6. Consolidated Earnings Projections

Medium-Term Management Strategy and Performance Indicator Targets

1. New Medium-Term Management Plan

In fiscal 2008, the middle year of the previous three-year, medium-term management plan, the Fujitsu Group was confronted with a global economic recession sparked by the financial crisis as well as a sudden and sharp appreciation of the yen, causing steep declines in revenues from PCs, HDDs, logic LSI devices, and electronic components and resulting in a sudden deterioration in the company's financial performance. Faced with this environment, the company urgently initiated structural reforms to its business, resulting in decisions to sell its HDD business and structurally transform its LSI device business. In addition, the company agreed to acquire Siemens AG's shareholding in order to make Fujitsu Siemens Computers a consolidated subsidiary.

Although corporate constraints on IT spending continue in fiscal 2009, customer needs to address aging IT assets, upgrade mission-critical systems, and apply IT to internal control issues remain strong. Accordingly, we decided that fiscal 2009 would be an opportunity to reposition the company onto a path toward growth. The result is a new medium-term management plan for fiscal years 2009-2011. The key elements of the plan are as follows:

- By standardizing products and infrastructure services, we will create a business model that delivers value globally through strong products and services.
- Shifting from a business model focused on building systems, we will place more emphasis on operational services to create a business model based on a true partnership with the customer. In doing so, we will strengthen our ability to generate proposals based upon our accumulated industry expertise while leveraging Fujitsu's Field Innovation activities and having the company's own experience serve as reference models.
- In order to meet the needs of small- and medium-sized enterprises, we will create an organizational model that is able to respond to market needs, focusing on integrating product development and sales while promoting specialization as well as a simple distribution structure in which delivery is facilitated by the "industrialization" of infrastructure.

In addition to pursuing these models, we will coordinate the management of Group companies to clarify the roles of each company and promote greater specialization.

2. Performance Indicator Targets for Medium-Term Plan

Below are the performance indicator targets for the medium-term plan. We consider these to be baseline targets for demonstrating that Fujitsu is a truly global IT company based in Japan.

Performance Indicators	FY 2011 Targets
Consolidated Operating Income Margin	Over 5.0%
Ratio of Sales Outside of Japan to Total Sales	Over 40%
Inventory Turnover Ratio	At least 2.0 times
D/E Ratio	Below 1.0 times
Free Cash Flow	At least 150.0 billion yen

3. Annual Profit Targets for Each Business Unit

Although the economic environment is likely to remain difficult in fiscal 2009, we are projecting operating income of 90.0 billion yen, which reflects an anticipation of both higher sales and profits compared to the previous fiscal year. In 2010, the markets for both IT services and electronic components are expected to recover, the effects of restructuring initiatives will begin to emerge, and we are focused on ensuring that both our device solutions business and our network products business return to profitability. On the business unit level, we plan to improve operating income by 50-60 billion yen. Moreover, in addition to the impact of the restructuring of our HDD business, Both the goodwill that we recorded when purchasing ICL (now Fujitsu Services) in the UK in fiscal 1990, and the unrecognized net pension obligation at accounting transition that occurred due to new accounting standards for pension adopted in fiscal 2000 will be fully amortized in fiscal 2009, thereby completing the annual amortization expense burden. In addition, the charge recorded this fiscal year for expensing the fair market value of in-process R&D stemming from the acquisition of Fujitsu Technology Solutions is a one-time charge that will not recur. As a result, our fiscal 2010 target for operating income is 200.0 billion yen, which is similar to the level recorded in fiscal 2007.

In fiscal 2011, we expect to see results from current initiatives to strengthen global services in the EMEA region and North America as well as organizational reforms in Japan and the training and deployment of Field Innovator business consultants. On the business unit level, with the Technology Solutions segment as the core, we expect to improve operating income by 50-60 billion yen. Our goal is to meet our performance indicator targets of 250.0 billion yen in operating income and 130.0 billion yen in net income, which would also represent new records for earnings.* In addition to our profit targets, we are aiming to achieve a monthly inventory turnover ratio of 2.0 times, which is twice the level achieved in fiscal 2008, and free cash flow of at least 150.0 billion yen, while maintaining the debt/equity ratio below 1.0 times.
*Past earnings records: Operating income: 244.0 billion yen (fiscal 2000); Net income: 102.4 billion yen (fiscal 2006)

Seeking to promote further globalization of business activities, the Fujitsu Group is moving toward the full adoption of International Financial Reporting Standards (IFRS) in conjunction with internal controls to strengthen Group governance. Because voluntary adoption of IFRS is allowed in Japan, the Fujitsu Group is in the process of preparing for full financial disclosure in accordance with IFRS. At present, however, the timing of the adoption has not yet been decided, and all references to target income or earnings as well as all other performance indicators continue to be calculated and presented in accordance with Japanese accounting standards.

FY 2009 Consolidated Earnings Projections

As a result of economic stimulus measures implemented by governments around the world, the severe global economic recession appears to have emerged from the worst days of the crisis, which was marked by a combination of ineffective financial markets and a deteriorating real economy. There are now signs that the recession has bottomed out. In Japan, the inventory adjustment cycle appears to have run its course, and government policies have had a stimulative effect, leading to expectations that the economy is entering a recovery period in the first half of the fiscal year. There is, however, likely to be a prolonged period of economic stagnation because both consumer and capital spending remain weak. Furthermore, in both the US and Europe, government measures to combat the recession have only had a limited effect, and a weakened economic environment is likely to persist, with consumer spending constrained by the sudden deterioration in employment and with capital spending in a prolonged period of adjustment amid continued credit contraction. Though it is anticipated that IT investments will be buoyed by public-sector spending and that use of external datacenters will continue to enjoy solid growth, there are increasing uncertainties due to the deterioration in corporate earnings. Despite the difficult economic and investment environment, there are positive signs of recovery in the IT industry, most notably the rebound in demand for electronic components.

Financial projections for the first half of fiscal 2009 ending September 30 have been revised upward from the projections announced in April 2009. The upward revision is the result of a recovery in the markets for electronic components and car audio and navigation products, higher sales and improved efficiency in the mobile phones business, and solid performance in our IT services business. The full-year financial projections for fiscal 2009 are also being upwardly revised from the April projections. Operating income is being revised upward to 90.0 billion yen, reflecting the recovery in the market for electronic components, which is expected to narrow the projected operating loss in the Device Solutions business by 10.0 billion yen from 15.0 billion yen to 5.0 billion yen. There have been no changes to the annual projections for the Technology Solutions or Ubiquitous Product Solutions segments. Although first-half performance in the PC and mobile phone businesses is anticipated to exceed original projections, because of the weak investment environment and intense price competition there is considerable uncertainty regarding the direction of the markets for hardware products as well as solutions and system integration services, for which both sales and profits tend to be concentrated at the end of the fiscal year. In addition, market competition in areas such as PCs and mobile phones is expected to continue to be very severe.

The Fujitsu Group will continue to maximize its efforts in order to meet its income targets.

FY2009 First-Half Consolidated Forecast (Billion Yen)

	FY2008 First-Half Results	FY2009 First-Half Forecast	Change vs. April 2009 Forecast	Change	Change (%)
Net Sales	2,453.7	2,210.0	10.0	-243.7	-9.9
Operating Income	38.5	-35.0	15.0	-73.5	-
Net Income	4.6	-55.0	10.0	-59.6	-

FY2009 Full-Year Consolidated Forecast (Billion Yen)

	FY2008 Full-Year Results	FY2009 Full-Year Forecast	Change vs. April 2009 Forecast	Change	Change (%)
Net Sales	4,692.9	4,820.0	20.0	127.0	2.7
Operating Income	68.7	90.0	10.0	21.2	30.9
Net Income	-112.3	25.0	5.0	137.3	-

FY2009 Full-Year Consolidated Operating Income by Major Business Segment

(Billion Yen)

Technology Solutions	188.7	175.0	-	-13.7	-7.3
Services	163.3	165.0	-	1.6	1.0
System Platforms	25.3	10.0	-	-15.3	-60.6
Ubiquitous Product Solutions	0.5	5.0	-	4.4	796.1
Device Solutions	-71.9	-5.0	10.0	66.9	-