

5. Basic Stance on the Company'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.

6. 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, in line with the recovery in corporate earnings a more active posture on IT spending has become apparent. On the other hand, we foresee continuing downward pressure on prices for services and products, as well as intensifying competition, suggesting that our operating environment will remain difficult going forward. Despite these challenges, we are striving for the earnings capacity that will enable us to achieve steady profitable growth. Achieving high earnings capacity will help make possible a stronger product line-up, expanded sales, and reinvestment of profits, thereby laying the basis for long-term 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 accelerate our efforts in these areas 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. In particular, since November 2005, when we initiated comprehensive inspections of our customers' systems, we have been endeavoring to boost system reliability by strengthening efforts to improve operational quality. In addition, in systems integration projects for customers, we have enhanced our quality assurance activities so as to reduce the number of loss-generating projects, and we are also continuing efforts to make the development process more efficient. In regard to manufacturing, we are moving ahead with manufacturing innovation initiatives across our entire supply chain.

In our services business, we are continuing to work to expand business process outsourcing (BPO) and other outsourcing services. Moreover, in order to speed the growth of our TRIOLE IT infrastructure optimization model for improving system reliability, in fiscal 2005 we added system