

5. Management Direction

Our Basic Stance on the Company's Business Direction

Information technology has moved beyond the realm of business and is coming to permeate every aspect of our lives, rapidly extending convenience and ushering in an era of ubiquitous networking in which people can connect with anyone or anything, anywhere and at any time. Amidst this trend, IT is becoming increasingly important to our customers' businesses. In seeking help in building and utilizing IT systems, customers are not simply looking for suppliers of products and services. Rather, they are looking for partners who can make proposals and implement them throughout the entire IT system lifecycle.

The mission of the Fujitsu Group is to continually strive 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 our thorough understanding of their business environments and overall situations, we help customers utilize IT to contribute to their business growth and development. In so doing, our goal is to help our customers grow – and to grow together with them – as a trusted partner.

Medium-Term Business Strategy and Priority Tasks

Although IT investment is gradually increasing in Japan and abroad, we believe that the environment in which Fujitsu operates will continue to be difficult due to such factors as increasing erosion in prices for services and products, and intensifying competition. We aim to secure sufficient earnings power to consistently achieve profitable growth, even in a difficult business environment. In addition, to strengthen our relationships of trust with customers even more, we will work to further bolster our financial condition.

Along with redoubling our emphasis on the fundamentals of thinking and acting from the customer's perspective, assuring quality and timely delivery, and improving speed of action, we are marshalling the efforts of the entire Fujitsu Group in pursuit of the following four key challenges in fiscal 2004 and beyond.

(1) Reinforcing our existing businesses

We are working aggressively to raise quality, lower costs, and pick up the pace in every aspect of our operations, including design, development, production and sales. Along with advancing our company-wide manufacturing innovation campaign, we are pursuing improvements in the quality, cost and speed of our software development activities by promoting the broader application of our SDAS comprehensive system development framework. In addition, we are enhancing the structure of our Risk Management Office, which assesses business agreements, to deal more effectively with risk. And looking toward the application of percentage-of-completion methods going forward, we are working to improve project visibility and further strengthen project management.

While pursuing a company-wide sales expansion campaign leveraging our competitive server, storage, middleware and other products – and differentiating them from the offerings of competitors – we are also further promoting and enhancing TRIOLE, our integrated infrastructure for IT optimization and superior overall system reliability. At the same time, we are working to further expand our outsourcing services, a field in which we expect to see growth in the future.

(2) Seizing new opportunities for growth

We are also working to strengthen our involvement in emerging markets related to ubiquitous networking as well as in overseas markets. In ubiquitous networking, we will differentiate ourselves from competitors on the strength of our ability to provide comprehensive solutions

combining our leading-edge electronic devices, products, software and services. With respect to overseas markets, we have reviewed and realigned our group company structure in Europe, North America, Asia and Australasia. As part of the overseas rollout of TRIOLE, we are setting up a TRIOLE Integration Centre in the UK to advance the development of high-reliability system construction and operation models and the sharing of advanced case studies globally. We are also working to expand our overseas business by pursuing strategic alliances with global partners, such as our collaborations with Sun Microsystems and Microsoft in the server business.

In our electronic devices business, construction is proceeding according to schedule for a new mass-production line at our Mie semiconductor plant. Scheduled to become operational in April 2005, the new line will produce logic chips on 300 mm wafers utilizing our leading-edge 90nm and 65nm process technologies.

(3) Fundamentally reforming our organization

To respond to customers more quickly and provide seamless support throughout the lifecycles of their IT systems, we are fundamentally reforming our organization to eliminate overlap and competition among business operations and functions, and to create an organization that is easy for customers to understand. More specifically, to enhance our maintenance and support organization and expand operating services, we have made Fujitsu Support & Service a wholly owned subsidiary. Further, in addition to the integration of our systems engineering and sales groups in June and their reorganization along industry-specific and regional lines, we are realigning our regional systems engineering companies and taking other measures to steadily improve our organization and strengthen our ability to respond to the needs of regional and mid-sized corporate customers. Going forward, we will continue to reform our organization by strengthening parent-subsidiary ties, as well as relationships among group companies, in order to improve the quality and speed of our responsiveness to customers.

(4) Innovating our management systems and approach

We are also revising our internal systems and methods. To bring R&D even more closely in alignment with business operations, we are re-examining our decision-making process for selecting research themes and strengthening our intellectual property strategy. With respect to personnel systems, we are continually reforming methods and approach so as to make the most of each employee's potential, and we are revising our approach to organizational structure, including clarifying responsibilities and authority.

As a foundation for promoting the above measures, we promulgated a creed called "The FUJITSU Way," which sets forth the company's mission, values and code of conduct. To further speed its taking root throughout the organization, in July we established The Fujitsu Way Promotion Committee, which reports directly to the Management Council, and The Fujitsu Way Promotion Office, to coordinate implementation activities.

Through unwavering efforts, and a spirit of further self-improvement, we are committed to meeting these challenges, serving as trusted partner to our customers, and being a respected global company that contributes to the realization of a vibrant networked world.

Our Position Regarding Lowering of Minimum Tradable Share Units*

Recognizing that participation in the equity market by individual investors can help promote the vitality of the market as well as foster a stable base of long-term Fujitsu shareholders, we carry out an active investor relations program aimed at making accurate company information available on a regular and timely basis.

Although reducing the minimum number of shares that individuals could trade would help promote the participation of individual investors in capital markets and be one effective means of increasing stock liquidity, taking into consideration the current level of Fujitsu's shares, the total number of shareholders and proportion of individual shareholders, as well as the liquidity of Fujitsu's shares in the market, we believe it would be premature at present to do so.

We will review this stance as appropriate, taking into consideration future trends regarding individual investors in the capital markets as well as changes in the price of our shares and other factors.

* Refers to current practice whereby Fujitsu's shares may only be traded in units of not less than 1,000 shares.