale securities are basically carried at fair value. However, unlisted securities are carried at the acquisition cost, and classified as "financial instruments for which it is extremely difficult to determine the fair value," as no market price is available and it is not possible to estimate the future cash flow. The cost of available-for-sale securities sold is calculated by the moving average method.

Available-for-sale securities are carried at fair market value, with the unrealized gains or losses, net of taxes, included in accumulated other comprehensive income.

(f) Derivative financial instruments

The Group uses derivative financial instruments mainly for the purpose of hedging against the risk of fluctuations in foreign exchange rates and interest rates on receivables and payables denominated in foreign currencies.

The hedging instruments consist of forward exchange, option and swap contracts and related complex contracts.

Derivative financial instruments are stated at fair value, and gains or losses on changes in fair values of the hedging instruments are recognized as "Other income (expenses)."

However, gains or losses on changes in fair values of derivative financial instruments, which qualify for deferral hedge accounting, are deferred on the balance sheet until gain or loss on the hedged items are recognized.

(g) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

(h) Inventories

Finished goods are mainly stated at cost determined by the moving average method.

Work in process is mainly stated at cost determined by the specific identification method or the average cost method.

Raw materials and supplies are mainly stated at cost determined by the moving average method.

Inventories with lower profitability are written down.

(i) Property, plant and equipment (excluding lease assets)

Property, plant and equipment, including renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the straight-line method over the estimated useful lives, reflected by the likely period over which the value of the asset can be realized under actual business conditions.

Certain property, plant and equipment are impaired based on consideration of their future usefulness. Accumulated impairment loss is subtracted directly from each asset.

(j) Intangible assets

Goodwill, including the goodwill acquired by consolidated subsidiaries, representing the premium paid to acquire a business is amortized using the straight-line method over periods not exceeding 20 years as these are periods over which the Group expects to benefit from the acquired business.

Computer software for sale is amortized based on the current year sales units to the projected total products' sales units. Computer software for internal use is amortized by the straight-line method over the estimated useful lives.

Other intangible assets are amortized by the straight-line method over the estimated useful lives of the respective assets.

(k) Leases

Assets acquired by lessees in finance lease transactions are recorded in the corresponding asset accounts. As for lease transactions in which the title is not transferred to the lessees, the leased assets are depreciated over the lease term by the straight-line method.

Operating lease payments are recognized as an expense over the lease term.

(l) Provision for product warranties

Provision for product warranties is recognized at the time of sales of the products at an amount which represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period.

(m) Provision for construction contract losses

Provision for construction contract losses is the estimated amount of future losses on customized software or construction contracts whose costs are probable to exceed total contract revenues.

(n) Provision for bonuses to board members

Provision for the bonuses to board members is recorded based on an estimated amount.

(o) Retirement benefits

The Company and the majority of the consolidated subsidiaries have retirement benefit plans.

Under the significant defined benefit plans, the actuarial valuation used to determine the pension costs is the projected unit credit method.

(p) Provision for loss on repurchase of computers

Certain computers manufactured by the Group are sold to Japan Electronic Computer Co., Ltd. ("JECC") and other leasing companies for leasing to ultimate users under contracts which require the Group to repurchase the computers if they are returned by the users after a certain period. Based on past experience, an estimated amount for the loss arising from such repurchases is provided at the point of sales and is charged to income.

(q) Provision for recycling expenses

A provision for anticipated recycling expenses has been made based on the regime for PC recycling enforced in Japan to prepare for recycling expenses incurred upon collection of consumer PCs sold.

(r) Income taxes

The Group has mainly adopted the asset and liability method of tax effect accounting in order to recognize income tax effect of all temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes.

(s) Earnings per share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted earnings per share is computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stocks issuable upon the exercise of subscription rights to shares and the conversion of convertible bonds.

(t) Changes in disclosures

Effective the year ended March 31, 2012, the Group has implemented "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Statement No. 24, issued December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Guidance No. 24, issued December 4, 2009).

(u) Accounting standards issued but not yet effective

The following accounting standards were issued but not yet effective up to June 25, 2012, the filing date of the Annual Securities Report, regulated by the Financial Instruments and Exchange Law of Japan. The Group has not yet adopted these standards as of March 31, 2012.

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, issued May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, issued May 17, 2012)

(1) Overview

Actuarial gains and losses and prior service costs are required to be recognized in net assets at net of tax effects. Funded status is fully recognized as a liability or asset on the balance sheet. With respect to the amortization method of the expected benefit, the benefit formula basis is newly allowed as an option, in addition to the straight–line basis. In addition, the method for determining the discount rate is amended.

(2) Date of adoption

The Company and its consolidated subsidiaries in Japan will adopt the accounting standards effective the fiscal year ending March 31, 2014. The standard and guidance will not be applied retrospectively to financial statements in the prior years.

(3) Impact of the adoption of the accounting standards

The Company and its consolidated subsidiaries in Japan are fully compliant with the Generally Accepted Accounting Principles in Japan. The adoption of these standards is expected to have a significant impact on the consolidated financial statements of the Group. In the consolidated balance sheet, the net assets are expected to decrease due mainly to the immediate recognition of the actuarial gains and losses. Currently, it is difficult to estimate the financial impact.

"Employee Benefits" (IAS 19, issued June 16, 2011)

(1) Overview

Regarding remeasurements of the net defined benefit liability (asset), including actuarial gains and losses, the option to defer partial recognition is eliminated, and immediate recognition through net assets, net of tax effects, is required. The funded status is recognized as a liability or asset. The option to recycle actuarial gains and losses from other comprehensive income to profit and loss is also eliminated. In addition, the net interest on the net defined benefit liability (asset) replaces the recognition of the interest cost and the expected return on plan assets previously required.

(2) Date of adoption

The Company's consolidated subsidiaries outside of Japan will adopt this accounting standard from the beginning of the fiscal year ending March 31, 2014, as it will be effective from the fiscal year beginning January 1, 2013. The standard requires retrospective application. The Group will therefore restate the corresponding financial statement for the year ending March 31, 2013 incorporating adjustments for the impact of the adoption of this standard.

(3) Impact of the adoption of the accounting standard

The Company's consolidated subsidiaries outside Japan prepare their financial statements in accordance with IFRS (International Financial Reporting Standards). Certain items, such as amortization of goodwill, are adjusted in the process of consolidation based on "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan, Practical Issues Task Force, No. 18 issued February 19, 2010). Regarding the amortization of actuarial gains and losses, no adjustment is allowed under the Practical Solution. Therefore, the Group has to date consolidated the amortization of actuarial gains and losses in respect of defined benefit pension plans in subsidiaries outside Japan with no adjustment.

The amendment to IAS 19 is considered to have a significant impact on the Group's consolidated financial statements. In the consolidated balance sheet, net assets are expected to decrease due mainly to the immediate full recognition of the actuarial gains and losses. In the consolidated income statement, operating income is considered to be adversely impacted due to the increase in amortization of actuarial gains and losses in the consolidated subsidiaries outside Japan*, and an increase in net periodic benefit cost caused by the application of the net interest on the net defined benefit liability (asset). Currently, it is difficult to estimate the financial impact from the changes in IAS 19 on the Group consolidated financial statements.

* The Company's consolidated subsidiaries outside of Japan have to date applied the corridor approach for recognizing a portion of actuarial gains and losses as an expense. Under the corridor approach, when the net cumulative unrecognized actuarial gains and losses at the end of the previous fiscal year exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets, the excess amount is recognized as an expense over the expected average remaining service lives of employees.

The amendment to IAS 19 does not allow recycling of actuarial gains and losses held by the Company's consolidated subsidiaries outside of Japan to the income statement. However, in the process of the Group's consolidation, these are periodically recognized as an expense over the expected average remaining service lives of employees, in line with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." The accounting standard requires retrospective application. The Group will therefore restate the corresponding financial statement for the year ending March 31, 2013 incorporating adjustments for the impact of the adoption of this standard.

2. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥82 = US$1, the approximate exchange rate at March 31, 2012.

The U.S. dollar amounts are presented solely for the convenience of readers and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31, 2011 and 2012 consist of the following:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Finished goods	¥150,685	**¥139,162**	**$1,697,098**
Work in process	112,995	**106,268**	**1,295,951**
Raw materials and supplies	77,758	**88,686**	**1,081,537**
Total inventories	¥341,438	**¥334,116**	**$4,074,585**

Amounts above are net of write-downs.

The amounts of write-downs recognized as cost of sales for the years ended March 31, 2011 and 2012 were ¥22,545 million and ¥17,730 million ($216,220 thousand) respectively.

4. Property, Plant and Equipment

Changes in property, plant and equipment, net of accumulated depreciation (including lease assets) are as follows:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Land			
Balance at beginning of year	¥119,530	**¥117,481**	**$1,432,695**
Additions	1,505	**601**	**7,329**
Impairment loss	1,255	**1,477**	**18,012**
Translation differences	(525)	**(269)**	**(3,280)**
Other, net	(1,774)	**(722)**	**(8,805)**
Balance at end of year	¥117,481	**¥115,614**	**$1,409,927**

Years ended March 31	Yen (millions) 2011	2012	U.S. Dollars (thousands) 2012
Buildings			
Balance at beginning of year	¥273,133	**¥277,844**	**$3,388,341**
Additions	29,101	**26,371**	**321,598**
Depreciation	23,095	**23,573**	**287,476**
Impairment loss	25	**469**	**5,720**
Translation differences	(2,375)	**(489)**	**(5,963)**
Other, net	1,105	**4,947**	**60,329**
Balance at end of year	¥277,844	**¥284,631**	**$3,471,110**
Machinery and equipment			
Balance at beginning of year	¥248,148	**¥226,904**	**$2,767,122**
Additions	105,626	**100,627**	**1,227,159**
Depreciation	118,603	**108,004**	**1,317,122**
Impairment loss	299	**1,257**	**15,329**
Translation differences	(3,706)	**(2,495)**	**(30,427)**
Other, net	(4,262)	**(174)**	**(2,122)**
Balance at end of year	¥226,904	**¥215,601**	**$2,629,280**
Construction in progress			
Balance at beginning of year	¥ 21,924	**¥ 16,413**	**$ 200,159**
Additions*[1]	(1,624)	**13,027**	**158,866**
Translation differences	(571)	**(111)**	**(1,354)**
Other, net	(3,316)	**(4,232)**	**(51,610)**
Balance at end of year	¥16,413	**¥ 25,097**	**$ 306,061**
Total of balance at end of year	¥638,642	**¥640,943**	**$7,816,378**

*[1] Additions to construction in progress are offset by the amounts transferred to the buildings and machinery and equipment.

5. Goodwill

An analysis of goodwill is presented below:

Years ended March 31	Yen (millions) 2011	2012	U.S. Dollars (thousands) 2012
Balance at beginning of year	¥93,945	**¥80,083**	**$976,622**
Additions	1,883	**3,315**	**40,427**
Amortization	15,610	**15,099**	**184,134**
Translation differences and others	(135)	**(773)**	**(9,427)**
Balance at end of year	¥80,083	**¥67,526**	**$823,488**

6. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt at March 31, 2011 and 2012 consist of the following:

Short-term borrowings

At March 31	Yen (millions) 2011	2012	U.S. Dollars (thousands) 2012
Short-term borrowings, principally from banks, with a weighted average interest rate of 1.24% at March 31, 2011 and 1.52% at March 31, 2012:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured	54,148	**50,581**	**616,841**
Total short-term borrowings (A)	¥54,148	**¥50,581**	**$616,841**

Long-term debt (including current portion)

At March 31	Yen (millions) 2011	2012	U.S. Dollars (thousands) 2012
a) Long-term borrowings			
Long-term borrowings, principally from banks and insurance companies,			
due from 2011 to 2020 with a weighted average interest rate of 1.30% at March 31, 2011:			
due from 2012 to 2016 with a weighted average interest rate of 1.04% at March 31, 2012:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured	136,375	**99,281**	**1,210,744**
Total long-term borrowings	¥136,375	**¥99,281**	**$1,210,744**
b) Bonds and notes			
Bonds and notes issued by the Company:			
Secured	¥ –	**¥ –**	**$ –**
Unsecured			
unsecured convertible bonds due 2011*[1]	100,000	**–**	**–**
3.0% unsecured bonds due 2018	30,000	**30,000**	**365,854**
1.49% unsecured bonds due 2012	60,000	**60,000**	**731,707**
1.73% unsecured bonds due 2014	40,000	**40,000**	**487,805**
0.307% unsecured bonds due 2013	20,000	**20,000**	**243,902**
0.42% unsecured bonds due 2015	30,000	**30,000**	**365,854**
0.398% unsecured bonds due 2014	–	**20,000**	**243,902**
0.623% unsecured bonds due 2016	–	**30,000**	**365,854**
Bonds and notes issued by consolidated subsidiaries,			
Secured	–	**–**	**–**
Unsecured			
[Japan]			
zero coupon unsecured convertible bonds due 2013	200	**200**	**2,439**
zero coupon unsecured convertible bonds due 2015	100	**100**	**1,220**
[Outside Japan]			
Medium Term Note unsecured due 2012 with rate of 0.67%	–	**986**	**12,024**
Total bonds and notes	¥280,300	**¥231,286**	**$2,820,561**
Total long-term debt (including current portion) (a+b)	¥416,675	**¥330,567**	**$4,031,305**
Current portion (B)	171,406	**78,341**	**955,378**
Non-current portion (C)	245,269	**252,226**	**3,075,927**
Total short-term borrowings and long-term debt (including current portion)	¥470,823	**¥381,148**	**$4,648,146**
Short-term borrowings and current portion of long-term debt (A+B)	225,554	**128,922**	**1,572,220**
Long-term debt (excluding current portion) (C)	245,269	**252,226**	**3,075,927**

Convertible bonds are treated solely as liabilities and the conversion option is not recognized as equity in accordance with accounting principles and practices generally accepted in Japan.

*[1] The unsecured convertible bonds due 2011 were issued on August 31, 2007 and redeemed at the maturity date on May 31, 2011. The applicable interest rate was 1.60% up to May 27, 2009. 1.75% was applied on and after May 28, 2009, as the weighted average share price on 10 consecutive days to May 18, 2011 was below ¥900, and the bonds were redeemed at maturity date.

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2013	¥ 78,341	$ 955,378
2014	79,235	966,280
2015	63,795	777,988
2016	42,681	520,500
2017 and thereafter	66,515	811,159
Total	¥330,567	$4,031,305

At March 31, 2012, the Group had committed facility contracts with banks aggregating ¥197,566 million ($2,409,341 thousand) and all of it was unused.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2011 and 2012 are principally presented below:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Property, plant and equipment, net	¥2,563	**¥2,530**	**$30,854**

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under bank transaction agreements which stipulate that, at the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned. These bank transaction agreements further stipulate that the banks have the right to offset deposits at the banks against indebtedness which matures or becomes due prematurely by default owed to the banks.

7. Supplementary Information to the Consolidated Income Statements

The amounts of write-down of inventories recognized within "cost of sales" for the years ended March 31, 2011 and 2012 were ¥22,545 million and ¥17,730 million ($216,220 thousand), respectively. The provision for construction contract losses charged to "cost of sales" for the same periods were ¥9,549 million and ¥8,452 million ($103,073 thousand), respectively.

Major items that comprise "Selling, general and administrative expenses" are salaries and research and development expenses. The salaries for the years ended March 31, 2011 and 2012 were ¥308,021 million and ¥313,049 million ($3,817,671 thousand), respectively. The research and development expenses for the same periods were ¥236,210 million and ¥238,360 million ($2,906,829 thousand), respectively.

"Other, net" of "Other income (expenses)" for the years ended March 31, 2011 and 2012 consists of the following:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Gain on sales of investment securities	¥ 9,366	**¥ –**	**$ –**
Gain on change in interest	2,368	**–**	**–**
Foreign exchange gains (losses), net	(11,063)	**(1,805)**	**(22,012)**
Gain on negative goodwill	1,220	**–**	**–**
Restructuring charges	–	**(15,199)**	**(185,354)**
Loss on disaster	(11,645)	**(7,529)**	**(91,817)**
Loss on disposal of property, plant and equipment and intangible assets	(5,477)	**(3,082)**	**(37,585)**
Loss on changes in retirement benefit plan	(1,266)	**(895)**	**(10,915)**
Impairment loss	(1,579)	**(776)**	**(9,463)**
Loss on adjustment for adoption of accounting standard for asset retirement obligations	(4,113)	**–**	**–**
Other, net	(6,366)	**(9,281)**	**(113,183)**
	¥(28,555)	**¥(38,567)**	**$(470,329)**

For the year ended March 31, 2012

Restructuring charges

Restructuring charges are in relation to the LSI device business, the car audio and navigation systems business and the services business outside of Japan. In the LSI device business, as part of structural reorganization to optimize the manufacturing capabilities, the Group reached an agreement to transfer ownership of its Iwate plant, one of the front-end manufacturing plants, to DENSO Corporation. As a result of this agreement, the Group recorded a loss of ¥5,992 million ($73,073 thousand), including impairment losses on fixed assets agreed to be transferred and expenses associated with transferring employees to DENSO Corporation. In the car audio and navigation systems business, the Group is restructuring its manufacturing operations in order to strengthen cost competitiveness. As a result, ¥5,236 million ($63,854 thousand) was recorded, which includes provisions and charges for reassigning employees in Japan. In the services business outside of Japan, ¥3,971 million ($48,427 thousand) was recorded on rationalization in Europe and North America.

The restructuring charges under the LSI device and the car audio and navigation systems businesses include impairment losses of ¥2,465 million ($30,061 thousand).

Loss on disaster

Referred mainly to fixed costs associated with temporary plant shutdowns due to aftershocks following the Great East Japan Earthquake and customer-related factors.

Loss on changes in retirement benefit plan

Referred mainly to the costs related to changes from qualified retirement pension plans to lump–sum retirement plans within consolidated subsidiaries in Japan.

Impairment loss

Referred mainly to losses on the following asset groups;

Purpose: Production facilities for the LSI device business
Category: Land
Location: Iwate Prefecture, Japan

Purpose: Production facilities for car audio and navigation systems business
Category: Machinery and other assets
Location: Tianjin, China, and other areas

In principle, the Group's business-use assets are grouped according to managed business units, and idle assets are grouped on an individual asset basis.

In the LSI device business, in order to optimize the manufacturing capabilities, the transfer of the Iwate plant, one of the front-end manufacturing plants, to DENSO Corporation was agreed in the fiscal year ended March 31, 2012. The asset group of the Iwate plant, scheduled to be transferred during the next fiscal year, was impaired by ¥1,300 million ($15,854 thousand) and the impairment loss is included in "Restructuring charges" classified within "Other income (expenses)" on the income statement.

In the car audio and navigation systems business, the Group has shifted to outsourced production of car audio products due to a decline in customer demand. As a result, the assets were impaired by ¥1,165 million ($14,207 thousand). The impairment loss is included in "Restructuring charges" classified within "Other income (expenses)".

In other businesses, the impairment losses of ¥776 million ($9,463 thousand) include losses on employee facilities already committed to be sold at the end of the fiscal year.

Total impairment losses consist of ¥1,477 million ($18,012 thousand) for land, ¥936 million ($11,415 thousand) for machinery and equipment and ¥828 million ($10,098 thousand) for other assets.

The recoverable amounts are measured at fair value less costs to sell or value in use. The fair value less costs to sell is measured based on the amount obtainable from the sale of assets less any costs of disposal.

For the year ended March 31, 2011

Gain on sales of investment securities

Referred mainly to the sales of affiliates' shares held by a subsidiary in the U.K.

Gain on change in interest

Referred to changes in interest due to the issuance of new shares by an affiliate (Nantong Fujitsu Microelectronics Co., Ltd.) listed in Shenzhen, China.

Gain on negative goodwill

Referred mainly to the conversion of PFU Limited into a wholly owned subsidiary.

Loss on disaster

Referred mainly to the restoration costs for fixed assets damaged by the Great East Japan Earthquake, the fixed costs for factories that suspended operations due to the earthquake and the disposal losses on inventories. In addition, ¥4,876 million for a provision for loss on disaster is also included in this account.

Loss on adjustment for adoption of accounting standard for asset retirement obligations

Effective the year ended March 31, 2011, the Group adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Statement No. 18) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan Guidance No. 21).

The loss referred mainly to the obligation of restoration for rental buildings in conjunction with the adoption of the Accounting Standard for Asset Retirement Obligations. The loss arose from the difference between the amount of the asset retirement obligations newly recognized as a liability at the beginning of the fiscal year in which the standard was adopted and the amount of asset retirement expenses recognized as an asset. The difference consists largely of the accumulated depreciation amounts of the assets in the years before the adoption of the standard.

Impairment loss

Referred mainly to an investment property determined to be sold.

Loss on changes in retirement benefit plan

Referred to the costs related to the changes to a defined contribution pension plan by consolidated subsidiaries in Japan.

8. Supplementary Information to the Consolidated Statements of Comprehensive Income

Year ended March 31, 2012

	Yen (millions)	U.S. Dollars (thousands)
Unrealized gain and loss on securities		
Gains (losses) during the term	¥(2,637)	$(32,159)
Reclassification adjustments	393	4,793
Amount before related income tax effects	(2,244)	(27,366)
Income tax effect	2,288	27,902
Unrealized gain and loss on securities, net of taxes	44	537
Deferred gains or losses on hedges and others		
Gains (losses) during the term	75	915
Reclassification adjustments	(5)	(61)
Amount before related income tax effects	70	854
Income tax effect	42	512
Deferred gains or losses on hedges and others, net of taxes	112	1,366
Foreign currency translation adjustments		
Gains (losses) during the term	(3,773)	(46,012)
Reclassification adjustments	681	8,305
Amount before related income tax effects	(3,092)	(37,707)
Income tax effect	–	–
Foreign currency translation adjustments	(3,092)	(37,707)
Share of other comprehensive income of associates accounted for using the equity method		
Gains (losses) during the term	(31)	(378)
Reclassification adjustments*1	559	6,817
Share of other comprehensive income of associates accounted for using the equity method	528	6,439
Total other comprehensive income	¥(2,408)	$(29,366)

*1 The reclassification adjustments of the share of other comprehensive income of associates accounted for using the equity method include the adjustment for purchase price of assets.

The amounts of "Reclassification adjustments" and "Income tax effects" for the year ended March 31, 2011 are not presented above in accordance with "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan, Statement No. 25, dated June 30, 2010).

9. Supplementary Information to the Consolidated Statements of Cash Flows

No significant transactions.

10. Leases

The following is a summary of assets and liabilities related to finance lease transactions at March 31, 2011 and 2012, which includes acquisition cost, accumulated depreciation and book value of leased assets, future minimum lease payments required under finance leases, and the present value of lease obligations.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Acquisition cost	¥108,165	**¥74,189**	**$904,744**
Accumulated depreciation	68,637	**39,452**	**481,122**
Book value	39,528	**34,737**	**423,622**
Future minimum lease payments			
Within one year	25,611	**16,744**	**204,195**
Over one year but within five years	24,353	**25,372**	**309,415**
Over five years	7,630	**7,114**	**86,756**
Total future minimum lease payments	¥ 57,594	**¥49,230**	**$600,366**
Less: Interest	(6,349)	**(5,701)**	**(69,524)**
Present value of lease obligations	¥ 51,245	**¥43,529**	**$530,841**
Lease obligations (current)	24,470	**15,794**	**192,610**
Lease obligations (long-term)	26,775	**27,735**	**338,232**

The following is a summary of future minimum lease payments required under non-cancelable operating leases in the aggregate and for each of the following periods.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Within one year	¥19,368	**¥18,611**	**$226,963**
Over one year but within five years	42,692	**39,642**	**483,439**
Over five years	23,637	**21,423**	**261,256**
Total	¥85,697	**¥79,676**	**$971,659**

11. Financial Instruments

1. Status of Financial Instruments

(1) Policies for Financial Instruments

The Group carries out its financial activities in accordance with the "Fujitsu Group Treasury Policy," and primarily obtains funds through bank borrowing and the issuance of corporate bonds based on funding requirements of its business activities. After the adequate liquidity for its business activities has been ensured, the Group invests temporary excess funds in financial assets with low risk. The Group utilizes derivative transactions only for hedging purposes and not for speculative or dealing purposes.

(2) Description and Risks of Financial Instruments

Trade receivables are exposed to customer credit risk. Additionally, some trade receivables are denominated in foreign currencies in conjunction with the export of products and exposed to exchange rate fluctuation risk. Investment securities are comprised primarily of certificates of deposit and available for sale securities issued by the customers. The certificates of deposit are held for fund management and the shares are held for maintaining and strengthening business relationship with the customers. Shares are exposed to market price fluctuation risk and financial risk of the company invested. The Group also loans to customers.

Trade liabilities such as payables, trade and accrued expenses are generally payable within one year. Some trade liabilities are denominated in foreign currencies in conjunction with the import of components and exposed to exchange rate fluctuation risk. Borrowings, corporate bonds, and lease obligation related to finance lease transactions are mainly for the purpose of obtaining working capital and preparing for capital expenditures. Because some of the foregoing have a floating interest rate, they are exposed to interest rate fluctuation risk.

Derivative transactions consist primarily of the use of exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and trade liabilities, currency swap contracts for the purpose of hedging exchange rate fluctuation risk related to foreign currency denominated cash flow, and interest swap contracts for the purpose of hedging interest rate fluctuation risk related to borrowings and corporate bonds.

(3) Risk Management of Financial Instruments

(i)Management of Credit Risk

The Group strives to mitigate collection risk in accordance with credit management standards and procedures in selling goods and services. A unit independent from the sales units assesses the credit standing of customers and manages collection dates and the balance outstanding for each customer to ensure smooth and dependable collection of trade receivables. Regarding the loan receivable, the Group periodically assesses debtor's financial condition, and reviews the terms of the loan if needed. The counterparties to derivative transactions are selected upon assessment of their credit risk. The amounts of the largest credit risks as of the reporting date are indicated in the balance sheet values of the financial assets that are exposed to credit risk.

(ii)Management of Market Risk

The Group utilizes mainly exchange forward contracts in respect to trade receivables and trade liabilities denominated in foreign currencies to mitigate exchange rate fluctuation risk monitored by each currency respectively, currency swap contracts to mitigate the foreign currency exchange rate fluctuation risk of cash flow denominated in foreign currency, and interest swap contracts in respect to borrowings and corporate bonds to mitigate interest rate fluctuation risk. The Group regularly monitors the market price and the financial condition of the issuer in respect to its securities and continuously reconsiders investment in each company, taking into account its relationship with the counterparty.

The Group enters into derivative transactions based on regulations established by the Company. Based on policies approved by the Chief Financial Officer(CFO), the finance division undertakes particular transactions and records them and also confirms the balance of transactions with counterparties. In addition, the finance division reports on the content of transactions undertaken and changes in transaction balances to the CFO and the chief of the accounting department.

(iii) Management of Liquidity Risk in Financing Activities

The Group prepares a cash flow projection and monitors its funding requirements. The Group also strives to diversify its sources of financing in order to reduce liquidity risk.

(4) Supplementary Explanation of Fair Value of Financial Instruments

The fair value of Financial Instruments is based on the market price, but in case a market price is not available, the fair value is reasonably estimated. As variable factors are incorporated in the estimation of values, values may vary depending on the assumptions used. The contract amount related to derivative transactions under "13. Derivative Financial Instruments" does not express the market risk related to the derivative transactions.

2. Fair Value of Financial Instruments

Amounts recorded on the consolidated balance sheet as of March 31, 2011 and 2012, fair values, and the variances between the two are as shown below. Unlisted securities, categorized within "Affiliates" and "Others" of "Investment and long-term loans," are not included in the table below, as it is extremely difficult to determine the fair value. Financial instruments categorized within "Others" of both "Current assets" and "Investments and long-term loans" are not included, except for available-for-sale securities and held-to-maturity investments stated at fair value.

		Yen (millions)			U.S. Dollars (thousands)	
At March 31, 2012	Carrying value in consolidated balance sheet	Fair value	Variance	Carrying value in consolidated balance sheet	Fair value	Variance
Current assets						
(1) Cash and cash equivalents	**¥ 266,698**	**¥ 266,698**	**¥ –**	**$ 3,252,415**	**$ 3,252,415**	**$ –**
(2) Short-term investments	**7,227**	**7,227**	**–**	**88,134**	**88,134**	**–**
(3) Receivables, trade	**901,316**			**10,991,659**		
Allowance for doubtful accounts*1	**(12,802)**			**(156,122)**		
	888,514	**888,514**	**–**	**10,835,537**	**10,835,537**	**–**
Investments and long-term loans*2						
(4) Affiliates	**21,381**	**40,603**	**19,222**	**260,744**	**495,159**	**234,415**
(5) Others	**81,118**	**81,118**	**–**	**989,244**	**989,244**	**–**
Total assets	**1,264,938**	**1,284,160**	**19,222**	**15,426,073**	**15,660,488**	**234,415**
Current liabilities						
(1) Short-term borrowings and current portion of long-term debt	**128,922**	**128,922**	**–**	**1,572,220**	**1,572,220**	**–**
(2) Lease obligation	**15,794**	**15,794**	**–**	**192,610**	**192,610**	**–**
(3) Payables, trade	**617,755**	**617,755**	**–**	**7,533,598**	**7,533,598**	**–**
(4) Accrued expenses	**342,541**	**342,541**	**–**	**4,177,329**	**4,177,329**	**–**
Long-term liabilities						
(5) Long-term debt	**252,226**	**258,811**	**6,585**	**3,075,927**	**3,156,232**	**80,305**
(6) Lease obligation	**27,735**	**27,911**	**176**	**338,232**	**340,378**	**2,146**
Total liabilities	**1,384,973**	**1,391,734**	**6,761**	**16,889,915**	**16,972,366**	**82,451**
Derivative transactions*3						
(i) Transactions which do not qualify for hedge accounting	**[3,236]**	**[3,236]**	**–**	**[39,463]**	**[39,463]**	**–**
(ii) Transactions which qualify for hedge accounting	**626**	**626**	**–**	**7,634**	**7,634**	**–**
Total derivative transactions	**[2,610]**	**[2,610]**	**–**	**[31,829]**	**[31,829]**	**–**

		Yen (millions)	
At March 31, 2011	Carrying value in consolidated balance sheet	Fair value	Variance
Current assets			
(1) Cash and cash equivalents	¥ 358,593	¥ 358,593	¥ –
(2) Short-term investments	6,101	6,101	–
(3) Receivables, trade	877,069		
Allowance for doubtful accounts*1	(14,781)		
	862,288	862,288	–
Investments and long-term loans*2			
(4) Affiliates	18,733	43,165	24,432
(5) Others	86,224	86,224	–
Total assets	1,331,939	1,356,371	24,432

At March 31, 2011	Carrying value in consolidated balance sheet	Fair value	Variance
			Yen (millions)
Current liabilities			
(1) Short-term borrowings and current portion of long-term debt	225,554	225,554	–
(2) Lease obligation	24,470	24,470	–
(3) Payables, trade	604,264	604,264	–
(4) Accrued expenses	323,144	323,144	–
Long-term liabilities			
(5) Long-term debt	245,269	252,083	6,814
(6) Lease obligation	26,775	26,983	208
Total liabilities	1,449,476	1,456,498	7,022
Derivative transactions*3			
(i) Transactions which do not qualify for hedge accounting	[3,646]	[3,646]	–
(ii) Transactions which qualify for hedge accounting	9	9	–
Total derivative transactions	[3,637]	[3,637]	–

*1 It comprises the allowance for doubtful accounts in respect to Receivables, trade, short-term loan receivable and others.

*2 Unlisted securities classified in shares in affiliates or available-for-sale securities are defined as "Financial Instruments for which it is extremely difficult to determine the fair value," because no market price is available and it is not possible to estimate the future cash flow in accordance with "Accounting Standard for Financial Instruments"(Accounting Standards Board of Japan, Statement No. 10, dated March 10, 2008) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19, dated March 25, 2011). Accordingly unlisted securities are not included in the "Investments and long-term loans" stated above. The carrying values of the stocks in the consolidated balance sheet as of March 31, 2011 and 2012 are ¥47,404 million and ¥46,598 million ($568,268 thousand), consisting of Affiliate: ¥18,799 million and ¥18,087 million ($220,573 thousand) and Others: ¥28,605 million and ¥28,511 million ($347,695 thousand) respectively.

*3 The net amount of the assets and liabilities is shown. If the net amount is a liability, it is written in parentheses [ ].

Calculation method relating to fair value of Financial Instruments

Current assets

(1) Cash and cash equivalents, (2) Short-term investments and (3) Receivables, trade

The fair value of these items approximates the carrying value due to the short maturity of these instruments.

Investments and long-term loans

(4) Affiliates and (5) Others

The fair value of securities is based on the market price on the stock exchanges, and fair value of bonds is based on quotes obtained from the financial institutions or on the market price on the stock exchanges.

Current liabilities:

(1) Short-term borrowings and current portion of long-term debt, (2) Lease obligation, (3) Payables, trade and (4) Accrued expenses

The fair value of these items approximates the carrying value due to the short maturity of these instruments.

Long-term liabilities:

(5) Long-term debt and (6) Lease obligation

The fair value of bonds which have a market price is based on the market price. The fair value of bonds for which there is no market price is calculated by discounting the sum of future principal and interest payments to the present value at a rate taking into account the remaining term and the credit risk of bonds.

The fair value of long-term debt and lease obligation is calculated by discounting the sum of future principal and interest payments to the present value at the rate expected in another loan or lease transaction with the same conditions.

Impairment losses on investment securities

For the years ended March 31, 2011 and 2012

No significant losses were recorded.

Available-for-sale securities with fair value that has declined by 50% or more against their acquisition costs are generally booked as an impairment loss. Those that have declined in a range of 30% or more but less than 50% are impaired if the decline is deemed to be irrecoverable. Available-for-sale securities with no available fair value are generally impaired when issuers' net assets in the balance sheet decrease to more than 50% below the acquisition cost due to a deterioration of issuers' financial conditions.

12. Available-for-sale Securities

At March 31, 2011 and 2012, available-for-sale securities included in “Cash and cash equivalents,” “Short-term investments” and “Others” of “Investments and long-term loans” are stated as follows. Unlisted securities for which it is extremely difficult to determine the fair value are not included in the table.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Available-for-sale securities			
Acquisition costs	¥74,355	**¥121,278**	**$1,479,000**
Carrying value (Market value)	97,025	**141,544**	**1,726,146**
Net unrealized gain	¥22,670	**¥ 20,266**	**$ 247,146**

13. Derivative Financial Instruments

1. Derivative transactions which do not qualify for hedge accounting

<Currency-related transactions>

	Yen (millions)				U.S. Dollars (thousands)			
At March 31, 2012	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
Foreign Exchange Forward Contracts								
To buy foreign currencies								
U.S. Dollars	**¥26,236**	**¥ –**	**¥(1,654)**	**¥(1,654)**	**$319,951**	**$ –**	**$(20,171)**	**$(20,171)**
Euro	**27,870**	**891**	**(157)**	**(157)**	**339,878**	**10,866**	**(1,915)**	**(1,915)**
Other currencies	**5,458**	**124**	**(31)**	**(31)**	**66,561**	**1,512**	**(378)**	**(378)**
To sell foreign currencies								
U.S. Dollars	**17,191**	**–**	**(498)**	**(498)**	**209,646**	**–**	**(6,073)**	**(6,073)**
Euro	**8,299**	**141**	**(88)**	**(88)**	**101,207**	**1,720**	**(1,073)**	**(1,073)**
Other currencies	**2,156**	**626**	**(3)**	**(3)**	**26,293**	**7,634**	**(37)**	**(37)**
Foreign Exchange Option Contracts								
To buy options								
U.S. Dollar puts	**26,488**	**–**			**323,024**	**–**		
	<285>	**<–>**	**170**	**(115)**	**<3,476>**	**<–>**	**2,073**	**(1,402)**
Euro puts	**7,593**	**–**			**92,598**	**–**		
	<–>	**<–>**	**–**	**–**	**<–>**	**<–>**	**–**	**–**
To sell options								
U.S. Dollar calls	**26,488**	**–**			**323,024**	**–**		
	<(285)>	**<–>**	**(997)**	**(712)**	**<(3,476)>**	**<–>**	**(12,159)**	**(8,683)**
Euro calls	**14,507**	**–**			**176,915**	**–**		
	<–>	**<–>**	**(14)**	**(14)**	**<–>**	**<–>**	**(171)**	**(171)**
Foreign Exchange Swap Contracts								
Receive Pound Sterling	**19,389**	**25**	**178**	**178**	**236,451**	**305**	**2,171**	**2,171**
Pay Pound Sterling	**22,755**	**–**	**(113)**	**(113)**	**277,500**	**–**	**(1,378)**	**(1,378)**
Others	**10,298**	**766**	**(29)**	**(29)**	**125,585**	**9,341**	**(354)**	**(354)**
Total			**¥(3,236)**	**¥(3,236)**			**$(39,463)**	**$(39,463)**

At March 31, 2011	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
				Yen (millions)
Foreign Exchange Forward Contracts				
To buy foreign currencies				
U.S. Dollars	¥48,517	¥5,462	¥(3,667)	¥(3,667)
Euro	22,270	1,550	599	599
Other currencies	1,088	137	(6)	(6)
To sell foreign currencies				
U.S. Dollars	12,709	–	(178)	(178)
Euro	10,781	–	(132)	(132)
Other currencies	2,775	–	(50)	(50)
Foreign Exchange Swap Contracts				
Receive Pound Sterling	15,223	–	(282)	(282)
Pay Pound Sterling	18,994	–	108	108
Others	11,458	–	(38)	(38)
Total			¥(3,646)	¥(3,646)

1) The method for estimating the fair value is principally based on obtaining quotes provided by financial institutions.
2) Collateral conditions are attached to some foreign exchange forward contracts, and there is the possibility of change in contract amount and duration due to the fluctuation of the currency exchange rate.
3) In the column "Contract Amount," option premiums are disclosed in brackets < >, and corresponding fair value and valuation gains and losses are disclosed on the same line.
4) Option contracts represent zero-cost options. In this contract, no premiums are received or paid due to the offsetting payables and receivables. The amounts of "Fair Value" and the "Gain/Loss" for "Euro puts" and "Euro calls" are presented net of buying and selling positions.

2. Derivative transactions which qualify for hedge accounting

(i) Currency-related transactions

At March 31,2012					Yen (millions)			U.S. Dollars (thousands)
Type of hedge accounting	Type of derivative transaction	Principal Item Hedged	Contract Amount	Contract Amounts Over 1 Year	Fair Value	Contract Amount	Contract Amounts Over 1 Year	Fair Value
Fair value hedge	Foreign exchange forward transactions							
	To buy foreign currencies							
	Singapore Dollars, etc	**Borrowings**	**¥1,141**	**¥–**	**¥(8)**	**$13,915**	**$–**	**$(98)**
Deferral hedge	Foreign exchange forward transactions							
	To sell foreign currencies							
	U.S. Dollars	**Receivables, trade**	**¥1,651**	**¥–**	**¥10**	**$20,134**	**$–**	**$122**

*[1] The fair value is based mainly on quotes obtained from the financial institutions.
*[2] Foreign exchange forward transactions accounted for by the fair value hedge accounting attribute to a transaction by a subsidiary outside Japan which adopts International Financial Reporting Standard (IFRS).

At March 31, 2011

Not applicable for the year.

Facts & Figures

(ii) Interest-related transactions

At March 31, 2012					Yen (millions)			U.S. Dollars (thousands)
Type of hedge accounting	Type of derivative transaction	Principal Item Hedged	Contract Amount	Contract Amounts Over 1 Year	Fair Value	Contract Amount	Contract Amounts Over 1 Year	Fair Value
Deferral hedge	Interest rate swap transaction Pay fixed/Receive variable	**Borrowings**	**¥1,923**	**¥1,068**	**¥(23)**	**$23,451**	**$13,024**	**$(280)**

At March 31, 2011					Yen (millions)
Type of hedge accounting	Type of derivative transaction	Principal Item Hedged	Contract Amount	Contract Amounts Over 1 Year	Fair Value
Deferral hedge	Interest rate swap transaction Pay fixed/Receive variable	Borrowings	¥2,798	¥1,937	¥9

The fair value is based on quotes obtained from the financial institutions.

(iii) Stock-related transactions

At March 31, 2012					Yen (millions)			U.S. Dollars (thousands)
Type of hedge accounting	Type of derivative transaction	Principal Item Hedged	Contract Amount	Contract Amounts Over 1 Year	Fair Value	Contract Amount	Contract Amounts Over 1 Year	Fair Value
Deferral hedge	Option transaction to sell a stock	**Investment Securities**	**¥555**	**¥555**	**¥647**	**$6,768**	**$6,768**	**$7,890**

The fair value is based on an option pricing model.

At March 31, 2011

Not applicable for the year.

14. Retirement Benefits

The Company and the majority of the consolidated subsidiaries in Japan have unfunded lump-sum retirement plans which, in general, cover all employees who retire before a retirement age prescribed in their internal labor codes. The employees are entitled to the benefits primarily based on their length of service and base salary as of the retirement date.

In addition, the Company and the majority of the consolidated subsidiaries in Japan participate in contributory defined benefit plans which cover substantially all employees. The major contributory defined benefit plan (the "Plan"), which is referred to as the Fujitsu Corporate Pension Fund, entitles employees upon retirement at the normal retirement age to either a lump-sum payment or pension annuity payments for life commencing at age 60, or a combination of both based on their length of service, base salary and the number of years of participation in the Plan. The contributions of the Company and the subsidiaries covered by the Plan and their employees are made to the Fujitsu Corporate Pension Fund which is an external organization.

The Fujitsu Welfare Pension Fund, in which the Company and certain consolidated subsidiaries in Japan participated, received approval of an elimination of the future benefit obligations of the substitutional portion on March 23, 2004, and then received approval of transfer of past benefit obligation of the substitutional portion on September 1, 2005, from the Minister of Health, Labour and Welfare. Accordingly, Fujitsu Welfare Pension Fund changed to the Defined Benefit Corporate Plan based on the Japanese Defined Benefit Corporate Pension Law from the Japanese Welfare Pension Plan based on the Japanese Welfare Pension Insurance Law, and concurrently a part of the pension system was revised.

The majority of the consolidated subsidiaries outside Japan have defined benefit plans and/or defined contribution plans covering substantially all their employees. The major defined benefit pension plans provided outside Japan are the plans that Fujitsu Services Holdings PLC (including its consolidated subsidiaries, "FS") and Fujitsu Technology Solutions B.V. (including its consolidated subsidiaries) provide. The plan provided by FS entitles employees payments based on their length of service and salary. The defined benefit section of the plan was closed to new entrants for the year ended March 31, 2001. New employees are, however, eligible for membership of the defined contribution section of the plan. For the year ended March 31, 2011, FS started to switch future accrual of benefits relevant to the employees participating in the defined benefit section of the plan to the defined contribution section of the plan, and completed in the year ended March 31, 2012.

The balances of the "Projected benefit obligation and plan assets" and the "Components of net periodic benefit cost" in the plans in both Japan and outside Japan are summarized as follows:

<In Japan>

Projected benefit obligation and plan assets

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Projected benefit obligation	¥(1,280,145)	**¥(1,299,513)**	**$(15,847,720)**
Plan assets	905,592	**943,936**	**11,511,415**
Projected benefit obligation in excess of plan assets	(374,553)	**(355,577)**	**(4,336,305)**
Unrecognized actuarial loss	398,681	**357,527**	**4,360,085**
Unrecognized prior service cost (reduced obligation)	(83,413)	**(65,518)**	**(799,000)**
Prepaid pension cost	(55,194)	**(52,308)**	**(637,902)**
Accrued retirement benefits	¥ (114,479)	**¥ (115,876)**	**$ (1,413,122)**

As a result of pension revisions, unrecognized prior service cost (reduced obligation) occurred for the year ended March 31, 2006 in Fujitsu Corporate Pension Fund in which the Company and certain consolidated subsidiaries in Japan participate.

Components of net periodic benefit cost

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Service cost	¥ 38,931	**¥ 40,110**	**$ 489,146**
Interest cost	31,550	**31,795**	**387,744**
Expected return on plan assets	(26,651)	**(26,557)**	**(323,866)**
Amortization of unrecognized obligation for retirement benefits:			
Amortization of actuarial loss	37,355	**41,999**	**512,183**
Amortization of prior service cost	(18,633)	**(18,630)**	**(227,195)**
Others*[1]	353	**501**	**6,110**
Net periodic benefit cost	62,905	**69,218**	**844,122**
Loss (gain) on termination of retirement benefit plan	1,266	**895**	**10,915**
Total	¥ 64,171	**¥ 70,113**	**$ 855,037**

*[1] Contribution for defined contribution plans.

In addition to the net periodic benefit cost stated above, extra retirement benefits of ¥1,279 million and ¥6,961 million ($84,890 thousand) were paid for the years ended March 31, 2011 and 2012, respectively.

Assumptions used in accounting for the plans

At March 31	2011	**2012**
Discount rate	2.5%	**2.5%**
Expected rate of return on plan assets	2.9%	**2.9%**
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**
Method of allocating prior service cost	Straight-line method over 10 years	**Straight-line method over 10 years**

<Outside Japan>

FS adopted International Financial Reporting Standards ("IFRS") for the year ended March 31, 2006, and accounts for retirement benefits in accordance with IAS 19 "Employee Benefits" issued on February, 1998. For this change in accounting principles and practices, FS adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards," and recognized the projected benefit obligation in excess of plan assets as of the beginning of the year ended March 31, 2005. For the year ended March 31, 2009, other subsidiaries outside Japan applied IAS 19 in accordance with adoption of IFRS. They recognized actuarial gain or loss over future periods after the adoption of IFRS 1 and applied the "corridor approach" to amortization of actuarial gain and loss.

The amended IAS 19, issued on June 16, 2011, is not yet effective and has not yet been adopted by the consolidated subsidiaries outside Japan.

Projected benefit obligation and plan assets

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Projected benefit obligation	¥(534,999)	**¥(571,823)**	**$(6,973,451)**
Plan assets	395,927	**408,126**	**4,977,146**
Projected benefit obligation in excess of plan assets	(139,072)	**(163,697)**	**(1,996,305)**
Unrecognized actuarial loss	74,321	**108,912**	**1,328,195**
Prepaid pension cost	(2,342)	**(9,830)**	**(119,878)**
Accrued retirement benefits	¥ (67,093)	**¥ (64,615)**	**$ (787,988)**

Components of net periodic benefit cost

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Service cost	¥ 8,044	**¥ 3,707**	**$ 45,207**
Interest cost	29,781	**27,154**	**331,146**
Expected return on plan assets	(26,003)	**(24,145)**	**(294,451)**
Amortization of the unrecognized obligation for retirement benefit:			
Amortization of actuarial gain and loss	5,838	**3,498**	**42,659**
Amortization of prior service cost*[1]	(13,322)	**(118)**	**(1,439)**
Others*[2]	9,774	**13,488**	**164,488**
Net periodic benefit cost	14,112	**23,584**	**287,610**
Loss (gain) on termination of retirement benefit plan	112	**114**	**1,390**
Total	¥ 14,224	**¥ 23,698**	**$ 289,000**

*[1] For the year ended March 31, 2011, the negative prior service cost was immediately recognized as a result of pension revisions mainly in FS. The majority of this credit arose from offering an option whereby future variable increases in line with the fluctuation in prices may be exchanged for a one-off uplift in payments.

*[2] Contribution for defined contribution plans.

Assumptions used in accounting for the plans

At March 31	2011	**2012**
Discount rate	Mainly 5.6%	**Mainly 5.0%**
Expected rate of return on plan assets	Mainly 7.2%	**Mainly 6.7%**
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**

15. Share-based Payment Plans

No significant transactions.

16. Income Taxes

In line with "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) published on December 2, 2011, the statutory income tax rate used for calculating the deferred tax assets and liabilities was changed from 40.6% to 37.9% for assets and liabilities that are expected to be recovered or settled between April 1, 2012 and March 31, 2015. The rate was also changed to 35.6% for assets and liabilities expected to be recovered or settled on and after April 1, 2015.

As a result of this change, net deferred tax assets decreased by ¥3,523 million ($42,963 thousand), while deferred income tax and accumulated other comprehensive income, mainly as unrealized gain and loss on securities, increased by ¥4,666 million ($56,902 thousand) and ¥1,143 million ($13,939 thousand), respectively.

The components of income taxes are as follows:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Current	¥35,057	**¥23,499**	**$286,573**
Deferred	13,122	**6,500**	**79,268**
Income taxes	¥48,179	**¥29,999**	**$365,841**

The reconciliations between the statutory income tax rate and the effective income tax rates for the years ended March 31, 2011 and 2012 are as follows:

Years ended March 31	2011	**2012**
Statutory income tax rate	40.6%	**40.6%**
Increase (Decrease) in tax rates:		
Valuation allowance for deferred tax assets	7.6%	**(15.1%)**
Goodwill amortization	6.2%	**9.2%**
Decrease in deferred tax assets in accordance with changes in tax rate	—	**7.0%**
Non-deductible expenses for tax purposes	3.5%	**6.2%**
Non-taxable income	(1.8%)	**(2.3%)**
Tax effect on equity in earnings of affiliates, net	(1.5%)	**(1.9%)**
Tax credit	(4.1%)	**(0.2%)**
Other	(3.4%)	**1.5%**
Effective income tax rates	47.1%	**45.0%**

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2012 are as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Deferred tax assets:			
Tax loss carryforwards	¥ 145,132	**¥ 153,008**	**$ 1,865,951**
Accrued retirement benefits	150,851	**137,131**	**1,672,329**
Excess of depreciation and amortization and impairment loss, etc.	54,591	**50,013**	**609,915**
Accrued bonus	43,489	**40,906**	**498,854**
Inventories	23,081	**22,043**	**268,817**
Provision for product warranties	6,250	**8,255**	**100,671**
Loss on revaluation of investment securities	9,615	**6,153**	**75,037**
Intercompany profit on inventories and property, plant and equipment	5,688	**5,673**	**69,183**
Provision for loss on repurchase of computers	6,056	**5,024**	**61,268**
Other	57,224	**48,907**	**596,427**
Gross deferred tax assets	501,977	**477,113**	**5,818,451**
Less: Valuation allowance	(256,153)	**(253,902)**	**(3,096,366)**
Total deferred tax assets	245,824	**223,211**	**2,722,085**
Deferred tax liabilities:			
Gains from establishment of stock holding trust for retirement benefit plan	¥(110,617)	**¥ (96,860)**	**$(1,181,220)**
Unrealized gains on securities	(9,639)	**(7,498)**	**(91,439)**
Tax allowable reserves	(2,245)	**(1,364)**	**(16,634)**
Other	(8,944)	**(8,159)**	**(99,500)**
Total deferred tax liabilities	(131,445)	**(113,881)**	**(1,388,793)**
Net deferred tax assets	¥ 114,379	**¥ 109,330**	**$ 1,333,293**

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2011	**2012**	**2012**
Current assets–others	¥ 76,666	**¥ 72,519**	**$ 884,378**
Investments and long-term loans–others	72,093	**65,268**	**795,951**
Current liabilities–others	(50)	**(15)**	**(183)**
Long-term liabilities–others	(34,330)	**(28,442)**	**(346,854)**
Net deferred tax assets	¥114,379	**¥109,330**	**$1,333,293**

The Company and its wholly owned subsidiaries in Japan have adopted the consolidated tax return system of Japan.

In Japan, tax losses generated before March 31, 2008 and on and after April 1, 2008 can be carried forward up to 7 and 9 years, respectively. Tax losses can be carried forward up to 20 years in the United States, and indefinitely in the United Kingdom.

Realization depends on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. With respect to deferred tax assets, we recorded a valuation allowance to cover the amount in excess of what we are likely to recover in the future.

17. Business Combinations

No significant transactions.

18. Segment Information

1. Reportable Segments Overview

The Company's reportable segments consist of components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Group's executive decision-making body to make decisions about resource allocation to the segments and assess their performance.

In the field of information and communication technology (ICT), while delivering wide varieties of services, the Group offers comprehensive solutions, from the development, manufacturing, and sales, to the maintenance and operations of cutting-edge, high-performance and high-quality products, and electronic devices that support services. The Group's business is organized into three reportable segments—Technology Solutions, Ubiquitous Solutions, and Device Solutions—based on the Group's managerial structure, characteristics of the products and services, and the similarities of the sales market within each operating segment. Managerial structure and product and service classification in each reportable segment are as follows.

(1) Technology Solutions

To optimally deliver to customers comprehensive services that integrate products, software, and services, the segment is organized in a matrix management structure comprised of business groups that are organized by product and service type in order to manage costs and devise global business strategies, and business groups that are organized along industry and geographic lines, integrating sales groups with systems engineers covering customers.

This reportable segment consists of Solutions/Systems Integration, which are services for the construction of information and communication systems, Infrastructure Services, which are primarily outsourcing and maintenance services, System Products, which covers mainly the servers and storage systems that comprise ICT platforms, and Network Products, which are used to build communications infrastructure, such as mobile phone base stations and optical transmission systems.

(2) Ubiquitous Solutions

The segment is organized into independent business management units along product lines and includes the sales departments.

This reportable segment contains ubiquitous terminals—including personal computers and mobile phones, as well as car audio and navigation systems, mobile communication equipment, and automotive electronic equipment—that collect various information and knowledge generated from the behavioral patterns of people and organizations needed to achieve the Group's vision of a "Human Centric Intelligent Society" (a society that enjoys the benefits of the value generated by ICT without requiring anyone to be conscious of the technological complexities involved).

(3) Device Solutions

The segment is organized by product in independent business management units which include the respective sales departments and contains the cutting-edge technologies, including LSI devices used in digital home appliances, automobiles, mobile phones and servers, as well as electronic components, such as semiconductor packages and batteries.

2. Method Used to Calculate Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Accounting methods applied to Reportable Segments are almost the same as that presented in "1. Significant Accounting Policies."

Income figures for operating segments are based on operating income. The Group's financing (including financial expense and income) as well as other items such as corporate tax are managed by the whole Group and have not been allocated within the operating segments.

Inter-segment transactions are based on an arm's-length basis.

3. Amounts of Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Yen (millions)

	Reportable segments						
Year ended March 31	Technology Solutions	Ubiquitous Solutions	Device Solutions	Total	Other Operations	Elimination & Corporate	Consolidated
2012							
Net sales							
External customers	**¥2,864,658**	**¥1,039,809**	**¥515,834**	**¥4,420,301**	**¥35,371**	**¥ 11,902**	**¥4,467,574**
Inter-segment	**70,247**	**114,473**	**68,866**	**253,586**	**48,208**	**(301,794)**	**–**
Total sales	**2,934,905**	**1,154,282**	**584,700**	**4,673,887**	**83,579**	**(289,892)**	**4,467,574**
Operating income (loss)	**171,297**	**19,938**	**(10,182)**	**181,053**	**(2,056)**	**(73,693)**	**105,304**
Total assets	**1,446,368**	**361,732**	**434,902**	**2,243,002**	**31,188**	**671,317**	**2,945,507**
Other items							
Capital expenditure (including intangible assets)	**119,712**	**19,698**	**51,876**	**191,286**	**1,575**	**5,307**	**198,168**
Depreciation	**106,771**	**21,210**	**56,483**	**184,464**	**1,806**	**8,179**	**194,449**
Amortization of goodwill for the year	**14,495**	**48**	**556**	**15,099**	**–**	**–**	**15,099**
Balance of goodwill at end of the fiscal year	**68,024**	**148**	**(646)**	**67,526**	**–**	**–**	**67,526**
2011							
Net sales							
External customers	¥2,927,651	¥1,013,056	¥545,729	¥4,486,436	¥32,738	¥ 9,231	¥4,528,405
Inter-segment	86,735	112,586	84,871	284,192	49,766	(333,958)	–
Total sales	3,014,386	1,125,642	630,600	4,770,628	82,504	(324,727)	4,528,405
Operating income (loss)	162,881	22,679	20,976	206,536	(7,222)	(66,720)	132,594
Total assets	1,481,119	332,121	434,718	2,247,958	37,707	738,432	3,024,097
Other items							
Capital expenditure (including intangible assets)	116,218	20,578	44,837	181,633	1,376	6,902	189,911
Depreciation	116,690	20,675	60,941	198,306	2,014	7,447	207,767
Amortization of goodwill for the year	14,991	46	573	15,610	–	–	15,610
Balance of goodwill at end of the fiscal year	79,974	184	(75)	80,083	–	–	80,083

U.S. Dollars (thousands)

	Reportable segments						
Year ended March 31	Technology Solutions	Ubiquitous Solutions	Device Solutions	Total	Other Operations	Elimination & Corporate	Consolidated
2012 (in U.S. Dollars)							
Net sales							
External customers	**$34,934,854**	**$12,680,598**	**$6,290,659**	**$53,906,110**	**$ 431,354**	**$ 145,146**	**$54,482,610**
Inter-segment	**856,671**	**1,396,012**	**839,829**	**3,092,512**	**587,902**	**(3,680,415)**	**–**
Total sales	**35,791,524**	**14,076,610**	**7,130,488**	**56,998,622**	**1,019,256**	**(3,535,268)**	**54,482,610**
Operating income (loss)	**2,088,988**	**243,146**	**(124,171)**	**2,207,963**	**(25,073)**	**(898,695)**	**1,284,195**
Total assets	**17,638,634**	**4,411,366**	**5,303,683**	**27,353,683**	**380,341**	**8,186,793**	**35,920,817**
Other items							
Capital expenditure (including intangible assets)	**1,459,902**	**240,220**	**632,634**	**2,332,756**	**19,207**	**64,720**	**2,416,683**
Depreciation	**1,302,085**	**258,659**	**688,817**	**2,249,561**	**22,024**	**99,744**	**2,371,329**
Amortization of goodwill for the year	**176,768**	**585**	**6,780**	**184,134**	**–**	**–**	**184,134**
Balance of goodwill at end of the fiscal year	**829,561**	**1,805**	**(7,878)**	**823,488**	**–**	**–**	**823,488**

Notes 1. "Other Operations" segment consists of operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, facility services and the development of information systems for the Group companies and welfare benefits for the Group employees.

2. Operating income (loss) of "Elimination & Corporate" consists of corporate expenses and elimination.
Amounts incurred for the years ended March 31, 2011 and 2012 were, corporate expenses: ¥68,341 million and ¥75,929 million ($925,963 thousand), elimination: ¥1,621 million and ¥2,236 million ($27,268 thousand), respectively.
Corporate expenses mainly consist of strategic expenses such as basic research and development expenses which are not attributable to the reportable segments and group management shared expenses incurred by the Company.

3. Total assets of "Elimination & Corporate" consist of corporate assets and elimination. Balances at March 31, 2011 and 2012 were, corporate assets: ¥840,672 million and ¥767,959 million ($9,365,354 thousand), elimination: ¥102,240 million and ¥96,642 million ($1,178,561 thousand), respectively.
Corporate assets mainly consist of temporary excess funds, certificate of deposit, shares of customers held for maintaining and strengthening business ties and deferred tax assets.

4. The Group has adopted "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10) effective the year ended March 31, 2011. The negative goodwill generated by the business combination before the adoption of the standards is included in "Amortization of goodwill for the year" and "Balance of goodwill at end of the fiscal year."

4. Related Information

(1) Information by products and services

Sales to external customers

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Technology Solutions			
Services	¥2,385,345	**¥2,339,574**	**$28,531,390**
System Platforms	542,306	**525,084**	**6,403,463**
Ubiquitous Solutions			
Personal Computers and Mobile Phones	733,035	**779,226**	**9,502,756**
Mobilewear	280,021	**260,583**	**3,177,841**
Device Solutions			
LSI	280,868	**281,325**	**3,430,793**
Electronic Components	264,861	**234,509**	**2,859,866**
Other Operations	32,738	**35,371**	**431,354**
Elimination & Corporate	9,231	**11,902**	**145,146**
Total	¥4,528,405	**¥4,467,574**	**$54,482,610**

Note: The details of products and services are noted in "Business Overview" (page 30).

(2) Geographic information

a. Net sales

	Yen (millions)				U.S. Dollars (thousands)
Years ended March 31	2011		**2012**		**2012**
Japan	¥2,941,042	64.9%	**¥2,961,478**	**66.3%**	**$36,115,585**
Outside Japan					
EMEA	845,485	18.7%	**809,277**	**18.1%**	**9,869,232**
The Americas	322,272	7.1%	**286,595**	**6.4%**	**3,495,061**
APAC & China	419,606	9.3%	**410,224**	**9.2%**	**5,002,732**
Sub Total	1,587,363	35.1%	**1,506,096**	**33.7%**	**18,367,024**
Total	¥4,528,405	100.0%	**¥4,467,574**	**100.0%**	**$54,482,610**

b. Property, plant and equipment

At March 31	Yen (millions) 2011	2012	U.S. Dollars (thousands) 2012
Japan	¥531,438	**¥534,359**	**$6,516,573**
Outside Japan			
EMEA	54,064	**47,344**	**577,366**
The Americas	16,586	**17,009**	**207,427**
APAC & China	36,554	**42,231**	**515,012**
Sub Total	107,204	**106,584**	**1,299,805**
Total	¥638,642	**¥640,943**	**$7,816,378**

Notes 1. The principal countries and regions included in the Outside Japan segment are as follows:
(1)EMEA (Europe, Middle East and Africa)............ U.K., Germany, Spain, Finland, Sweden
(2)The Americas.. U.S.A., Canada
(3)APAC & China (APAC = Asia-Pacific) .... Australia, Singapore, Korea, Taiwan, China
2. There is no country which is required to be disclosed individually.
3. Net sales are classified by countries or regions based on locations of customers.
4. The property, plant and equipment are classified by countries or regions based on locations of the Group.

(3) Information about major customer

Net Sales

Years ended March 31	Yen (millions) 2011	2012	U.S. Dollars (thousands) 2012
NTT Group	¥528,327	**¥503,332**	**$6,138,195**

Related segment: Technology Solutions, Ubiquitous Solutions and other segment

Note: NIPPON TELEGRAPH AND TELEPHONE CORPORATION, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, NTT DOCOMO, Inc. and NTT DATA CORPORATION are included in NTT Group.

19. Related-party Transactions

(Related-party transactions)

No significant transactions.

(Note to significant affiliate)

Not applicable for the year.

20. Earnings per Share

	Yen		U.S. Dollars
Years ended March 31	2011	**2012**	**2012**
Basic earnings per share	¥26.62	**¥20.64**	**$0.252**
Diluted earnings per share	25.75	**20.55**	**0.251**

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2011	**2012**	**2012**
Net income	¥55,092	**¥42,707**	**$520,817**
Net income not attributable to common stock holders	–	**–**	**–**
Net income attributable to common stock holders	55,092	**42,707**	**520,817**
Effect of dilutive securities	1,499	**155**	**1,890**
[Adjustment related to dilutive securities issued by subsidiaries and affiliates]	[(70)]	**[(18)]**	**[(220)]**
[Corporate bond costs (after tax adjustment)]	[1,569]	**[173]**	**[2,110]**
Diluted net income	¥56,191	**¥42,862**	**$522,707**

	thousands	
Basic weighted average number of shares	2,069,731	**2,069,526**
Effect of dilutive securities	127,549	**16,393**
[Subscription rights to share issued by subsidiaries and affiliates]	[127,549]	**[16,393]**
Diluted weighted average number of shares	2,197,280	**2,085,919**

1. There were no outstanding subscription rights to shares and stock options issued by the Company at March 31, 2012.
2. Subscription rights to shares on the unsecured convertible bonds due 2011, issued in accordance with a resolution of board of directors held on August 6, 2007, expired on May 24, 2011. The bonds were redeemed at maturity on May 31, 2011.
3. Stock options issued based on a resolution at the shareholders' meeting on June 26, 2001 expired on June 26, 2011.

21. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2012 for purchases of property, plant and equipment and intangible assets were approximately ¥6,750 million ($82,317 thousand).

Contingent liabilities for guarantee contracts amounted to ¥2,271 million ($27,695 thousand) at March 31, 2012 and referred mainly to ¥2,263 million ($27,598 thousand) of guarantees given for employees' housing loans.

22. Events after the Reporting Period

No significant events.