Management Direction Briefing

Turning Dreams Into Reality

June 9, 2006

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

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

Customers
Every One of Us Has a Leading Role to Play

Environment
We Consider Environmental Impact in All That We Do

Employees
We Aim to Earn Our Customers’ Trust in FUJITSU

Quality

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

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

Turning Dreams Into Reality
Overview of Fiscal 2005
## Financial Results for Fiscal 2005

### Met Targeted Profit Growth, But Sales Growth Was Flat

<table>
<thead>
<tr>
<th></th>
<th>FY04 Results</th>
<th>FY05 Results</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>4,762.7</td>
<td>4,791.4</td>
<td>+0.6%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>160.1</td>
<td>181.4</td>
<td>+13.3%</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong>*</td>
<td>89.0</td>
<td>126.0</td>
<td>+41.6%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>31.9</td>
<td>68.5</td>
<td>+114.8%</td>
</tr>
</tbody>
</table>

* Ordinary income refers to *keijoriek* in Japanese generally accepted accounting practices.
## Operating Income by Business Segment

### Recovery in Services Had Major Impact

(Billion Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>Change vs. FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology Solutions</td>
<td>139.0</td>
<td>142.0</td>
<td>164.2</td>
<td>+22.2</td>
</tr>
<tr>
<td>System Platforms</td>
<td>126.2</td>
<td>96.8</td>
<td>137.9</td>
<td>+41.1</td>
</tr>
<tr>
<td>Ubiquitous Product Solutions</td>
<td>31.9</td>
<td>31.3</td>
<td>34.4</td>
<td>+3.1</td>
</tr>
<tr>
<td>Device Solutions</td>
<td>27.5</td>
<td>32.5</td>
<td>33.3</td>
<td>+0.8</td>
</tr>
<tr>
<td>Other Operations</td>
<td>12.4</td>
<td>9.0</td>
<td>7.7</td>
<td>-1.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150.3</td>
<td>160.1</td>
<td>181.4</td>
<td>+21.3</td>
</tr>
</tbody>
</table>
Our Business Structure

Business Development Centering on Technology Solutions

Consolidated Net Sales (FY05) (Billion Yen)

- Solutions/SI, Others: 1,228.9
- Infrastructure Services: 1,037.2
- System Products: 354.2
- Network Products: 363.4
- PCs / Mobile Phones: 756.6
- HDDs, Others: 303.2
- LSI Devices / Electronic Components: 707.5

Operating Income

- Total: 1,228.9
- Percentage of Company-wide Sales: 57%
- Percentage of Company-wide Income: 69%

- Technology Solutions
  - Percentage of Company-wide Sales: 57%
  - Percentage of Company-wide Income: 69%
  - Total: 2,983.9

- Ubiquitous Product Solutions
  - Total: 1,059.9

- Device Solutions
  - Total: 707.5

- Services
  - Total: 1,228.9
  - Operating Income: 137.9

- System Platforms
  - Total: 1,228.9
  - Operating Income: 26.2

- Others
  - Total: 1,228.9
  - Operating Income: 33.3
# Reduced Burden from Non-Operating Items

## Reduced Pension Costs, Improved Net Interest

<table>
<thead>
<tr>
<th></th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>Change vs. FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Results</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operating Income</td>
<td>150.3</td>
<td>160.1</td>
<td>181.4</td>
<td>+21.3</td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td>(100.6)</td>
<td>(71.1)</td>
<td>(55.4)</td>
<td>+15.7</td>
</tr>
<tr>
<td>Amortization of Unrecognized Obligation for Retirement Benefits</td>
<td>(56.9)</td>
<td>(39.3)</td>
<td>(28.2)</td>
<td>+11.1</td>
</tr>
<tr>
<td>Net Interest / Other, Net</td>
<td>(43.7)</td>
<td>(31.8)</td>
<td>(27.2)</td>
<td>+4.6</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>49.8</td>
<td>89.0</td>
<td>126.0</td>
<td>+37.0</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>49.7</td>
<td>31.9</td>
<td>68.5</td>
<td>+36.6</td>
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*Ordinary income refers to *keijorieki* in Japanese generally accepted accounting practices.*
# Improved Financial Condition

**Targeted Healthier Finances, Continuing Reduction in Inventories**

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<thead>
<tr>
<th></th>
<th>FY02</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-Bearing Loans</td>
<td>1,763.7</td>
<td>1,082.7</td>
<td>928.6</td>
</tr>
<tr>
<td>D/E Ratio</td>
<td>2.51</td>
<td>1.26</td>
<td>1.01</td>
</tr>
<tr>
<td>Shareholders’ Equity Ratio</td>
<td>16.6%</td>
<td>23.5%</td>
<td>24.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>-16%</td>
<td>3.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Inventories</td>
<td>595.9</td>
<td>478.5</td>
<td>408.7</td>
</tr>
<tr>
<td>Monthly Inventory Turnover</td>
<td>0.59 Times</td>
<td>0.71 Times</td>
<td>0.88 Times</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>117.7</td>
<td>277.2</td>
<td>405.5</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>53.3</td>
<td>262.1</td>
<td>170.8</td>
</tr>
</tbody>
</table>
Overview of Fiscal 2005

Making Progress in Creating a Foundation for Growth

Technology Solutions
- Still much room for earnings growth in Japan business
- Intensified sales efforts & QCD improvements required for products
- Overseas businesses are getting onto a growth track

Device Solutions
- Developing structure better able to adapt to market volatility
- Challenges are to further increase speed and recoup investment quickly

Ubiquitous Product Solutions
- Getting on track to operate as independent businesses
- Need to further strengthen profitability
Strategic Direction in Fiscal 2006
FY 2006 Is Final Year to Meet These Challenges

(1) Strengthen Our Existing Businesses
- Consider profits as a fixed cost of doing business
- Continue to reduce cost ratio
- Continue to accelerate management speed

(2) Create and Cultivate New Businesses
- Rejuvenate our overseas businesses
- Create new business in ubiquitous networking field

(3) Reform Our Organization and Approach
- Optimize organization from customer’s perspective

(4) Reform Management Systems
- Enhance Visibility
- Simplify
Achieve a Virtuous Cycle of Management

Starting Point is Reducing Costs (QCD)

Leverage IT to Serve as an Indispensable Partner to Our Customers

Return Benefits to Customers

- Reinvest
- Increase Sales
- Strengthen Products
- Reduce Costs

Profits

Development, Design
Production
Procurement
Initiatives to Date

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>Share Sense of Urgency</td>
</tr>
<tr>
<td>2002</td>
<td>Focus on Realities of Front Lines</td>
</tr>
<tr>
<td>2003</td>
<td>Promote Information Disclosure</td>
</tr>
<tr>
<td>2004</td>
<td>Jan. 2004: Set Mid-term Objectives</td>
</tr>
<tr>
<td>2006</td>
<td>Expand Business</td>
</tr>
</tbody>
</table>

- Increase Efforts in Overseas & SME Markets
- Create New Businesses
- Deepen Involvement in Customers’ Businesses

Reform Structure
- Integrate Sales & SE Teams
- Reorganize/ Merge Affiliates
- Consolidate Electronic Devices Business
- Focusing on LSI Devices

Reform Mentality & Actions
- Focus on Basics (Customer-Centric Perspective/Speed/Timely Delivery/Quality/Cost)
- Reinvigorate Product Units - Improve Technology
- Rejuvenate Production - TPS Approach to Manufacturing Innovation & Personnel Development
- Team-building Measures - Overhaul Management by Objective System
Our Business Structure

Business Development Centering on Technology Solutions

<table>
<thead>
<tr>
<th>(Billion Yen)</th>
<th>Consolidated Net Sales (FY05)</th>
<th>Operating Income</th>
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<td>Technology Solutions</td>
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<td></td>
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<tr>
<td>Solutions/SL, Others</td>
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<td>137.9</td>
</tr>
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<td>Infrastructure Services</td>
<td>1,037.2</td>
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<tr>
<td>System Products</td>
<td>354.2</td>
<td>26.2</td>
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</tr>
<tr>
<td>LSI Devices / Electronic Components</td>
<td>707.5</td>
<td>33.3</td>
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Key Themes for Increasing Profits

- Improve profitability of services business in Japan
- Expand overseas business
- Increase volumes in product businesses
- Expand new businesses
- Further improve QCD
- Recoup investment at early stage
Technology Solutions

Leverage Technology as a Foundation for Global Expansion of Our Services Business
Japan

Field Innovation

Shift from “Creating IT” (Projects) to “Utilizing IT” (Value-Added Services)

ASP, SaaS / Hosting Services (Including Alliances/M&A)

Global IDC Platform (TRIOLE)
Technology Solutions Business Structure

By Market & Customer Segments

(Rough Volume of Sales) 2,100

Japan

North America

(Billion Yen)

200

Europe

550

APAC, etc.

150

Regional

Public Sector

Critical Infra

Financial Services

Industries / Distribution

Global Accounts / Large Accounts / Japan-affiliated Accounts

Cross-Industry Expertise
(Manufacturing/Retail, Public Sector, Healthcare, Finance etc.)

Common Platform (TRIOLE)

800

4 Major Industry Segments: 1,300
Technology Solutions Business Structure

Breakdown of Business Structure
Technology Solutions: 2,983.9 Bil. Yen (FY05)

Overseas Sales
- Solutions/SI, Others: 31%
  - +11%
- Infrastructure Services: 66%
  - +18%

Japan Sales
- Solutions/SI, Others: 69%
  - -2%
- Infrastructure Services: 34%
  - -1%

Services: 76%
- 2,266.2
  - +3%

System Platforms: 24%
- 717.6
  - -2%

% Change in Sales vs. Prior Year
- Overseas: +27%
- Japan: +13%
Priorities for Fiscal 2006

- Improve Profitability of Services Business in Japan
  - Shift resources from SI to Services
  - Further strengthen real-time management of SI projects
  - Develop business in SME market

- Expand Overseas Business
  - Pursue strategic business development region by region
  - Strengthen global account capabilities

- Strengthen System Platform Sales and Pursue Further Improvements in QCD
  - Expand channel business, expand overseas business
  - Pursue group-wide SCM, design innovation
Our View of Japan’s IT Market

Signs of Recovery Overall

<table>
<thead>
<tr>
<th>Services in Japan</th>
<th>Our View of Japan’s IT Market</th>
<th>Signs of Recovery Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY04</td>
<td>FY05</td>
<td>FY06</td>
</tr>
<tr>
<td>Manufacturing / Retail</td>
<td>☀️</td>
<td>☁️</td>
</tr>
<tr>
<td>Critical Infrastructure (Carriers, Energy)</td>
<td>☁️</td>
<td>☁️</td>
</tr>
<tr>
<td>Financial Services</td>
<td>☁️</td>
<td>☁️</td>
</tr>
<tr>
<td>Public Sector</td>
<td>☁️</td>
<td>☁️</td>
</tr>
<tr>
<td>Regional Markets</td>
<td>☁️</td>
<td>☁️</td>
</tr>
</tbody>
</table>
Still Much Room for Earnings Growth

Fujitsu Share of IT Services Sales in Japanese Market

<table>
<thead>
<tr>
<th></th>
<th>FY03 Rank</th>
<th>FY04 Rank</th>
<th>FY05 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall IT Services</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Solutions/SI</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Operating Income Margins of Leading Solutions Vendors in Japan

- Co. A: 12.8%
- Co. B: 8.2%
- Co. C: 8.2%
- Co. D: 5.5%
- Co. E: 5.4%
- Co. F: 5.4%
- Co. G: 5.2%
- Co. H: 4.9%
- Fujitsu: 6.1% Overall Services

(Solutions/SI)
Shift to Packaged & Operational Services to Generate Stable Income

Gross Margin

Process Phase
Strengthen SI Project Management Capability

Further Reduce Loss-Generating SI Projects (SI Assurance)
(Approximately 1.5% of All Projects)

<table>
<thead>
<tr>
<th>Losses</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40 Bil. Yen</td>
<td>10 Bil. Yen</td>
<td>5 Bil. Yen</td>
</tr>
</tbody>
</table>

Further Refine SI Project Management
- Improve communication through Project WEB and face-to-face interaction
- Observe principles and rules of project management

Include Higher Level of Detail Regarding Percentage of Completion Standards in SI Project Contracts
- Increase visibility of project progress for customers
- Standardize collection of receivables

Project WEB: Internal tool for project information sharing & management
Pursue Business Expansion with Operations as the Starting Point

Deepen Involvement in Customers’ Businesses

Starting Point

Operations
Planning
Design
Construction

Changes in Operations & Outsourcing

From IT Outsourcing to “Field” Outsourcing

IT Outsourcing

APM*

BPO

“Field” Outsourcing

Operational Services

Expand from I/O & maintenance-type infrastructure BPO to broader involvement in customers’ business processes

Increase recurring revenues by securing APM maintenance as part of SI deals

APM: Application Portfolio Management

*APM: Application Portfolio Management
Expand Our Outsourcing Business

Sales Targets (Billion Yen)

- Sales Growth: Continue Double Digit Growth
- Operating Income: 10%+ Profit Margin

Outsourcing Business Areas
- Data Center
- Network Services
- On-Site
- APM
- Support Desk
- BPO

FY04: 380
FY05: 415
FY06: 460
FY07: (600)
FY08: (600)
## Room for Growth in SME Market

### Fujitsu Share in Regions

<table>
<thead>
<tr>
<th>Hardware</th>
<th>Software</th>
<th>Services</th>
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</thead>
<tbody>
<tr>
<td>21%</td>
<td>12%</td>
<td>17%</td>
</tr>
</tbody>
</table>

### Customers

- **Sales**
- **Partners**
- **SE**

### SME Solution Business Unit

- Common Platform
- Product Planning & Development
- Sales Promotion
  - (Oversee Group Companies)

### New SME Market Brand: GLOVIA smart

- Confirm Integrated Package Development
- & SOA Platform
- Develop LCM Service Model
Deepen Involvement in Customers’ Businesses and Increase Speed

Reform Sales Activities

- Deploy and Enhance Company-wide Pipeline/ Account Plan
  - FY05
    - 1st Half: Prototype Model
    - 2nd Half: Company-Wide Trial
  - FY06
    - 1st Half: Full Implementation

- Account Plan
- Valuetsu (System)

Reform Business Activities with Emphasis on Operations

- Former Concept (Production-Centered)
  - Plan
  - Develop
  - Operate
  - Optimize (Maintenance)

- Emphasize Operations, Leverage Existing Assets
  - Operate
  - Optimize
  - Plan
  - Develop
**Accelerate Growth Overseas**

**Strategic Expansion Region by Region**

- **North America**: Shift business development model from individual product sales to collaborative sales & integrated solutions.
- **Europe**: Accelerate growth of services business (FS) & platforms business (FSC).
- **APAC**: Develop solutions business tailored to local needs in each national market.
- **China**: Strengthen support for Japanese corporations; make full-fledged effort to launch platforms business.
European Services Base

Trend in Financial Results (Million £)

- Maintain and augment strong position in UK public sector projects
- Strengthen position in UK & continental European private sector business
- Develop capabilities required of Tier 1 vendors in Europe - Applications, Consulting, BPO
**Overseas Business**

**Fujitsu Consulting Business Strategy**

**North American Services Base**

- **Acquisition-led growth strategy & transformation of business structure**
  - 7 acquisitions since Nov. 2004
  - Cendera (Call centers, BPO)
  - BORN (ERP, MS technology)
  - Rapidigm (ERP, BI, offshore capabilities)
  - GIM, M3K (Risk management consulting)

- **Shift to “Practice” model for SAP / Oracle / PeopleSoft / Business Intelligence and other service platforms**

- **Leverage offshore sites in India and Costa Rica for BPO business**

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**Trend in Financial Results**

(US$ Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY06 (Targets)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>50</td>
<td>200</td>
</tr>
<tr>
<td>100</td>
<td>150</td>
<td>200</td>
</tr>
<tr>
<td>200</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>400</td>
<td>600</td>
<td>800</td>
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</tbody>
</table>

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**Platforms**

**Strengthen Platform Sales in Japan**

**Intensified Sales Efforts Are Needed**

- Volumes Are Increasing but Revenues Are Down
- Major Sales Efforts Yielded Signs of Recovery in FY05 2nd Half

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**Japanese Server Market Share by Value**

- **Fujitsu**
- Co. A
- Co. B
- Co. C
- Co. D

Source: IDC Japan, Japan Server Quarterly Model Analysis, Q1 2006

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**PC Server Sales Channels**

- **Fujitsu Direct Sales**: 29.8%
- **Sales By Partners**: 70.2%

- Strengthen ties with partners
- Establish dedicated platform teams
- Strengthen Web & telephone sales

(Unit Basis)
Platforms

Strengthen Overseas Sales Capability

Strengthen Overseas Business, Focusing on Europe & North America

- Strengthen Overseas Business, Focusing on Europe & North America
- Strengthen Global Support Organization
- Accelerate Global Expansion of Server Business
  - Incorporating PRIMEQUEST mission-critical IA servers in EDS solutions
- Acquired SBS’ Product-Related Service Unit

**Platforms**

**UNIX Server (PRIMEPOWER)**
Unit Shipments

<table>
<thead>
<tr>
<th></th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC, etc.</td>
<td>0</td>
<td>60,000</td>
<td>120,000</td>
</tr>
<tr>
<td>N. America</td>
<td>4,000</td>
<td>8,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Europe</td>
<td>0</td>
<td>4,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Japan</td>
<td>0</td>
<td>4,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

**PC Server (PRIMERGY)**
Unit Shipments

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<thead>
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<tr>
<td>Japan</td>
<td>0</td>
<td>20,000</td>
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</tr>
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</table>

SBS : Siemens Business Services
Global Expansion of PSCs

Expanding Activities Close to Customer Locations

PSC: Platform Solution Center

UK (Nov. 2004)

Germany (Sep. 2005)

Korea (2002)

Shanghai (Apr. 2006)

Hong Kong (Jun. 2006)

Tokyo (Dec. 2004)

California (May 2005)

Singapore (May 2005)

NEW!
Focus on World’s Major Advanced Carrier Markets
Pursue Leading-edge Technology Fields

**Carrier Products Business**

**FTEL No.1**
UK ADSL
(50%*)

**Fujitsu Products for Japanese Carriers**
(Optical Transmission, 3G Base Stations, etc.)
(23%*)

**FNC No.1**
North American Optical Systems
(32%**)

* Source: Fujitsu  ** Source: Ovum-RHK 2005

Platforms

**FTL**
No.1
UK ADSL
(50%*)

**Fujitsu**
No.1
Products for Japanese Carriers
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North American Optical Systems
(32%**)
Strategic Alliance with Cisco Systems

Enhance Next-Generation High-End Routers for NGN Construction

- Enhance Functionality of ‘Cisco IOS XR’
  Next-Generation Router OS (joint development)
  Provide functionality required by Japanese telecom carriers

- Enhance Product Line-up

- Improve Quality
  Quality management by Joint Quality Team
  Implement shipment test based on anticipated usage in Japan

- Enhance Integration Capability
  Offer industry-leading service based on top-level SE (CCIE) training

* CCIE: Cisco Certified Internetwork Expert; 62 people certified as of Jun. 5, 2006 (Fujitsu Group)
Further Review of Cost Structure

Breakdown of Income Decline in System Platforms Business

<table>
<thead>
<tr>
<th>FY04 Operating Income</th>
<th>FY05 Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>45.1</td>
<td>26.2</td>
</tr>
</tbody>
</table>

- **Development Costs**
- **Price Declines**
- **Higher Volumes**
- **Cost Cuts, etc.**

**Reduce Costs Across Entire Supply Chain**

Estimated annual effect of production equalization (server-related business)
- Profit Improvement: approx. 3.5 bil. yen
- Inventory Reduction: approx. 5.0 bil. yen
- Other improvements

**Reform Development (Promote Use of Technical Computing)**

Save time and improve quality through process and IT innovation
Development Innovation at Product Divisions

Promote Digitalization of All Processes

Utilization Rates of 3-D CAD/VPS (Structural Design)

- Strengthened HPC environment (Phase 1)
- Established collaborative environment for mechanical and electrical engineering
- Enhanced components database

VPS : Virtual Product Simulator

- Improved convenience
- Expanded utilization

Strengthen VPS Development
Train All Designers
Certify Skills
Strengthen IT Environment to Support Development Innovation

Utilize Grid Technology

HPC/UNIX Servers
- 82 CPUs

PC Clusters
- 380 CPUs

PC-Grid
- From 500 CPUs

CPU Grid comprising about 1,000 CPUs
(TRIOLE Implementation)

HPC Portal Site (Kawasaki)

ASP Operation
- Provide Latest Systems, Improve Operational Efficiency

Targets (by 2008 vs. at present)
- CPU Performance: 8 times higher
- Calculation Speed: 10 – 20 times faster

Factories / Labs / Design Centers
- Nagano
- Numazu
- Akashi
- Oyama
- Nasu
- Kawasaki Labs
- Atsugi Labs
- YRP
## Technology Solutions Business Trends by Region

### Business Is Getting on Track for Global Expansion

(Billion Yen)

<table>
<thead>
<tr>
<th>Technology Solutions</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,216.0</td>
<td>2,178.3</td>
<td>2,248.0 (-2%)</td>
</tr>
<tr>
<td>Europe</td>
<td>465.7</td>
<td>502.2</td>
<td>548.0 (8%)</td>
</tr>
<tr>
<td>North America</td>
<td>155.8</td>
<td>197.8</td>
<td>266.0 (27%)</td>
</tr>
<tr>
<td>Asia, etc.</td>
<td>113.2</td>
<td>137.5</td>
<td>155.0 (21%)</td>
</tr>
</tbody>
</table>

Note: Consolidated net sales by geographic segment (includes intersegment sales)
## Technology Solutions: Competitor Comparison

### Comparison of Combined Services/Software/Platform Businesses (FY05)

<table>
<thead>
<tr>
<th></th>
<th>IBM</th>
<th>HP</th>
<th>EDS</th>
<th>Fujitsu (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>90,070</td>
<td>33,314</td>
<td>19,757</td>
<td>26,406</td>
</tr>
<tr>
<td><strong>Revenue Growth Rate (%)</strong></td>
<td>3.2%</td>
<td>11.6%</td>
<td>-0.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Operating Income Margin (%)</strong></td>
<td>(Pretax Income Margin)</td>
<td>11.4%</td>
<td>5.7%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Note: Based on data from companies’ published financial results

US$1 = ¥113
## Financial Targets for Technology Solutions

### Secure Strong Foundation for Global Growth

<table>
<thead>
<tr>
<th></th>
<th>FY04 Results</th>
<th>FY05 Results</th>
<th>FY06 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>2,934.4B. Yen</td>
<td>2,983.9B. Yen</td>
<td>3,180.0B. Yen</td>
</tr>
<tr>
<td><strong>Revenue Growth Rate (%)</strong></td>
<td>0.2%</td>
<td>1.7%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Overseas Revenue Growth Rate (%)</strong></td>
<td>3%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>142.0B. Yen</td>
<td>164.2B. Yen</td>
<td>185.0B. Yen</td>
</tr>
<tr>
<td><strong>Operating Income Margin (%)</strong></td>
<td>4.8%</td>
<td>5.5%</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>65.8B. Yen</td>
<td>93.1B. Yen</td>
<td>120.0B. Yen</td>
</tr>
</tbody>
</table>
Device Solutions

Our Core Technology Focus:
Concentrate on Logic LSI Devices and
Strive for Growth in ASSPs
Investment Strategy Focused on Logic Business

Trends in Device Solutions CAPEX (Consolidated)

(Billion Yen)

Principal Areas of Investment

DRAM  LCD/PDP  FLASH  Logic

Fiscal Year

0 100 200 300

0 95 96 97 98 99 00 01 02 03 04 05 06

0

Others
Semiconductors
Increase Capacity at 300mm Fab (65nm/90nm)

Achieve World-Class Production Capacity in Advanced Logic Devices

Investment Amounts: Fab No. 1: 160B. Yen; Fab No. 2: 120 B. Yen
Our Stance on New Investment (in 300mm)

1) Improvement in Profit Margin Is Precondition for Active Investment
2) Case-by-Case Investment Decisions Are Based on Market Conditions

Note: Cash Basis

*Including Net Outflows From Operating Cash Flows

300mm Investment Fab No. 1

300mm Investment Fab No. 2

FY04 FY05 FY06 FY07 FY08

LSI Consolidated FCF

Financing Cash Flows

Operating Cash Flows

300mm Total FCF
Further Strengthen Structural Ability to Adapt to Market Volatility

Enhance Profitability Through TPS (Pull Production System)

Device Solutions Inventory Trends (Excluding Listed Companies)

Monthly Inventory Turnover

(Billion Yen)

Consolidated Net Sales

Balance of Inventories

Strive for Further Reductions

<table>
<thead>
<tr>
<th>Year</th>
<th>Monthly Inventory Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03</td>
<td>0.72</td>
</tr>
<tr>
<td>FY04</td>
<td>0.87</td>
</tr>
<tr>
<td>FY05</td>
<td>0.92</td>
</tr>
<tr>
<td>FY06</td>
<td>0.98 (Times)</td>
</tr>
</tbody>
</table>

0.98 (Times)

80

40

200

400

80

40

200

400
Areas of Focus in Electronic Devices Business

Expand Scope of Business

Enter Global ASSP Market

Provide Total Solutions, Including Via Affiliate Companies

Areas of Focus
Imaging / Wireless / Security

Major Achievements

- 3-D Graphics LSI for use in automotive terminals & navigation systems
  No.1 Share Worldwide

- MPEG Encoder LSI for use in TV PCs
  No.1 Share Worldwide

- ASSPs for use in set top boxes
  Shipped Over 20 Million Units Worldwide

- ASSPs for digital cameras & mobile phones
  Shipped Over 20 Million Units Worldwide
# Financial Targets for Device Solutions

## Quickly Recoup Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>FY04 Results</th>
<th>FY05 Results</th>
<th>FY06 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>794.7B. Yen</td>
<td>707.5B. Yen</td>
<td>810.0B. Yen</td>
</tr>
<tr>
<td><strong>Revenue Growth Rate (%)</strong></td>
<td>-1%</td>
<td>-11%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Overseas Revenue Growth Rate (%)</strong></td>
<td>-10%</td>
<td>-4%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>32.5B. Yen</td>
<td>33.3B. Yen</td>
<td>35.0B. Yen</td>
</tr>
<tr>
<td><strong>Operating Income Margin (%)</strong></td>
<td>4.1%</td>
<td>4.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>76.1B. Yen</td>
<td>115.5B. Yen</td>
<td>180.0B. Yen</td>
</tr>
</tbody>
</table>
Ubiquitous Product Solutions

Expand Operations Globally as Independent Businesses
Structure that Can Adapt to Changes in Business Environment

Profit Structure of Ubiquitous Products Business

<table>
<thead>
<tr>
<th>FY04 Operating Income</th>
<th>Price Declines</th>
<th>Higher Volumes</th>
<th>Cost Cuts, Etc.</th>
<th>FY05 Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.3</td>
<td></td>
<td></td>
<td></td>
<td>34.4</td>
</tr>
</tbody>
</table>

Achieve Growth within Bounds of Cash Flow
PC Business

Pursue Differentiated Products & High-Level SCM

Client PC Share in FY05
(By Units Shipped)

Worldwide

Japan

Fujitsu/FSC: No. 5 (4%)
Fujitsu: No. 2 (18%)

Total Market: 207.17 Million Units
Total Market: 14.29 Million Units

Source: IDC, Worldwide Quarterly PC Tracker, Q1 2006
IDC Japan, Japan PC Quarterly Model Analysis, Q1 2006

- Recognized globally for innovative products
  - Won 2006 PC World Innovations Awards
- Robust security functions & enhanced AV functionality differentiate products
- “Made in Japan” superior quality (notebook PCs)

Unit Shipments (Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td>DELL</td>
<td>8.25</td>
<td>9.00</td>
</tr>
<tr>
<td>HP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toshiba</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overseas Ratio (Unit Basis)

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>68%</td>
<td>70%</td>
</tr>
</tbody>
</table>

LifeBook P1510D
Received 2006 PC World Innovations Awards
Mobile Phones Business

Leverage Advanced Technology & Unique Products to Create Future Converged PC-Handsets

- Develop original wireless core & platform technologies
- Lower costs through enhanced collaboration with Symbian Group
- Leverage unique products to maintain & stabilize business
  - RakuRaku Phone
  - Improve development efficiency through platform standardization
- Roll out next-generation convergent products
  - Utilize IP technology and WIMAX to create new usage possibilities

<table>
<thead>
<tr>
<th>Units Shipments (Millions)</th>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.62</td>
<td>3.50</td>
</tr>
</tbody>
</table>
Hard Disk Drive Business

Secure Position as High Quality Brand, Be First to Market

(Million Units)

<table>
<thead>
<tr>
<th>FY05</th>
<th>FY06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units Shipments (Millions)</td>
<td>25</td>
</tr>
<tr>
<td>Overseas Ratio (Units)</td>
<td>86%</td>
</tr>
</tbody>
</table>

2.5” Models for Mobile PCs
1. HGST (32%)
2. Fujitsu (23%)
3. Toshiba (23%)

2.5” & 3.5” Models for Enterprise
1. Seagate (52%)
2. Fujitsu (21%)
3. Maxtor (14%)

Record-Breaking Years Lie Ahead (201478)

Enhance product line & increase production capacity
Enter market for 1.8” HDDs
Develop advanced technology to ensure future growth
## Financial Targets for Ubiquitous Product Solutions

### Strengthen Ability to Regularly Absorb Market Volatility Risk

<table>
<thead>
<tr>
<th></th>
<th>FY04 Results</th>
<th>FY05 Results</th>
<th>FY06 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>1,031.4B. Yen</td>
<td>1,059.9B. Yen</td>
<td>1,160.0B. Yen</td>
</tr>
<tr>
<td><strong>Revenue Growth Rate (%)</strong></td>
<td>9%</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Overseas Revenue Growth Rate (%)</strong></td>
<td>24%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>31.3B. Yen</td>
<td>34.4B. Yen</td>
<td>30.0B. Yen</td>
</tr>
<tr>
<td><strong>Operating Income Margin (%)</strong></td>
<td>3.0%</td>
<td>3.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>17.2B. Yen</td>
<td>19.4B. Yen</td>
<td>30.0B. Yen</td>
</tr>
</tbody>
</table>

Strengthen Ability to Regularly Absorb Market Volatility Risk
Toward Robust Growth in Fiscal 2006 & Beyond
Help Customers Integrate Management & IT

Implement at Fujitsu to Change Our Business

Make Fujitsu Itself a Reference Model

- Reform our business processes (Project EAGLE)
- Innovate our internal IT systems

Change Our Business Approach

- Work to quickly deliver value of IT
  - Shift from product sales model to delivery of added value model
- Support continuous improvement of business processes & IT
  - LCM (Life Cycle Management)
  - BPO (Business Process Outsourcing)
Investing for Growth

Expand CAPEX and R&D Expenditure

CAPEX

(Billion Yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX</th>
<th>R&amp;D Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY04</td>
<td>170.0</td>
<td>76.1</td>
</tr>
<tr>
<td>FY05</td>
<td>170.8</td>
<td>115.5</td>
</tr>
<tr>
<td>FY06</td>
<td>170.0</td>
<td>255.0</td>
</tr>
</tbody>
</table>

Consolidated FCF

<table>
<thead>
<tr>
<th>Year</th>
<th>FCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY04</td>
<td>93.7</td>
</tr>
<tr>
<td>FY05</td>
<td>170.8</td>
</tr>
<tr>
<td>FY06</td>
<td>170.0</td>
</tr>
</tbody>
</table>

Main Areas of Investment

Corporate & Others

Device Solutions
- Expand capacity at Mie Plant
- Expand existing facilities
- Expand electronic component facilities

Ubiquitous Products
- HDDs, PCs, mobile phones

Technology Solutions
- Outsourcing in Japan/overseas
- Servers, storage
- Next-generation networks

Note: For main business, excluding sales of shareholdings, etc.
People Are Fujitsu’s Greatest Asset

Cultivate, Utilize, and Strengthen Our Human Resources

Change Oneself & Change One’s Attitude

Strategy

People

Processes

Execution

Increase Visibility of Actions & Create a Rhythm

- Pipeline Management
- Business Process Reform (Project EAGLE)

Share Strategies & Execute

- Inspection of Critical Infrastructure Systems
- 6 Priority Solution Areas
- Fujitsu Campaign

JQA
- Stretch Targets
- Account Plan
Financial Targets for Fiscal 2006
Business Goals for Fiscal 2006

Ensure Growth on Global Basis, Respond to Market Changes

- **Further Enhance Operational Efficiency**
  - Cost Competitiveness: Aim for inventory turnover rate of 2x/month in the medium-term
  - Strong Financial Condition (Resiliency): FCF of at least 170 bil. yen

- **Enhance Global Business Position**
  - Technology Solutions: Secure strong foundation for global growth
  - Device Solutions: Quickly recoup cash flow
  - Ubiquitous Product Solutions: Strengthen ability to regularly absorb market volatility risk
## Financial Targets for Fiscal 2006

### Further Enhance Operational Efficiency

<table>
<thead>
<tr>
<th></th>
<th>FY05 Results</th>
<th>FY06 Targets</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>408.7</td>
<td>In 300s</td>
<td></td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>405.5</td>
<td>530.0</td>
<td>+124.5</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>170.8</td>
<td>170.0</td>
<td></td>
</tr>
<tr>
<td>Other Income (Expenses)</td>
<td>(55.4)</td>
<td>(40.0)</td>
<td>+15.4</td>
</tr>
</tbody>
</table>
## Operating Income Targets by Segment

### Enhance Global Business Position

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY05 Results</th>
<th>FY06 Targets</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Solutions</td>
<td>164.2</td>
<td>185.0</td>
<td>+20.7</td>
</tr>
<tr>
<td>Services</td>
<td>137.9</td>
<td>160.0</td>
<td>+22.0</td>
</tr>
<tr>
<td>System Platforms</td>
<td>26.2</td>
<td>25.0</td>
<td>-1.2</td>
</tr>
<tr>
<td>Ubiquitous Product Solutions</td>
<td>34.4</td>
<td>30.0</td>
<td>-4.4</td>
</tr>
<tr>
<td>Device Solutions</td>
<td>33.3</td>
<td>35.0</td>
<td>+1.7</td>
</tr>
<tr>
<td>Other Operations</td>
<td>7.7</td>
<td>10.0</td>
<td>+2.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>181.4</strong></td>
<td><strong>190.0</strong></td>
<td><strong>+8.5</strong></td>
</tr>
</tbody>
</table>
Company-Wide Targets for Fiscal 2006

Foundation Is Higher Revenue & Profits

<table>
<thead>
<tr>
<th>Financial Targets</th>
<th>(Billion Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>5,200</td>
</tr>
<tr>
<td>Operating Income</td>
<td>190</td>
</tr>
<tr>
<td>Ordinary Income*</td>
<td>150</td>
</tr>
<tr>
<td>Net Income</td>
<td>80</td>
</tr>
</tbody>
</table>

* Ordinary income refers to *keijorieki* in Japanese generally accepted accounting practices.
THE POSSIBILITIES ARE INFINITE
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.