

Risk Management

Through actions to identify and lower a variety of risks, we are strengthening the risk-management capability of the whole Group.

Business Risks

Below are just some examples of the risks the Fujitsu Group faces when doing business. Aware of such risks, we work to avoid any related incidents. If, however, such incidents happen to occur, we are prepared to respond rapidly.

Some examples of business risks

- Economic shifts in key markets (particularly Japan, North America, and Europe)
- Volatility in high-technology markets (particularly for semiconductors, PCs, mobile phones, etc.)
- Fluctuations in currency exchange rates or interest rates
- Shifts in capital markets
- Intensifying price competition
- Changes in market position due to competition in R&D
- Changes impacting procurement of parts and components
- Changes in competitive relationships relating to collaboration, alliances, and technology-licensing agreements
- Risks related to project management
- Risks related to natural disasters or sudden unforeseen events

Note: The above examples of risk are not intended to be an exhaustive list. More detailed risk-related information can be found in Fujitsu's full-year and quarterly financial results reports or in our Annual Report.

Risk Management System

The Fujitsu Group has established a Risk Management Committee under the

direction of The FUJITSU Way Promotion Council.

The Risk Management Committee coordinates with each business group to monitor on an ongoing basis the variety of risks to which the company is exposed, to evaluate and analyze these risks, and to propose strategies to mitigate them. Moreover, by disseminating information about its efforts to Group companies, the committee is helping to prevent incidents of risks from arising throughout the Fujitsu Group.

If incidents do occur, the Risk Management Administrative Office operating under the Risk Management Committee receives initial reports from frontline locations. Then, in collaboration with local management, the office takes appropriate response measures including, when necessary, setting up an *ad hoc* response headquarters, to resolve the problem quickly. Information on the incident and response is then shared appropriately with the various business groups. With regard to major risks, the Management Council and Board of Directors are informed as needed, and they provide direction to the business groups and to the front-line management.

Risk Management Education

To prevent incidents from occurring, and to best contain the damage if incidents do occur, we have put in place a training curriculum to educate employees on the importance of compliance and risk management and to provide training in specific ways of

dealing with risk issues. For instance, we offer code of conduct training specific to job title, including risk management seminars primarily targeting business unit general managers.

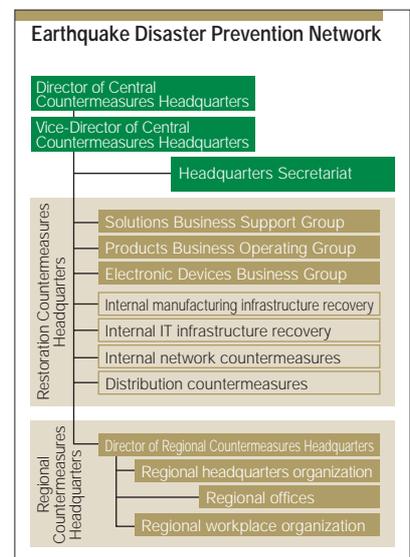
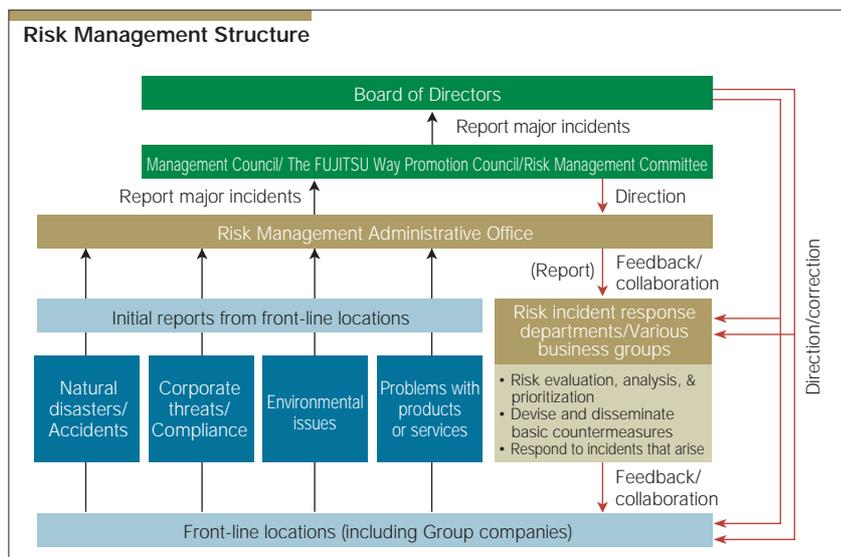
Dealing with Natural Disasters

Group-wide Earthquake Disaster Prevention Network

Assuming the possibility of a large-scale earthquake, we have set up a Group-wide earthquake disaster prevention network in Japan. This network has developed plans to help minimize physical damage to our facilities and resume operations quickly if an earthquake occurs, and is also prepared to provide quick, appropriate support to customers.

Response to Major Natural Disasters in Japan in 2004

2004 saw several major natural disasters in Japan, including torrential rains in Niigata and Fukui prefectures, the major earthquake in Niigata Prefecture, and the offshore earthquake in Fukuoka Prefecture. Immediately following each of these events, we set up customer recovery response headquarters and started recovery operations in line with our disaster response manual. We also engaged in activities to restore customer IT systems as quickly as possible.



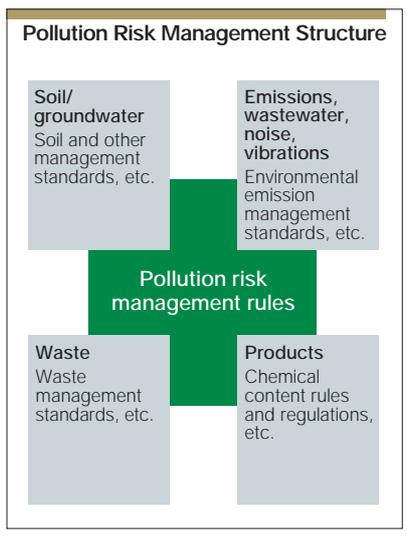
Disaster Prevention Exercises

Since 1995 we have set aside National Disaster Prevention Day (September 1) in Japan to conduct disaster prevention exercises across the country aimed at protecting customer IT systems and data. For the 10th exercise in 2004, we conducted a joint exercise with customers, using a scenario positing a massive earthquake just to the west of the greater Tokyo area. The drill tested capabilities for providing recovery support for the core IT systems supporting customers' businesses.

Responding to Environmental Risks

Pollution Risk Management Regulations

Based on internal pollution risk management regulations, we carry out environmental risk assessments and other risk management to prevent environmental risks and to contain the environmental effects of incidents if they do occur. An overview of the environmental risk management system is as follows.



Environmental Risk Education

As part of our environmental risk management approach, we conduct training in environmental risk for employees. In fiscal 2004, we began environmental risk management training for all executives at Fujitsu production facilities.

Environmental Risk Management Training

Aiming to prevent environmental risk incidents associated with production

activities and to contain as far as possible the effects of such incidents should they occur, we are conducting environmental risk management training to heighten sensitivity to risks and strengthen management capabilities. This training includes formal lectures for all managers, as well as case study-based programs designed for executives responsible for departments with high associated environmental risks.

In fiscal 2004, we held training programs at four of our electronic devices business locations in Japan. From fiscal 2005, we plan to conduct training primarily at electronic devices-related factories and subsequently at other plants as well.

Soil and Groundwater Pollution Testing and Treatment in Japan

At two idle plants, we completed soil surveys that were begun in fiscal 2003, and based on the findings undertook operations to remove contaminated material and treat the affected areas. We also began treatment operations in the latter half of fiscal 2004 at a plant that was already known to contain contaminants. This project is due to be completed in the first half of fiscal 2005. Also in fiscal 2005, we will conduct soil surveys on two as-yet unexamined idle plants, and take steps to further decrease risks from soil contaminants.

Storage and Disposal of Polychlorinated Biphenyl (PCB)

Under the PCB Special Measures Law, all Fujitsu business locations and affiliated companies in Japan which currently store transformers, condensers and fluorescent lighting stabilizers containing PCB notified their respective prefectural governors of the number of such items stored in fiscal



Soil treatment work at idle plant sites

2004. Data on all items containing PCB is recorded in a ledger and the items carefully stored according to management guidelines for all domestic business locations and affiliated companies.

The amount of PCB currently being stored by Fujitsu and its affiliated companies is shown below.

	Transformers	Condensers	Fluorescent lighting stabilizers
Fujitsu	25	1,315	38,020
Affiliates	25	303	930
Total	50	1,618	38,950

(units)

We are conducting our own studies on nonharmful PCB disposal techniques, and continuing to monitor the studies of Japan Environmental Safety Corporation into wide-area disposal efforts and disposal costs. From the results of these studies, we will determine the appropriate policy for the nonharmful disposal of PCB held by Fujitsu and its affiliated companies, and work to minimize the risks involved.

Preventing Dioxin Emissions

The Fujitsu Group since January 2000 has discontinued the use of incineration facilities at all domestic manufacturing plants that have such facilities, thereby preventing dioxin emissions at our plants.

Status of Compliance with Legal Regulations

In fiscal 2004, the Fujitsu Group in Japan ascertained two instances of noncompliance with legal regulations. In addition to reporting these violations to the appropriate government authorities, we have put in place a policy to prevent their reoccurrence.