

4. Basic Stance on the Group's Business

Information technology has come to permeate nearly every aspect of our daily lives, greatly expanding convenience and producing dramatic changes, as the era of ubiquitous networking continues to take shape. In the corporate world, IT has become more deeply ingrained in core business processes, and it is moving from being solely an efficiency-enhancing tool to playing an essential role in companies' business development activities. Along with this trend, IT systems deployed in business and societal infrastructures have become increasingly sophisticated and complex, and the requirement for high system reliability is more important than ever.

The Fujitsu Group 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. Based on a thorough understanding of the environments in which our customers operate, the overall nature of their operations, and their business challenges, we create and deploy IT solutions that contribute to the growth and development of their businesses. In addition, we fully realize that the stable operation of IT systems is critical in supporting the activities of businesses and society as a whole, and we are therefore renewing our focus on raising operational quality. In so doing, we seek to grow together with our customers as a valued and trusted business partner.

5. Medium-Term Business Strategy and Priority Tasks

Worldwide, investment in IT is growing at a moderate pace. In Japan as well, while there are differences among individual industries and companies, overall, a gradually more active posture on IT spending has become apparent. In line with economic recovery, the services business is expected to see modest growth. On the other hand, we foresee downward pressure on prices for servers, network equipment and other products as attention shifts to lower-priced models, suggesting that our operating environment will remain difficult going forward. Despite these challenges, we will continue to strive for the earnings capacity that will enable us to achieve steady profitable growth.

In fiscal 2004, we articulated and began pursuing four key challenges facing the Fujitsu Group: to strengthen our existing businesses, to create and cultivate new businesses, to reform our organization and approach, and to reform our management systems. Since then, the entire Group has pulled together to address these challenges, and we intend to redouble and culminate our efforts to meet these challenges in fiscal 2006.

1) Strengthening Our Existing Businesses

We are working to raise quality, lower costs and increase speed in every facet of our operations, including design, development, manufacturing and sales. Since November of last year we have been performing comprehensive inspections of our customers' systems in order to improve operational reliability. In addition, we have enhanced our quality assurance activities in contract software development projects so as to control the incidence of loss-generating projects, and we are continuing efforts to make the development process even more efficient. In manufacturing as well, we are advancing manufacturing innovation initiatives across our entire supply chain.

In our services business, we are strengthening our operational and packaged services businesses, which we expect to provide a stable flow of earnings, in order to enhance earnings capacity. Moreover, we are actively pursuing product-specific sales promotion efforts to expand sales of our server, storage, network, middleware and other products, and we are continuing to establish facilities in Japan and overseas for the verification of customers' systems. In our electronic devices business, construction has begun on a new large-scale production facility that will utilize our

leading-edge 65nm technology and is scheduled to come online in April 2007. In addition, we are purchasing semiconductor fabrication facilities from Spansion Japan to help reinforce earnings in our standard logic products business.

2) Creating and Cultivating New Businesses

We recognize that in order for our business to grow, it is essential that we increase our presence in markets outside Japan that have strong growth prospects. To help strengthen our system platforms business, last fiscal year we opened system verification facilities in Singapore, Korea, and California in the US, and this fiscal year we have added new facilities in Shanghai and Hong Kong. Moreover, we are leveraging our strategic alliance with EDS to expand sales of our servers. In services, meanwhile, we are strengthening our collaboration with SAP and developing joint sales promotion programs with them.

In Japan, we are concentrating on markets where high growth is anticipated through efforts that include providing a systematic framework of interoperable business process and industry-specific applications for small- and medium-sized enterprises.

Understanding that the real growth of IT in the future will be on the front lines of business, we are continuing to promote IT-enabled frontline innovation in areas such as sales and marketing, development, manufacturing, procurement and distribution, as well as in fields that touch people's daily lives, such as medical and nursing care, education, and entertainment. For example, we are seeking to further open up new business areas with worldwide promotion of our highly secure contactless palm vein authentication devices and the deployment of RFID systems that are pioneering sophisticated new applications in the retail industry and other fields.

3) Reforming Our Organization and Approach

We have been implementing various organizational reforms throughout the Fujitsu Group to provide speedier service to customers and one-stop support over the entire IT system lifecycle.

In Japan, we have been continuing to reform our sales processes, for example, by reinforcing pipeline management to get a better grasp of the progress of business deals and optimizing proposals to better meet the needs of customers. Furthermore, in June of this year we reorganized our overseas business promotion structure, dividing overseas markets into four principal regions and appointing a head of regional operations in each. Under the new structure, we are working to expand our overseas business by forging closer ties in each of these regional markets and utilizing our local operational bases to provide speedier and more nuanced response.

4. Reforming Our Management Systems

Based on the mission, values and code of conduct set forth in *The FUJITSU Way*, we will in our actions and principles continue to emphasize sustainability in the management of our business. Moreover, in order to pursue management efficiency and at the same time control risk arising from our business activities, we will continue to strengthen our corporate governance.

We are currently undertaking Group-wide projects designed to improve our internal business processes and strengthen internal control functions. This will enable us to continue to promote a business execution structure for the Group that is not only efficient but also law-abiding and proper. In addition, believing that our people are our greatest asset, we are continuing to bolster efforts to train, utilize and strengthen our human resources.

We will work unceasingly to meet these challenges, serve as a trusted partner to our customers, and pursue further reforms as a global company that contributes to the creation of a rich and dynamic networked economy, earning the trust of our customers and society at large.