

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.

OUR STRENGTHS

IT SERVICES MARKET SHARE IN JAPAN 2013
(REVENUE BASIS)

1	Fujitsu	12.8%
2	Company A	8.7%
3	Company B	8.5%
4	Company C	8.4%
5	Company D	6.4%
6	Others	55.2%

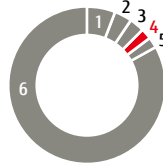


(Source: Gartner, "Market Share: IT Services, 2013" 31 March 2014)

* Chart created by Fujitsu based on Gartner data

GLOBAL IT SERVICES MARKET SHARE IN 2013
(REVENUE BASIS)

1	Company A	6.1%
2	Company B	3.5%
3	Company C	2.9%
4	Fujitsu	2.3%
5	Company D	2.3%
6	Others	82.9%



(Source: Gartner, "Market Share: IT Services, 2013" 31 March 2014)

* Chart created by Fujitsu based on Gartner data

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Fujitsu's services business holds the leading market share in Japan and the fourth-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, offering cloud services such as IaaS, PaaS, and SaaS that make operation of customers' 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 abundant system engineering resources with the technological capabilities to support these operations. We use these capabilities to help a diverse range of customers across countries, regions, and languages in utilizing ICT systems, including government organizations of various nations and customers with a presence across the globe.

Technology Solutions/Services



An Akisai farm at the Numazu Plant site



A datacenter in Thailand where Fujitsu has started providing cloud services



The new building of the Akashi System Center

TOPICS

FUJITSU Big Data Initiative to Support Use of Big Data

Fujitsu is working to accelerate innovation by its customers and society through the use of big data. We have systematically reclassified our services and products under the FUJITSU Big Data Initiative. Moreover, we have prepared comprehensive support systems for the many advanced technologies involved in making use of big data, such as sensor, network, data accumulation, management and analysis technologies. We have also opened the Big Data Initiative Center. Here, we provide one-stop support for customers seeking to use big data with a support team of 800 experts.

Offerings	Business Process Transformation Real-time management Energy management Improved equipment maintenance Predicting frequent halting of production lines Social infrastructure maintenance and management	Smarter Marketing Customer experience Personalization Optimal allocation of human resources	Reinforce Products and Services Sensor M2M Supply Chain Optimization Demand forecasting
	Integration service		
Applications	Applications for vertical industries, work processes and data		
Big Data Analytics	Analytics Data curation service Big data personnel training services Interstage BAMS, ISV (SAP, SAS, Oracle)	Data Utilization (Convergence) DataPlaza service for linking with external data SPATIOWL locational data platform service Linked Open Data for searching and linking to open data	
	Big Data Engines In-memory Column stores Parallel distributed processing Complex event processing Master data management		
Big Data Platform	Smart devices Servers, storage PC clusters Cloud services		
	Sensing networks		

TECHNOLOGY SOLUTIONS RESULTS (See page 041 for numerical results from service operations)

*In accordance with the adoption of the amended IAS 19, the figures for fiscal 2012 have been retroactively revised.

Years ended March 31	2011	2012	2013	Yen (millions) 2014
Net sales				
External customers	¥2,927,651	¥2,864,658	¥2,890,376	¥3,192,928
Inter-segment	86,735	70,247	52,002	50,085
Total sales	3,014,386	2,934,905	2,942,378	3,243,013
Operating income	162,881	171,297	173,967	209,133
Total assets	1,481,119	1,446,368	1,442,810	1,519,694
Other items				
Capital expenditure (including intangible assets)	116,218	119,712	104,585	118,773
Depreciation	116,690	106,771	102,784	107,219
Amortization of goodwill for the year	14,991	14,495	14,115	9,829
Balance of goodwill at end of the fiscal year	79,974	68,024	30,181	25,969

Technology Solutions/Services

MARKET TRENDS

2013 Global Market Trends

The value of Japan's IT services market in 2013 increased 1.6% year on year to US\$51.3 billion. Due to the government's economic policy and monetary easing by the Bank of Japan, the economy has clearly demonstrated signs of a trend toward recovery, with ICT investment gradually improving in both public and private sectors. Another factor has been a surge in demand ahead of the increase in the consumption tax rate.

In the private sector, strong performance in the automotive industry has spread to the ICT field, and IT investment has also grown steadily year on year in the financial services and retail sectors, among others.

By service field, demand for system integration rebounded. The outsourcing field also saw wider uptake of cloud services with the market increasing in scale compared to the previous year.

The global market for IT services expanded 2.4% year on year to US\$634.2 billion. The global economy continued to experience a moderate recovery, while in Europe, there was a resumption of economic growth, and signs of an economic recovery, particularly in Germany and the UK. In the US, as well, the economy continues to recover, especially with consumer spending and corporate capital investment.

Outlook for 2014

The Japanese IT services market in 2014 is projected to grow 1.6% year on year to US\$52.1 billion.

Although concerns exist that the Japanese economy will experience a temporary slowdown in consumption associated with the hike in consumption tax and rising prices for import materials following the yen's depreciation, a range of economic policies initiated by the government is expected to continue driving recovery trends. In line with this, IT investment in Japan is expected to gradually recover.

The global IT services market is projected to grow 3.4% year on year to US\$655.5 billion, with China, ASEAN, and emerging markets leading the way. The increasing momentum of the US economic recovery is expected to have a positive effect, with the European market also expected to continue its gradual recovery. Against this economic backdrop, IT investment is projected to increase gradually in every region.

OPERATIONAL REVIEW AND INITIATIVES

Fiscal 2013 Business Results

Sales from the Services sub-segment (Solutions/System Integration, Infrastructure Services) increased 10.1% year on year to ¥2,627.2 billion.

Solutions/System Integration: Sales increased 10.0% year on year to ¥920.4 billion.

In Japan, sales increased over the previous year in all industries. In the financial field, the Company had strong sales to a wide range of customers including megabanks, a

government-related financial institution, regional banks, securities companies, and customers in the credit and leasing business. In the industrial field, sales continued to be favorable from the previous year, mainly owing to the automotive sector. Year-on-year sales increased substantially in the public sector, with rising demand for system upgrades from government agencies and local governments, healthcare, and education. Particularly, sales in healthcare increased significantly, reaching a new record.

Infrastructure Services: Sales increased 10.1% year on year to ¥1,706.7 billion.

In Japan, overall sales increased slightly. In addition to ongoing brisk outsourcing business, there were large projects and favorable business results at subsidiaries in network services. However, these were offset by a decline in sales due to changes in distribution channels in the Internet service provider (ISP) business. Outside Japan, however, sales increased significantly although the level was essentially unchanged on a constant currency basis. While there are signs of economic recovery, the need for structural reforms remains, primarily in Europe, and sales continued to be lackluster on a local currency basis.

Operating profit increased ¥26.5 billion year on year to ¥151.1 billion. The higher operating profit reflected a strong year-on-year increase in profit in the Solutions/System Integration business, which outweighed the effects of upfront investments for the future and a decline in operating profit in Japan due to underperforming projects. The higher operating profit also reflected contributions from large network service business deals in infrastructure services, and the positive impact of cost cutting.

Outside Japan, operating profit increased due to the effects of structural reforms and foreign exchange rates.

Initiatives Going Forward

Solutions/System Integration: In light of firm trends toward recovery in ICT investment in Japan, Fujitsu is steadily moving forward on system development in both the private- and public-sector fields, including large-scale system integration projects and provision of public ICT infrastructure.

Fujitsu will help customers reduce maintenance and operations costs through its modernization service, where it streamlines and renews customers' existing application assets. We will also offer system integration services that respond flexibly to customers' initiatives to increase business process efficiency, organizational changes, and service expansion. Through these services, Fujitsu will work together with customers to achieve business innovation, such as enhancing enterprise competitiveness, and social innovation that addresses social issues.

To realize these initiatives, we are utilizing the strengths and characteristics of regional system engineering companies as a Group to their full potential as we work to effectively utilize their resources and make effective investments in development to bolster competitiveness.

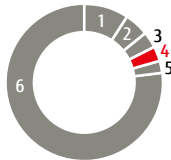
Technology Solutions/Services

MARKET DATA

Graph 01

GLOBAL IT OUTSOURCING MARKET SHARE IN 2013 (REVENUE BASIS)

1	Company A	9.3%
2	Company B	5.0%
3	Company C	3.3%
4	Fujitsu	3.2%
5	Company E	2.5%
6	Others	76.7%

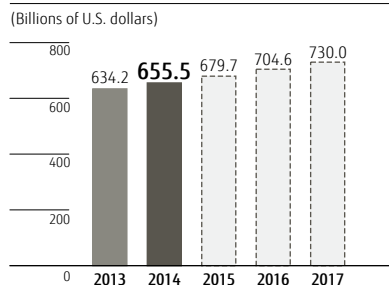


(Source: Gartner, "Market Share: IT Services, 2013" 31 March 2014)

* Chart created by Fujitsu based on Gartner data

Graph 02

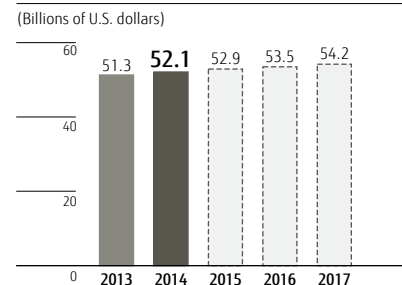
GLOBAL IT SERVICES MARKET FORECAST



(Source: IDC, May 2014 "Worldwide Black Book Query Tool, Version 1, 2014")

Graph 03

IT SERVICES MARKET FORECAST IN JAPAN

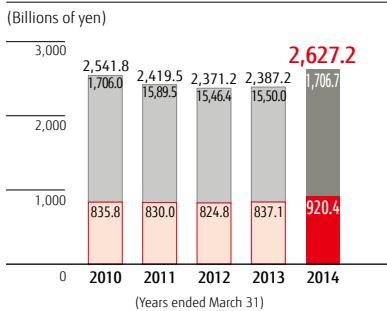


(Source: IDC, May 2014 "Worldwide Black Book Query Tool, Version 1, 2014")

FUJITSU DATA

Graph 04

SALES BY PRINCIPAL PRODUCTS AND SERVICES*

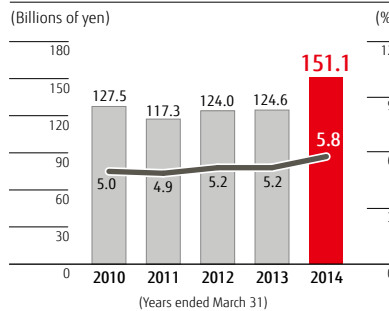


■ Solutions/System Integration
 ■ Infrastructure Services

* Including intersegment sales

Graph 05

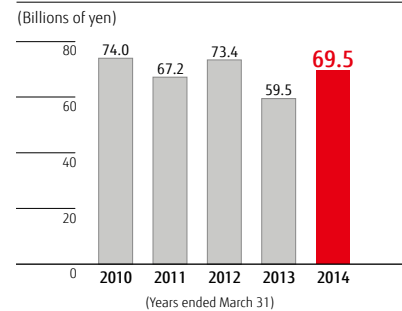
OPERATING INCOME/ OPERATING INCOME MARGIN



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

Graph 06

CAPITAL EXPENDITURE*



* For entire Technology Solutions segment

Infrastructure Services: In Japan, we expect an increase in demand for outsourcing services given the continuing trends toward recovery in system integration from the previous fiscal year. Furthermore, the move toward new ways of using ICT is becoming stronger in tandem with system upgrades, and we expect to see wider use of infrastructure, as well as various cloud computing services, such as SaaS, PaaS, and IaaS, as well as private cloud computing.

Fujitsu has further expanded its service lineup, preparing systems of products and services, such as the Cloud Initiative and the Big Data Initiative. We are promoting the use of ICT in a host of different areas, such as the food and agriculture cloud service, Akisai, as well as cloud services for senior care and veterinary services. In addition, customer interest in system backup and business continuity in preparation for natural disasters has increased, and outsourcing primarily using datacenters and

business continuity planning (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, following our introduction of a new global matrix organization, we have established a structure that can provide the same shared products and standardized services, both in Japan and other countries. Furthermore, Fujitsu will build a global support system for multiregional business deals and enhance its services business in Europe. In these ways, Fujitsu will provide consistent, high-quality ICT services globally to support all customers in their endeavors, no matter where they do business.

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.

OUR STRENGTHS

SERVER SHARE IN JAPAN 2013
 (REVENUE BASIS)

1	Fujitsu	20.6%
2	Company A	20.6%
3	Company B	17.1%
4	Company C	13.6%
5	Company D	11.4%
6	Others	16.7%

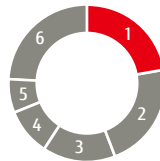


(Source: IDC Japan, Japan Server Quarterly Model Analysis, 2014 Q1)

* IDC treats cases where vendor shipments differ by less than 1% as a tie.

TOTAL OPTICAL FIBER NETWORKING MARKET SHARE FOR NORTH AMERICA IN 2013
 (REVENUE BASIS)

1	Fujitsu	22.3%
2	Company A	21.9%
3	Company B	15.1%
4	Company C	9.7%
5	Company D	7.0%
6	Others	24.0%



(Source: Ovum, Market Share Spreadsheet & Analysis: 1Q14 Global ON, May 2014)

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 mission-critical 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 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 a large market share in the highly competitive North American market for optical transmission systems, building on our highly rated technical capabilities and track record.

Technology Solutions/System Platforms



UNIX server
SPARC M10-4S



2-way blade x86 server
PRIMERGY BX924 S4



Storage system
ETERNUS DX600 S3

TOPICS

HA Database Ready SX2 Strengthens Lineup of Vertically Integrated Database Systems

The HA Database Ready SX2 brings to the lineup of database systems a high-performance, high-capacity model that supports increased database capacity following system deployment. An important feature of the new model is its encryption technology that uses the strongest key in the Advanced Encryption Standard (AES) encryption standard. In concert with Intel® AES New Instructions, a new technology for encryption, data can be encrypted and decrypted without impacting performance, making it ideal for financial or other secure systems management.

The HA Database Ready SX2 can be used for a wide range of applications, from social infrastructure systems that require high performance and exceptional reliability to information systems that need powerful performance and capacity large enough to handle high-speed batch processing and data consolidation.



FUJITSU Integrated System HA Database Ready SX2, a large-scale model for large capacity databases

TECHNOLOGY SOLUTIONS RESULTS (See page 045 for numerical results from system platform operations)

*In accordance with the adoption of the amended IAS 19, the figures for fiscal 2012 have been retroactively revised.

Years ended March 31	2011	2012	2013	Yen (millions) 2014
Net sales				
External customers	¥2,927,651	¥2,864,658	¥2,890,376	¥3,192,928
Inter-segment	86,735	70,247	52,002	50,085
Total sales	3,014,386	2,934,905	2,942,378	3,243,013
Operating income	162,881	171,297	173,967	209,133
Total assets	1,481,119	1,446,368	1,442,810	1,519,694
Other items				
Capital expenditure (including intangible assets)	116,218	119,712	104,585	118,773
Depreciation	116,690	106,771	102,784	107,219
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Balance of goodwill at end of the fiscal year	79,974	68,024	30,181	25,969

Technology Solutions/System Platforms

MARKET TRENDS

2013 Global Market Trends

System Products: The server market in Japan increased 1.5% year on year to US\$5.0 billion. In 2013, the domestic market saw an increase in shipment amounts of x86 servers in particular, as their share of the overall market grew. The average price of x86 servers increased by more than 10% from the previous year due to a rise in materials costs as a result of the weaker yen and enhanced performance enabled by server integration. Moreover, partly due to the economic recovery, there were prominent large-scale business deals in the fields of finance, manufacturing, and the public sector. Meanwhile, the market for RISC servers such as UNIX servers was driven mainly by replacement demand.

Network Products: In Japan, the optical transmission market grew year on year. The growth was driven by ongoing investment to enhance backbone infrastructure as the full-scale rollout of LTE services expanded. In the IP equipment market, including routers, the cycle of investment to enhance carrier routers in the face of increasing traffic came to an end, but the market saw greater investment year on year in routers and switches for use in LTE networks. The mobile infrastructure market also reported year-on-year growth, as the full-scale rollout of LTE services expanded investment in LTE base stations and other equipment, although 3G investment ran its course.

The North American optical transmission market grew compared to the previous year as companies continued their investments to strengthen mobile backhaul and other backbone infrastructure to cope with the rollout of LTE and increased data traffic.

Outlook for 2014

System Products: The server market in Japan is projected to decline by 10.1% to US\$4.6 billion. The x86 server market is expected to maintain growth given the penetration of cloud computing and mobile devices. On the other hand, the high-end and middle-range mainframe server and UNIX server markets are expected to be driven mainly by replacement demand.

Globally, the server market is expected to grow 1.6% year on year to US\$54.2 billion amid increased demand for datacenters driven by expansion in emerging markets and the adoption of SNS and cloud computing.

Network Products: In Japan, the optical transmission market investment in LTE networks is expected to remain strong, while investment in 100 Gbps optical transmission and the integration of optical transmission and packet processing is expected to enter full swing atop efforts to cope with increasing traffic and to simplify network configurations. In the mobile infrastructure market, 3G investment is winding down, but investment is projected to expand in order to increase LTE service area coverage and transmission speeds.

In North America, the optical transmission market saw the latest round of investment by major communications carriers in the US-wide rollout of LTE network services come to an end, but active investment is expected in 100 Gbps optical transmission and the integration of optical transmission and packet processing as networks prepare for the shift to "All IP" and the even higher transmission speeds.

OPERATIONAL REVIEW AND INITIATIVES

Fiscal 2013 Business Results

The System Platforms sub-segment, comprising System Products and Network Products, reported sales of ¥615.7 billion, an increase of 10.9% from the previous fiscal year.

System Products: Sales of system products for the fiscal year ended March 31, 2014 increased 3.7% year on year to ¥272.7 billion. In Japan, sales rose on the contribution of large-scale systems deals in the public sector and growth in x86 servers, storage, and other systems, despite weak performance in UNIX servers.

Network Products: Sales increased 17.4% year on year to ¥343.0 billion.

While demand for 3G communications equipment to deal with the increased volume of communications traffic has run its course, overall sales increased on spending by telecommunications carriers to increase LTE service area coverage and transmission speeds. Sales of optical transmission systems outside Japan increased significantly with the deployment of LTE networks and investments to reinforce optical transmission equipment in preparation for the shift to "All IP." Sales of optical transmission equipment in Japan increased sharply due to a surge in demand for use in LTE networks.

Sales of mobile systems and network solutions rose significantly due to the full-scale rollout of LTE, although sales of 3G equipment contracted.

Operating profit for the System Platforms sub-segment totaled ¥57.9 billion, an increase of ¥8.6 billion from the previous year. Overall, System Products results were flat as an increase in costs, due to the impact of foreign currency exchange, was covered by highly profitable business deals in Japan. Profit from Network Products increased significantly, driven by strong performance in mobile systems and optical transmission systems.

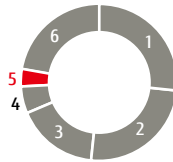
Technology Solutions/System Platforms

MARKET DATA

Graph 01

GLOBAL SERVER SHARE IN 2013
 (REVENUE BASIS)

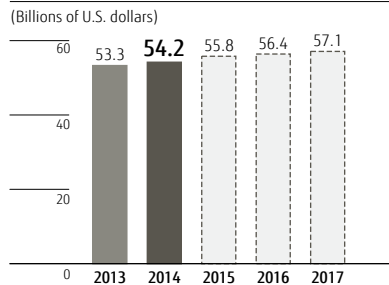
1	Company A	26.9%
2	Company B	24.9%
3	Company C	16.9%
4	Company D	5.7%
5	Fujitsu	3.6%
6	Others	22.0%



(Source: IDC's Worldwide Quarterly Server Tracker 2014 Q1)

Graph 02

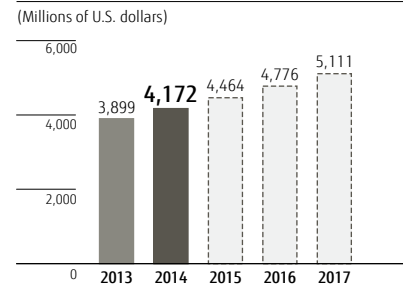
GLOBAL SERVER MARKET FORECAST



(Source: IDC, May 2014 "Worldwide Black Book Query Tool, Version 1, 2014")

Graph 03

NORTH AMERICAN OPTICAL NETWORK MARKET FORECAST

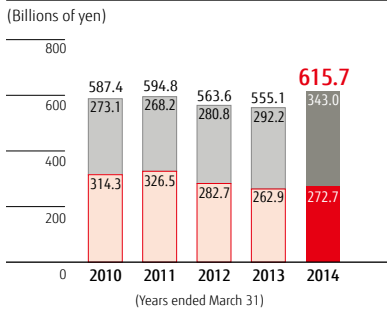


(Source: Ovum, On Forecast Spreadsheet: 2013-19, May 2014)

FUJITSU DATA

Graph 04

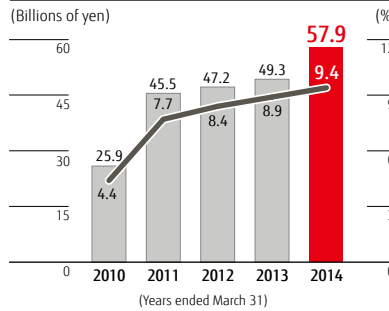
SALES BY PRINCIPAL PRODUCTS AND SERVICES*



* Including intersegment sales

Graph 05

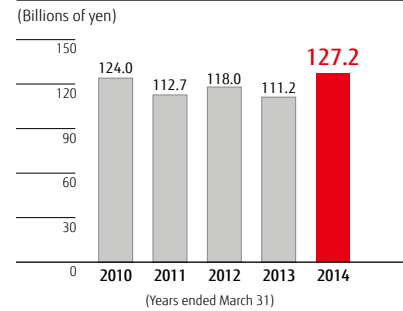
OPERATING INCOME/ OPERATING INCOME MARGIN



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

Graph 06

R&D EXPENDITURE*



* For entire Technology Solutions segment

Initiatives Going Forward

System Products: ICT plays an increasingly vital role in ensuring social prosperity and security, including through cloud computing, which will enable flexible ICT utilization. The servers, storage, software, and other products that form the foundation of ICT infrastructure are playing an increasingly important role and Fujitsu will move forward with developing these optimized platforms. In x86 servers, we will promote further development efficiency with Germany-based Fujitsu Technology Solutions (Holding) B.V. to strengthen the cost competitiveness of our products. At the same time, we will grow our business globally by developing new channels with major systems integrators, enhancing our promotional activities, and cultivating further business with existing customers using modernization as a trigger. In mainframes and UNIX servers, we will continue our sales activities targeting existing users.

Network Products: Network products are playing an increasingly important role in ushering in the cloud era as data and networks continue to merge. Fujitsu is taking steps toward its next growth stage by accelerating the development of the network virtualization technologies SDN and NFV while aiming to increase earnings by expanding sales globally. In optical transmission systems, our capabilities in advanced technologies will play a role in expanding our business as we seek to increase sales of 100 Gbps packet-integrated optical systems to cope with rapidly increasing data traffic. In mobile systems, we will aim to promote future business expansion by steadily developing high-density radio base stations compatible with LTE-Advanced. In addition, we will also provide optimal and timely communications environments through network virtualization technologies such as SDN and NFV, and contribute to the development of new services and their increased use.

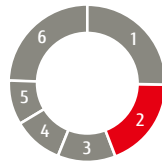
Ubiquitous Solutions

Ubiquitous Solutions consists of PCs, mobile phones, and mobilewear. In PCs, Fujitsu's lineup includes desktop and laptop PCs known for energy efficiency, security, and other enhanced features, as well as water- and dust-resistant tablets. In mobile phones, Fujitsu's offerings include ARROWS brand smartphones, Raku-Raku Phone brand feature phones and ARROWS Tab brand tablets. In mobilewear, Fujitsu answers a diverse range of needs through "Connectivity Products," among them car navigation systems that interface with smartphones.

OUR STRENGTHS

PC MARKET SHARE IN JAPAN 2013
 (UNIT BASIS)

1	Company A	25.5%
2	Fujitsu	18.7%
3	Company B	12.0%
4	Company C	10.3%
5	Company D	9.3%
6	Others	24.2%



(Source: Gartner, "Quarterly Statistics: Personal Computers by Major Market, Worldwide by Region, 4Q13 Update" 3 February 2014)
 * Chart created by Fujitsu based on Gartner data

MOBILE PHONE SHIPMENTS IN JAPAN IN 2013
 (UNIT BASIS)

1	Company A	35.2%
2	Company B	14.4%
3	Company C	12.1%
4	Fujitsu	9.3%
5	Company D	8.2%
6	Others	20.8%



(Source: IDC, Worldwide Quarterly Mobile Phone Tracker, 2014Q1)

In PCs, Fujitsu delivers high-quality, high-performance products to customers as quickly as possible. For the Japanese market, we have a complete manufacturing framework from circuit boards through finished products, with our laptop PCs manufactured by Shimane Fujitsu Limited, and desktop PCs by Fujitsu Isotec Limited. Outside of Japan, Fujitsu Technology Solutions (Holding) B.V. performs assembly and customization, primarily for the European market. We also offer a full lineup of tablets with high-spec, water- and dust-resistant features, which come in convertible and hybrid variations. In mobile phones, we develop and manufacture high quality mobile devices equipped with a range of proprietary technologies, including high-end smartphones featuring enhanced battery performance and character input systems and the Raku-Raku Phone Series with easy-to-read displays, clear-sounding speakers, and intuitive functionality. In mobilewear, 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.

Ubiquitous Solutions



FMV ESPRIMO WH77/M desktop PC that easily changes shape to facilitate touch-screen operation



A convenient, sophisticated new design enables users to connect more easily with family and friends. Raku-Raku Smartphone 3 F-06F



ECLIPSE "ULTRA AVN" (AVN-ZX03i) car navigation system

TOPICS

Fujitsu Develops Prototype Haptic Sensory Tablet

Applying new haptic, or tactile sensory, technology developed by Fujitsu Laboratories, Fujitsu and Fujitsu Laboratories have developed a prototype tablet with a touchscreen display panel that conveys a sense of slipperiness or roughness to the user. While technologies already exist that convey texture by vibrating the touchscreen display panel itself or by generating static electricity, Fujitsu Laboratories has developed the industry's first technology to use ultrasonic vibrations to convey tactile sensations by varying the friction between the touchscreen display and the user's fingers. This technology enables tactile sensations – either smooth or rough, which had until now been difficult to achieve – right on the touchscreen display. Users can enjoy realistic tactile sensations as they are applied to images of objects displayed on the screen.



A prototype tablet with haptic sensory technology

UBIQUITOUS SOLUTIONS RESULTS (See page 049 for numerical results from PCs/Mobile Phones and Mobilewear operation)

Years ended March 31	2011	2012	2013	Yen (millions) 2014
Net sales				
External customers	¥1,013,056	¥1,039,809	¥ 972,971	¥ 987,976
Inter-segment	112,586	114,473	117,278	137,486
Total sales	1,125,642	1,154,282	1,090,249	1,125,462
Operating income (loss)	22,679	19,938	9,626	(22,105)
Total assets	332,121	361,732	335,747	387,317
Other items				
Capital expenditure (including intangible assets)	20,578	19,698	23,851	23,200
Depreciation	20,675	21,210	21,496	20,761
Amortization of goodwill for the year	46	48	49	56
Balance of goodwill at end of the fiscal year	184	148	119	83

Ubiquitous Solutions

MARKET TRENDS

2013 Global Market Trends

Total shipments of conventional PCs and tablets in Japan in 2013 came to 22.36 million units. Shipments of conventional PCs declined 0.3% year on year to 15.65 million, mainly because of the continuing shift toward tablets. However, the decline was offset by an uptick from replacement demand, particularly in the corporate market, with the expiration of support for Windows XP. Another key contributor was a surge in demand among consumers ahead of the April 2014 consumption tax increase in Japan. The market for tablets continued its steady expansion, with shipments in Japan up 86.4% year on year to 6.71 million units. Demand for low-cost tablets continued its upward trend in the consumer market, while demand was robust for tablets in the corporate market. Globally, shipments of conventional PCs and tablets amounted to 512.6 million units.

The market for conventional PCs contracted 9.7% from the previous year to 317.2 million units. The tablet market, meanwhile, continued to expand, growing by 67.9% year on year to 195.4 million units.

The number of mobile phones shipped in Japan fell 1.5% year on year to 39.21 million units. The decrease was the result of sluggish migration from feature phones to smartphones, and slack shipment volumes of Android operating system terminals.

Worldwide demand for car navigation systems increased 7.5% year on year to 12.19 million units. In Japan, volume was higher for the year atop a rebound in new automobile sales and a surge in demand ahead of the consumption tax increase through the second half of the year, countering declines in the first half from the absence of buyer incentives for the purchase of eco-conscious vehicles. In the US market, brisk automobile sales led to strong growth, while in Europe, sales growth was modest for car navigation systems as automobile sales grew modestly.

Outlook for 2014

The outlook for shipments of conventional PCs and tablets in Japan for 2014 is 22.66 million units. Both the corporate and consumer markets for conventional PCs are expected to decline on a fall back from a surge in special demand in 2013, and are projected to decline 6.1% to 14.69 million units. The tablet market is forecast to increase 18.7% year on year to 7.97 million units, with expectations of continued new demand in the consumer sector, while the corporate sector is expected to expand in the fields of product sales tools and education. Global shipments of conventional PCs and tablets are projected to be 584.68 million units. The conventional PC market is expected to see weaker sales, mainly on slower economic growth in emerging economies and the ongoing shift to tablets, with shipments declining 1.0% year on year to 313.93 million units. The tablet market is forecast to grow steadily, with shipments increasing 38.6% year on year to 270.75 million units.

In mobile phones, domestic shipments are expected to decrease 4.7% to 37.35 million units. Volume is expected to decline in the consumer market amid a drop in new smartphone demand, leaving replacements as the main source of demand. In the corporate market, replacement demand is likely to spur continued expansion as users switch from feature phones to smartphones.

Worldwide demand for car navigation systems is projected to increase 4.0% year on year to 12.68 million units, reflecting anticipated growth from the rollout of new products with smartphone connectivity and lower-priced products in the expanding automobile market.

OPERATIONAL REVIEW AND INITIATIVES

Fiscal 2013 Business Results

Net sales in the Ubiquitous Solutions segment totaled ¥1,125.4 billion in fiscal 2013 (up 3.2% year on year).

Worldwide shipments of Fujitsu PCs increased 1.2% to 5.9 million units. In Japan, shipments rose dramatically, notably to the corporate market, in line with replacement demand from the expiration of support for Windows XP. In the consumer market, while shipments declined in step with market contraction, higher prices from efforts to partially pass along the impact of the yen's depreciation, and a surge in demand in the fourth quarter ahead of a consumption tax increase, contributed to shipments. Outside Japan, shipments were lower, in line with a switch over to policies emphasizing profitability, from the second half of fiscal 2012.

In mobile phones, domestic shipments declined a substantial 43% year on year to 3.7 million units. The first half of the fiscal year was particularly sluggish on the impact of telecommunications carriers having revised their sales policies. Shipments of tablets to the finance sector and other corporate customers were brisk.

In mobilewear, revenues in Japan rose atop a rebound in shipments of new automobiles and a surge in demand ahead of the consumption tax increase. Outside Japan, revenues were also higher as automobile sales remained robust overall, especially in North America.

Ubiquitous Solutions reported an operating loss of ¥22.1 billion, a deterioration of ¥31.7 billion from the previous fiscal year.

In Japan, Fujitsu PCs benefited from higher sales mainly to domestic corporate customers. Outside Japan, along with the impact of lower unit sales, performance was negatively impacted by increased component costs from exchange rates. In Germany, there was a temporary decrease in estimated expenses related to copyright levies imposed on PCs.

In mobile phones, in addition to a substantial decline in shipments, higher costs associated with improved functionality and the yen's depreciation caused a significant decline in earnings.

Mobilewear benefited from higher revenue.

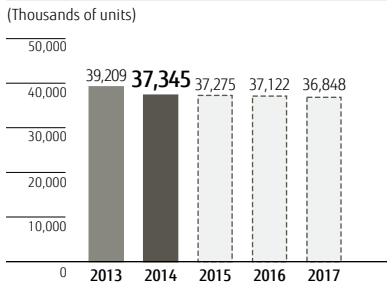
In the mobile phone business, Fujitsu took steps to develop an efficient production framework capable of withstanding

Ubiquitous Solutions

MARKET DATA

Graph 01

MOBILE PHONE SHIPMENT FORECAST FOR JAPAN

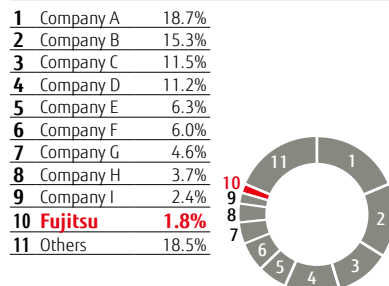


(Source: IDC, Worldwide Quarterly Mobile Phone Tracker, 2014Q1)

* The above figures are as of the end of each fiscal year (March 31)

Graph 02

GLOBAL PC MARKET SHARE IN 2013 (REVENUE BASIS)

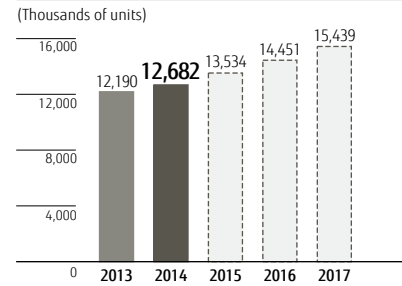


(Source: Gartner, "Quarterly Statistics: Personal Computers by Major Market, Worldwide by Region, 4Q13 Update" 3 February 2014)

* Chart created by Fujitsu based on Gartner data

Graph 03

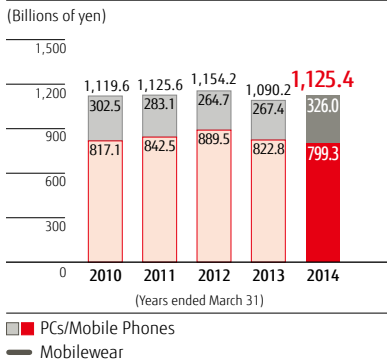
PROJECTED TRENDS IN GLOBAL CAR NAVIGATION SYSTEM DEMAND



(Source: Japan Electronics and Information Technology Industries Association, "Trends in Worldwide Demand for Major Electronics," published February 2014)

Graph 04

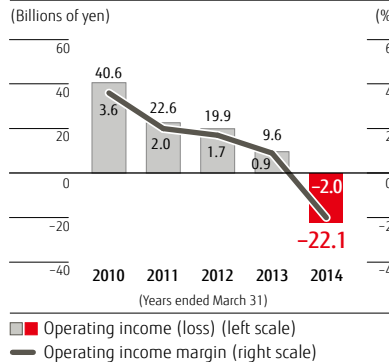
SALES BY PRINCIPAL PRODUCTS AND SERVICES*



* Including intersegment sales

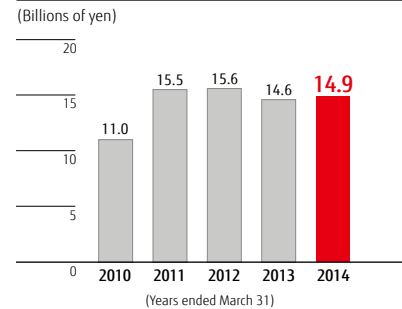
Graph 05

OPERATING INCOME (LOSS)/ OPERATING INCOME MARGIN



Graph 06

CAPITAL EXPENDITURE



fluctuations in production quantity. This included the merging of two volume production sites in April 2014, and a slimmer R&D structure through the shifting of personnel.

• See page 018 for more on structural reforms in the mobile phone business.

Initiatives Going Forward

In PCs, Fujitsu continues to release a range of new products including the ESPRIMO desktop PC and LIFEBOOK laptop PC series for the corporate market, the ARROWS Tab series of tablets, the FUTRO thin-client/zero-client PC, and CELSIUS series of PC workstations. For the consumer market, together with enhancing the functionality of its My Cloud offering, Fujitsu will release new products such as the Floral Kiss PC designed specifically for women. In North America, Fujitsu is upgrading and strengthening sales of its lineup of tablets for the education, distribution and manufacturing sectors, while in Europe, measures being taken

include further enhancing the product mix to boost profitability.

In mobile phones, Fujitsu will release several products, among them the ARROWS NX F-05F, offering longer battery life and a better text input system, and the Raku-Raku Smartphone 3 F-06F, the phone that remains easy to use and has improved screen visibility and user enjoyment. Outside Japan, Fujitsu plans to roll out LTE- and NFC-compatible models following its June 2013 launch in France of a senior-focused smartphone, together with its partner Orange.

In mobilewear, Fujitsu is branching into new business domains and advancing its model of vertical integration that links services, datacenters, terminals, and controls. Emblematic of this is the Vehicle-ICT business, which seeks to raise the added value of automobiles by bringing together a variety of data related to comfort, safety and security, and environmental operations around the linchpin of information and communication technology.

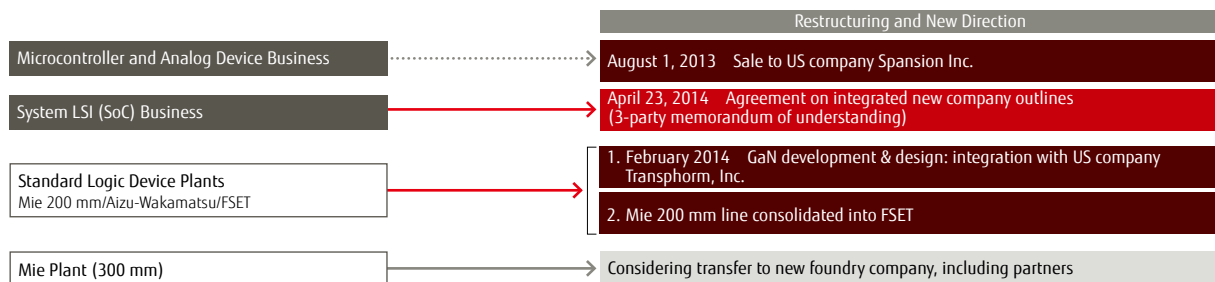
Device Solutions

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 such as Shinko Electric Industries, Fujitsu Component, and FDK provide semiconductor packages and other electronic components, as well as structural components such as batteries, relays, and connectors.

Overview of Structural Reforms in the Semiconductor Business

In the semiconductor business, Fujitsu implemented structural reforms while searching for solutions that would i) retain the Company's semiconductor technologies for future use, ii) maintain stable supplies for customers, and iii) give consideration to employment and local communities. As a result of these efforts, Fujitsu achieved the following outcomes.

- 1) Transferred the microcontroller and analog business to Spansion Inc. of the US (August 2013).
- 2) Merged the development and design functions for gallium nitride (GaN) power devices with Transphorm, Inc. (February 2014).
- 3) In the System LSI (SoC) development and design business, signed a memorandum of understanding with Panasonic Corporation and the Development Bank of Japan on establishing a new integrated system LSI (SoC: System on a Chip) company (April 2014).



FSET: Fujitsu Semiconductor Technology.
 FSET is a wholly owned subsidiary of Fujitsu Semiconductor Limited

OUR STRENGTHS

Fujitsu's system LSI business focuses on 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. We are expanding the system LSI business globally through development, technical support, and sales sites in Japan, the Americas, Europe, and Asia.

Device Solutions



MB86R24, third-generation high-performance graphic SoC for automotive applications



I²C interface 1 megabit FRAM "MB85RC1MT"

TOPICS

First DDC™ Transistor-Based Chip Enters Volume Production

SuVolta, Inc. and Fujitsu Semiconductor Limited have launched volume production of the MB86S22AA Milbeaut® imaging processor, the first product ever to incorporate Deeply Depleted Channel™ (DDC), a SuVolta technology. Compared to earlier Milbeaut® processors, the manufacture of this model is based on CS250S technology that merges Fujitsu Semiconductor's 55nm process technology with DDC. The result is a chip equipped with larger-scale, high-performance circuits, for roughly double the processing performance despite a 30% reduction in energy consumption. The start of MB86S22AA volume production represents a major milestone of successful joint development that has unfolded exactly as scheduled thus far. Both companies are working to further advance the potential of high-performance, ultra energy-efficient products.



MB86S22AA, one of the M-7M series of seventh generation Milbeaut® processors

DEVICE SOLUTIONS RESULTS (See page 053 for numerical results from LSI Devices and Electronic Components, Others operation)

Years ended March 31	2011	2012	2013	Yen (millions) 2014
Net sales				
External customers	¥545,729	¥515,834	¥483,896	¥547,709
Inter-segment	84,871	68,866	56,478	52,571
Total sales	630,600	584,700	540,374	600,280
Operating income (loss)	20,976	(10,182)	(14,246)	28,394
Total assets	434,718	434,902	383,418	372,291
Other items				
Capital expenditure (including intangible assets)	44,837	51,876	45,828	37,914
Depreciation	60,941	56,483	44,023	38,056
Amortization of goodwill for the year	573	556	67	(177)
Balance of goodwill at end of the fiscal year	(75)	(646)	(726)	1,451

Device Solutions

MARKET TRENDS

2013 Global Market Trends

In 2013, firm growth lifted the global semiconductor market 4.8% year on year to US\$305.6 billion, despite fluctuations across individual product categories. Market value surpassed US\$300 billion for the first time ever, slightly exceeding the previous record set in 2011. While television and conventional PC performance deteriorated, the market was lifted by strong growth in smartphones, tablets, new automobile sales in Japan and the US, favorable growth in the Chinese automobile market, and a higher rate of adoption of electronic systems in automobiles.

Geographically, the Japanese market grew by 3.7%*¹ on a yen basis, reflecting economic recovery stimulated by the yen's depreciation and rising stock prices, reversing a decline of 4.2% in the previous year. On a dollar basis, market growth fell a substantial 15.2%, triggered by the yen's sudden depreciation since the autumn of 2012. The Asian market grew 7.0% year on year, attributable to ongoing economic recovery and acceleration in the widespread use of smartphones and other electronic devices in China and other countries. The European market was up 5.2%, marking positive growth for the first time in three years, as a long-awaited economic turnaround led by key countries overcame the continued presence of high unemployment rates in southern Europe and other challenging conditions. In the Americas, the market expanded a substantial 13.1% year on year, as economies remained on a recovery track. This was demonstrated by the continuation of firm growth in the housing market and personal consumption, along with ongoing improvement in employment.

Outlook for 2014

In 2014, the global semiconductor market is expected to grow 6.5%*¹ year on year to US\$325.4 billion as the outlook is for economies to continue their gradual recovery and the electronics market to achieve stable growth.

By region, the Americas market is forecast to grow 2.1%*¹, with Europe set to increase 7.9%*¹ year on year. The Japanese market is expected to contract 1.3%*¹, while the Asia-Pacific market is expected to increase 9.3%*¹. Although the Japanese market is projected to dip slightly on a dollar basis due to the yen's depreciation, on a yen basis, the market is set to grow by 4.0%. Improved capital investment and employment in Japan, and the accompanying expansion in consumer spending, are forecast to sustain economic recovery trends, with automobiles, industrial equipment, smartphones, and tablets also likely to continue to perform strongly. At the same time, the market environment is expected to remain challenging, reflecting lingering weakness in the AV equipment market, notably for

conventional PCs and digital cameras, coupled with more intense competition in the global market.

In terms of products, the market for MOS microcontrollers is expected to grow 0.9%*¹ year on year, while the memory market, which includes DRAM and Flash memory, and the market for logic LSI are also both expected to grow year on year, by 7.5%*¹ and 7.1%*¹, respectively.

The global semiconductor market is projected to continue growing through 2015 and into 2016, with anticipated increases of 3.3%*¹ to US\$336.1 billion in 2015, and 4.3%*¹ in 2016 to US\$350.5 billion. An average annual growth rate of 4.7%*¹ is expected between 2013 and 2016.

*¹ Semiconductor market estimates according to World Semiconductor Trade Statistics (WSTS), spring 2014 forecast.

OPERATIONAL REVIEW AND INITIATIVES

Fiscal 2013 Business Results

Net sales in Device Solutions rose by 11.1% year on year to ¥600.2 billion. Sales in Japan decreased 1.3%. Sales of LSI devices saw growth in products for smartphones, but declined on lower sales mainly of products for digital AV devices and information devices. Electronic component sales were largely unchanged overall year on year, as growth in optical transceiver modules for communications devices offset lower sales of semiconductor packages and batteries. Outside Japan, LSI sales increased by 26.1%, or 5% on a constant currency basis. The main driver of growth in LSI sales was sales of products for smartphones.

The segment posted operating income of ¥28.3 billion, an improvement of ¥42.6 billion from the previous year. In Japan, this progress came mainly from benefits gained by reducing fixed costs, primarily through implementation of an early retirement scheme in LSIs. While capacity utilization remained high for the 300 mm line at the Mie Plant, largely reflecting growth in the number of essential LSIs for smartphones, utilization rates remained low for standard technology process lines. Outside Japan, in addition to increased needs for both LSI and electronic components, the depreciation of the yen had the effect of increasing sales.

The Fujitsu Group is conducting structural reform of its LSI business. As part of the reforms, the Group optimized its workforce through implementation of an early retirement scheme, and in August 2013, transferred the microcontroller and analog device business to Spansion Inc., followed in February 2014, by the integration of the GaN power device business with US-based Transphorm, Inc.

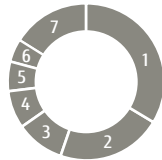
Device Solutions

MARKET DATA

Graph 01

SALES OF LOGIC LSI PRODUCTS BY APPLICATION FOR THE YEAR ENDED MARCH 31, 2014

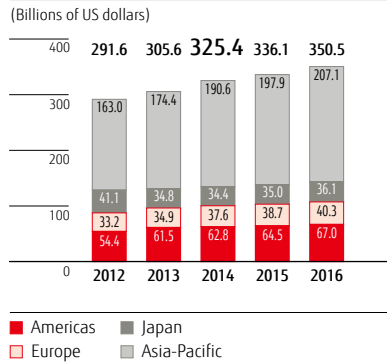
- 1 Mobile phones
- 2 AV/Consumer electronics
- 3 PCs and peripherals
- 4 Automobiles
- 5 Communications devices
- 6 Industrial machinery
- 7 Others



(Source: Fujitsu Semiconductor Limited)

Graph 02

GLOBAL SEMICONDUCTOR MARKET FORECASTS

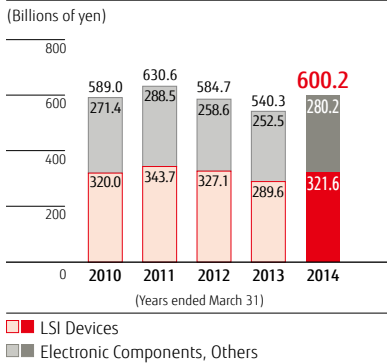


(Source: World Semiconductor Trade Statistics (WSTS))

FUJITSU DATA

Graph 03

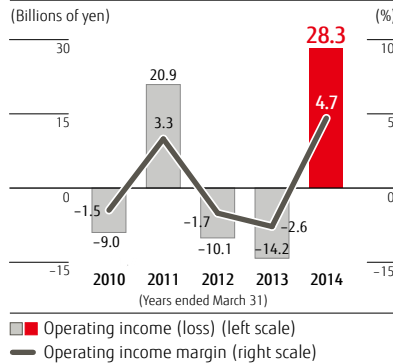
SALES BY PRINCIPAL PRODUCTS AND SERVICES*



* Including intersegment sales

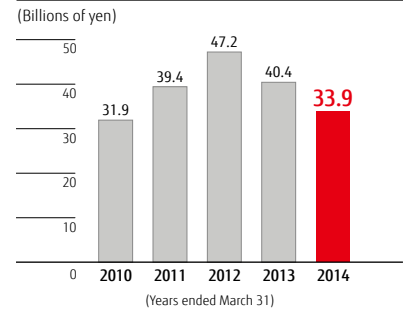
Graph 04

OPERATING INCOME (LOSS)/ OPERATING INCOME MARGIN



Graph 05

CAPITAL EXPENDITURE



Initiatives Going Forward

In April 2014, Fujitsu signed a memorandum of understanding (MOU) in the system LSI (SoC) business that will culminate in the establishment of a new fabless company with Panasonic Corporation. The investment and loan will be provided by the Development Bank of Japan. The business integration and launch are scheduled to be completed in the third quarter. Fujitsu is set to control 40% of the voting rights in the new company, enabling the company to retain independence with the goal of an IPO within the next several years.

For the 300 mm line at the Mie Plant, Fujitsu is advancing wide-ranging negotiations, including with partners, with the goal of transferring the line to a new foundry company.

Regarding currently underutilized standard technology process lines, Fujitsu is making progress in consolidating such lines in the Aizu-Wakamatsu region, with an eye to achieving greater cost competitiveness and stability.