

## **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

verification facilities in Singapore, Korea and Shanghai, China to our existing network of such facilities in Japan, the UK, Germany, and California in the US, complementing sales promotion efforts to expand sales of our server, storage, network, middleware and other products. Turning to our electronic devices business, where we are focusing on logic LSI devices, we augmented the capacity of our Mie Plant, which is able to accommodate 300mm wafers and utilizes our leading-edge 90nm and 65nm technology, and we also made the decision to invest in a new large-scale production facility there. By strengthening our partnerships with customers and leveraging our strengths in software as well as in analysis and verification, we are working to help customers reduce their time to market and, at the same time, aiming to quickly recoup our investment.

## **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. In recent years, the profitability of our overseas business has been improving, and we are placing renewed emphasis on expanding this business. In North America, through measures such as Fujitsu Consulting's recent acquisition of Rapidigm, Inc., we have been strengthening our services business, which is focused on IT consulting. In doing so, we aim to provide a higher level and broader range of quality services. Moreover, we are taking advantage of our strategic alliance with EDS to expand our server business. Meanwhile in Europe, Fujitsu Siemens Computers is improving its product support capabilities in order to still better serve the needs of its customers. We intend to further grow our international business by enhancing links with and among our various operations outside Japan.

Based on an awareness that the real growth of IT in the future will be on the front lines of business, we are promoting 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. To mention some concrete examples, we are seeking to further open up new business areas through efforts including the 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 to provide speedier service to customers and one-stop support over the entire IT system lifecycle. In terms of sales activities, following last year's integration of our sales and system engineering groups, we are pursuing further reforms of our sales processes, including measures to make the progress of business deals more transparent. Other organizational improvements include clarifying the relationships between the parent company and Group companies, as well as those among Group companies.

## **4) Reforming Our Management Systems**

Based on the mission, values and code of conduct set forth in *The FUJITSU Way*, we will continue to emphasize sustainability in the management of our business. In the second half of fiscal 2005, we initiated projects designed to improve our internal business processes and strengthen internal control functions, and we will expand these activities throughout the company going forward. In addition, we are stepping up efforts to revitalize our human resources.

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