

**REFERENCE MATERIALS FOR THE ANNUAL SHAREHOLDERS' MEETING****Proposals and Reference Materials****Proposal No. 1 Reduction of Capital Reserve**

In the interests of securing resources to enable more flexible implementation of capital policies in the future, we propose the following reduction of capital reserve in accordance with the provisions set out under Clause 1, Article 448 of the Company Law. We ask for your approval to then transfer the full reduced amount to other capital surplus.

1. Total amount of reduction of capital reserve  
Full capital reserve of JPY118,297,017,353
2. Effective date of reduction of capital reserve  
July 31, 2007

**Proposal No. 2 Election of Ten Members of the Board**

The terms of office for all ten Members of the Board expires at the close of this Shareholders' Meeting. We therefore propose the election of ten Members of the Board.

The candidates for the position of Member of the Board are as follows:

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company, and important positions at other corporations</i>	<i>Number of shares of the Company held by the candidate</i>
1	Naoyuki Akikusa (December 12, 1938)	Apr. 1961 Joined the Company Jun. 1988 Member of the Board Jun. 1991 Senior Vice President Jun. 1992 Executive Vice President Jun. 1998 President and Representative Director Jun. 2003 Chairman of the Board and Representative Director (to present) Other Present Title: Chairman, Japan Electronics and Information Technology Industries Association (JEITA)	15,416
2	Hiroaki Kurokawa (April 9, 1943)	Apr. 1967 Joined the Company Jun. 1999 Member of the Board Apr. 2001 Senior Vice President Jun. 2002 Corporate Senior Vice President Apr. 2003 Corporate Senior Executive Vice President Jun. 2003 President and Representative Director (to present)	17,000
3	Masamichi Ogura (June 30, 1946)	Apr. 1969 Joined the Company Jun. 2000 Member of the Board Jun. 2002 Corporate Senior Vice President Apr. 2003 Corporate Executive Vice President Jun. 2003 Member of the Board Corporate Executive Vice President Jun. 2006 Corporate Senior Executive Vice President and Representative Director Chief Financial Officer; Principal responsibility for administrative divisions (to present)	12,460

## (TRANSLATION FOR REFERENCE ONLY)

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company, and important positions at other corporations</i>	<i>Number of shares of the Company held by the candidate</i>
4	Toshihiko Ono (April 19, 1947)	Feb. 1973 Joined the Company Jun. 2001 Member of the Board Jun. 2002 Corporate Vice President Apr. 2003 Corporate Senior Vice President Jun. 2004 Member of the Board Corporate Executive Vice President Jun. 2006 Corporate Senior Executive Vice President and Representative Director Principal responsibility for manufacturing innovation and Electronic Devices business (to present)	5,000
5	Chiaki Ito (October 10, 1947)	Apr. 1970 Joined the Company Apr. 2001 Group President, Personal Systems Business Group Jun. 2002 Corporate Vice President Apr. 2003 Corporate Senior Vice President Jun. 2004 Member of the Board Corporate Executive Vice President Jun. 2006 Corporate Senior Executive Vice President and Representative Director Principal responsibility for global business (to present)	9,000
6	Michiyoshi Mazuka (October 17, 1943)	Apr. 1968 Joined Fujitsu FACOM Co., Ltd. Apr. 1971 Joined the Company Jun. 2001 Member of the Board Jun. 2002 Corporate Vice President Apr. 2003 Corporate Senior Vice President Jun. 2005 Member of the Board Corporate Executive Vice President Jun. 2006 Corporate Senior Executive Vice President and Representative Director Principal responsibility for Japan business (to present)	6,000
7	Hiroshi Oura (February 14, 1934)	Apr. 1956 Joined the Company Jun. 1985 Member of the Board Jun. 1988 Corporate Senior Vice President Jun. 1989 Representative Director, President, Advantest Corporation Jun. 2001 Representative Director, Chairman of the Board, Advantest Corporation Jun. 2003 Member of the Board (to present) Jun. 2005 Director and Senior Executive Advisor, Advantest Corporation (to present)	36,602

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company, and important positions at other corporations</i>	<i>Number of shares of the Company held by the candidate</i>
8	Ikujiro Nonaka (May 10, 1935)	Apr. 1977 Professor, Faculty of Business Administration, Nanzan University Jan. 1979 Professor, National Defense Academy of Japan Apr. 1982 Professor, Faculty of Commerce and Management, Hitotsubashi University Feb. 1995 Professor, Japan Advanced Institute of Science and Technology May. 1997 Faculty Fellow, University of California (to present) Apr. 2000 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Jun. 2004 Member of the Board (to present) Apr. 2006 Professor Emeritus, Hitotsubashi University (to present)	0
9	Haruo Ito (November 9, 1943)	Apr. 1968 Joined Fuji Electric Co., Ltd. (currently: Fuji Electric Holdings Co., Ltd.) Jun. 1998 Director, Fuji Electric Co., Ltd. (currently: Fuji Electric Holdings Co., Ltd.) Oct. 2003 President and Representative Director, Fuji Electric Systems Co., Ltd. Jun. 2006 President and Representative Director, Fuji Electric Holdings Co., Ltd. (to present)	0
10	Haruki Okada (June 5, 1949)	Apr. 1973 Joined the Company Apr. 2000 Group President, Procurement Group Jun. 2002 Corporate Vice President Jun. 2004 Corporate Senior Vice President Jun. 2006 Corporate First Senior Vice President Head of Supply Management Group (to present)	10,000

Note 1 Ikujiro Nonaka and Haruo Ito are both Outside Board Member candidates. Specific details of Outside Board Member candidates are as follows.

(1) Grounds for the appointment of Outside Board Member candidates

- We propose that Ikujiro Nonaka be appointed as an Outside Board Member on the grounds that he has a high level of expertise in business administration.
- We propose that Haruo Ito be appointed as an Outside Board Member on the grounds that he has extensive knowledge of the Company's business operations.

(2) Cases whereby an Outside Board Member candidate has been appointed as a Member of the Board, Executive Officer or Auditor of another company limited by shares during the last five years and the relevant company limited by shares has been found to have violated the law or Articles of Incorporation or performed other illegal operations during the candidate's term in office

- In December 2005, during Haruo Ito's term in office as President and Representative Director of Fuji Electric Systems Co., Ltd., an employee of said company was summarily accused of obstructing competitive bidding in bid tendering for electrical installation work for New Tokyo International Airport Corporation.

(3) Grounds upon which the Company has determined that Outside Board Member candidates who have not been involved in the management of any company in any capacity other than as an Outside Board Member or Outside Auditor will be able to adequately perform the duties of an Outside Board Member despite having had no such prior involvement

- The Company has determined that Ikujiro Nonaka will be able to adequately perform his duties as an Outside Board Member on the grounds that he has a high level of expertise in business administration.

- (4) Outside Board Member candidates' length of service since being appointed an Outside Board Member
  - At the close of this Shareholders' Meeting, Ikujiro Nonaka will have been in office as an Outside Board Member for three years.
- (5) Liability limitation agreements with Outside Board Member candidates
  - An agreement limiting liability for damages under Clause 1, Article 423 of the Company Law has been concluded between the Company and Ikujiro Nonaka. The maximum liability for damages in accordance with the relevant agreement is the minimum liability stipulated by the Company law. The Company plans to conclude a similar agreement with Haruo Ito if he is elected.

**Proposal No. 3 Election of Two Auditors**

The term of office for Auditor Tamiki Ishihara expires at the close of this Shareholders' Meeting and Takashi Takaya will retire as Standing Auditor at the close of this Shareholders' Meeting. We therefore propose the election of two Auditors.

As Auditor candidate Akira Kato is due to be appointed Auditor in place of Takashi Takaya, his term in office in accordance with the Company's Articles of Incorporation will run until the end of the current term of the retiring Auditor.

We have already received the approval of this proposal from the Board of Auditors.

The candidates for auditor are as follows:

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company, and important positions at other corporations</i>	<i>Number of shares of the Company held by the candidate</i>
1	Tamiki Ishihara (July 3, 1943)	Apr. 1966 Joined the Dai-ichi Bank, Ltd. (currently: Mizuho Bank, Ltd.) Jun. 1997 Deputy President, the Dai-ichi Kangyo Bank, Ltd.(currently: Mizuho Bank, Ltd.) Jun. 2001 President, Seiwa Kogyo Co., Ltd. (currently: Seiwa Sogo Tatemono Co., Ltd.) Jun. 2005 Auditor (to present) Jun. 2005 Chairman, Seiwa Sogo Tatemono Co., Ltd. (to present)	0
2	Akira Kato (October 30, 1943)	Apr. 1968 Joined the Company Jun. 1996 Director, Auditing Department Mar. 2001 Member of the Board, Japan Cablenet Limited Jun. 2002 Standing Auditor, Fujitsu Network Solutions Limited Jun. 2004 Standing Auditor, Fujitsu Support and Service Inc. Jun. 2005 President, Fujitsu Advance Accounting Service Limited (to present)	20,000

Note 1 Tamiki Ishihara is an Outside Auditor candidate. Specific details of Outside Auditor candidate are as follows.

- (1) Grounds for the appointment of Outside Auditor candidates
  - We propose that Tamiki Ishihara be appointed as an Outside Auditor on the grounds that he has extensive experience serving in financial institutions and has a considerable level of knowledge with regard to financial matters and accounting.
- (2) Outside Auditor candidates' length of service since being appointed an Outside Auditor
  - At the close of this Shareholders' Meeting, Tamiki Ishihara will have been in office as an Outside Auditor for two years.
- (3) Liability limitation agreement with Outside Auditor candidate
  - An agreement limiting liability for damages under Clause 1, Article 423 of the Company Law has been concluded between the Company and Tamiki Ishihara. The maximum liability for damages in accordance with the relevant agreement is the minimum liability stipulated by the Company law.

**Proposal No. 4 Granting of Retirement Allowances to Retiring Members of the Board and Auditor and Final Payments of Retirement Allowances in line with the Abolition of Retirement Allowance System for Members of the Board and Auditors**

It is proposed that retirement allowances be presented to Members of the Board Kunihiko Sawa and Akira Takashima, and to Auditor Takashi Takaya, all of whom are retiring at the close of this Shareholders' Meeting. These allowances shall be given in accordance with the company's standards in gratitude for work they have performed during their terms of office.

It is also proposed that the decisions regarding details such as specific amounts, timing and method of payment of the special retirement allowances be left to the discretion of the Board of Directors for the retiring Members of the Board and to mutual consultation among Auditors for the retiring Auditor.

The profile of the retiring Members of the Board and Auditor are as follows:

<i>Name</i>	<i>Profile</i>
Kunihiko Sawa	Jun. 1998 Member of the Board (to present)
Akira Takashima	Jun. 1997 Senior Vice President Apr. 2000 Executive Vice President Jun. 2002 Member of the Board Corporate Executive Vice President Jun. 2004 Member of the Board Vice Chairman (to present)
Takashi Takaya	Jun. 2003 Standing Auditor (to present)

In addition, as part of the Company's efforts to review the compensation system for Members of the Board and Auditors, at a meeting on April 26, 2007, the Board of Directors passed a resolution to abolish the retirement allowance system for Members of the Board and Auditors at the close of this Shareholders' Meeting.

Accordingly, we propose making final payments of retirement allowances to the eight Members of the Board due to be elected pending approval of Proposal No. 2, namely Naoyuki Akikusa, Hiroaki Kurokawa, Masamichi Ogura, Toshihiko Ono, Chiaki Ito, Michiyoshi Mazuka, Hiroshi Oura and Ikujiro Nonaka; to Auditor Tamiki Ishihara, who is due to be elected pending approval of Proposal No. 3; and to the three currently serving Auditors, namely Hiroyuki Yabuuchi, Yoshiharu Inaba and Megumi Yamamuro. These allowances shall be given in accordance with the company's standards in gratitude for work they have performed during their terms of office up to the close of this Shareholders' Meeting.

It is also proposed that payments to each Member of the Board or Auditor be timed to coincide with their resignation or retirement and that the decisions regarding details such as specific amounts and method of the final payments of retirement allowances be left to the discretion of the Board of Directors in the case of retiring Members of the Board and to mutual consultation among Auditors in the case of retiring Auditors.

The following table outlines profiles of the Members of the Board and Auditors who will be eligible for the final payments of retirement allowances.

<i>Name</i>	<i>Profile</i>
Naoyuki Akikusa	Jun. 1988 Member of the Board Jun. 1991 Senior Vice President Jun. 1992 Executive Vice President Jun. 1998 President and Representative Director Jun. 2003 Chairman of the Board and Representative Director (to present)
Hiroaki Kurokawa	Jun. 2003 President and Representative Director (to present)

<i>Name</i>	<i>Profile</i>
Masamichi Ogura	Jun. 2003 Member of the Board Corporate Executive Vice President
	Jun. 2006 Corporate Senior Executive Vice President and Representative Director (to present)
Toshihiko Ono	Jun. 2004 Member of the Board Corporate Executive Vice President
	Jun. 2006 Corporate Senior Executive Vice President and Representative Director (to present)
Chiaki Ito	Jun. 2004 Member of the Board Corporate Executive Vice President
	Jun. 2006 Corporate Senior Executive Vice President and Representative Director (to present)
Michiyoshi Mazuka	Jun. 2005 Member of the Board Corporate Executive Vice President
	Jun. 2006 Corporate Senior Executive Vice President and Representative Director (to present)
Hiroshi Oura	Jun. 2003 Member of the Board (to present)
Ikujiro Nonaka	Jun. 2004 Member of the Board (to present)
Hirohisa Yabuuchi	Jun. 2006 Standing Auditor (to present)
Yoshiharu Inaba	Jun. 2004 Auditor (to present)
Tamiki Ishihara	Jun. 2005 Auditor (to present)
Megumi Yamamuro	Jun. 2005 Auditor (to present)