8. Basic Management Policy

Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world. To achieve this vision, the Fujitsu Group strives for sustainable profitability and growth, continually enhancing our corporate value.

The Fujitsu Group is dedicated to contributing to the success of our customers through both our global operations and the deeply rooted local operations in each community in which we do business. We seek to grow with our customers as their trusted and valued partner.

Medium-Term Business Strategy, Target Management Index, and Priority Tasks

The global IT industry continues to expand, though growth has slowed amid economic uncertainty. In the United States and Europe, IT investment is steadily increasing, led by the growth in services. Economic expansion is driving IT investment growth in Asia, with the exception of Japan. In Japan, the principal market of the Fujitsu Group, IT investment continues to grow, but without the vigor seen in overseas markets. In product business areas, while hardware unit shipments are growing worldwide, we foresee continuing challenges in the business environment. Key issues are a demand shift toward lower-priced products as performance levels improve in such products as servers and networking equipment, as well as downward pressure on pricing as competition intensifies in electronic devices and components such as hard disk drives (HDDs).

In order to improve our profitability under these circumstances, we will focus on achieving greater overall operational efficiency. We aim to achieve revenue growth by expanding our business outside Japan and further strengthening our high value-added product and services offerings.

The Fujitsu Group is aiming for a consolidated operating income margin of more than 5% for fiscal 2009 ending March 31, 2010.

1. Technology Solutions

The Fujitsu Group aims to grow by expanding global services offerings based on a foundation of advanced technologies and high-quality products. In our Services business, we are bolstering our capabilities outside Japan. In the US, in order to strengthen our risk-management and other consulting services and expand into new areas, such as Software as a Service (SaaS), we will continue to pursue corporate acquisitions. In the EMEA region, in addition to the Group’s outsourcing business with public-sector customers in the UK, we aim to expand our business with private corporations and enhance our capabilities over the entire European continent through acquisitions and other strategies that bolster our presence in the regional services business. In the APAC region, in addition to working to expand business with local corporations, the Group will move ahead with building offshore locations in India and China. In our System Platforms business, besides endeavoring to expand sales of products on a global basis, we will work to create more competitive products by strengthening the links between development and sales units.

Our customers expect us to optimize their entire businesses by utilizing IT, not simply to optimize their IT systems. The Fujitsu Group is expanding the scope of its business by promoting the concept of “Field Innovation,” which aims to make business processes visible and continually improve them. While working to develop new technologies useful to Field Innovation, we are developing a cadre of “Field Innovators” who combine a deep knowledge of our customers’ operations with an ability to suggest improvements from a business perspective. Through Field Innovation, we will find new approaches and the inspiration to improve ourselves, while delivering added value to our customers.

We will also further strengthen our efforts to boost operational efficiency. Reforms based on the Toyota Production System are taking root, particularly in our manufacturing divisions. We will continue this initiative as we move ahead in applying it to software development. The Group is also promoting initiatives to standardize and “industrialize” IT services. We have concentrated system engineers in charge of infrastructure systems development at the newly established Infrastructure Technology Center in a bid to gather all our know-how in this area into one site and standardize our operational processes. The result will be faster delivery, more reliable systems, and lower costs. Moreover, in regard to proposals for systems business, we are working to improve efficiency and quality of our system development by collecting and standardizing identifiable patterns derived from analysis of past business proposals. In addition, we are strengthening initiatives to enhance the operational quality of our systems and manage project-related risks.

2. Ubiquitous Product Solutions

The Group strategy in the Ubiquitous Product Solutions segment is for each of the product groups to pursue global operations as independent businesses. In PCs, we aim to increase profitability by differentiating our products in terms of quality, security, and multimedia functionality while, at the same time, globally expanding our sales. We see mobile phones as a nexus for wireless and other cutting-edge technologies, and we have positioned mobile phones as key devices for the future ubiquitous networking world. In this regard, the Group will pursue an enhanced growth strategy that leverages the anticipated convergence of mobile phones and PCs. In HDDs, we are maintaining our reputation for high quality, while raising cost-competitiveness to strengthen profitability.

3. Device Solutions

In Device Solutions, the LSI divisions were reorganized into a new subsidiary, Fujitsu Microelectronics Limited, established on March 21, 2008 with the aim of promoting a new corporate structure that could facilitate the kind of rapid decision-making needed in the LSI business. In addition to ASIC and COT products, which have been a mainstay of the LSI business, the subsidiary will seek to expand the lineup of ASSPs and general-purpose products like microcontrollers and analog devices and refocus development resources on strategic areas, while enhancing its sales structure to focus on high-growth regions like Asia. These measures will enable the company to increase the proportion of high value-added products among its offerings and ensure a stable capacity utilization, which in turn will improve the profit structure. In addition, the new subsidiary will seek to enhance synergies with other Group companies in order to provide not simply chips, but total solutions at the component level, including modules and boards. With respect to capital investment, we will periodically review investment decisions for additional advanced logic LSI production capacity, taking into account trends in demand.

4. Corporate Initiatives

In addition to the measures described above, in order to accelerate overall global business growth, the Fujitsu Group will continue to make selective acquisitions, leverage the skills and expertise of management from outside of Japan, and further strengthen business alliances with leading vendors outside Japan.

While continuing to promote Group-wide manufacturing innovation initiatives, we will carry on with global efforts to eliminate waste, reduce costs, and promote environmental responsibility in every facet of corporate activity. In addition, we will carry out structural reforms as needed in order to promote efficient business management.

In regard to environmental protection, we have established the Fujitsu Group Environmental Protection Program (Stage V), which sets forth the challenges and targets for our environment protection activities in the period spanning fiscal years 2007 through 2009. The program calls for increasing the environmental value of our products and services, including efforts to increase the number of “Super Green” products that we offer. Giving high priority to global warming countermeasures, the program expands upon the efforts made to date in addressing production infrastructure at factories by establishing similar evaluation standards for environmental protection at office locations. We are also promoting the development of products and environmental solutions that consume less power in order to help customers lower their carbon dioxide emissions.

As we strive to meet the challenges discussed above, we will aim to be a trusted partner to our customers and, as a global company contributing to the creation of a rewarding and secure networking society, continue to earn the confidence of customers and society as a whole.

Policy on Dividends

Article 41 of Fujitsu Limited’s Articles of Incorporation grants the Board of Directors the authority to distribute retained earnings. As part of Fujitsu’s basic policy on the exercise of this authority, we believe that a portion of retained earnings should be paid to shareholders to provide a stable return, and that a portion should be retained by the company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance. In addition, taking into consideration the level of profits, Fujitsu aims to increase the distribution of profits to our shareholders when the financial base is sufficiently strong enough, including through share buybacks.

Though the company paid a steady dividend through fiscal 2000, with the collapse of the IT bubble in 2001, we were forced to reduce dividends in 2001 and suspend dividends in fiscal 2002 due a variety of factors, including the sudden deterioration in business performance, losses generated from structural reforms and a decrease in deferred tax assets resulting from a delay in the recovery of profitability, along with impairment losses on shares in subsidiaries and affiliates on an unconsolidated basis. Beginning with a year-end dividend in fiscal 2003, the company has maintained 3-yen-per-share interim and year-end payments, and though retained earnings turned negative in fiscal 2006 on an unconsolidated basis due to impairment losses on shares in subsidiaries outside Japan, the company used its capital surplus to maintain dividend payments at the fiscal 2006 year-end.

In fiscal 2007, a capital surplus of 240.4 billion yen was transferred from “other capital surplus” to “other retained earnings,” and through a special financial settlement the company used these funds to pay an interim dividend. Though we recorded other losses resulting from changes in accounting policies and a significant decline in the value of its securities holdings, as a result of improved business performance, progress has been made in developing a structure that can generate a stable profit. In addition, due to the improved profitability of consolidated subsidiaries, the company was able to book income from the return of the valuation allowance for deferred tax assets. The company therefore has decided to raise the year-end dividend by 2 yen per share, from 3 yen to 5 yen, thereby increasing the annual dividend to 8 yen per share, with 3 yen paid following the interim financial results.

The company plans to continue its policy of paying dividends twice a year, based on financial results at the half-year and year-end. For fiscal 2008 ending March 31, 2009, we plan to pay an annual dividend of 10 yen per share (5 yen as an interim dividend).

By increasing the year-end dividend for fiscal 2007, the company has returned dividends to the level prior to fiscal 2001. The company appreciates the long support shareholders have given to management and will strive to achieve further growth and profits in the years ahead.

Dividends Per Share (DPS) Data

(Yen)

	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08 (Estimate)
Interim	5.0	5.0	5.0	5.0	2.5	-	-	3.0	3.0	3.0	3.0	5.0
Year-end	5.0	5.0	5.0	5.0	2.5	-	3.0	3.0	3.0	3.0	5.0	5.0
Total	10.0	10.0	10.0	10.0	5.0	-	3.0	6.0	6.0	6.0	8.0	10.0

Reference: Shareholders' Equity and Retained Earnings (Consolidated)

(Billion Yen)

	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
S/E	1,185.2	1,165.3	1,291.4	1,303.7	920.3	782.8	743.9	813.4	780.6	875.0	911.6	
Divisible Profit (Unconsolidated)										57.4	222.8	

S/E = Shareholders' Equity

Note: Based on a resolution at the Annual Shareholders' Meeting held June 22, 2007, legal capital surplus was decreased and other capital surplus was increased.