

# Management Direction Briefing

*Turning Dreams Into Reality*

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**June 8, 2007**

**Hiroaki Kurokawa**  
**President, Fujitsu Limited**

## Our Mission

Fujitsu continually seeks to create new value by providing customers with comprehensive solutions comprising highly reliable high-performance products and services based on powerful technologies. Through this, we aim to grow, realize profits and foster mutually beneficial relationships in our communities worldwide.

## Our Values

Our Dream Is to Make Our Customers' Dreams Come True



Every One of Us Has a Leading Role to Play

We Strive to Meet the Expectations of Customers, Employees and Shareholders

We Consider Environmental Impact in All That We Do

We Aim to Earn Our Customers' Trust in FUJITSU

## Our Code of Conduct



Respect Human Rights



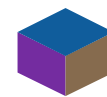
Protect Intellectual Property



Comply With Laws and Regulations



Reject Unethical Behavior



Maintain Confidentiality



Act With Fairness in Our Business Dealings

# Fiscal 2006 Financial Results



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# Fiscal 2006 Financial Results

Higher sales and profits, but low growth in operating income was an issue

(Billion Yen)

	<b>FY 2005 Results</b>	<b>FY 2006 Results</b>	<b>% Change vs. Previous Year</b>
<b>Net Sales</b>	<b>4,791.4</b>	<b>5,100.1</b>	<b>+6.4%</b>
<b>Operating Income</b>	<b>181.4</b>	<b>182.0</b>	<b>+0.3%</b>
<b>Net Income</b>	<b>68.5</b>	<b>102.4</b>	<b>+49.4%</b>

# Fiscal 2006 Operating Income by Segment

Higher services earnings was a major profit driver

(Billion Yen)

	FY 2005	FY 2006	
	Results	Results	Change
Technology Solutions	153.0	163.6	+10.5
Services	128.4	156.1	+27.6
Systems Platforms	24.5	7.5	-17.0
Ubiquitous Product Solutions	34.8	41.6	+6.8
Device Solutions	29.5	19.0	-10.4
Other Operations	7.6	10.5	+2.8
<b>Total</b>	<b>181.4</b>	<b>182.0</b>	<b>+0.6</b>

# Fiscal 2006 Summary by Segment

## ■ Technology Solutions

- In services business, SI profitability improved and outsourcing services grew solidly
- Server business was affected by delayed launch of APL and fierce competition in PC servers
- Telecommunications business was impacted by burden of upfront investments, particularly overseas

## ■ Device Solutions

- Our response to shifts in LSI demand trends of large customers was insufficient
- Need to create flexible business structure capable of responding to changes in market and customer trends

## ■ Ubiquitous Product Solutions

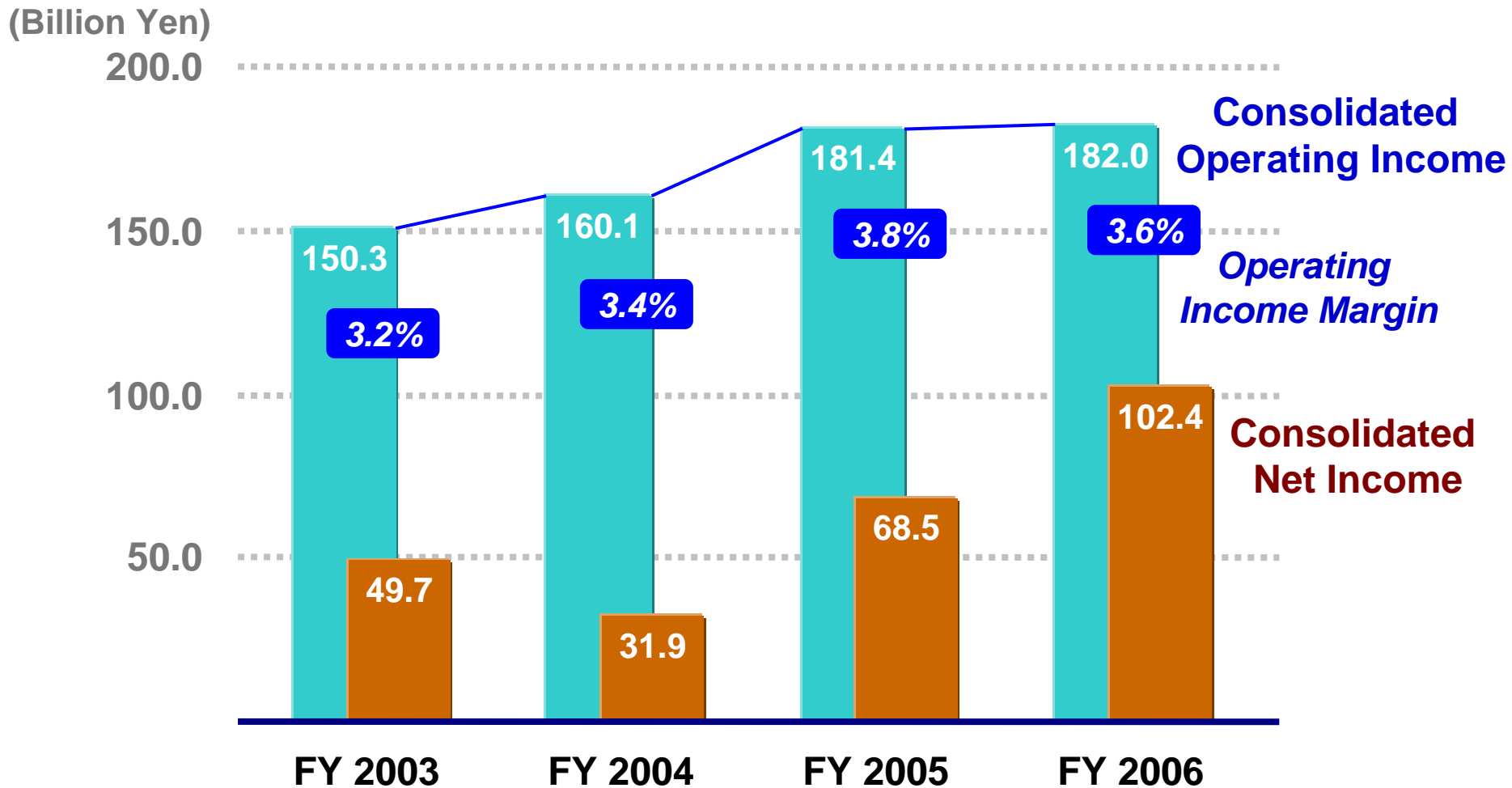
- Continued profitability for HDDs, mobile phones, and PCs
- Need to further strengthen profitability

# Looking Back On Fiscal 2004 - 2006

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# FY 2004-2006 Earnings

Underlying trend of continuing growth in earnings, but sustaining profitable growth remains an issue





# FY 2004-2006 Earnings by Segment

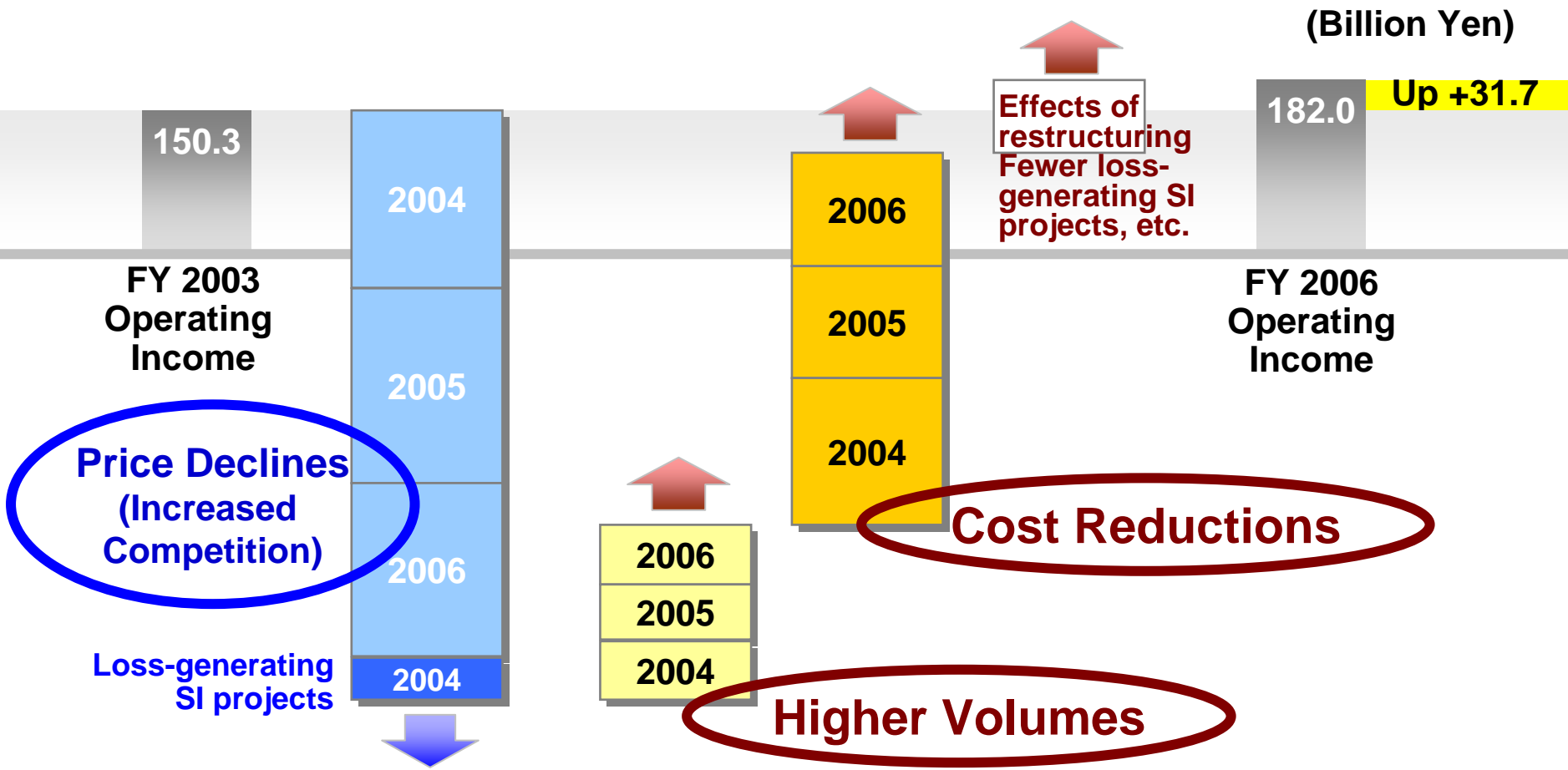
**Strong growth in services;  
platforms and devices lagged behind**

## Consolidated Operating Income

(Billion Yen)	FY 2004	FY 2005	FY 2006	Change vs. FY04
<b>Technology Solutions</b>	<b>130.7</b>	<b>153.0</b>	<b>163.6</b>	<b>32.9</b>
<b>Services</b>	<b>86.6</b>	<b>128.4</b>	<b>156.1</b>	<b>69.5</b>
<b>Platforms</b>	<b>44.0</b>	<b>24.5</b>	<b>7.5</b>	<b>-36.5</b>
<b>Ubiquitous Product Solutions</b>	<b>32.0</b>	<b>34.8</b>	<b>41.6</b>	<b>9.6</b>
<b>Device Solutions</b>	<b>29.0</b>	<b>29.5</b>	<b>19.0</b>	<b>-10.0</b>

# Three-Year Earnings Composition (FY 04-06)

Developed basic wherewithal to meet intensified competition with cost reductions and higher volumes



Internal calculations

# FY 2004-2006 Accomplishments

## ■ Structural Improvements through Business Reforms

- Transferred PDP/LCD, Flash memory, compound semiconductor and other businesses
- Restored health of SI business (improved risk management)
- Improved financial condition
- Deployed Toyota Production System at manufacturing operations and began expanding to software development
- Improved inventory turnover rate through operational efficiencies

## ■ Organizational Reforms

- Integrated sales and system engineering units (Solution Business Restructuring) and implemented pipeline management
- Strengthened system support and operational services by making FSAS a wholly owned subsidiary
- Made principal system engineering companies wholly owned subsidiaries
- Introduced “Head of Regional Operations” organization for four major overseas geographic regions

# FY 2004-2006 Results

## Significantly improved financial condition

(Billion Yen)

	FY 2004	FY 2005	FY 2006
<b>Non-Operating Expenses</b> [Amortization of Unrecognized Obligation for Retirement Benefits]	<b>[-39.2]</b>	<b>[-28.2]</b>	<b>[-3.1]</b>
<b>Free Cash Flow</b> [From Business Operations]	<b>262.1</b> <b>[93.7]</b>	<b>170.8</b> <b>[170.8]</b>	<b>257.6</b> <b>[152.8]</b>
<b>Inventories</b> [Monthly Inventory Turnover]	<b>478.5</b> <b>[0.71 times]</b>	<b>408.7</b> <b>[0.88 times]</b>	<b>412.3</b> <b>[0.93 times]</b>
<b>Owners' Equity Ratio</b>	<b>23.5%</b>	<b>24.1%</b>	<b>24.6%</b>
<b>Net Interest-Bearing Loans</b> [Net D/E Ratio]	<b>628.0</b> <b>[0.73]</b>	<b>507.2</b> <b>[0.55]</b>	<b>300.8</b> <b>[0.31]</b>
<b>ROE</b>	<b>3.8%</b>	<b>7.7%</b>	<b>10.9%</b>

# Overview of FY 2004-2006

- **Significantly improved corporate condition**
  - Customer-focused orientation, culture of continuous improvement has taken hold to a significant extent
  - Vital services business is on steady track for profitable growth
  
- **Path to global growth is now visible**
  - Overseas Group companies now have ability to generate profitable growth
  - Strengthened corporate governance of overseas Group companies
  - Significantly improved communication among Group companies
  
- **Further effort is needed to address structural issues**
  - Correcting imbalance between consolidated and unconsolidated results is a key issue
  - Group-wide structural reforms are still required

# Setting a New Medium-Term Strategic Direction



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# New Medium-Term Goals (FY 2007-2009)

**FY 2006  
Results**

**Medium-Term  
Targets (FY 2009)**

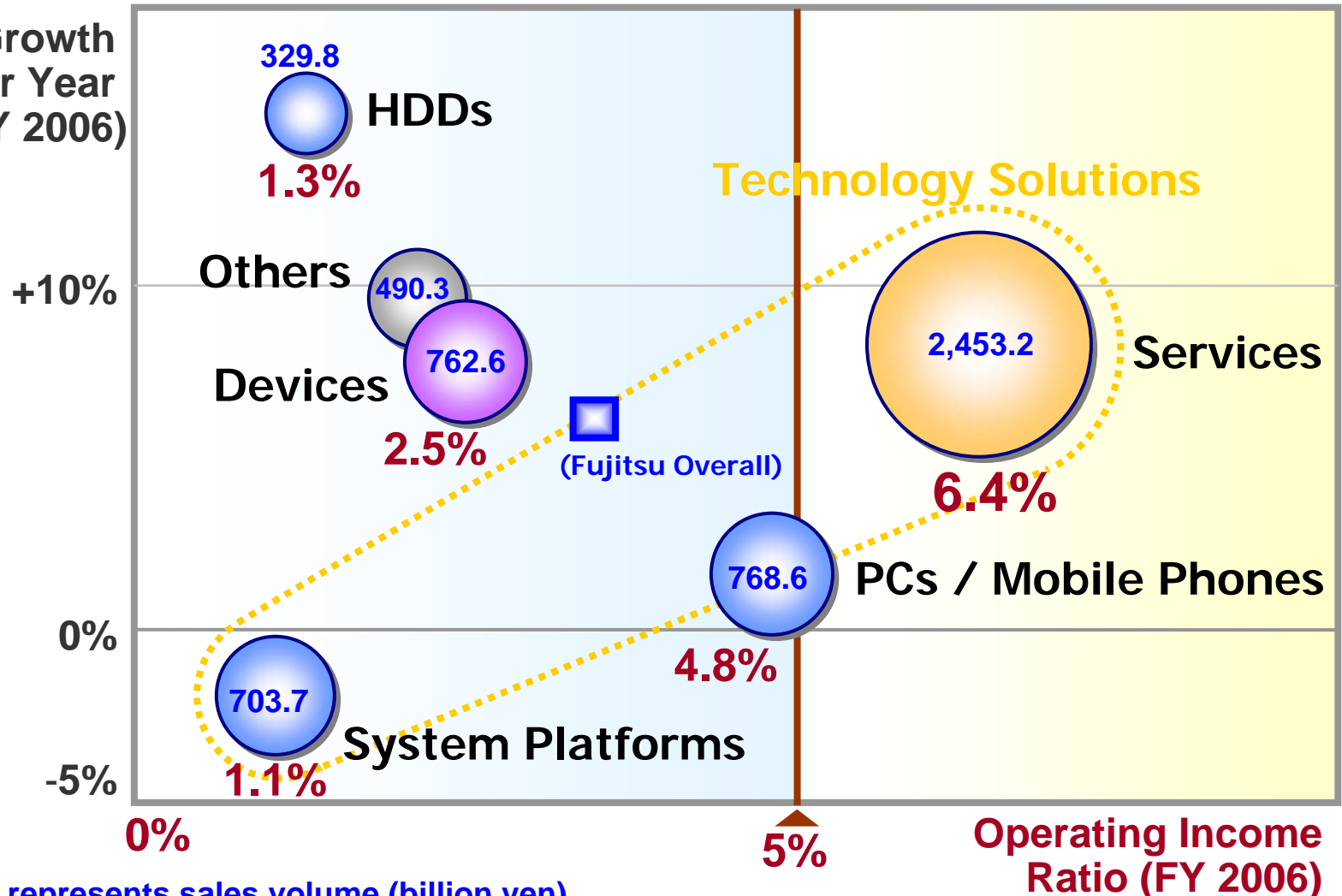
<b>Operating Income Margins</b>	<b>Consolidated</b>	<b>3.6%</b>	<b>Over 5%</b>
	<b>Technology Solutions</b>	<b>5.2%</b>	<b>Over 7%</b>
<b>Overseas Sales Ratio</b>		<b>36%</b>	<b>Over 40%</b>
<b>Monthly Inventory Turnover</b>		<b>0.93 times</b>	<b>2 times*</b>

**\*Set as medium-term target level**

# Current Business Portfolio

Services is main profit driver for Technology Solutions  
Link HDD, device business growth to profitability

Sales Growth vs. Prior Year (FY 2006)





# Basic Stance on New Medium Term (FY07-09)

## Regained confidence of customers (past 3 years)

- Avoided disruptive wholesale restructuring to maintain business continuity

- Gave priority to improving weak points

Loss-generating subsidiaries\* (% of all subsidiaries) FY03: 31 companies (17%) ▶ FY06: 15 companies (10%)

- Put emphasis on restoring employees' competitive spirit and actions



## Increase growth and returns (next 3 years)

- Build on existing strengths
- Initiate value-enhancing Group-wide structural reforms
- Shift from IT solutions to business solutions

\* Internal administrative designations based on consolidated business units

# New Management Principles

Recurring themes over the past 3 years:

- Think and act from the customer's viewpoint
- Continue to maintain timely delivery and quality
- Continue to increase speed
- Think and act on frontline realities

## ■ Competitive Product & Service Offerings

*Enhancing collaboration between sales and product development*

- Focus management efforts on creating competitive product & service offerings that can drive up market share and profits
- Align organization and processes to create product & service offerings from the customer's perspective

## ■ Self-Sufficiency

*Cash-flow-conscious management*

- Business operations should subsist on the cash flow they generate

## ■ Human Knowledge as an Asset

*Management for realizing full potential of human resources*

- Allocation and cultivation of human resources that makes fullest use of people's value (potential)
- Promote Group management and Group-wide HR management

# Create a New Group Management Structure

## Promoting Group management

- **Management that responds quickly to customer and market changes**
  - Pursue management that is closely attuned to customers and acts with speed and accountability
  - Implement organizational structure optimized for customers and markets
- **Management that makes fullest use of the value (potential) of the Group's human resources**
  - Enhance ability to make best use of the Group's human resources, technology, products and services to meet customers' needs
  - Promote Group-wide HR management
- **Management that enables the Group to continue to evolve**
  - Dynamically shift resources in response to market changes

# Field Innovation

Converting IT-Enabled Innovation into Business Value

Bring innovation to companies, peoples' daily lives and society at large through the continual improvement of processes and IT, with a focus on people



# Four Challenges for FY 2007-2009

- Create a new Group management structure
- Strengthen strategic thinking based on JQA\*
- Think and act more thoroughly from a Group-wide perspective

- Reform product and service development processes (enhance collaboration with sales)
- Pursue new types of product and service value
- Develop easy-to-implement systems that do not require extensive system engineering resources to deploy or maintain

**Strengthen Our Management**

**Improve Our Product and Service Offerings**

**As a partner to our customers, strive to contribute to their business success and grow together with them**

**Enhance Our Frontline Operational Capabilities**

**Empower Our People**

- Place importance on frontline operational realities
- Take advantage of people's frontline expertise and promote teamwork
- Implement field innovation in our own operations

- Cultivate lifelong learners (encourage self-improvement)
- Foster field innovators
- Nurture global human resources

\*JQA: Japan Quality Award

# Enhance Environmental Management

## Steadily implement the 5<sup>th</sup> stage of the Fujitsu Group Environmental Protection Program (FY 2007-2009)



- Increase environmental value of products, services
  - Increase proportion of “super green” products to at least 20%
    - Expand environmental solutions offerings
- Global warming countermeasures
  - Reduce global CO<sub>2</sub> emissions-to-sales ratio to 28% below FY 1990 level
- Reinforce governance
  - Promote green procurement activities
- Strengthen risk management
- Promote environmental social contribution activities

# What the Fujitsu Group Aims to Be

**A partner that contributes to the growth of our customers' businesses and grows together with them**

## ■ To become a field innovation company

- Help customers innovate through continual improvement of processes and IT with a focus on people
- Continually enhance our own management of resources (people, products & services, technology)

## ■ To become a truly global player

- Provide one-stop response to customers' global business innovation needs
- Implement management that can optimally leverage global resources

## ■ To become a company that actively contributes to society

- Generate profits that enable us to benefit stakeholders
- Actively participate in social contribution activities as a good corporate citizen
- Contribute to global environmental protection

# Technology Solutions



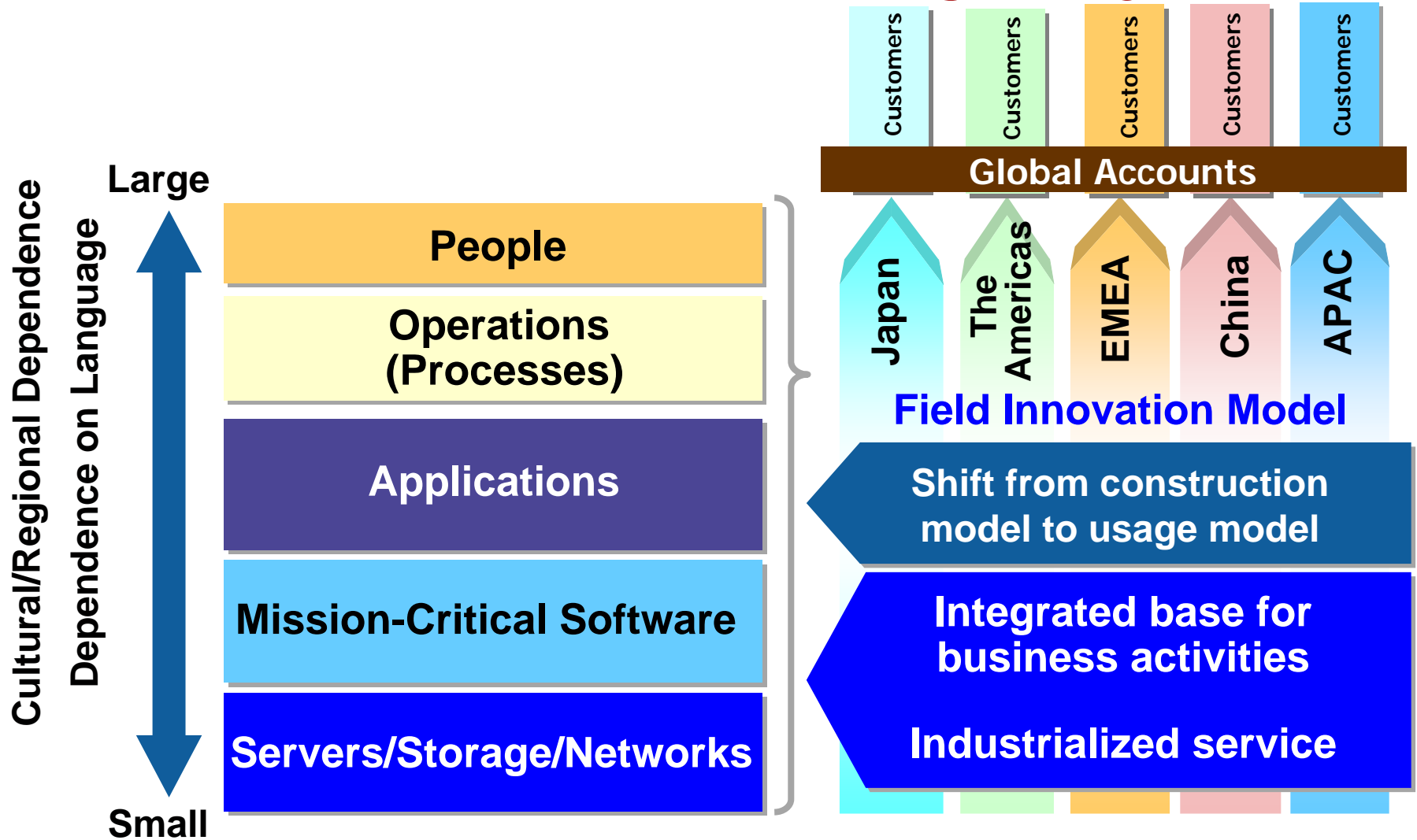
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**Expand Services Business Globally  
with Our Technology as a Base**



# Technology Solutions Strategic Direction

Delivering customer services locally and infrastructure services globally



# Shift from IT Solutions to Business Solutions

Customers

**Frontline  
Innovation**

**Field Innovators: People who can discuss operational issues from the customer's perspective and make decisions together with them**

**Visualization technologies (people, process, IT, data, etc.)**

**System design and construction engineers**

**Service  
Innovation**

**Application software development (TPS, offshore, etc.) and service products (packages, outsourcing, BPO, etc.)**

**Service delivery (LCM, pooling of infrastructure system engineers, remote monitoring/maintenance, etc.)**

**Global network of IDCs**

**Infrastructure**

**Foundation for overall business activities  
(standardized infrastructure)**

**Strong product line-up to support service offerings**

# Market Growth by Region and Business

## 2006-2009 IT Market Growth Rates (yearly average)

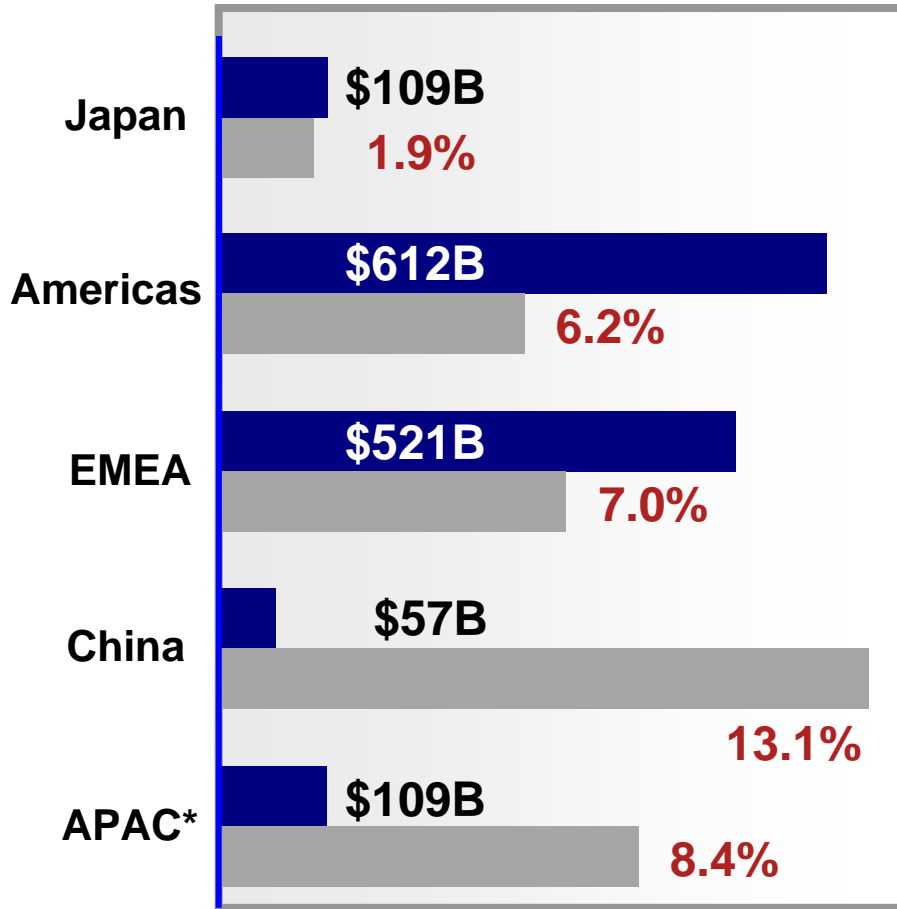
	Japan	Americas	EMEA	China	APAC*	WW
<b>Services</b>	3.5%	5.6%	6.2%	18.0%	9.8%	6.1%
<b>Software</b>	4.2%	8.3%	7.6%	14.8%	9.5%	7.9%
<b>Servers</b>	-2.8%	2.7%	1.7%	8.7%	4.1%	2.2%
<b>PCs</b>	-1.5%	5.1%	7.8%	11.7%	6.0%	6.2%
<b>Total IT Market</b>	1.9%	6.2%	7.0%	13.1%	8.4%	6.5%

Source: IDC Japan, Worldwide Black Book, Q1 2007, April 2007

\* Excluding Japan and China

# Develop Business in Line with Market Characteristics

- IT market scale ('09 forecasts)
- Average annual growth rate ('06-'09)



Japan (low growth) → struggle for share

- Innovation (create new markets)
- Replacement (provide new value)  
Energy savings, space savings, quiet operation, ease of maintenance...
- Deepen customer relationships (services)

US/Europe (large-scale markets, servicization)

- Expand service delivery capability (offshore, etc.)
- Enhance services menu
- Early entrance into new fields (M&A)...

BRICs (small-scale markets, rapid growth, low diffusion rate)

- Introduce low-cost products
- Sell easy-to-deploy products
- Win business with companies that have good growth prospects

Source: IDC Japan, Worldwide Black Book, Q1 2007, April 2007

\* Excluding Japan and China

# Expanding Global Business Capabilities

## Grasp market characteristics and steadily expand opportunities for growth

### EMEA

Head of EMEA Operations:  
Corporate Sr. VP Richard Christou  
(Also serves as FS Chairman)

FY06 Sales 795.8 bn yen (+15.4%)

■ Mid-term regional goal: **8% growth/year**

FS sales (05) £2,294M→(07) £2,700M (About ¥600.0 bn)

### The Americas

Head of American Operations:  
Corporate Sr. VP Tetsuo Urano

FY06 Sales 472.9 bn yen (+21.9%)

■ Mid-term regional goal: **14% growth/year**

FC sales (05) \$384M→(07) \$700M (About ¥80.0 bn)

### APAC & China

Head of China Regional Operations:  
Corporate First Sr. VP Takashi Igarashi  
Head of APAC Operations:  
Corporate Sr. VP Kyung-soo Ahn

FY06 Sales 556.4 bn yen (+8.3%)

■ Mid-term regional goal: **11% growth/year**

FY06 regional net sales to unaffiliated customers

- **Fujitsu Services:** Build on strength as top-tier services company for UK gov't/public sector  
Work to expand business in continental Europe and with private-sector clients
  - Acquired TDS of Germany in Jan. '07
  - Initiated tender offer for GIF of France in May '07
- Expand TRIOLE deployment (including for services)
- **Fujitsu Consulting:** Expand services capabilities through M&A
  - Acquired Rapidigm in Mar. '06
- Reorganize global retail business
- Develop vertically integrated solutions business
- Expand Fujitsu Australia's SAP business
- Expand outsourcing services business
- Strengthen local management in China market
- Full-fledged start-up of business in India

# Expanding Global Business Capabilities

- **Expand global alliances**
  - Enhance solutions partnerships (SAP, Microsoft)
  
- **Establish Group offshore services center in India**
  - Target of 8,500 employees in 2009
  
- **Increase competency centers globally**
  - Japan, UK, US, Korea, China, Singapore, Brazil
  
- **Develop global services**
  - FS to develop TRIOLE-based services (helpdesk, desktop services)

# Expanding Global Alliances

## SAP

**2000**

- Global Technology Partner
  - High-reliability systems
  - FlexFrame for SAP ERP
  - Competency center

**2006**

- Global Services Partner Affiliation
  - Provide SAP solutions

**2007**

- Global Hosting Partner
  - Provide outsourcing services

Only 3 companies worldwide have such a comprehensive partnership with SAP

## Microsoft

**2000**

- Offer Corp. Systems in Japan
  - Legacy Migration

**2002**

- Global Partner Affiliation

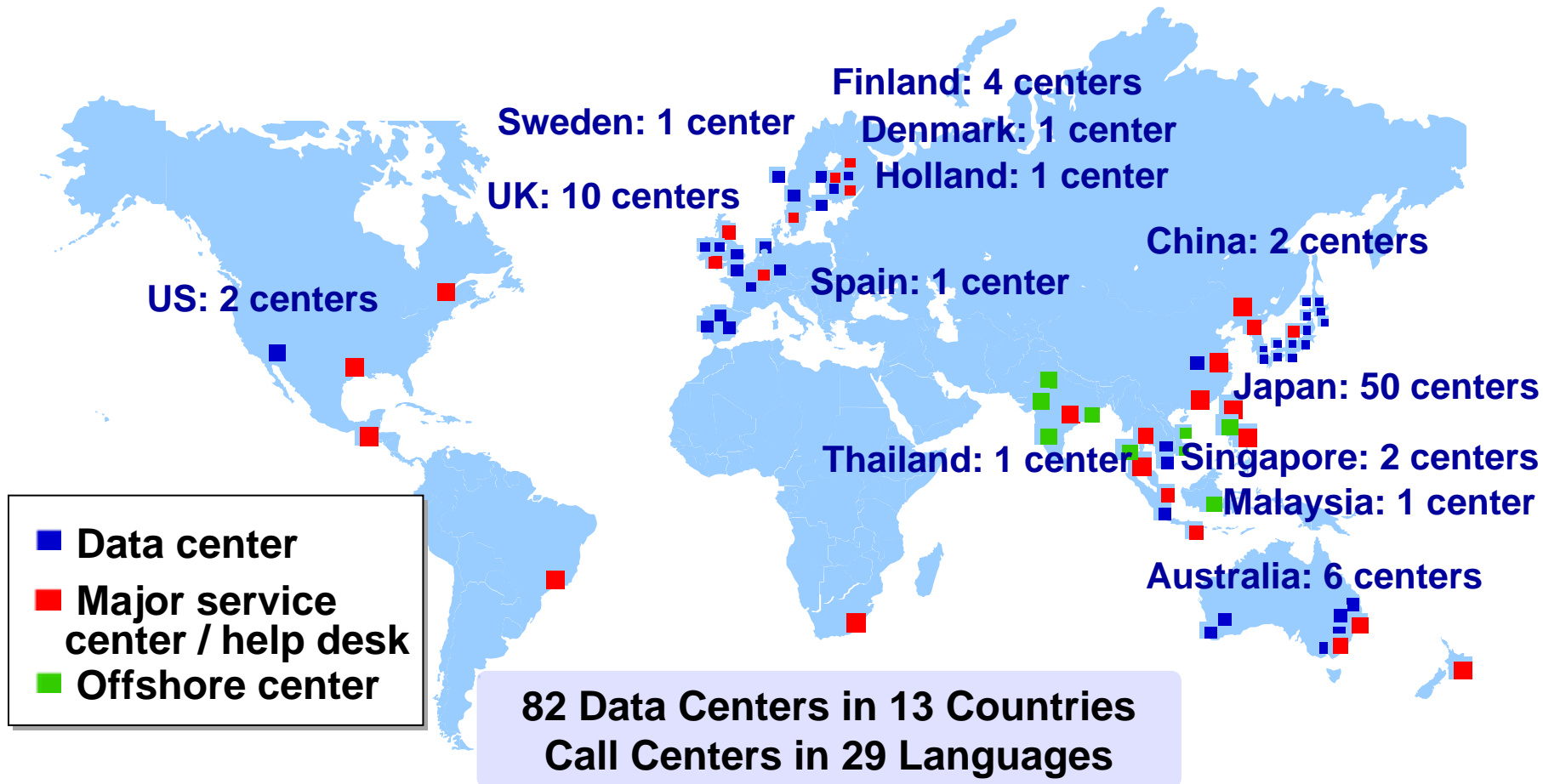
**2004**

- Strategic Alliance for Mission-Critical Systems
- Construction of Open-Standard Mission-Critical Systems

Have expanded Microsoft partnership into platforms, solutions and services fields

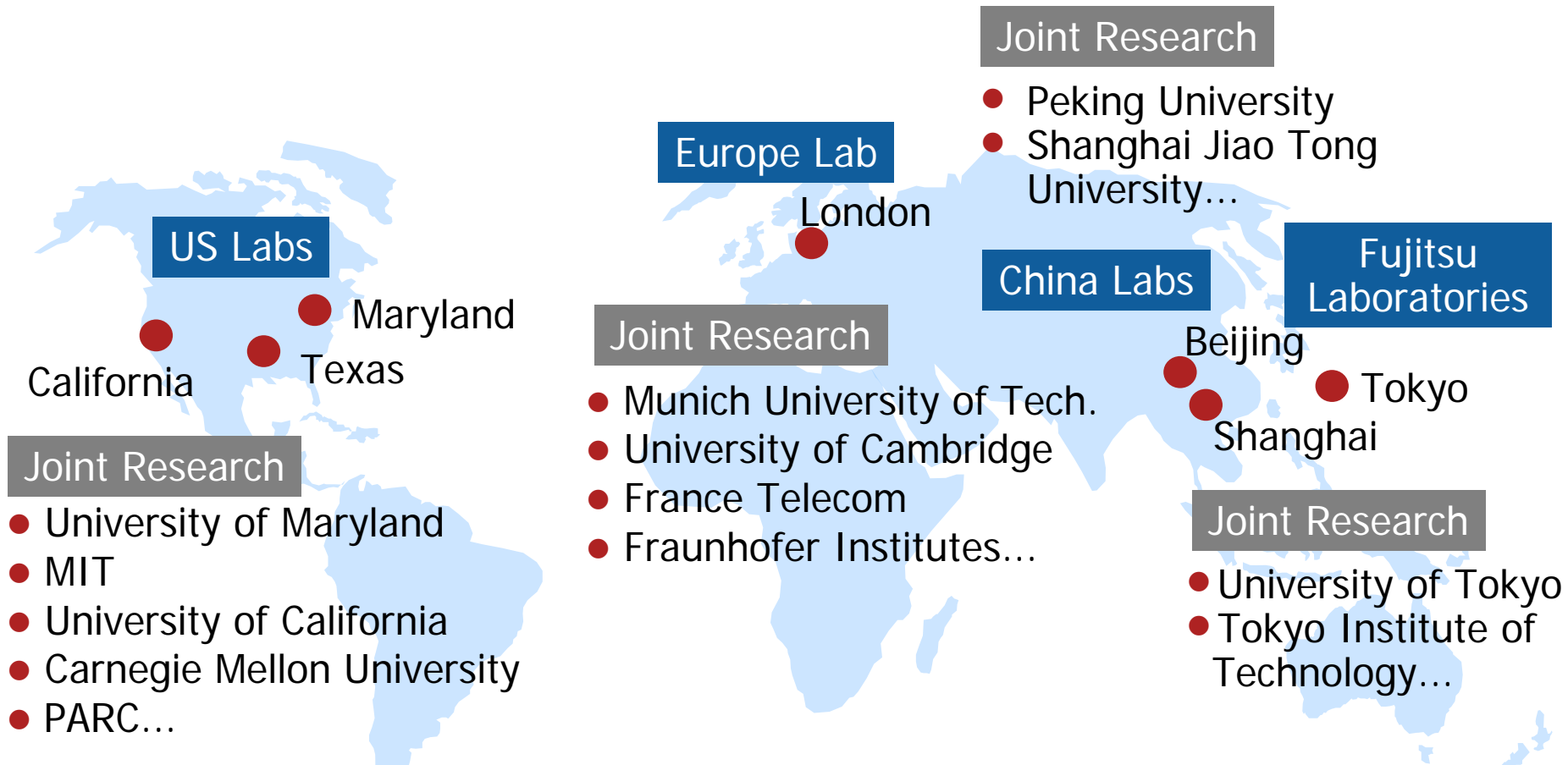
# Expanding Global Service Centers

Increasing our capability to provide global services





# Expanding Global R&D Activities



**US labs (Since 1993): LSI-CAD, next-generation Internet, interconnects**

**China labs (Since 1998): Telecom systems, Web info processing, system LSI**

**Europe lab (Since 2001): Next-generation telecom, biotech, grid computing**

# Technology Solutions Priorities in Fiscal 2006

- Domestic Services Business – Improve Profitability
  - ➡ Impact of improved risk management, integration of sales and system engineering units

	FY 2004	FY 2005	FY 2006	'04 → '06
Services Operating Income Margin	3.9%	5.7%	6.4%	+2.4%

- ◎ Overseas Business – Continue on Growth Path
  - ➡ Including M&A in Europe and the Americas, services business developed favorably

	FY 2004	FY 2005	FY 2006	Avg. Annual Growth Rate
Technology Solutions Overseas Sales	¥776.7 bn	¥891.6 bn	¥1,069.3 bn	+17 %

- ✕ Platforms – Strengthen Sales and Pursue QCD
  - ➡ Expanded TPS implementation, but unable to overcome impact of heightened competition

	FY 2004	FY 2005	FY 2006	'04 → '06
Platform Business Operating Income	¥44.0 bn	¥24.5 bn	¥7.5 bn	-36.5 bn

# Priority Measures for FY 2007-2009

To be implemented globally by the entire Fujitsu Group

**Make System Platforms Business Healthy**

**Implement Structural Reform  
of Telecommunications Business**

**Achieve Leap Forward in Services Business**

# (1) Make System Platforms Business Healthy

**Expand system platforms business as foundation of services business and means of differentiation**

- **Develop competitive products that appeal to customers and which the channel can support**
  - Reform product development process by enhancing collaboration with sales
  - Improve efficiency of resource utilization and speed by streamlining product offerings
- **Enhance system proposals**
  - Increase system-level visibility and make proposals that achieve optimization from the customer's perspective
  - Make comprehensive system proposals
- **Enhance product delivery capability**
  - Improve speed and quality by pooling infrastructure system engineering resources
  - Expand product businesses through closer links to services

# System Proposal Innovation (Infrastructure Optimization)

Make the current status of the customer's overall system visible and clarify target levels



## 6 Optimization Levels

	0	1	2	3	4	5	
1		Currently	→	Target			
2			Currently	→	Target		
3		Currently	→	Target			
⋮	⋮	⋮	⋮	⋮	⋮	⋮	
25	Currently	→	→	Target			

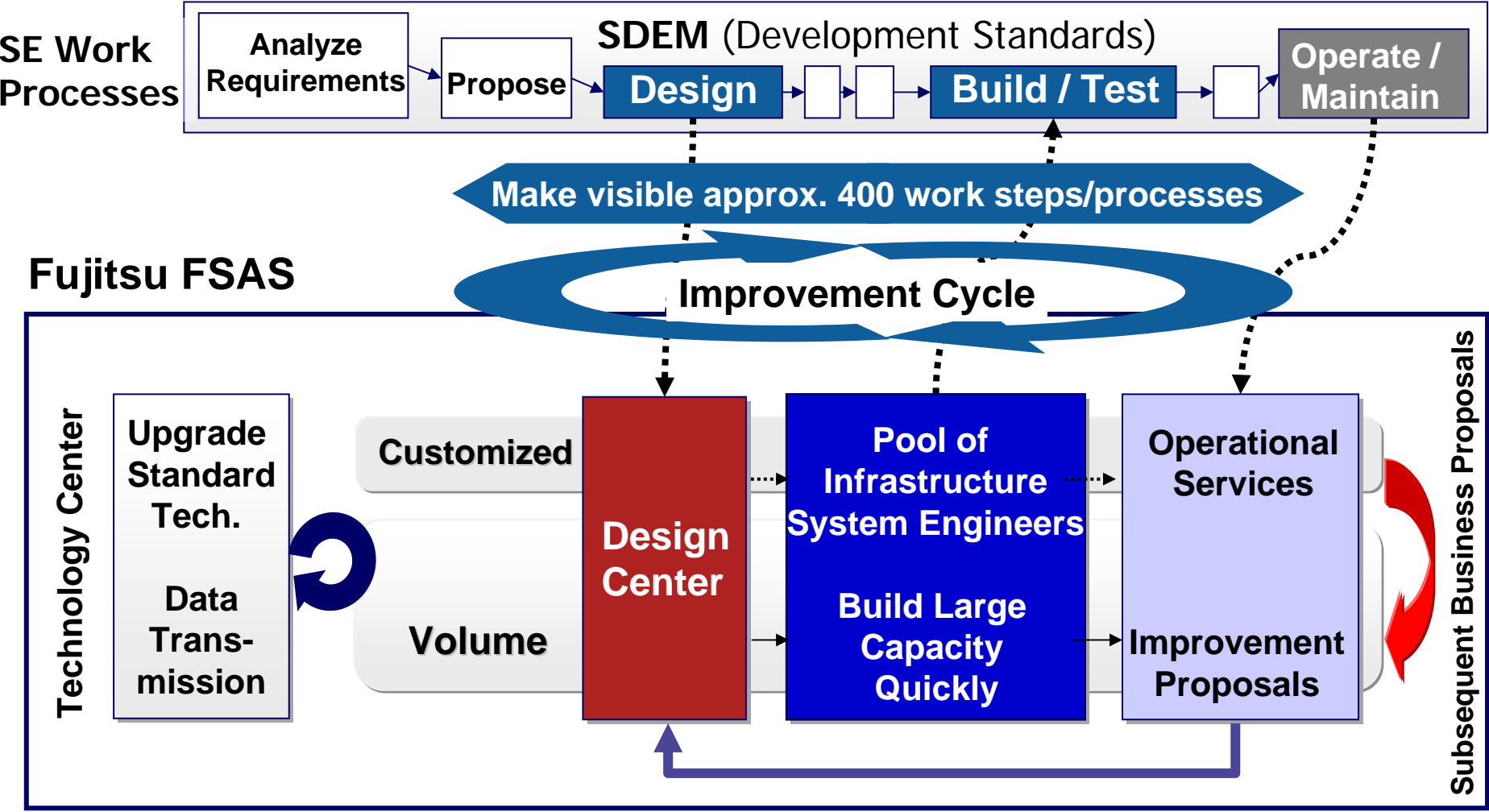
Legend: ■ Target, ■ Currently

- 23 Usage Scenarios
- Server consolidation
  - File server consolidation
  - Network optimization
  - **Back-up management**
  - ⋮
  - Security management

- 0: Carried out onsite on an ad hoc basis
- 1: Case-by-case rules for each server
- 2: Back-up server deployed
- 3: Back-up time reduced
- 4: Back-up without disrupting business
- 5: Disaster countermeasures implemented

# Utilize Pool of Infrastructure SEs to Grow LCM Business

## Linking industrialization of infrastructure construction with operational services



## (2) Structural Reform of Telecom Business

**Enhance sales & product development collaboration:  
improve technology and speed from customer's perspective**

**Sales / SI solution capability**

**Telecom and Utility Solutions  
Business Group (Sales/SE)**

- Unified sales and SE organization entirely focused on the customer

**Telecom product planning/  
development capability**

**System Products Business Group  
(Telecom equipment)**

- Aiming for superior product development, but severe sales and profit conditions continue

**(New) Telecom Business Group**

**Unified organization for telecom sales and product development  
(9,000 employees when consolidated)**

(May 2007)

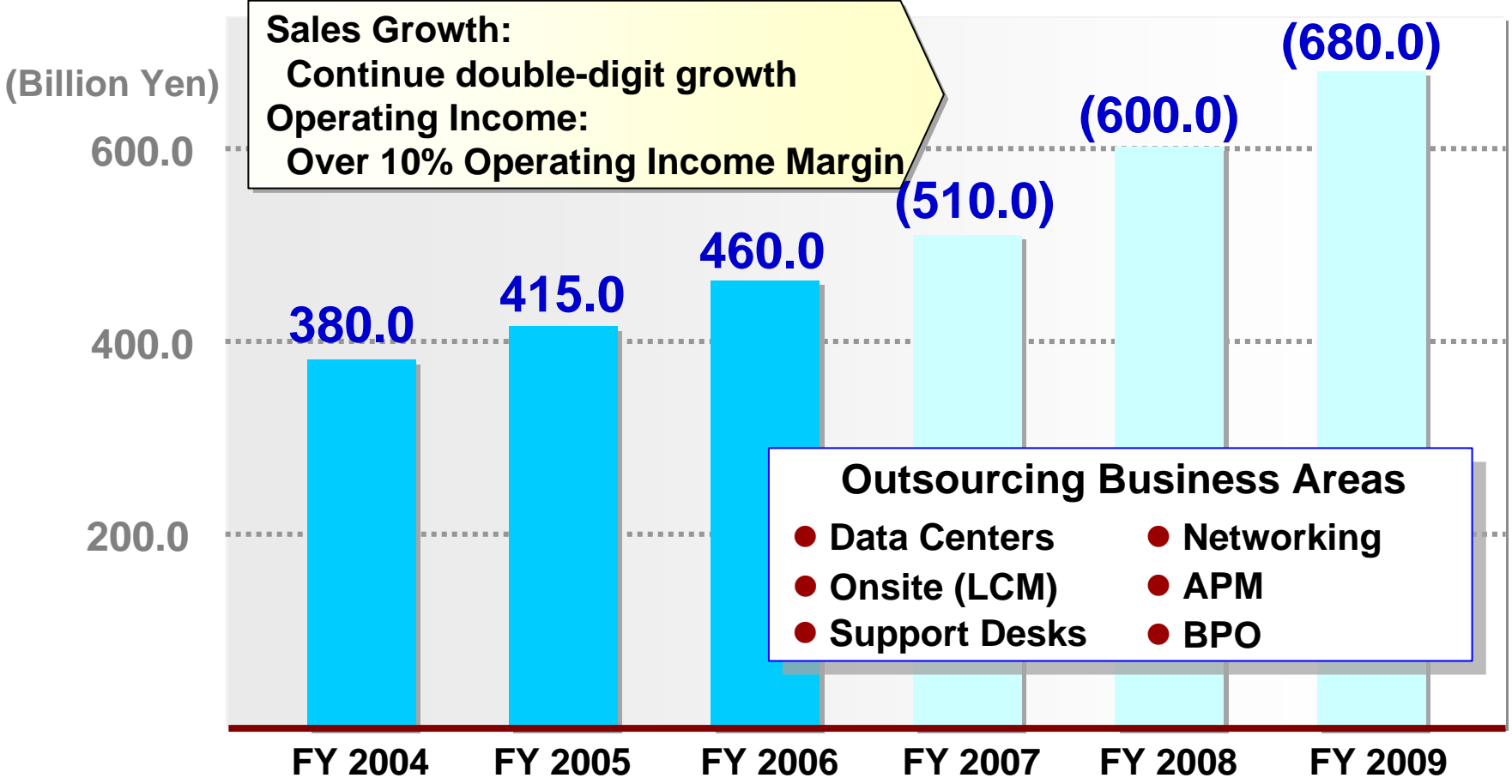
- Strengthen response to global customer needs, product planning capability and product competitiveness from the customer's perspective
- Super 3G: Take lead in developing next-generation base stations and terminals
- Photonics: Introduce new next-generation products suited to needs of leading carriers in Japan, US and Europe
- Resource Optimization: Shift to wholly owned subsidiaries (Fujitsu Access, Fujitsu Wireless Systems)

# (3) Achieve Leap Forward in Services Business

Continue steady growth of outsourcing business with expanded services menu and improved quality

## Outsourcing sales targets

Sales Growth:  
Continue double-digit growth  
Operating Income:  
Over 10% Operating Income Margin



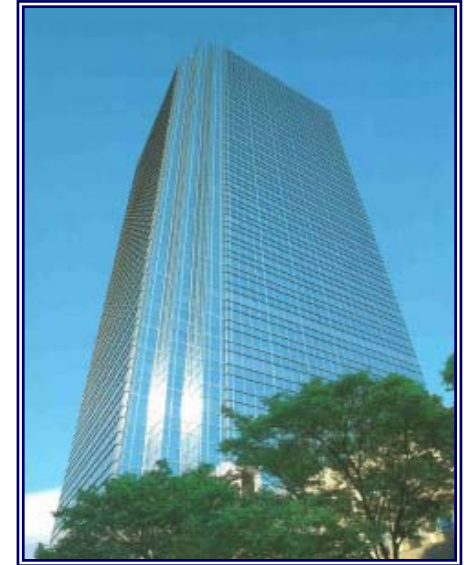


# Establish Tokyo System Center No. 2 (Dec. 2007)

## Open facility as model next-generation IDC

### 1. Respond to customers' changing needs

- Increase power (2x greater than existing center)
- Decrease operational personnel requirements (to 1/10)
- Improve accessibility from city (1 min. from nearest station)
- Direct Internet exchange point



### 2. New Technology Platforms

- RFID (intrusion detection / automatic warnings) to prevent unauthorized entry
- Heat build-up monitoring / power consumption monitoring
- Global standard specs (highest tier standards/FISC compliant)

# Continue Efforts to Improve Quality of Services

Continuously work to improve people and processes and provide cutting edge technologies as services

## ■ ISMS, ISO27001

Third-party compatibility evaluation system for overall information security management

## ■ ISO9001 certification obtained

International specification for quality assurance

## ■ ISO14001 certification obtained

International specification for environmental protection

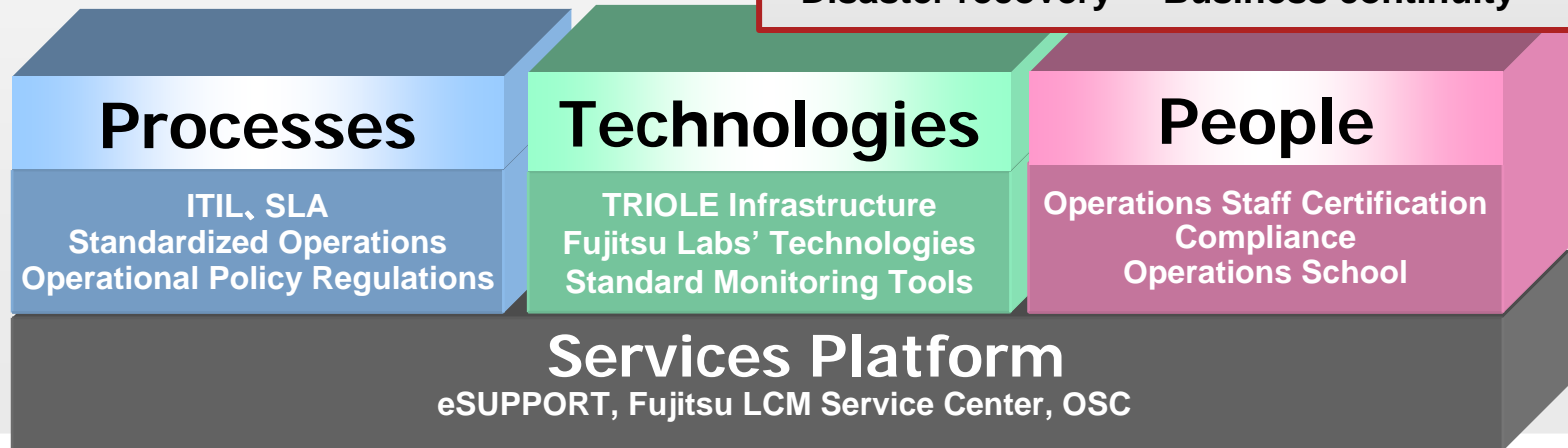
## ■ Privacy mark obtained

Security assurance program for electronic systems that store personal information

## ■ ISO20000 certification obtained

International specification for IT services management

- ITIL compatible
- Data management measures
- Environmental measures
- Internal control measures
- Disaster recovery
- Business continuity



# Enhancing Our BPO Services Menu

## Basic Services

- Call Center
- Entry Service
- Printing Service
- Delivery Service
- Warehousing Service

## Operational Services (examples)

- Salary Calculation
- Gift Operations
- Order Operations
- Examination Processing
- Medical Claims Processing

- Quality MO Service
- Logic LSI High-speed Prototype MO Service
- Digital Engineering MO Service
- Employee Health Improvement MO Service
- HR/General Affairs MO Service

MO: Management & Operation

Using customer support experience

Using Fujitsu's own experience

# Strengthening Consulting Capabilities

## Cultivating Field Innovators

**Fujitsu Group: Our Own Field Innovation**

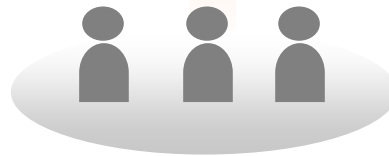
Newly Organized Fujitsu Research Institute  
Consolidation of consulting functions

Commitment of new staff who can address  
customer's business issues and operational requirements

Visualization technologies, lessons from  
our own operations/systems experience



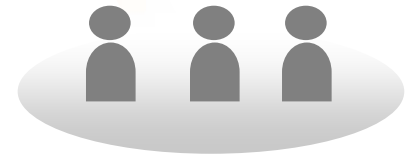
Development &  
production



Procurement



Sales

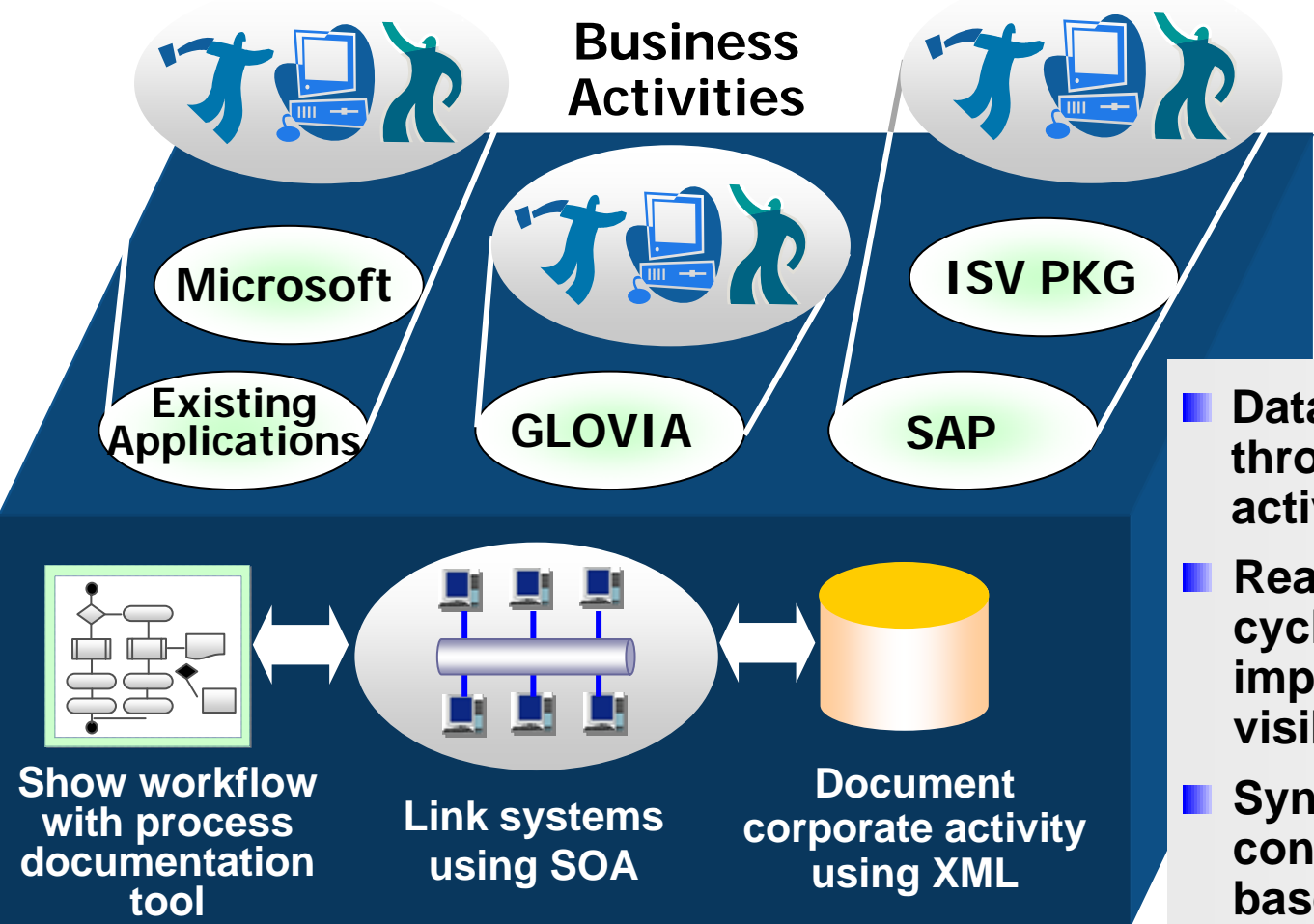


Accounting

**Business Veterans**

# Provide Business Activity Integration Platform

**Integrated middleware solution that enables use of diverse application assets**



- Data control & utilization through corporate activity documentation
- Realize improvement cycle through implementation of visibility technologies
- Synchronize internal control and IT systems based on business processes

## Business Activity Integration Platform

# Deployment of New Services Platform

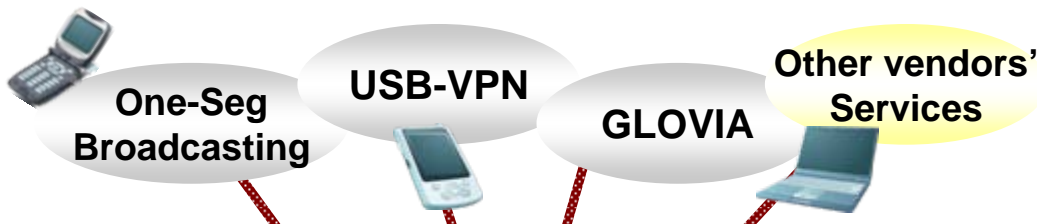
## Services infrastructure for the new networking era

### The World of Services-on-the-Network

#### Customer's Business

SaaS, New Web Services,  
Terminal-Use Services, Etc.

- Competitive services platform  
(advanced IDC, multi-carrier network)



- One-stop services  
(networks, hardware, SI)

- Utilize and combine Fujitsu's and other companies' services, including open source software

**(Services Platform)**

# FY 2007 Targets: Technology Solutions

**Aiming for solid increase in profits while staying on track for growth**

(Billion Yen)	FY 2005 Results	FY 2006 Results	FY 2007 (target)	Change vs. FY 2006
<b>Net Sales</b>	<b>2,983.9</b>	<b>3,157.0</b>	<b>3,300.0</b>	<b>142.9</b>
<b>Sales Growth Rate</b>	<b>1.7%</b>	<b>5.8%</b>	<b>4.5%</b>	<b>-1.3</b>
<b>Operating Income</b>	<b>153.0</b>	<b>163.6</b>	<b>185.0</b>	<b>+21.3</b>
<b>Operating Income Margin</b>	<b>5.1%</b>	<b>5.2%</b>	<b>5.6%</b>	<b>+ 0.4%</b>
<b>Capital Expenditure</b>	<b>93.1</b>	<b>91.3</b>	<b>110.0</b>	<b>+18.6</b>

# Device Solutions



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**Deepen Implementation of  
New IDM Business Model**



# Mid-Term Strategy for Electronic Devices

## Fully implement New IDM model in logic LSI business and increase volumes

Maintain balance between advanced and standard products

- Pursue product development and manufacturing in synch with fab lifecycle  
→ Continuously increase and reinvest profits

Differentiated technology and value creation

- Leverage low-leak, low-power strengths to pursue higher volumes worldwide
- Maintain “Fujitsu for Image Processing” brand image
- Exploit value of “First-shot Full Operation”
- Strengthen software capabilities and pursue solution-type business

Pursue further globalization

- Develop ASSP and standard product businesses on a global basis to achieve higher volumes
- Add engineers worldwide to strengthen ASSP capability

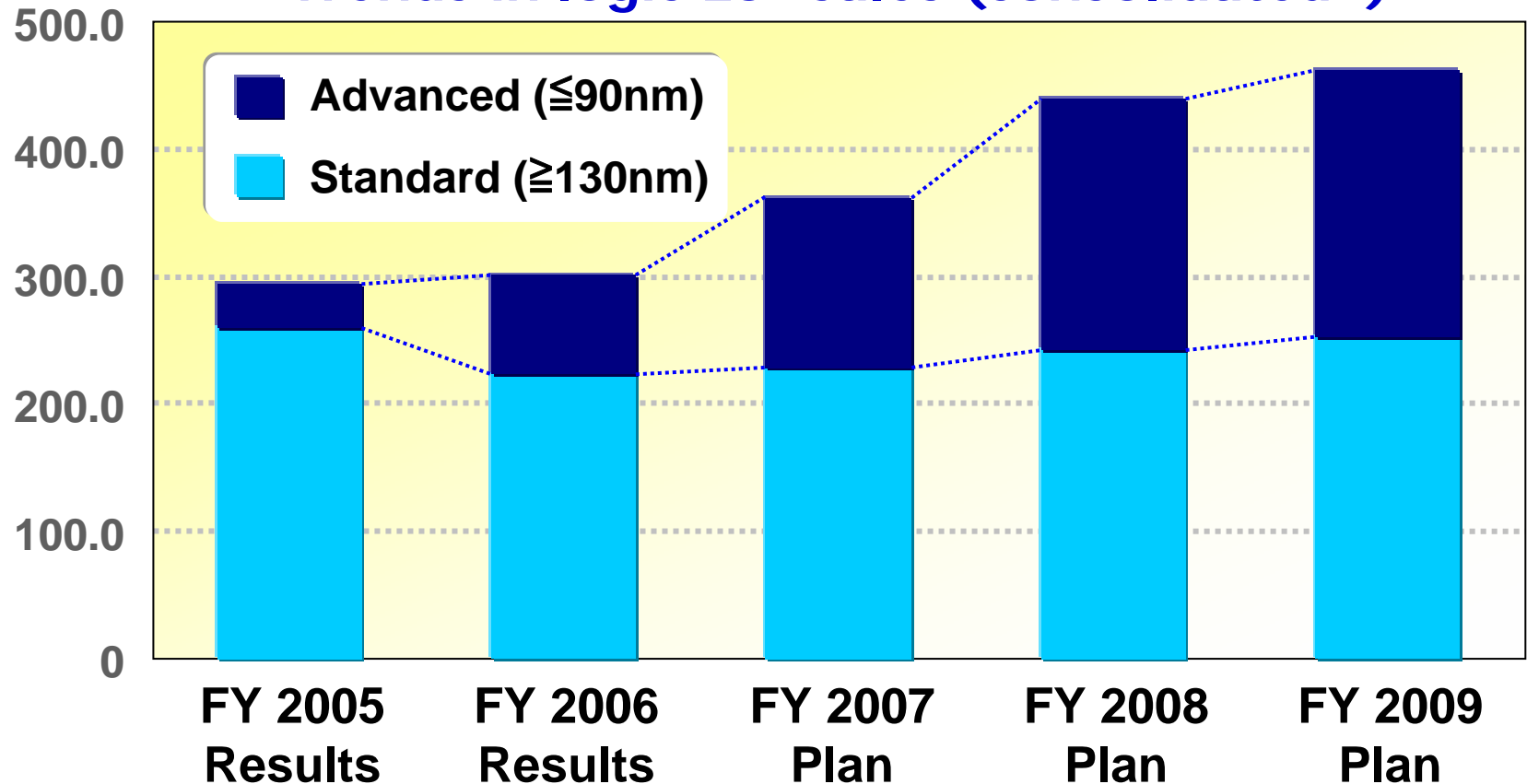
*IDM (Integrated Device Manufacturer)*

# Expanding Advanced Logic LSI Business

Work to greatly increase sales, positioning 90nm and finer advanced technology as a growth engine

(Billion Yen)

## Trends in logic LSI sales (consolidated\*)



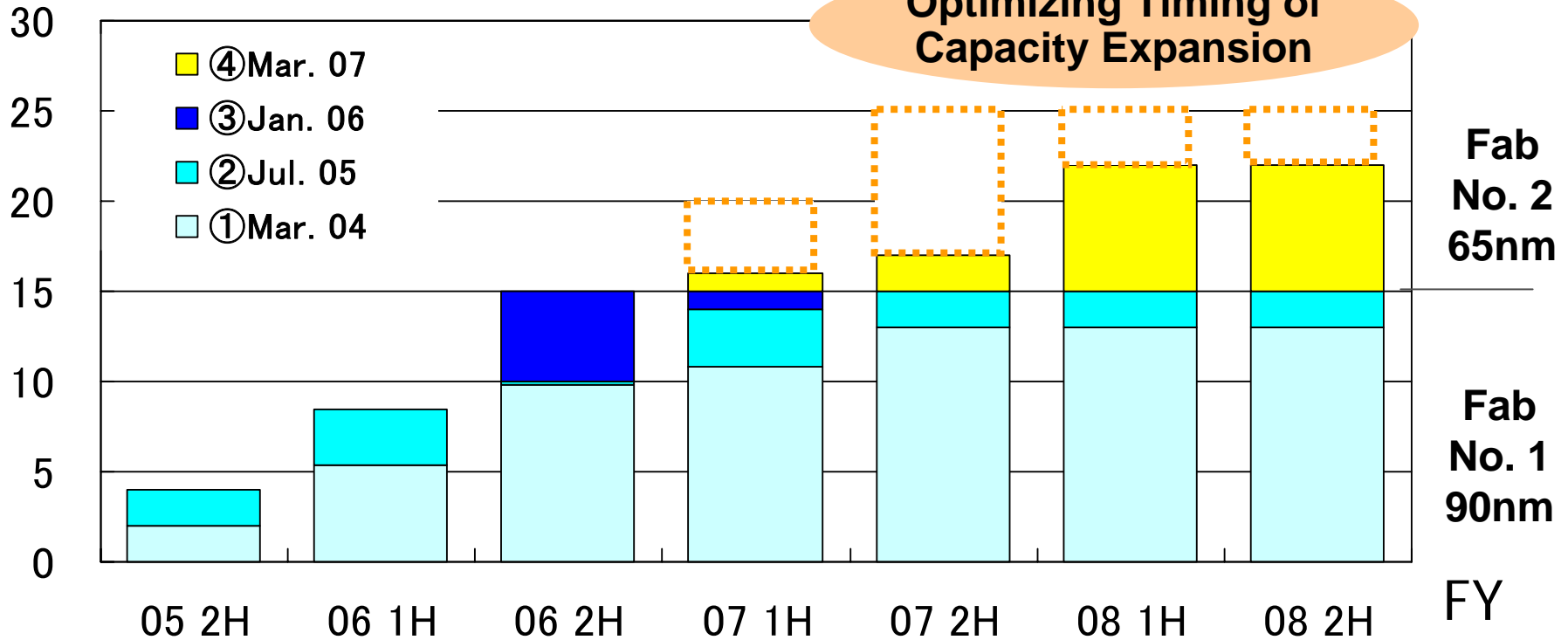
\*Excludes other companies' products

# Optimizing Advanced Technology Production Capacity Plan in Response to Demand Changes

- 90nm: Capacity expansion to 15k wafers/month completed on schedule in 2H FY06
- 65nm: Volume production started as planned in April 2007; capacity expansion timing being adjusted for lower customer demand

Production Capacity  
(thousand wafers / month)  
300mm conversion

## 300mm Production Capacity Plan



**World-Class Advanced Logic LSI Production Capacity**

# Electronic Devices Priorities for Fiscal 2007

- **Strengthen sales capability through frontline innovation**
  - Enhance sales & product development collaboration through integration of sales operations and creation of new companies
  - Respond to structural shifts in demand by strengthening sales capability in Asia region
- **Expand advanced technology ( $\leq 90\text{nm}$ ) device business while maintaining profitability**
- **Improve profitability by expanding standard technology device business capacity**
  - Fujitsu Semiconductor Technology (FSET) start-up in Apr. '07; Production capacity: 30,000 wafers/month
- **Improve operational efficiency by consolidating back-end assembly operations**
  - Consolidate Gifu facility with Kyushu facility (Mar. '07)

# FY 2007 Targets: Device Solutions

Despite burden of upfront investments,  
underlying business expansion trend will continue

(Billion Yen)	FY 2005 Results	FY 2006 Results	FY 2007 (target)	Change vs. FY 2006
Net Sales	707.5	762.6	820.0	57.3
Sales Growth Rate	-11.0%	7.8%	7.5%	-0.3
Operating Income	29.5	19.0	30.0	+10.9
Operating Income Margin	4.2%	2.5%	3.7%	+1.2
Capital Expenditure	115.5	166.2	125.0	-41.2

# Ubiquitous Product Solutions



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**Pursuing Global Operations  
as Independent Businesses**

# Mid-Term Strategy for Ubiquitous Products

**Further strengthen QCD and product commercialization capability to prevail against competitors**

## ■ Hard Disk Drives

- Expand existing business by maintaining high-quality brand image
- Secure competitiveness with new head/media technology
- Expand in growing non-PC markets

## ■ Personal Computers

- Secure profits with high-value-added products; secure volumes with low prices
- Expand business in overseas markets
- Develop products for convergence of PCs & mobile phones

## ■ Mobile Phones

- Pursue superiority in vitally important wireless technology
- Expand compelling, differentiated product offerings
- Improve cost-competitiveness through platform standardization

DoCoMo, Renesas, Fujitsu, Mitsubishi Electric, Sharp, Sony Ericsson are jointly developing a 3G mobile phone platform

# Hard Disk Drive Business

**Continue to grow by maintaining high-quality brand image and strengthening products**

- **Increase market share through introduction of new products**

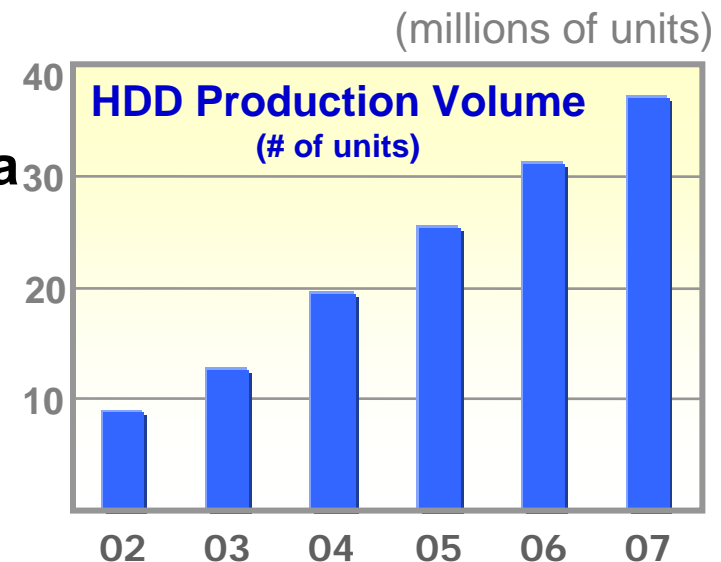
- Achieve industry's most powerful product lineup with 2.5" ATA drives covering IT to consumer electronics applications (high reliability, best-in-class storage capacity, automotive applications)
- Upgrade line of HDDs for enterprise market with 2.5" drives running at 15,000rpm



- **Develop powerful technologies to support future growth**

- Developing magnetic head for large data storage capacity
- Synthetic Ferrimagnetic Media (SFM)  
**JIII Imperial Invention Prize (May '07)**

- **Maintain strong reputation for stable TCO among world's leading PC vendors**





# PC Business / Mobile Phone Business

## ■ PCs: Pursue “ease-of-use” and “quality”

New Concept Products:

### UMPC



- World’s smallest convertible-type UMPC
- Weighs only 580g
- 5.6”-wide LCD screen

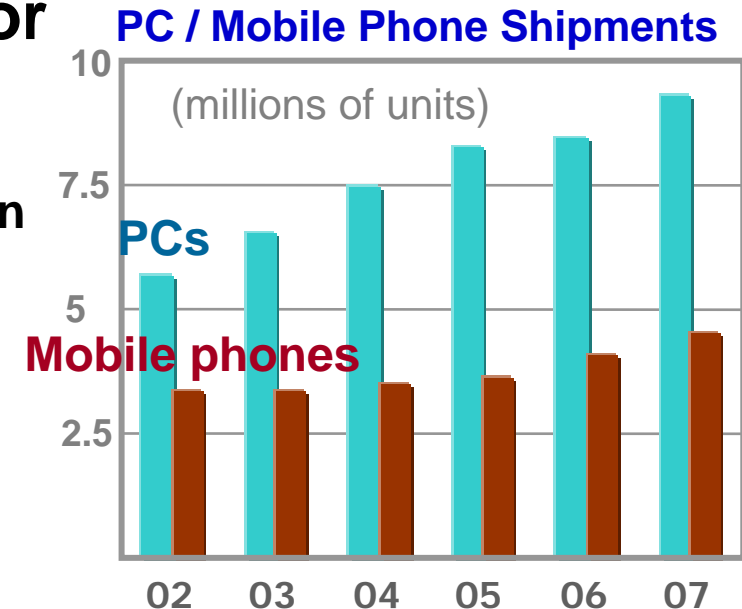
### FMV-TEO Series



Living Room Entertainment PC

## ■ Mobile Phones: Expand lineup and pursue potential as key device for business infrastructure

- Launched F904i  
One-Seg mobile phone with first 3.1” screen
- Launched *RakuRaku Phone Basic*  
Over 10 million *RakuRaku* phones sold
- Supporting expanded use in business  
Interstage Mobile Manager tool for development and operation of business systems utilizing mobile phones



# FY 2007 Targets: Ubiquitous Products

**Sales will expand, but further intensification of competition will squeeze margins**

(Billion Yen)	FY 2005 Results	FY 2006 Results	FY 2007 (target)	Change vs. FY 2006
Net Sales	1,059.9	1,118.3	1,200.0	81.6
Sales Growth Rate	2.8%	5.5%	7.3%	+ 1.8
Operating Income	34.8	41.6	30.0	-11.6
Operating Income Margin	3.3%	3.7%	2.5%	-1.2
Capital Expenditure	19.4	24.8	30.0	+5.1

# Fiscal 2007 Targets

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# Position of FY 2007 in Achieving Mid-Term Targets

**Fiscal 2007 as the year that “Fujitsu changes”**

## Technology Solutions

- Make system platforms business healthy
- Implement structural reform of telecommunications business
- Achieve leap forward in services business

## Electronic Device Solutions

- Strengthen sales capability through frontline innovation
- Expand advanced technology ( $\leq 90\text{nm}$ ) device business to secure profitability
- Increase profitability by expanding standard technology device business capacity

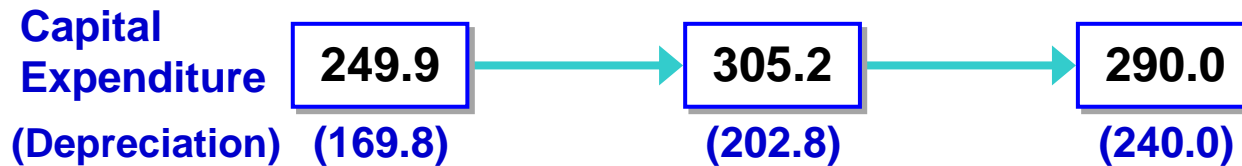
## Ubiquitous Product Solutions

- HDD Business: Continue to grow by maintaining high-quality brand image and strengthening products
- PC Business: Pursue “ease-of-use” and “quality”
- Mobile Phones Business: Expand lineup and pursue potential as key device for business infrastructure

**Implement Reforms – 51 items targeted for improvement**

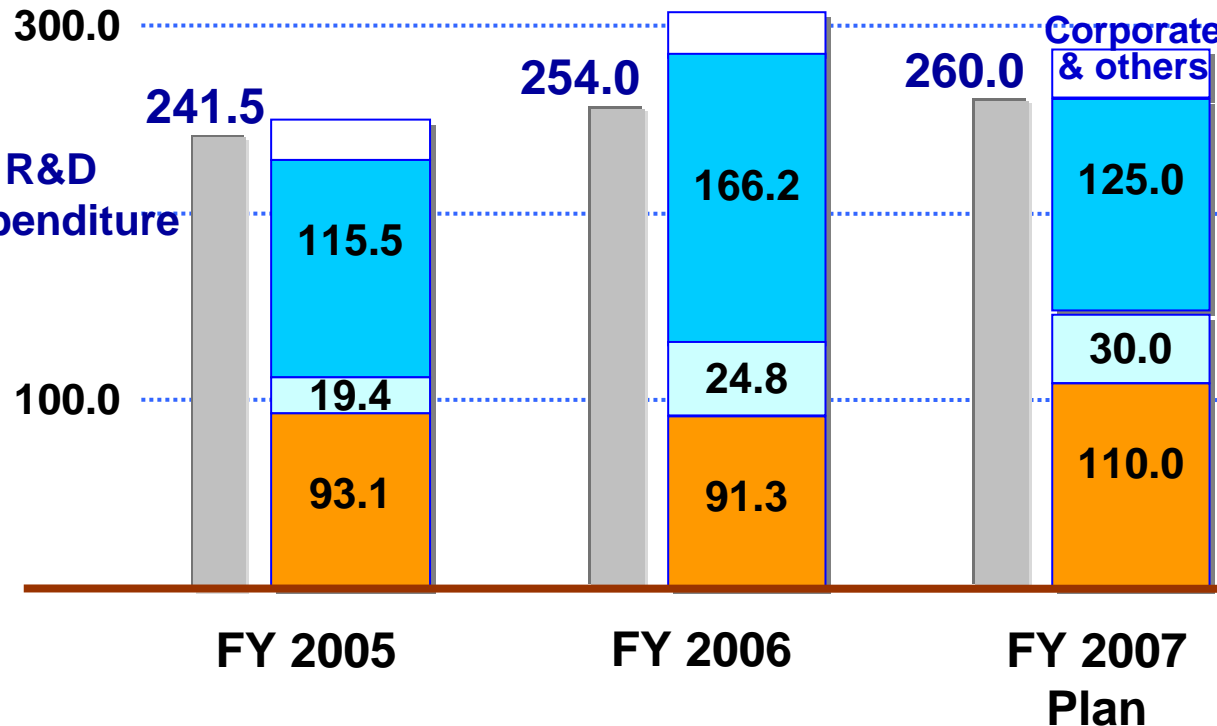
# CAPEX and R&D Investment in Step with Market Trends

## Continue to expand investment in services area



Primary areas of investment

(Billion Yen)



### Device Solutions

- Advanced products: 300 mm wafer Mie facility
- Standard products: New facilities and equipment upgrades

### Ubiquitous Product Solutions

- Facilities to increase HDD production capacity

### Technology Solutions

- FS outsourcing facilities
- Expansion of Japan data center facilities

# Operating Income Targets by Segment

Generate solid profits in each segment  
for new investment

(Billion Yen)	FY 2006	FY 2007	
	Results	Target	Change
Technology Solutions	163.6	185.0	+21.3
Services	156.1	170.0	+13.8
Systems Platforms	7.5	15.0	+7.4
Ubiquitous Product Solutions	41.6	30.0	-11.6
Device Solutions	19.0	30.0	+10.9
Other Operations	10.5	10.0	-0.5
<b>Total</b>	<b>182.0</b>	<b>190.0</b>	<b>+7.9</b>

# Fiscal 2007 Group-Wide Targets

**Achieve 190 billion yen in operating income and begin moving towards mid-term goals**

(Billion Yen)

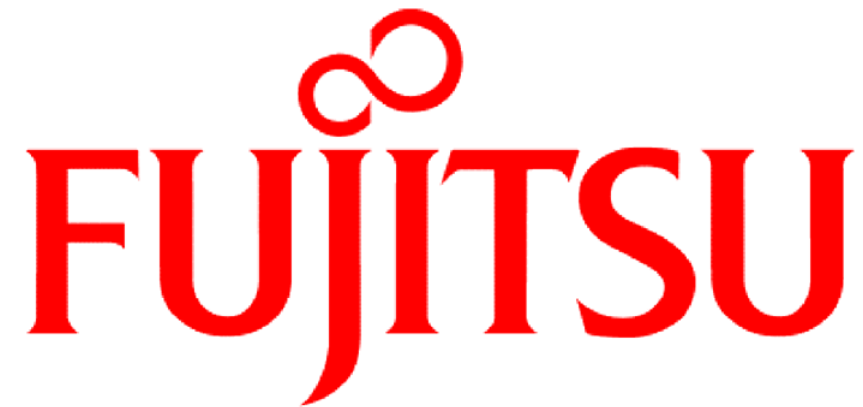
	<b>Target Results</b>
<b>Net Sales</b>	<b>5,400.0</b>
<b>Operating Income</b>	<b>190.0</b>
<b>Net Income</b>	<b>75.0</b>

# Cautionary Statement

These presentation materials and other information on our meeting may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects," and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- general economic and market conditions in the major geographic markets for Fujitsu's services and products, which are the United States, EU, Japan and elsewhere in Asia, particularly as such conditions may effect customer spending;
- rapid technological change, fluctuations in customer demand and intensifying price competition in the IT, telecommunications, and microelectronics markets in which Fujitsu competes;
- Fujitsu's ability to dispose of non-core businesses and related assets through strategic alliances and sales on commercially reasonable terms, and the effect of realization of losses which may result from such transactions;
- uncertainty as to Fujitsu's access to, or protection for, certain intellectual property rights;
- uncertainty as to the performance of Fujitsu's strategic business partners;
- declines in the market prices of Japanese and foreign equity securities held by Fujitsu which could cause Fujitsu to recognize significant losses in the value of its holdings and require Fujitsu to make significant additional contributions to its pension funds in order to make up shortfalls in minimum reserve requirements resulting from such declines;
- poor operating results, inability to access financing on commercially reasonable terms, insolvency or bankruptcy of Fujitsu's customers, any of which factors could adversely affect or preclude these customers' ability to timely pay accounts receivables owed to Fujitsu; and
- fluctuations in rates of exchange for the yen and other currencies in which Fujitsu makes significant sales or in which Fujitsu's assets and liabilities are denominated, particularly between the yen and the British pound and U.S. dollar, respectively.





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**THE POSSIBILITIES ARE INFINITE**