

A CONVERSATION WITH THE PRESIDENT



Fujitsu is determined to embody greater value in the eyes of the customers, shareholders, business partners and the employees that make our business operations possible. Guiding this vision is an enduring commitment to managing from a customer-centric perspective, and on that basis, new initiatives that will focus our activities on improving the customer's business, global expansion, and sustainability.

For years, we have pursued management reforms that have emphasized the need to change how our employees think and act. Guiding the reforms was a standing commitment to managing from a more customer-centric perspective. These actions have finally delivered the results we had hoped for. Our business base, for example, has stabilized. This is particularly true in the case of our services business, a core operation that is now consistently profitable. My belief, though, is that in order to reach the next stage of growth, we must transform our business by focusing our efforts on three major areas. First, rather than focusing solely on customers' IT operations, we must improve the customer's entire business. Second, we need to shift the focus of our operations from Japan to global expansion. Third, we must focus on conducting business in a sustainable manner in order to preserve the environment for future generations. Today, we are transforming our business with initiatives geared to refocusing our business on these areas, across the entire Fujitsu Group.

Q.1

President Nozoe, can you briefly outline your business career to date?

A.1

Let me start by saying that I see my ability to view Fujitsu's operations in a broad and objective way as one of my strongest points. I have a clear grasp of the strengths and weaknesses of the services business, which, as you know, is one of Fujitsu's profit engines. I also have substantial work experience at sites outside Japan. I will rely on this outlook and experience in managing the Fujitsu Group growth strategies going forward.

I began my career researching industrial policies that could help bolster Japan's computer industry. This was during a time when Japan's computer industry was on a weak footing. My job in those days afforded me opportunities to work closely with government officials and industry peers. I came to view our own business through a more macroscopic lens, seeing it as part of the larger industry. I then spent time in the United States, where I experienced firsthand just how tough trade negotiations can be. In fact, I still count among my most important experiences the intensive review of intellectual property and technology I did ahead of negotiations, the experience of having to negotiate in a context completely unlike Japan, and the broad network of personal contacts I gained in the process. Upon returning to Japan, I got involved in M&As and the launch of new businesses. From 2003, I joined the services business, where I was responsible for carrying out structural reforms that included integrating the sales and system engineering organizations, preventing unprofitable projects, and realigning Group companies. In a sense, you could say that my career has always involved examining Fujitsu's businesses from a broad and objective standpoint.

Q.2

What are your goals as Fujitsu's new president?

A.2

One of my goals is managing from a customer-centric perspective. I want Fujitsu to be viewed as a company that thinks from the customer's perspective. At the same time, I hope that Fujitsu will be a company where our employees will find it worthwhile, and be proud, to work.

The steps we've taken to revitalize Fujitsu over the years have turned on our commitment to managing from a customer-centric perspective. We obviously have no intention of veering from this pivotal policy going forward. However, if any doubts linger as to whether this customer-centric perspective is entrenched throughout the Group, then our work in this area, in my opinion, remains

only half done. I am convinced that the concept of management from a customer-centric perspective must underpin the mindset and conduct of every employee. This will be absolutely critical to attaining our next stage of growth.

On the other hand, changing our employee mindset, or getting people to question the way things were done in the past, is no easy task. I became keenly aware of just how difficult this can be when I was placed in charge of structural reforms in the services business. With that said, my experience has also been that once employees' mindset changes and people start acting accordingly, the way that we do business changes rapidly as well. Witnessing this transformation again brought home for me the fact that a company is nothing without its people. In that sense, I recognize that how we foster our workforce is vital to the Fujitsu Group's next growth phase. To this end, devising a simpler organization, delegating more authority and transforming frontline operations to move with greater flexibility and speed will be vital to enabling our employees to better utilize their skills and abilities. I also consider it my mission to shape Fujitsu into a company where, more than ever, employees can perform rewarding work that they can be proud of.

Q.3

Can you provide us with an overview of business results in fiscal 2007?

A.3

Technology Solutions and Ubiquitous Product Solutions both recorded substantial year-on-year growth in sales and profits in and outside of Japan.

In fiscal 2007, which ended March 31, 2008, net sales rose 4.5% to ¥5,330.8 billion. Sales were higher in all three business segments, but were led by Technology Solutions. Although sales of mobile phone base stations and standard technology logic products in Japan struggled during the year, sales from the services business, particularly to the financial sector, increased, as did sales of PCs, mobile phones, and advanced technology logic products. Outside Japan, in addition to contributions from acquisitions designed to increase the scale of our services business, we recorded healthy sales of UNIX servers, optical transmission systems, and PCs and mobile phones. As a result, sales outside Japan climbed 5.4% compared to the previous fiscal year.

Benefiting from higher sales and cost reductions, operating income for fiscal 2007 was up 12.6% to ¥204.9 billion. As these results show, we successfully maintained higher sales and profits for the year.

OPERATING RESULTS

(Millions of Yen)

	2007	2008
Net sales	¥5,100,163	¥5,330,865
Sales outside Japan	1,825,255	1,923,621
Operating income	182,088	204,989
Operating income margin	3.6%	3.8%
Net income	102,415	48,107
Total assets	3,943,724	3,821,963
Owners' equity	969,522	948,204
Interest-bearing loans	745,817	887,336
D/E ratio	0.77 times	0.94 times
Net D/E ratio	0.31 times	0.36 times

(Years ended March 31)

Q.4

How would you rate Fujitsu's performance in fiscal 2007?

A.4

Our medium-term goal for fiscal 2009 is to realize an operating income margin of more than 5%. Although some issues remain, we made an impressive start towards achieving this target. Our most important accomplishment in fiscal 2007 may be the earnings stability of Fujitsu's mainstay services business.

I think that the fact that our services business now generates stable profits was the most important development for Fujitsu in fiscal 2007. A number of factors enabled this result, most notably the extensive risk management we were able to implement in system integration operations. Of course, growth in services in areas such as security and internal control systems, as well as outsourcing, network and maintenance services, was also very important.

I think the stable earnings from services resulted from business process reforms and investments to cultivate the workforce. The benefits of initiatives such as these tend not to be immediately apparent. But I think our results for fiscal 2007 testify to the fact that several years' worth of effort finally started to pay off. Improving the services business has heightened its appeal in the eyes of our customers. This improvement, in turn, has also had a positive impact on our server business and other operations.

Of course, the fact that we achieved a structure for generating profits amid a severe competitive environment played a major role in performance for the year. This reflected ongoing improvements at production sites in the mobile phone and PC businesses due to our adoption of the Toyota Production System (TPS), as well as benefits gained from development-side innovations.

Our operating income margin, meanwhile, improved by 0.2 of a percentage point from 3.6% last year to 3.8%. This was a robust start to meeting our medium-term goal of an operating income margin of over 5% in the fiscal year ending March 31, 2010. With our goal in sight we have no intention of losing momentum in the upcoming fiscal year, and will push ahead boldly to our objective.

MEDIUM-TERM TARGETS (FY 2007–2009)

		FY 2006	FY 2007	Medium-term Targets (FY 2009)
Operating income margin	Consolidated	3.6%	3.8%	Over 5%
	Technology Solutions	5.2%	5.5%	Over 7%
Ratio of sales outside Japan		35.8%	36.1%	Over 40%
Monthly inventory turnover		0.93 times	1.03 times*	2 times*

*Set as medium- to long-term target level (Years ended March 31)

Q.5

What will Fujitsu's business direction be under this new structure?

A.5

The targets we set for Fujitsu's current medium-term strategic plan, running from fiscal 2007 to fiscal 2009, remain unchanged. The new management team's first priority is to complete these objectives. A new theme, though, will be to focus our business activities on three key areas, on the basis of our commitment to managing from a customer-centric perspective.

We continue to work towards completion of the medium-term targets announced in June 2007, namely an operating income margin of over 5%, and raising the ratio of sales outside Japan to over 40% in fiscal 2009. As I mentioned earlier, in tandem with steps to reinforce our customer-centric management perspective, we have to focus our business activities into three key areas to realize our next growth stage. First, we have to focus on improving the customer's entire business rather than improving their IT systems. IT is a means, not an end. Second, we have to take a global perspective on business, instead of concentrating on Japan, as we have traditionally done. Third, we must commit to sustainability, so that the Earth is preserved for generations to come.

Q.6

What do you mean by "improving the customer's entire business"?

A.6

The aim is to develop solutions that improve a customer's business, and we are training our human resources to do just this.

The first of the three business focuses I mentioned is that, rather than focusing solely on customers' IT operations, we must change our perspective to one that considers a customer's entire business. The basic logic here is that improving only a customer's IT functions will do little to improve their overall business. In a way, this actually implies getting back to the basics of IT utilization. At Fujitsu, we refer to this as shifting from IT solutions to business solutions. We are fostering people with the new skills required to do this. We've groomed "Field Innovators" capable of devising solutions to customers' business issues from a human resources and business process standpoint, as well as "Business Architects," who are skilled in identifying customers' critical requirements with respect to upstream system construction processes. Of course, these new human resources alone cannot change our entire approach. So we launched an initiative to have all sales and system engineering personnel develop medium-term proposals from the perspective of the customer's entire business. However, there are lingering doubts as to whether these initiatives will actually deliver the results we are expecting. Our new management team will take measures to make these earlier initiatives successful.

Q.7

One of your goals is to raise the ratio of sales outside Japan to over 40%. What measures are you considering to promote global business expansion?

A.7

We need to adopt a broader, global perspective, rather than focusing so heavily on Japan. This is another task facing the new management team. We will expand business globally by leveraging the base Fujitsu has built in developing its worldwide operations over many years, and by instilling the maxim “Think Globally, Act Locally” in our operations.

The global IT market is widely expected to expand going forward, largely due to the massive scale of the market in Europe and the United States, as well as market growth in newly emerging economies, specifically those in Asia. Clearly, we have little prospect for growth if we focus exclusively on the market in Japan. Fujitsu has long worked to develop operations globally, and was one of the first IT vendors in Japan to advance operations abroad. Fujitsu Services in the UK has an impressive track record in securing large-scale outsourcing business deals in Europe.

Despite this record, Fujitsu’s operations outside Japan are still limited to an “Act Locally” frame of thinking. This is why “Think Globally” is an issue we need to tackle fully in the years ahead. We

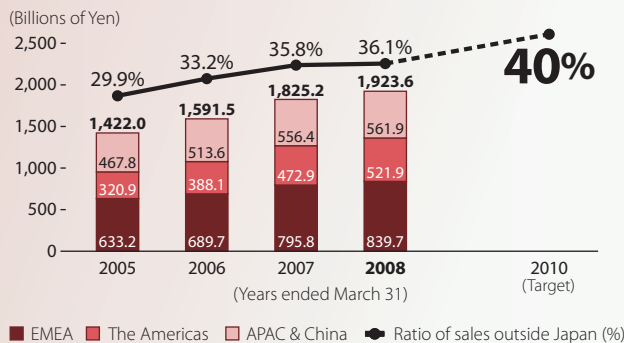
launched our “Global Service Innovation Program” as the first major initiative to solve this problem. This program will enable us to offer data center and desktop services as common Fujitsu services anywhere in the world. Moreover, we are taking advantage of Fujitsu Services and its expertise gained from various projects in Europe to forge ahead with process and delivery standardization.

On a global scale, the shift from system manufacture to system utilization as the driving force behind IT system services is expected to gain momentum. Data center competitiveness will be a major issue as this trend unfolds. Right now, we are investing Fujitsu’s cutting-edge technologies in our data centers across the globe and giving business process standardization and workforce training the attention they deserve. We aim to make services the main thrust of our efforts to develop Fujitsu’s business globally.

In the Americas, US-based Fujitsu Network Communications has supplied AT&T, Verizon and other prominent US telecoms with the latest optical transmission systems as a key vendor of these products for nearly three decades. We intend to make the most of this subsidiary’s experience and expertise in developing operations globally.

Of course, there are limits to the global business expansion that Fujitsu can accomplish on its own. In the past, we have forged powerful partnerships with Sun Microsystems, SAP, Intel and other influential global vendors. We are committed to promoting similar partnerships going forward as we attempt to accelerate global business development.

SALES OUTSIDE JAPAN/ RATIO TO TOTAL NET SALES



NET SALES OUTSIDE JAPAN BY REGION AND BUSINESS

IT MARKET GROWTH 2007-2010

	Japan	The Americas	EMEA	China	APAC	World-wide
Services	3.5%	4.9%	5.6%	14.7%	9.3%	5.5%
Software	4.8%	7.0%	8.6%	12.9%	8.7%	7.6%
Servers	0.4%	2.5%	0.4%	4.6%	4.0%	1.9%
PCs	(1.7%)	1.8%	4.2%	12.7%	6.0%	4.2%
IT Market Total	2.0%	5.5%	6.3%	10.8%	7.0%	5.9%

Source: IDC’s Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008
The Americas represents total sales from North and South America; EMEA is total sales from Europe, the Middle East and Africa, APAC refers to the entire Asia-Pacific region, with the exception of Japan and China.

■ Market growth rate = 7% or more
■ Market growth rate = under 3%

We are also eyeing organizational changes. In previous years, we promoted business with a focus on specific regions, namely the Americas, EMEA, China, and APAC. Today, we have newly assigned personnel to oversee and coordinate all Fujitsu business outside Japan. This move will reinforce our ability to view operations from a global standpoint, all while pursuing business that is responsive to the prevailing conditions in each region.

* Please refer to pp. 20-27 for Fujitsu initiatives outside Japan for the current fiscal year.

Q.8

Fujitsu has announced its “Green Policy Innovation” initiative. What specific environmental measures is the company pursuing?

A.8

Sustainability is another major focus for Fujitsu. Our previous environmental activities mainly stressed measures to improve Fujitsu’s own environmental performance. But we believe that IT technology has a powerful role to play in preserving the environment, especially in combating global warming. The goal for Fujitsu now is to reduce our customers’ burden on the environment by exploring the full potential of IT technology. This concept will guide future environmental protection initiatives.

Environmental protection, and specifically the effort to fight global warming, is an issue that every country, company and individual must confront today. The Fujitsu Group is focused on achieving the clearly stated objectives we announced as part of the Fujitsu Group Environmental Protection Program (Stage V), which got under way from fiscal 2007.

In December 2007, we unveiled our “Green Policy Innovation” initiative, a new set of measures that will leverage IT to help prevent global warming. The key thrusts of the initiative are to offer environmentally friendly IT and to use IT to provide environmental solutions that lower our customers’ burden on the environment. Through our Green Policy Innovation, we aim to reduce cumulative CO₂ emissions by more than 7 million tons over the four-year period from fiscal 2007 to fiscal 2010. Global warming is the most important issue of the 21st century. The Fujitsu Group recognizes the tremendous role IT can have in confronting this problem, which is why we have made the environment a pivotal focus of our business strategies. Going forward, we are committed to bringing a host of innovations to bear in the quest to leave a sustainable natural environment to future generations.

Q.9

What is Fujitsu’s business outlook for the year ending March 31, 2009 (fiscal 2008)?

A.9

Although certain negative factors persist, we hope to see continued earnings growth on the back of efforts to bolster our robust services business.

We recognize that Fujitsu is facing a tough business climate. Business risks are mounting due to financial problems related to the subprime mortgage loan crisis, escalating prices for all raw materials, particularly sharply higher prices for crude oil, and the yen’s strength. On the other hand, companies are becoming more reliant on IT. So there is no reason to expect the pace of upfront

investments for growth, either to support customers' global business expansion or to boost competitiveness, to drop off suddenly.

Our services business, in particular, is showing steady improvement in profitability. We expect to see benefits from a variety of measures we've taken, including infrastructure industrialization, IT infrastructure optimization designed with a customer's entire business system in mind, and growth in outsourcing business in Europe and the United States. From these and other factors, we are forecasting ¥185.0 billion in operating income from the services business, ¥44.5 billion more than in 2007.

Looking at sales, although we expect growth in the services business and HDDs both in and outside Japan, exchange rate fluctuations are likely to reduce the total by roughly ¥200 billion and so we are forecasting net sales of ¥5,350 billion, on par with 2007. As for operating income, we expect to meet our initial target of ¥220 billion for the year despite the impact of exchange rate fluctuations, a more difficult pension asset management environment, and other adverse factors. In addition to improved profitability in the services business, we expect earnings to rise on the back of various measures we are promoting, among them Group-wide measures taken from last year to reduce costs.

TARGET SALES AND PROFITS FOR FISCAL 2008

(Millions of Yen)

	2008 Results	2009	2009/2008
Net sales	¥5,330,865	¥5,350,000	+0.4%
Operating income	204,989	220,000	+7.3%
Net income	48,107	100,000	+107.9%

(Years ended March 31)

Q.10

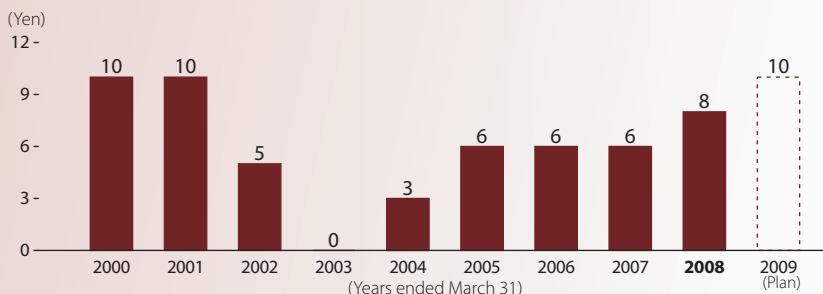
What is Fujitsu's policy on returning profits to shareholders?

A.10

Since business profitability has stabilized, we raised the year-end dividend to ¥5 per share in fiscal 2007. We plan to raise our annual dividend again in fiscal 2008.

Our basic policy on dividends is to offer a stable return to shareholders from retained earnings, while ensuring that we maintain sufficient internal reserves to strengthen our financial position and actively develop our business, including business outside Japan.

EARNINGS PER SHARE





Better profitability in fiscal 2007 enabled us to pay a year-end dividend of ¥5 per share, up ¥2 from the previous fiscal year, for an annual dividend of ¥8 per share. For the fiscal year ending March 31, 2009, we intend to pay an annual dividend of ¥10 per share. Our dividend levels have finally returned to what they were prior to fiscal 2000. This dividend is not only a way of expressing our appreciation to shareholders for their understanding and support of Fujitsu's operations, but a sign that we are committed to enhancing profitability and pursuing further growth in the coming years.

Q.11

Fujitsu recently drafted a new version of the Fujitsu Way*. Does this suggest a new vision for the company?

A.11

The recent revision is designed to rally the Fujitsu Group around a common vision, and contribute in a more concrete way to improving corporate value and to society.

In April 2008, we fully revised The Fujitsu Way as a way to clarify the Group's principles and values. With this revision, we have expressed The Fujitsu Way in a manner that will better facilitate the understanding of our vision, values and principles among all employees of the Group. Based on the new Fujitsu Way, we will align the Group in a common direction to raise corporate value, and will strive to realize a Fujitsu Group that further earns the trust of its shareholders, investors, customers and business partners, and whose contribution is felt both globally and in the local communities in which we operate. I also desire Fujitsu to be a company where our employees will find it rewarding to work and to be a company where they will be proud to work.

* Please refer to the inside cover (page 1) for details on the revised Fujitsu Way.