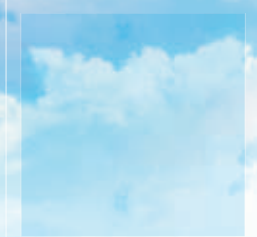


FUJITSU GROUP
SUSTAINABILITY REPORT
2006



Parent Company: Fujitsu Limited

Addresses: **Kawasaki Main Office**
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Nakahara-ku, Kawasaki, Kanagawa
211-8588, Japan
Tel: +81-44-777-1111

Headquarters
Shiodome City Center
5-2 Higashi-Shimbashi 1-chome
Minato-ku, Tokyo 105-7123, Japan
Tel: +81-3-6252-2220

President: Hiroaki Kurokawa

Established: June 20, 1935

Main Business

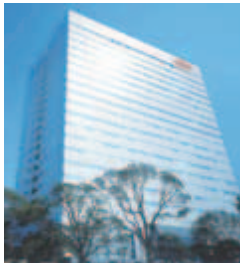
Activities: Manufacture and sale of communications systems, information processing systems, and electronic devices, and the provision of services related to those products

Capital: ¥324.6 billion (as of March 31, 2006)

Sales: Fiscal year 2005: ¥4,791.4 billion

Fiscal Year-End: March 31

Employees: Consolidated 158,000 (as of March 31, 2006)
Unconsolidated 37,000 (as of March 31, 2006)



Kawasaki Main Office



Headquarters

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You can also contact us via the Fujitsu "Environmental Activities" website.
<http://www.fujitsu.com/global/about/environment/contact.html>

Publisher

Published: December 2006

Senior

Authority for

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Publisher: SD Planning Division, Corporate Environmental Affairs Unit,
Fujitsu Limited

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Purpose

The 2006 Fujitsu Group Sustainability Report describes the thinking, efforts, and accomplishments regarding the social and environmental aspects of Fujitsu Group operations based on *The FUJITSU Way*, the core set of principles guiding the conduct of the Fujitsu Group. More detailed information is available on the Fujitsu website. (See page 61.)

Intended Readers

This report is for the benefit of various stakeholders, including customers, shareholders, employees, business partners, local communities, public administrators and NGOs/NPOs.

Ensuring Reliability of Information

In order to assure the reliability of the information presented here, we consulted the following guidelines: the GRI (Global Reporting Initiative) "Sustainability Reporting Guidelines 2002," the Japanese Ministry of the Environment's "Environmental Reporting Guidelines 2003," "Environmental Accounting Guidelines 2005," and "Environment Performance Index Guidelines 2002." This report has also been reviewed by an independent body, the Shin Nihon Environmental and Quality Management Research Institute, whose independent assurance report is appended. Furthermore, the reliability of the environmental information presented here meets the standards for being granted the environmental report audit and registration mark stipulated by The Japanese Association of Assurance Organizations for Environmental Information, and this report has been duly granted this audit and registration mark.

• GRI Sustainability Reporting Guidelines 2002
<http://www.globalreporting.org/>

• Ministry of the Environment: Environmental Reporting Guidelines (2003 edition)
<http://www.env.go.jp/policy/report/h15-05/all.pdf> (Japanese)

• Ministry of the Environment: Environmental Reporting Guidelines (2005 edition)
<http://www.env.go.jp/en/policy/ssee/eag05.pdf>

• Ministry of the Environment: Environment Performance Index Guidelines (2002 edition)
<http://www.env.go.jp/policy/report/h15-01/> (Japanese)

• The Japanese Association of Assurance Organizations for Environmental Information
<http://www.j-aoei.org/> (Japanese)



Two-way Communication

We consider this report a means for fostering two-way communication between readers and the Fujitsu Group. We welcome suggestions for improving our activities, and have included a separate questionnaire, which can be used for sharing any opinions you may have. We plan to publish this report yearly and will strive to make it even easier to read and use.

Operations Covered

In principle, this report covers the entire Fujitsu Group, while the environment-related sections cover a total of 137 consolidated subsidiaries (domestic and overseas subsidiaries) that have formed environmental management systems in conjunction with Fujitsu Limited. The section on environmental impact data covers Fujitsu Limited (22 business locations) and 27 of its major manufacturing subsidiaries (19 domestic and 8 overseas). Please note that this report generally uses the term "Fujitsu Group" to indicate the entire Fujitsu Group (although in some instances this does not include overseas Group companies), and the term "Fujitsu" to indicate Fujitsu Limited on an unconsolidated basis.

Key Fujitsu Group Changes Impacting the Scope of this Report

- Fujitsu Hitachi Plasma Display Limited is no longer included in consolidated accounts.
- Fujitsu Display Technologies Limited is no longer included in consolidated accounts.
- The Fujitsu Limited Minami Tama Plant was transferred.

Time Frame

This report focuses primarily on the thinking, efforts, and results of the Fujitsu Group for fiscal 2005, the financial period from April 1, 2005 to March 31, 2006, with the data reflecting actual results from that period. The report also includes the Fujitsu Group's thinking, efforts, and accomplishments as well as activity data prior to April 1, 2005 and also for the period between April 1, 2006 and the beginning of September 2006.

A Note Concerning Forward-looking Statements, Projections, and Plans

This report not only describes past and present facts related to Fujitsu Limited and its related subsidiaries (the Fujitsu Group), but also includes forward-looking statements, projections, and plans. Such forward-looking statements, projections, and plans are based on data available when the report was prepared, and therefore involve a degree of uncertainty. Accordingly, future results of operating activities and other new developments may differ from the statements, projections, and plans included in this report. We ask our readers' understanding of the fact that the Fujitsu Group cannot be responsible for such eventualities.

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The Importance of Sustained Activities Based on a Long-Term Perspective



Naoyuki Akikusa
Chairman

While it is true that corporations need to take short-term measures to provide increased value within the social context, we are aware that steady, sustained activities based on a long-term perspective are also critical. Although time frames in the IT field we work in are becoming increasingly compressed, our culture and values as a corporation are, after all, things that are built up over long periods.

Supporting Global Human Resource Development Over the Long Term

I would like to present one example of these efforts: the establishment of JAITS, the Japan-America Institute of Management Science. JAITS is a non-profit educational institution proposed and founded by Fujitsu in Hawaii in 1972 for the purpose of cultivating international business leaders. It was not set up to promote Fujitsu's business in Hawaii. Rather, believing that advances in IT would accelerate economic globalization and, foreseeing the necessity of cultivating human resources that could play a role in unleashing unlimited global prosperity, we proposed the establishment of JAITS. That mission has remained unchanged, and for more than 30 years Fujitsu has provided unwavering support for JAITS' activities.

In parallel with that support, in 1985 we established a

scholarship program to enable talented business people from the Asia-Pacific area to study at JAITS. To date, over 20,000 people from more than 50 countries have participated in JAITS programs. Many JAITS alumni have applied their expertise in developing cross-cultural business around the globe. Ultimately, this has also been of great value to the Fujitsu Group.

Acquiring Globally Integrated ISO14001 Certification for the Whole Fujitsu Group

The Fujitsu Group has since its earliest days had a strong orientation towards operating in harmony with the environment. We do not view environmental protection as a cost, but rather as a key corporate value, and based on that stance we have been engaging in a wide range of leading-edge environmental activities. As a result of these sustained efforts, in March of this year we acquired globally integrated certification of our environmental management system under the ISO14001 international standard. A perspective of continuous improvement is an absolute requirement for constructing and operating an environmental management system, and we are committed to continuing to improve our EMS over the long term. Having acquired integrated certification, we will work to further advance our global environmental management and strive to ensure that operating in harmony with the environment takes even firmer root in the corporate culture of the Fujitsu Group.

Sustained Efforts Based on Principles of The FUJITSU Way

Efforts such as these cannot be sustained over time if they are overly goal-oriented. Persistent involvement from a long-range perspective and with an awareness of our position in society is essential.

We advocate fostering "mutually beneficial relationships in our communities worldwide" as an essential part of the Fujitsu Group's mission. Going forward, along with pursuing the infinite possibilities latent in IT, we will continue to take a long-range perspective and harness our accumulated corporate wisdom to advance environmental and social activities.

A handwritten signature in black ink that reads "Naoyuki Akikusa". The signature is written in a cursive, flowing style.

To Be a Partner that Continually Supports Our Customers with IT



Hiroaki Kurokawa
President

We Strive to Turn Dreams into Reality

The Fujitsu Group aspires to leverage IT to become an indispensable partner to our customers. We seek to grow together with our customers by contributing to their business success. Our mission is to continually create new value to help our customers integrate management and IT, and thereby realize the dreams of our customers, our employees, and the Fujitsu Group itself. This is the *raison d'être* of the Fujitsu Group and the basis of our contribution to society.

Creating a Corporate Culture that Learns from Failure and Utilizes those Lessons

On November 1 of last year, there was a serious incident involving disruption to the stock and convertible bond trading system Fujitsu built, maintains, and supports for the Tokyo Stock Exchange. This incident forcefully reminded us of the vital role the Fujitsu Group plays in supporting our customers' businesses as well as society itself.

As we work to help customers advance the integration of their management and IT, our first priority must be to ensure stable system operation. Taking this incident as a new starting point for our business, and marshalling the concerted efforts of the entire company to work towards stable system operation, we launched a project in November of last year to carry out comprehensive inspections of critical infrastructure systems that have a broad impact on

society. In working diligently with our customers to resolve any system operations issues discovered in the inspection process, we sought not only to fulfill our responsibilities as their partner but also to take advantage of the lessons learned to increase the quality of our human resources and thereby respond to the expectations of both our customers and society. The Fujitsu Group undertakes some 18,000 system-construction projects for our customers each year. Some of these projects—very few of them—do fail. While there are a variety of reasons for project failures, whatever the reason, a failed project represents a serious imposition on the customer.

The year before last we started a systems integration assurance initiative to ensure that project failures would not be repeated. In addition, in May of this year, we began holding study group sessions, mainly for system engineers and sales staff, dedicated to learning from failed projects. Through these efforts we are working to thoroughly explicate the problems from past project failures, learn why such problems occurred, and in sharing this information with customers work in partnership with them to increase the likelihood of project success and thereby deliver greater value to them.

I would like to make this principle of learning from our failures and utilizing those lessons to improve a new element of Fujitsu's corporate culture.

Making Fujitsu Itself a Reference Model for Reform

The IT industry is shifting from an era centered on system construction to one focused on utilization. Therefore, I think it is extremely important that we provide realistic proposals to our customers based on our own internal experiences of success and failure at implementation. To make that possible, I believe that the Fujitsu Group itself should become a reference model for reform. With this in mind, we are implementing two company-wide efforts towards these goals: "Project EAGLE" (to build an internal control system while at the same time implementing business process reforms), and an in-house IT systems innovation effort.

Through initiatives like this we are committed to working even harder to contribute to our customers' growth and development and to become an invaluable partner to them.

Hiroaki Kurokawa

To Be a Corporation that Continues to Earn the Trust of Stakeholders



Masamichi Ogura
Corporate Senior Executive Vice President

The Trust of Society is the Basis for a Corporation's Existence

For the Fujitsu Group to continue to exist as a corporation, our corporate activities must engender the trust of society. The basis for such trust lies in continually striving for soundness and transparency in our business activities, and in this regard we are working to refine our framework for internal control. Based on the fundamental awareness that strengthening corporate governance is essential, we are promoting the continuing implementation of an array of measures, including compliance and risk management. In addition, we believe it is important to be open about management information and corporate activities. We will be placing even greater emphasis on disclosing information to and communicating with shareholders, investors and all our stakeholders.

Earning the Trust of All Our Stakeholders

The Fujitsu Group has long striven to build stakeholder relationships characterized by trust through active communication efforts. However, we acknowledge that our disclosure of information concerning certain soil and groundwater contamination surveys that we have conducted

has been inadequate, and this has given rise to much concern among local residents. We are taking this issue seriously, have created new company internal rules, and are reviewing our approach to information disclosure.

We are applying lessons learned from this experience and are committed to building sound, trusting relationships with all our stakeholders. We welcome any opinions or suggestions in this regard.

Solidifying the Foundation for Environmental Management

Amid a growing number of natural disasters thought to be connected with global warming, and the strengthening of environmental regulations in countries around the world, involvement in global environmental issues has become an increasingly important management issue for the Fujitsu Group.

To solidify our foundation for addressing this issue, as of the end of fiscal 2005 we had constructed an environmental management system (EMS) that includes our overseas consolidated subsidiaries and acquired top-level globally integrated ISO14001 certification. Based on this, we are strengthening our efforts across the whole supply chain, including our overseas activities.

Final Year in Current Stage of Environmental Protection Program

We are now in the final year of Stage IV of the Fujitsu Group Environmental Protection Program, which covers the three-year period from fiscal 2004 through fiscal 2006. During this stage we have achieved steady progress in efforts such as increasing the number of "Super Green Products" (products with industry-leading environmental consideration) we offer and expanding our certified "Environmentally Conscious Solutions" offerings for helping customers to reduce environmental burden, as well as in meeting targets for our resource reuse and recycling rate for end-of-life products and reducing emissions of greenhouse gases so as to help prevent global warming. Fiscal 2006 is the last year we have left in which to achieve these goals, and we are stepping up ongoing efforts to do so.

Masamichi Ogura

The Fujitsu Group creates and provides high-performance, high-quality solutions based on powerful information technologies.

Regarding Our Business Segments

In order to provide comprehensive solutions that combine world-class hardware, software and services and ensure high customer satisfaction throughout the time that customers use them, we have integrated our sales and system engineering groups in Japan and pursued other organizational reforms.

In light of these activities, in fiscal 2005 we reclassified our business segments from a product and technology-focused orientation to a customer-centric categorization.

• **Technology Solutions**








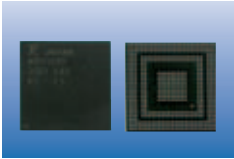
Covering the provision of comprehensive solutions consisting of the high-performance, high-quality products and services that customers demand, Technology Solutions is positioned as the principal business domain of the Fujitsu Group. We will aggressively pursue greater profitability and growth in this area.

• **Ubiquitous Product Solutions**

Ubiquitous Product Solutions includes products such as PCs, mobile phones and hard disk drives, which are integral to meeting individuals' needs in the era of ubiquitous networking. In this segment we will work to improve time to market and quality and to reduce costs.

• **Device Solutions**

In Device Solutions, through a series of restructuring initiatives and alliances, we are focusing our resources on leading-edge logic LSI devices. In this area, as well as in our related electronic components businesses, we will pursue advanced technologies that other companies cannot match, as well as higher quality and greater efficiency.

Business Segments	Sub-segments		
Technology Solutions	System Platforms	<ul style="list-style-type: none"> • System Products • Network Products 	
	Services	<ul style="list-style-type: none"> • Solutions/SI • Infrastructure Services • Others 	
Ubiquitous Product Solutions	<ul style="list-style-type: none"> • PCs/Mobile Phones • Hard Disk Drives • Others 		
			
Device Solutions	<ul style="list-style-type: none"> • LSI Devices • Electronic Components, Others 		

Striving to achieve steady profitable growth by intensifying and accelerating efforts to meet four key challenges.

Overview of Fiscal 2005 Business Performance

In fiscal 2005, we increased both sales and profits compared with the prior fiscal year, achieving consolidated net sales of 4,791.4 billion yen, operating income of 181.4 billion yen, and net income of 68.5 billion yen.

In fiscal 2005, we also shifted our focus from one centered on products to one that better emphasizes the customer, and we revised our business segmentation to help facilitate business development in directions that exploit our strengths. We reorganized our former business segments of Software & Services, Platforms, and Electronic Devices, into a new classification comprising: Technology Solutions, which includes Services and System Platforms; Ubiquitous Product Solutions, centered on hard disk drives, mobile phones, and PCs; and Device Solutions, which encompasses our electronic devices business.

In Technology Solutions, by unifying our sales and system engineering teams and bolstering risk management in our systems integration business, we were able to reduce losses from loss-generating domestic SI projects to about one quarter that of the previous year, and income in this segment increased substantially. We were also able to establish a firm footing for growth in our outsourcing services business. Issues remain in System Platforms, however, where unit shipments increased, but price competition became more intense and the shift to lower-priced models continued, resulting in reductions in both revenue and income.

In our overseas operations, we were able to achieve double-digit sales growth in both Services and System

Platforms. Increases in sales of outsourcing services to the public sector in the UK and growth through acquisitions in the US drove significant revenue gains in our services business. In the System Platforms area, as well, sales in Europe and the US grew strongly, due in good part to the performance of Fujitsu Siemens Computers. Our optical communications business in North America also performed well.

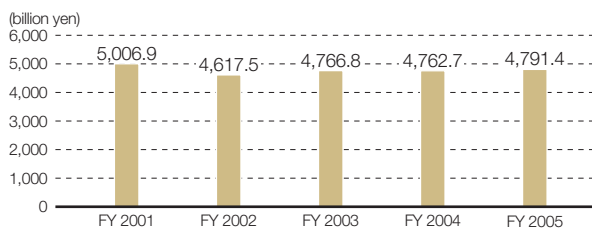
In Ubiquitous Product Solutions, we established our hard disk drives as a high-quality brand and accelerated time-to-market, achieving significant sales growth. We also achieved favorable performance in PCs and mobile phones through efforts to strengthen supply chain management and product competitiveness.

In Device Solutions, our leading-edge logic LSI business has been winning acclaim, and we achieved growth in orders. Despite increased investment in our Mie Plant, we recorded higher profitability thanks to business restructuring and thoroughgoing efficiency improvements in our standard products business.

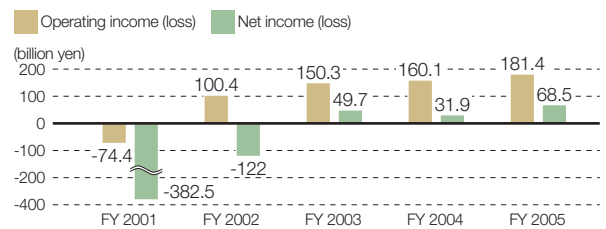
As a result of company-wide manufacturing innovation initiatives, we made further progress in reducing inventories and improved our ability to respond to market changes. In addition, revisions to our pension system together with favorable trends in the stock market contributed to an increase in net income, and we were also able to reduce the balance of interest-bearing loans to under 1,000 billion yen and further improve our financial condition.

However, overall growth in sales was minimal and there are remaining issues that must be resolved for further business expansion.

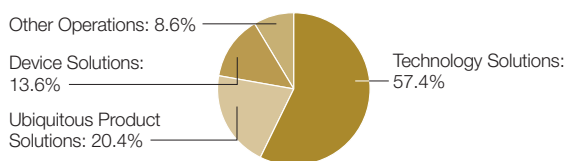
Consolidated Net Sales



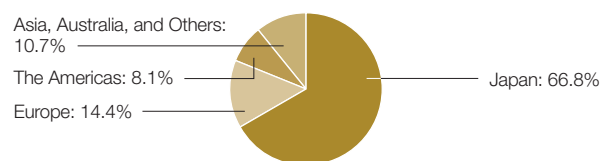
Consolidated Operating Income/Net Income



Net Sales by Business Segment



Net Sales by Region*



*Net sales to unaffiliated customers by customer's geographic location

Management Direction in Fiscal 2006

We see fiscal 2006 as the year in which we will complete our efforts to meet the four key challenges we articulated in fiscal 2004.

First, to “strengthen our existing businesses,” we will work to increase management speed across our entire supply chain and to further reduce inventories so as to achieve even greater gains in our business efficiency. Furthermore, we are working to take full advantage of IT to revolutionize our design processes and thereby improve cost competitiveness and speed in our development and manufacturing activities.

Second, to “create and cultivate new businesses,” we will move forward with further expansion of our overseas businesses, which are showing solid profitability, and domestically, with expansion of new outsourcing business areas, such as business process outsourcing (BPO) and application portfolio management (APM). We will also work to develop our business with small and medium-sized enterprises in Japan. Third, to “reform our organization and approach,” we will advance process reforms in our sales activities to complete the integration of our sales and systems engineering teams.

Finally, to “reform our management systems,” taking improved visibility and simplicity as watchwords, we will work to reform our business processes and renovate our in-house IT systems in conformity with the new Japanese version of the Sarbanes-Oxley (SOX) law.

In the Technology Solutions segment, we will strive to further strengthen management of our systems integration business, which is the backbone of our domestic services business, in order to increase our earning capacity. At the same time, leveraging the lessons learned from the comprehensive inspections of customers’ critical infrastructure systems that we began in fiscal 2005, we will pursue a paradigm shift to an operations-oriented and packaged services business model in pursuit of more stable profitability. In our overseas services business, along with deploying strategies that are closely aligned with local market requirements, we will strengthen our ties with local business partners and enhance our ability to handle global accounts. We will devote particular attention to the strategically important markets of North America and China.

In System Platforms, striving to further expand our promising overseas business, we will expand our global network of open-standard system verification centers and

Four Key Challenges

(1) Strengthen Our Existing Businesses

- Consider profits as fixed cost of doing business
- Continue to reduce cost ratio
- Continue to accelerate management speed

(2) Create and Cultivate New Businesses

- Rejuvenate our overseas businesses
- Drive creation of ubiquitous networking market

(3) Reform Our Organization and Approach

- Optimize organization from customer’s perspective

(4) Reform Management Systems
• Enhance visibility • Simplify

work to develop our business in close step with customer requirements. In addition, we will pursue steady business expansion by capitalizing on the benefits of various alliances, including the provision of our mission-critical IA servers to EDS, the deployment of a unified line of server products with Sun Microsystems, and joint development activity with Cisco Systems.

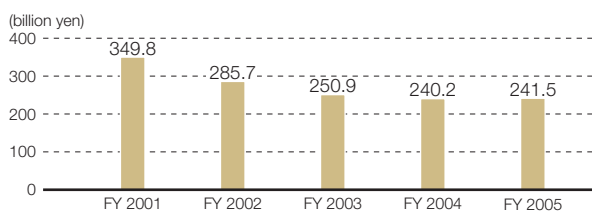
In the Ubiquitous Product Solutions segment, we plan to further strengthen our global operations and solidify our ability as a business to respond to market changes and to develop new businesses with improved profitability.

In Device Solutions, to grow our advanced logic LSI business we will front-load investment in expanding production capacity based on actual demand, while also pursuing business expansion in fields with higher added value, such as module and board implementations, and leveraging our software strengths to expand our business in specific application-oriented ICs globally.

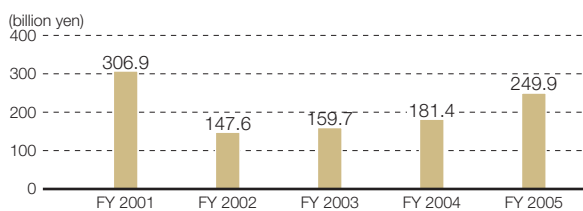
Seeking to lay the foundation for stepping up the pace of our business expansion beyond fiscal 2006, we will increase capital investment to 350 billion yen, 100 billion yen more than in fiscal 2005, and at the same time increase R&D expenditure. Furthermore, to respond to the shift in customers’ attitudes towards IT from a view focused on the construction of IT systems to one centered on their utilization, we will work to make Fujitsu itself a reference model for the reform of business processes and utilization of IT, and thereby strengthen our ability to present customers with compelling proposals. In addition, since we see our employees as our greatest asset, we will focus on strengthening our human resource development programs.

Through these measures, in fiscal 2006 we aim to increase revenue and income and have set targets of 5,200 billion yen in consolidated net sales, 190 billion yen in operating income, and 80 billion yen in net income.

Research and Development Expenditures



Capital Expenditures



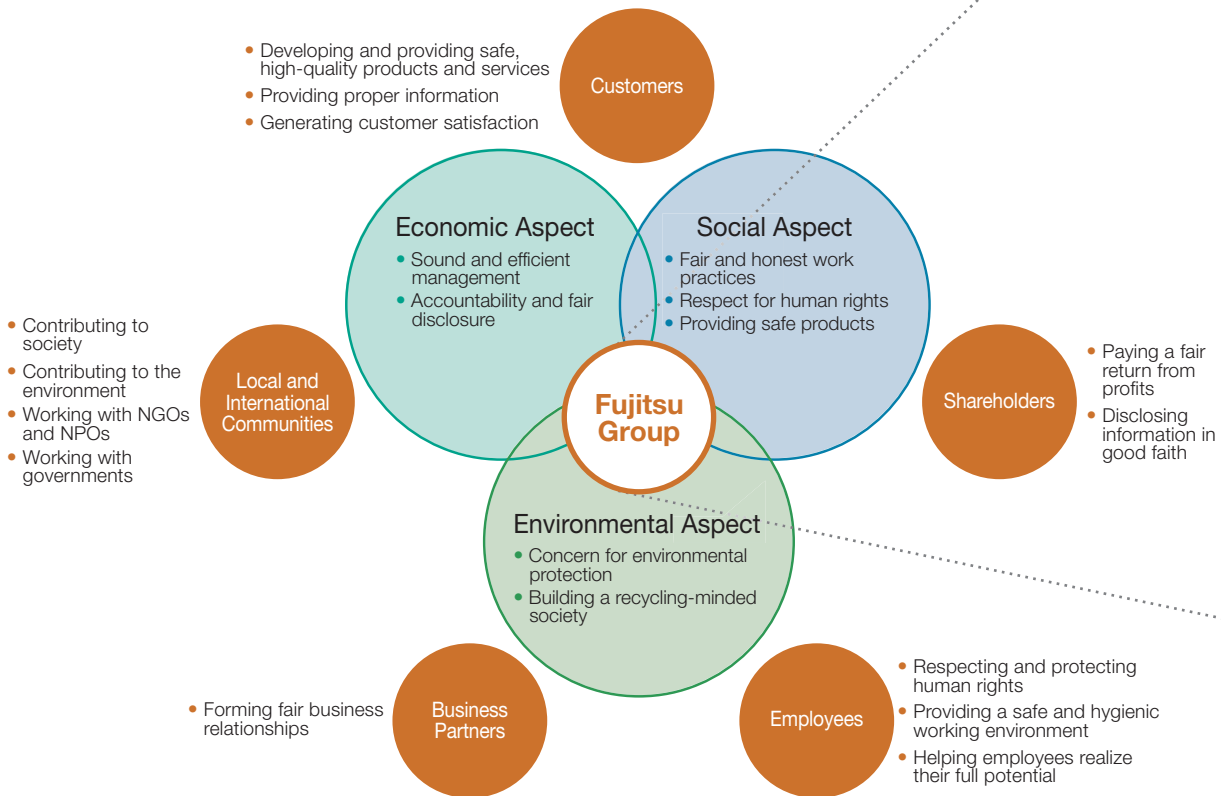
The FUJITSU Way

Introduced in 2002, *The FUJITSU Way* is the core set of principles guiding the corporate and individual actions of the Fujitsu Group and our continuing development as good global corporate citizens. A common understanding of Fujitsu’s mission, values and code of conduct serves as the standard governing individual employees’ business activities.

The FUJITSU Way underlines the great importance management places on customers, employees, and quality, as well as the environment, and makes explicit the values we associate with each of these. We believe that focusing equally on all of these areas enables us to contribute to the wellbeing of our stakeholders, including customers, employees, shareholders, suppliers and business partners, local and international communities, public entities and administrators — and as a result helps to foster the profitable growth of the Fujitsu Group.

Underlying this thinking is our commitment to helping promote the concept of sustainability. Meeting this commitment requires highly integrated efforts encompassing several different aspects of corporate activity: a social aspect, wherein the corporation fosters fair and honest work practices and a respect for human rights; an economic aspect, wherein the corporation pursues sound and efficient management and seeks to explain its actions by providing adequate disclosure of information; and an environmental aspect, wherein the corporation promotes global environmental protection initiatives ranging from actions to prevent global warming to actions to help build a recycling-minded society. We hope to continue meeting the expectations and earning the trust of our stakeholders by demonstrating measurable results in each of these so-called triple bottom line areas.

As the core set of principles guiding our socially responsible corporate behavior, *The FUJITSU Way* is the inspiration for all business policies, plans and Group-wide activities.



The FUJITSU

The core set of principles under which the Fujitsu Group strives for continuous development as a global corporation and to help achieve a sustainable society.

The FUJITSU Way — Turning Dreams Into Reality —

Our Mission

Fujitsu continually seeks to create new value by providing customers with comprehensive solutions comprising reliable, high-performance products and services based on advanced technologies. In this way, we aim to grow, realize profits, and foster mutually beneficial relationships in our communities worldwide.

Our Values

Customers	Employees	Quality	Environment	Profits & Growth
Our dream is to make our customers' dreams come true	Every one of us has a leading role to play	We aim to earn our customers' trust in Fujitsu	We consider environmental impact in all that we do	We strive to meet the expectations of customers, employees and shareholders

Our Code of Conduct

Respect Human Rights	Protect Intellectual Property
Comply with Laws and Regulations	Reject Unethical Behavior
Maintain Confidentiality	Act with Fairness in Our Business Dealings

Group-wide Activities

Manufacturing innovation, environmental activities, etc.

Business Strategy

President's management direction

Business Plans

Established at business unit level

Way

Creating new value for customers

Opening up future possibilities with “electronic paper”

“Electronic paper” is attracting much attention as a thin, bendable and light-weight electronic display medium that provides the same ease of use as traditional paper. Fujitsu was the first to develop electronic paper that combines memory capability (allowing it to retain the displayed image without power) with color display and the flexibility of a bendable display. Its energy- and resource-saving characteristics are expected to lead to a wide range of applications in the display field. Aiming to turn our customers’ dreams into reality, we are vigorously pursuing research and development toward the practical application of electronic paper.

Along with providing the same ease of use as normal paper, which is thin, flexible, and light, our film substrate-based electronic paper can be rewritten any number of times using very little electric power. These properties have made it a subject of great interest as a new electronic display medium.

While electronic paper has been the focus of much research and development, thus far it has been difficult to create a product that exhibits all of these characteristics, namely, a full color display flexible enough to be bent and with memory capability that allows it to retain the displayed image even without power.

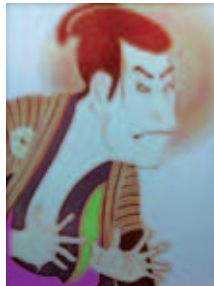
Overcoming these challenges, we succeeded for the first time in the industry in creating a bright color display with

memory characteristics on a flexible film substrate.

Our electronic paper requires no power except when the display is changed, and thus is an extremely low-power device. Furthermore, it can be connected to mobile phones and other terminals. Thus it holds great promise for use in a wide range of areas that require display of freshly updated information, such as display posters and notice boards in office buildings and train stations, hanging posters in trains, and information display in home appliances. Aiming for commercial deployment a few years from now, we are pursuing a field innovation program that includes proof-of-concept tests and test marketing activities.



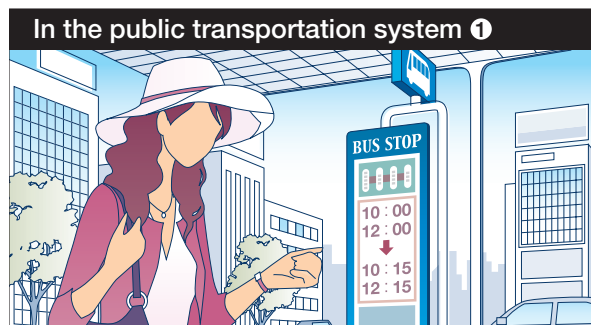
Bendable display using a flexible substrate



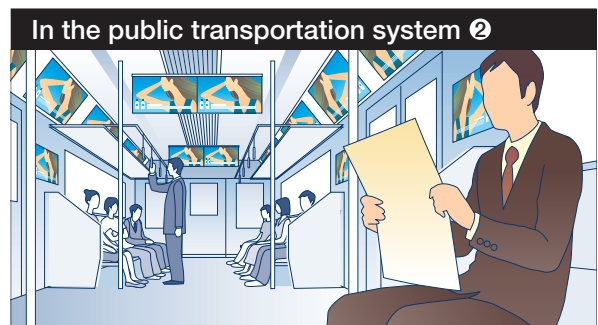
Full color display requires no power for retained image



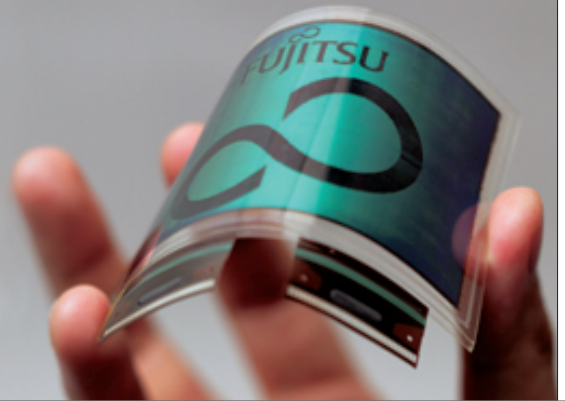
As part of an electronic tag proof-of-concept test carried out in conjunction with the Ministry of Economy, Trade and Industry’s “Japan Future Store Project” in fiscal 2005, we tested the practical applicability of this technology using electronic inventory tags made from electronic paper for jeans on store shelves.



- Electronic timetable display**
 In addition to displaying fixed schedules, electronic paper could also display real-time information such as disruptions to train or bus timetables.



- Electronic advertisements and announcements**
 The special features of electronic paper, namely light weight, flexibility, rewritability, and low power consumption, could be taken advantage of in public installations such as hanging advertisements in trains and electronic signboards on curved walls. Electronic paper enables highly effective announcements and product advertisements, since the content displayed can be changed according to the time of day or other conditions.



Fujitsu's Electronic Paper Advantages

• Low power consumption

Our electronic paper requires no power for continuous display, since it has a memory function that allows it to retain the displayed image even if power is turned off. Furthermore, the display image can be changed using minimal electricity consumption equivalent to the weak radiowaves used in contactless IC cards. Power consumption is thus anywhere from a few hundredths to a few ten thousandths of that required by earlier technologies such as LCDs.

• Superb display capabilities

Since our electronic paper has a three-layer structure consisting of red, green, and blue display panels, it does not require polarizers or color filters. As a result, it provides brighter color display than reflective LCDs. Since it does not require frequent rewrite operations to continue displaying, it provides flicker-free image display. Furthermore, the adoption of unique Fujitsu technologies makes it impervious to bending or finger pressure.

• Substrate flexibility

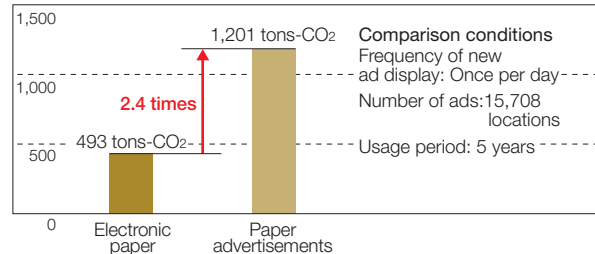
The use of a film substrate makes our electronic paper flexible and functional when it is bent, making possible a wide range of potential applications.

Ecology

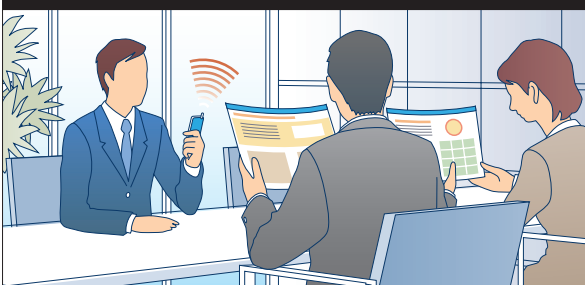
Contributing to Lower Environmental Burden

In addition to providing new conveniences in business and lifestyle applications, because electronic paper uses extremely small amounts of power it has great potential to contribute to reducing environmental burden. For example, if electronic paper were used instead of regular paper for the hanging advertisements in the trains on Tokyo's Yamanote Line, calculating the environmental burden (CO₂ equivalent) under certain conditions shows that over a 5-year period, electronic paper could reduce the environmental burden to 42% of that imposed by paper advertisements.

Environmental Burden Assessment of Paper Advertisements in Trains



In the office



• Enlarged display of information from small-screen devices

Text and image data from mobile phones and other devices could be transferred wirelessly to large electronic paper displays for easy viewing.

• Paperless workflows

Since electronic paper can provide portable display of just the required sections of manuals or work instructions, it could promote paperless workflows in factories and offices.

• Strengthened security functions

Electronic paper could be effective in helping to prevent information leaks, since data can be erased after customer information, figures, or other sensitive information has been viewed.

When shopping



• Electronic inventory tags and POP information

Electronic paper could be used for many in-store applications, from inventory tags and point of purchase advertisements to restaurant menus. Pricing and product information can be displayed in color and rewritten in a timely manner.

• Credit card settlement processing

Incorporating an electronic paper display as part of a credit card could allow the user to verify information such as card usage and the date and amount of bank account deductions for revolving credit charges. Similarly, in prepaid cards, the remaining balance could be displayed clearly with no image degradation no matter how many times the card was used and the information changed.

Security solutions for the advanced information society

PalmSecure—Our contactless palm vein authentication system

The ubiquitous networking world promises the convenience of an environment in which anyone can easily access information anywhere at any time, but it also brings increased risk of information leaks from unauthorized access to personal or confidential information. To respond to this problem, we developed PalmSecure, a contactless palm vein authentication system that reliably authenticates personal identity to ensure secure, authorized information access. We deliver original security solutions based on powerful information technology.

Increasing importance of personal identity verification

With the advent of the ubiquitous networking world, including the introduction of electronic government systems, the diversification of financial services, sophisticated access management for offices and airports, and the increasing adoption of working from home, the importance of personal identity verification is becoming ever more pressing. Although technologies such as security codes (PINs), passwords, and IC cards have been used up to now for identity verification, these methods are susceptible to problems such as theft, forgetting, forgery, and unauthorized transfer. Therefore, attention is now being focused on biometric authentication technologies that record in advance either features of the human body and/or features of the person's actions (habits) and then remeasure those features to confirm that they match the recorded information.

What is palm vein authentication technology?

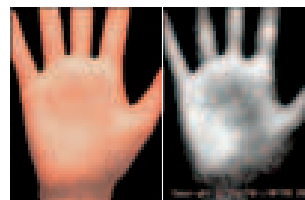
We currently have active research and development initiatives in four biometric authentication technologies: fingerprints, face, voice and palm vein recognition. Of these, the one that is expected to be used in scenarios that require especially high authentication precision, such as public areas and the financial field, is contactless palm vein authentication

technology. Palm vein authentication uses the blood vessel pattern formed by veins that can be seen as blue lines in the palm of the hand. Since this information is internal and intrinsic to the person, it is essentially "safe" information that is very difficult to steal. While there are other vein pattern authentication approaches that use, for example, the pattern of veins in the back of the hand or in a finger, the palm has a large area and the veins intertwine in complex patterns. Thus the palm provides a richer sample of data for identifying individuals than the other approaches. Moreover, blood vessels in the palm are thick and are less affected by cold or injury and thus allow stable recognition.

Contactless palm vein sensor reflects user considerations

In March 2003, we created the world's first completely contactless palm vein sensor, which is able to authenticate personal identity simply from a hand held over the sensor. In addition to being appropriate for applications that require a

high level of hygiene, such as public places or medical work, from a psychological standpoint, this approach reduces the the sort of reluctance that people feel in using a unit after it has



Contactless palm vein authentication

Example of use in the financial sector ①

In recent years in the financial sector, there have been increasing incidences of losses arising from cash cards being stolen or forged by skimming and criminals pretending to be the card owner to withdraw cash illegally from ATMs. With depositors calling for stronger security measures, increasing numbers of financial institutions have introduced IC cards or biometric-based authentication technologies to prevent losses from stolen and forged cards. Fujitsu was one of the first to propose the introduction of biometric-based authentication technologies in financial transactions as a means of improving identity verification. As a pioneer in this field, we were the first to achieve full-scale practical implementation of palm vein authentication technology. We have two types of solutions that use palm vein authentication technology, based on where the vein blood vessel pattern data is stored. One is a "server-type" solution, in which the patterns are stored on a server. This has the advantage of being able to centrally manage the processing for matching vein patterns. The other is an "IC card-type" solution, in which the pattern is stored on an IC

chip embedded in the card. This type has the advantage that the vein pattern data resides with the user. As part of our financial solutions business, we have delivered systems to several banks, beginning with a server-type system for Suruga Bank and an IC card-type system for The Bank of Tokyo-Mitsubishi UFJ, Ltd.



Bank ATM with palm vein sensor



been touched by strangers. This design not only provides a highly secure authentication system for the organization installing the equipment but also delivers peace of mind to users.

Proof of high authentication precision

To verify the accuracy of the technology, we carried out tests using data on 140,000 individual palm patterns from 70,000 employees of the Fujitsu Group. As a result, we verified that the system had a correct acceptance rate (the percentage of people whom the system correctly recognizes) of 99.99% and a false acceptance rate (the percentage of people whom the system incorrectly recognizes as being someone else) of less than 0.00008%. In addition, we confirmed that the technology can reliably verify personal identity based on data from people with a variety of ages, professions, and nationalities, data collected over several years, and data from a variety of aspects of daily life.

Responding to worldwide demand

Responding to demand for higher levels of security outside Japan, in March 2005 we presented our contactless palm vein authentication system at the CeBIT international information and telecommunications trade show in Hanover, Germany, where it attracted much attention and received high marks for its superlative performance. Based on this reception, we began

selling this product in June 2005 through our local subsidiaries in the Americas, EMEA, Australia, and Asia.

Promoting even wider adoption

In March 2006, we announced a new product under the unified worldwide brand: PalmSecure. To promote its adoption in an even wider range of application areas, we reduced the size of the sensor to one quarter (35×35 mm) that of the earlier model. At the same time, in addition to increasing its authentication speed and improving its environmental performance, we were able to achieve significant cost reductions. Along with providing a software development kit (SDK) for developers in both English and Japanese, we also developed a dedicated website for this product. By providing the latest technological information and software and implementing an individual support service, we are moving forward with the creation of an environment that will support the unhindered development of applications based on the creative ideas of developers.



Example of general market application ②

Having started with applications in the financial solutions business, we are now working to extend our palm vein authentication system offerings to a broader range of general market applications. Two particular applications attracting considerable attention are palm vein authentication access control units, which guard the physical entrances and exits of buildings or offices, and palm vein authentication login control units, which guard data “entry and exit” electronically. Access control units are used to control access for buildings and rooms to which entry and exit is restricted to specified individuals. These units are implemented as a simple integrated structure consisting of



Palm vein authentication access control unit

the sensor unit (operating component), over which users hold their hand, and a control unit that performs the authentication processing and issues commands to unlock the door. This system is being used for places that manage confidential or personal information, such as machine rooms that handle critical functions and outsourcing centers that handle important system data for customers. Amid concerns over personal safety, these systems are also beginning to be deployed in condominiums and individual homes.

Examples of Deployments of Contactless Palm Vein Authentication Systems

- The University of Tokyo Hospital (Room access control)
- Chiba Institute of Technology (IC card-based student IDs for access to grades and other information)
- Naka City Public Library (Cardless lending system)
- Kawasaki Shinkin Bank (PC login control)

Fostering mutually beneficial relationships in our communities worldwide

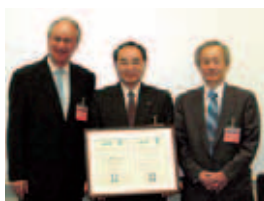
Constructing a globally integrated Environmental Management System

In pursuing the worldwide business development of the Fujitsu Group we recognize that constructing a globally integrated environmental management system (EMS) that incorporates the environmental regulations of countries around the world has become essential. Under the slogan “We Make Every Activity Green,” we have been working to develop a shared EMS framework for the Fujitsu Group. In fiscal 2005, we were able to establish such a Group-wide EMS framework, including for operations outside Japan.

In recent years there has been a trend towards increasingly strict environmental regulations on commercial products in Europe and other regions. Because we engage in business activities all around the world, building a shared Group-wide environmental management system that incorporates these environmental regulations has been seen as a critical business issue. At the same time, amid changes in our business structure, the proportion of the Fujitsu Group’s overall environmental burden associated with subsidiaries’ business activities is increasing, making it essential to increase the environmental awareness of each and every employee throughout the Group.

It was from this standpoint that in Stage IV of our Environmental Protection Program (covering a three-year period beginning with fiscal 2004) we set the target of establishing an EMS-based framework for environmental management across the entire Fujitsu Group by the end of fiscal 2005. By the end of fiscal 2004 we had acquired integrated ISO14001 certification covering Fujitsu Limited and all consolidated domestic subsidiaries.

In fiscal 2005, we expanded EMS coverage to our overseas manufacturing subsidiaries and other key operations requiring certification for business reasons—a total of 11 companies and 22 business sites. As a result, Fujitsu ranks among the leaders



Certification presentation

of the Japanese electronics industry in ISO14001 globally integrated certification, with an EMS-based framework encompassing roughly 117,000 employees (including employees of certain affiliated

companies).

In acquiring this certification, and to make this a management system that is uniform worldwide, our domestic and overseas sites were audited by Japan Audit and Certification Organization for Environment and Quality (JACO) and Det Norske Veritas (DNV), respectively, and the system was duly certified as a unified environmental management system.

Furthermore, we have established and are operating an EMS based on common standards derived from the Fujitsu Group Environmental Policy in 34 non-manufacturing consolidated subsidiaries outside Japan, thus solidifying our environmental management framework across all companies in the Group.

Background and Impact of Building a Globally Integrated EMS

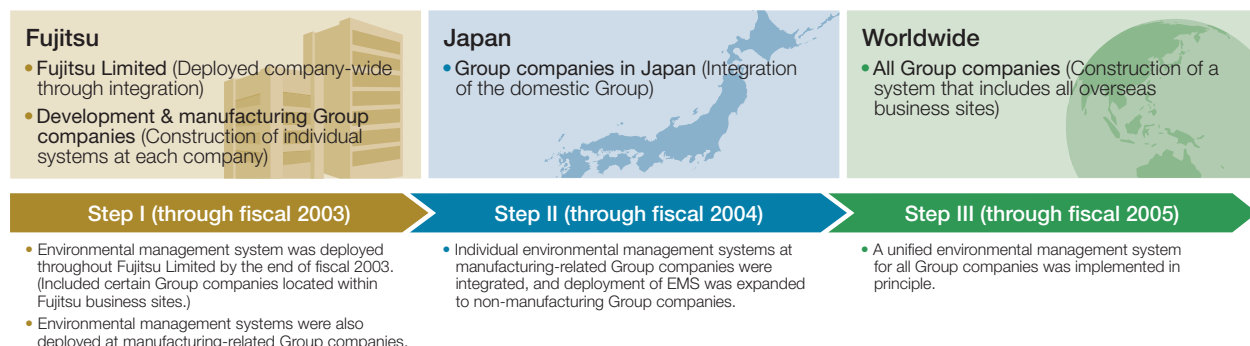
- **Amid increasing globalization and international division of labor**

We are now able to coordinate efforts across our whole supply chain, including overseas locations, to systematically and efficiently advance environmental activities such as RoHS compliance.

- **Amid calls for strengthened corporate governance**

Since updates on progress toward achieving the goals set forth in Stage IV of the Fujitsu Group Environmental Protection Program (see page 43) and information on environment activities by each Group company (including legal compliance, emergency response, and communication activities) can now be collected every quarter, we have strengthened Group governance through management reviews that include overseas subsidiaries and affiliates and unscheduled audits.

EMS Deployment



Global Perspectives

Messages from Group companies outside Japan



North America **Building a system to increase the environmental awareness of each and every employee and to promote recycling**

Fujitsu Transaction Solutions sells, maintains, and develops applications for systems for the US retail market and ATMs for the financial services market. We addressed the construction of an EMS aimed at all employees with “environmental education and awareness” and “promoting recycling” as critical themes. As a result, not only have all our employees become aware of environmental protection in their daily work, but we have built a system that promotes recycling of used products as well as virtually all waste materials. In implementing this global EMS, we were able to acquire certification quickly by taking advantage of our QMS (quality management system), which has already been certified, and the Fujitsu Group experience in EMS construction. In the future, while continually improving and expanding our recycling activities, we intend to expand the organizations covered by the EMS to include our office division as well.



Lori J. Downs
Manager, Business Effectiveness & Improvements
Fujitsu Transaction Solutions Inc.



Europe **Focusing on reducing environmental burden through reuse and recycling of packing materials**

Fujitsu Microelectronics Europe is engaged in the import, export, and sale of electronic devices in the European market. The issue we faced directly was the reuse and recycling of packing materials. Previously, packing materials that could not be reused or recycled had been used in the products we handled. Therefore, we worked to adopt packing materials that could be recycled and to reuse shipping materials. In addition to reducing the amount of waste we generated, this also led indirectly to a reduction in our CO₂ emissions. Along with these efforts, we are promoting a variety of environmental initiatives, starting with the introduction of “cooling roofs” to reduce air conditioning use, as well as measures to reduce the amounts of power, water, and paper we use. Through these efforts and educational programs, we are sensing an increasing awareness of environmental activities among our employees. In the future we will continue to contribute to the creation of a recycling-oriented society and the prevention of global warming, implementing environmental activities that augment the credibility of our company and the Fujitsu Group.



Thomas Ritter
Senior Manager, Logistics
Fujitsu Microelectronics Europe GmbH



Asia **Understanding and cooperation from our employees and business partners supports the manufacture of “Green Products”**

Fujitsu (Thailand) Co., Ltd. manufactures hard disk drives and other magnetic disk equipment. Not only does hard disk drive manufacturing use large amounts of resources, such as power and water, it also generates significant amounts of waste. Reducing the environmental burden associated with this type of manufacturing is thus a critical issue for us. In addition to implementing the RoHS directive and “green procurement” measures stipulated in the Fujitsu Group Environmental Protection Program, we are working hard to reduce our environmental burden by aggressively adopting technologies that can contribute to such reduction. We feel that the understanding and cooperation of our employees and business partners are absolutely essential to these efforts. We have created our own training materials based on the materials used by Fujitsu Limited, and are carrying out environmental education aimed at both our employees and business partners. In future, based on the Fujitsu Group Environmental Protection Program, we are committed to further enhancing our environmental protection activities.



Korakot Lotongkum
Manager, Quality System Management Section
Fujitsu (Thailand) Co.,Ltd

Joint Comment from the Senior Inspectors



Takao Sogawa
Manager, International Certification Center
Japan Audit and Certification Organization for Environment and Quality



Shigeru Nakayama
Lead Auditor
Det Norske Veritas

Along with giving Fujitsu high marks for their progressive efforts with respect to constructing a globally integrated EMS that includes overseas Group companies, we are proud to have been chosen as the certification organizations concerned. Although this was the first experience for both of our organizations to jointly work on a single EMS certification, we are confident that we achieved a certification that follows certification standards, thanks to Fujitsu's understanding of our certification method.

In the future, while trusting that the synergistic effects between the global system and the systems at each site will increase, and that this synergy can be increased to achieve a mechanism securing results greater than the sum of those attainable individually by each system, we hope that Fujitsu will take advantage of having one of the very few globally integrated EMSs in the world to contribute even more to society as a corporate environmental leader.

Corporate Governance

Pursuing sound and efficient management and strengthening our governance structure for putting *The FUJITSU Way* into practice.

Basic Stance

We believe that pursuing management efficiency while effectively managing business risks is essential to achieving sustainable improvement in corporate value. Recognizing that stronger corporate governance is vital to realizing this goal, we have been active in appointing outside directors to help ensure sound and transparent management. At the same time, by separating management oversight and operational execution functions, we have promoted faster decision-making while further clarifying management responsibilities. The clear separation of these functions is designed to further improve management transparency and efficiency.

We manage our Group companies based on clear distinction between 1) companies that perform an assigned function in our business; and 2) companies that pursue a synergistic relationship with us based on a shared corporate strategy.

Our Corporate Governance Framework

The Board of Directors is responsible for management oversight, supervising the execution functions of two executive organs under its authority, the Management Strategy Council and the Management Council.

The Management Strategy Council discusses and decides upon fundamental policies and strategy regarding business management. The Management Council makes decisions

on important matters regarding operational execution.

Issues discussed by the two councils and a summary of their discussions are reported to the Board of Directors, which makes decisions on items of particular importance. The Management Strategy Council generally meets once a month, while the Management Council generally meets three times a month, but meetings for either body can be convened whenever necessary.

The auditing function is carried out by statutory auditors (Board of Statutory Auditors), who review the Board of Directors as well as operational execution functions, and attend important meetings, including meetings of the Board of Directors as well as the Management Strategy Council and Management Council.

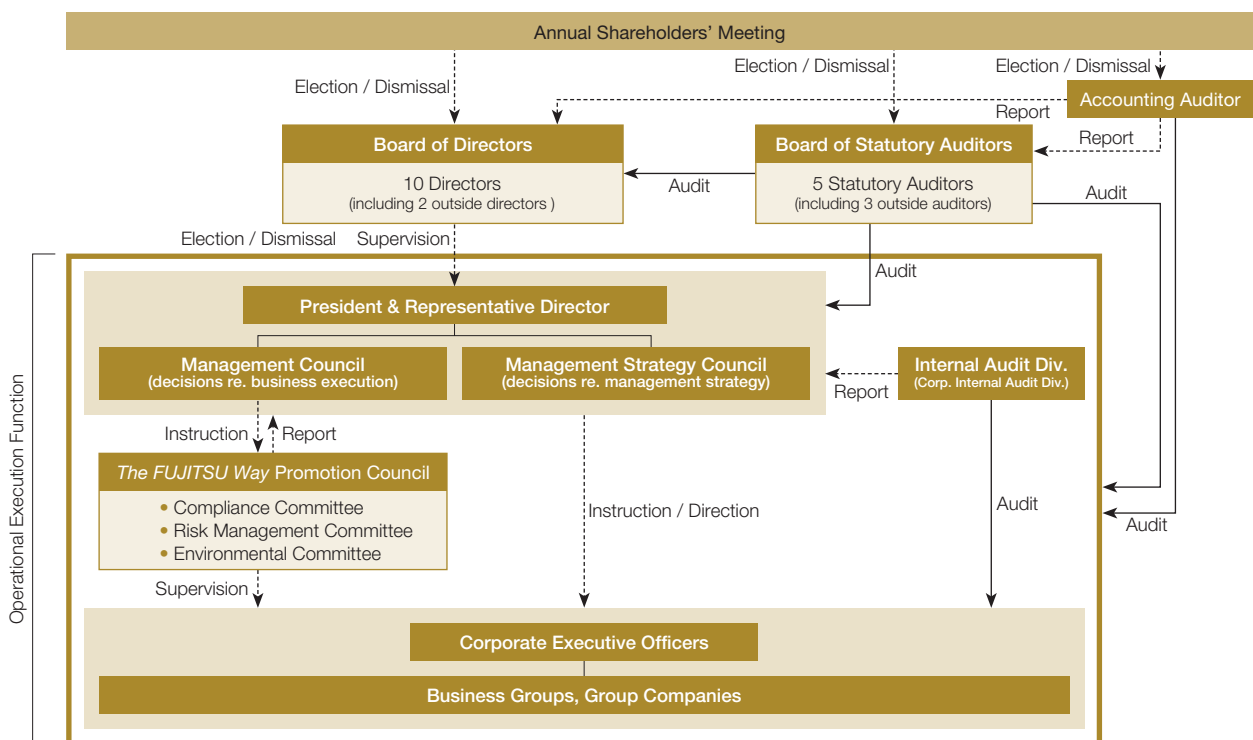
In addition, the Corporate Internal Audit Division has been established to serve as an internal audit group. This division audits the internal affairs of the company and its affiliates, proposes improvements in their business practices, and regularly reports its audit findings to the Management Council.

Accounting audits are carried out by four certified public accountants (Yoji Suzuki, Yuichi Mochinaga, Noriyuki Tsunoda, and Hideaki Karaki) who are employed by Ernst & Young ShinNihon.

There is no nominating committee or compensation committee.

Corporate Governance Framework (Including *The FUJITSU Way* Promotion Organization)

(As of June 23, 2006)



Enhancing Corporate Governance

Basic Stance

Comprising our mission, values, and code of conduct, *The FUJITSU Way* is the core set of principles guiding the corporate and individual actions of the Fujitsu Group.

We pursue the sound and efficient execution of our business activities by striving to accelerate the penetration and implementation of *The FUJITSU Way* and to promote structures and procedures to ensure propriety throughout the Group in our business dealings.

To accelerate the penetration and implementation of *The FUJITSU Way*, in July 2004 we established *The FUJITSU Way* Promotion Council, as a body reporting directly to the Management Council, and a Compliance Committee. In addition, we realigned the Risk Management Committee and Environmental Committee, which had both previously operated independently, under *The FUJITSU Way* Promotion Council.

Implementation

To promote risk management, *The FUJITSU Way* Promotion Council continuously monitors the implementation of risk prevention measures by working to raise awareness of risks and by gathering information on specific risks, including potential ones. Moreover, in anticipation of the enactment of Japan's version of Sarbanes-Oxley legislation, in the second half of fiscal 2005 we launched a project to construct an internal control system that will ensure the validity and credibility of our financial reports. Along with establishing a promotion organization dedicated to this endeavor, we have been working to extend it across the Group, including domestic and overseas subsidiaries, by building up our promotion organization, accumulating know-how and cultivating personnel. The goals of the project also include achieving greater efficiency through the pursuit of business process reforms across the Group.

The functions of the committees aligned under *The FUJITSU Way* Promotion Council are as follows:

- **Compliance Committee**

This committee is responsible for promoting structures and systems to ensure strict compliance with external as well as internal rules, regulations and norms of behavior. To support these efforts, we have operated a "help line" system in Japan since September 2004 to serve as a confidential liaison for receiving reports from employees and providing guidance to them on matters of conduct.

- **Risk Management Committee**

This committee works to obtain information regarding specific incidences of risk and to mitigate their impact on customers and the Fujitsu Group. Serious issues are reported to the Management Council or Board of Directors for discussion and response. In this way, risk issues and countermeasures are disseminated throughout the Fujitsu Group, strengthening our overall risk management posture.

- **Environmental Committee**

This committee is responsible for promoting and strengthening the environmental protection activities of the Fujitsu Group, which are based on the Fujitsu Group Environmental Policy and the Fujitsu Group Environmental Protection Program.

We are taking into consideration the opinions of our accounting auditors as we implement the project to construct an internal control system that will ensure the validity and reliability of our financial reports.

Implementing Internal Control

At a meeting of the Fujitsu Board of Directors on May 25, 2006, a basic stance was adopted with respect to instituting the Company's framework for internal control.

We are committed to strengthening corporate governance and will promote the continuous implementation of measures to bolster compliance and risk management. For further details, please see the "Fujitsu Limited Corporate Governance Report" at the URL below.



Fujitsu Limited Corporate Governance Report
<http://www.fujitsu.com/downloads/IR/policy/governance/corporate-governance.pdf>

Risk Management

Working to strengthen our Group-wide risk management structure, we are promoting activities aimed at preventing risks from materializing and minimizing the effects should an incident occur.

Business Risks

Listed below are a few examples of the business risks affecting the Fujitsu Group. We are aware of such risks and are making efforts to prevent them from arising, avoid potential risks altogether and immediately confront risk incidents should they occur.

Examples of Business Risk Factors*

- Economic and financial market trends (economic trends in key markets, high-tech market volatility)
- Changes in customers' IT investment trends
- Competitor/industry trends (price competition, competition in technology development)
- Procurement, collaborations, alliances, and technology licensing
- Public regulations, public policy, and tax matters
- Other operational risks (deficiencies or flaws in products and services, project management)
- Natural disasters and unforeseen incidents

* The above examples of risk factors are by no means exhaustive. More detailed risk-related information can be found in our financial results materials and other company reports to shareholders.

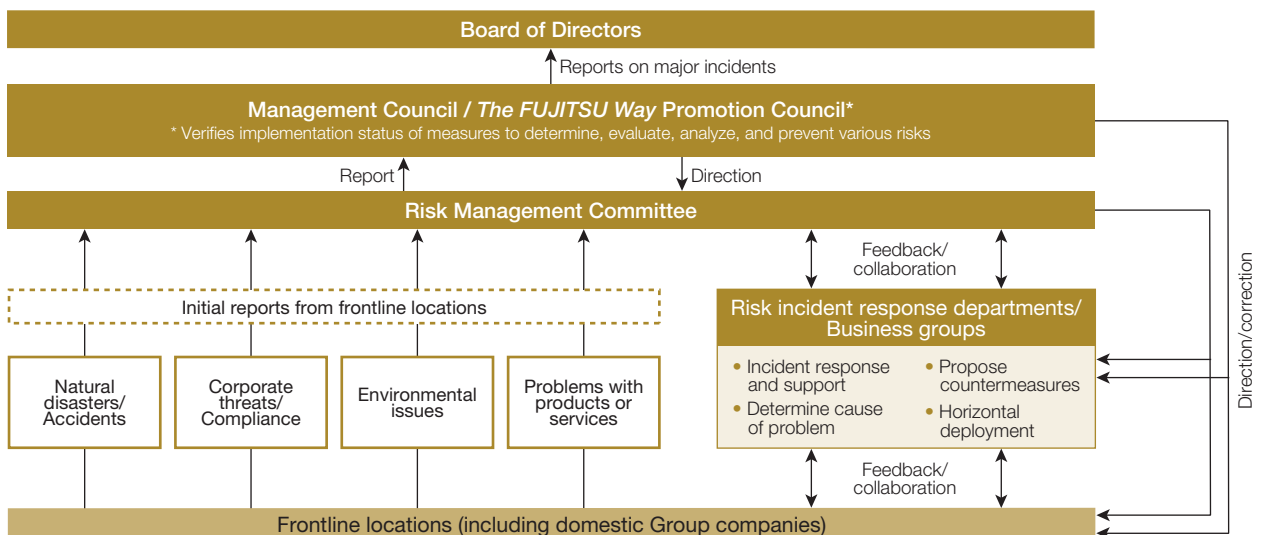
Risk Management Structure and Risk Management Cycle

We have established a Risk Management Committee under the direction of *The FUJITSU Way* Promotion Council. Through the activities of these two bodies, we are building a risk management structure focused on preventing potential risks from arising and responding to any incidents that do materialize.

To manage potential risks, *The FUJITSU Way* Promotion Council maintains close coordination with each business group to extract, evaluate, and analyze a variety of risk-related information. At the same time, it continuously monitors the progress of risk incident prevention measures.

If an incident occurs despite these preventive measures, the Risk Management Committee receives initial reports from frontline locations. Then, in collaboration with local management, the committee takes appropriate response measures including, when necessary, setting up an *ad hoc* response headquarters to resolve the problem quickly. With regard to major risks, the Management Council and Board of Directors are informed as necessary, and they provide direction to each of the business groups and to the frontline management. Furthermore, with the cooperation of the lead response divisions, we work to determine the cause, deploy those results across the organization, and prevent the risk from reoccurring.

Risk Management Structure and Risk Management Cycle



Business Continuity Planning

The risks of unforeseen events that threaten economic and social continuity, such as large-scale flooding, earthquakes, disruptive incidents, and accidents, have increased greatly in recent years. Currently, we are working to create business continuity plans and to firmly establish business continuity management so as to assure stable supply of the high-performance high-quality products and services our customers require in the event of such events.

Group-wide Earthquake Disaster Prevention Network

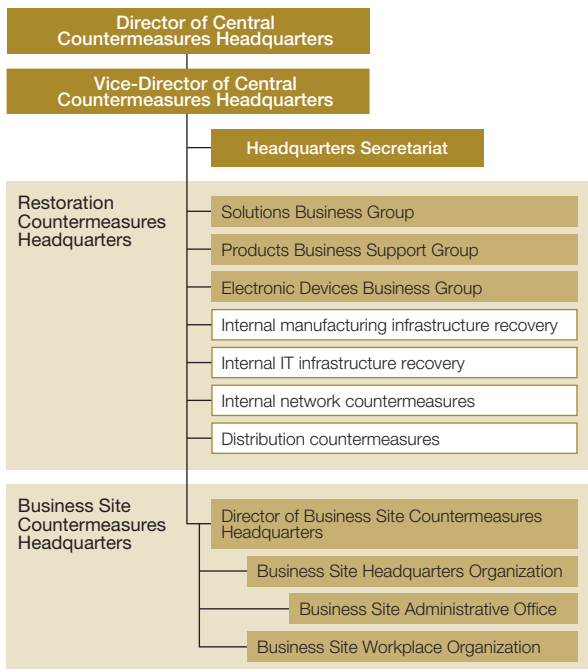
We are organizing a Group-wide earthquake disaster prevention network in Japan to prepare the Fujitsu Group in the event of a major earthquake. To minimize harm to persons and property, we perform frequent disaster prevention inspections at all our domestic business locations and since 1995 have carried out annual nation-wide disaster prevention drills in conjunction with Japan's Disaster-

Prevention Day. In 2005, we carried out a drill based on a scenario positing a strong earthquake in the Kyushu region. In this drill, we established a local recovery headquarters in Fukuoka City and carried out system recovery support exercises for information systems that support our customers' core business operations.



Emergency drill

Earthquake Disaster Prevention Network



Risk Management Education

To prevent incidents from occurring, and to minimize the extent and spread of damage if incidents do occur, we have put in place a systematic 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 recently appointed general managers.

Urgent Inspections of Critical Infrastructure Systems

The incident involving system trouble at the Tokyo Stock Exchange reminded us again of the tremendous impact that IT has on customers' businesses. Marshalling the concerted efforts of the entire company to ensure stable system operation, we launched a project in November 2005 to carry out comprehensive inspections of critical infrastructure systems that have a broad impact on society. In cooperation with customers, we have implemented inspections to uncover any latent defects or other problems in the overall operating environment of these systems, including software and hardware.

Risk Management

Responding to Environmental Risks

Environmental Risk-related Rules

We are working to prevent incidents of environmental risk from occurring and to prevent the expansion of environmental impact if such incidents should occur. We have prepared and are refining environmental risk-related rules that stipulate responses to accidents and emergency situations related to environmental risk incidents. These include environmental emissions management rules and waste management rules. Below, we describe our system for environmental risk-related rules.

Environmental Risk-related Rules Structure



Environmental Risk Management Education

We conduct environmental risk management education and training to help prevent the occurrence of environmental risk incidents involving our manufacturing activities, to limit the environmental impact of such incidents should they occur, and to minimize the scale of such incidents. These programs seek to foster the necessary sensitivity to risk, including skills in anticipating, responding to and dealing with risk, along with strengthening our management capabilities.

The management training consists of two parts: General Risk-Management Theory, which is a lecture course for all managers, and a Case Study Course for managers in divisions closely involved in environmental matters.

In fiscal 2005, in addition to Fujitsu Limited manufacturing sites, we deployed these educational programs at various Group companies, holding courses at a total of 30 sites. We are continuing this activity in fiscal 2006.

Asbestos in Buildings and Facilities

In response to Japanese Government regulations that came into effect in July 2005 to prevent harm from asbestos, we are implementing a series of measures based on complete removal of asbestos from sites where sprayed materials that

have a high likelihood of dispersal were used. This applies to all buildings and facilities in the Fujitsu Group.

Observing Environmental Laws and Regulations

In fiscal 2005, within the domestic Fujitsu Group, a total of seven incidents involving failure to meet environmental regulations (including municipal ordinances and agreements) were recognized. These consisted of two atmospheric incidents, three water quality incidents, and two noise pollution incidents. We implemented corrective procedures for all seven.

Initiatives to Deal with Soil and Groundwater Pollution by the Fujitsu Group

In 1999, we established internal rules for handling soil and groundwater pollution, and not only do these rules stipulate that each business site observes the laws and follows the directions of the authorities concerned, but they have also promoted autonomous action on these problems. We recognize, however, that from the standpoint of our corporate social responsibility, there have been cases where information was not proactively released to local citizens by certain business sites where soil or groundwater pollution had been identified, and that there were other cases where even though information was released, it was inadequate. In August 2006, we revised our internal rules that stipulate the handling of soil and groundwater pollution and reformulated them as our “Rules on Survey, Countermeasures, and Public Disclosure of Soil and Groundwater Contamination.” Going forward, based on these new rules we will collaborate with local authorities in the public disclosure of information, perform planned surveys and implement cleanup measures should incidences of pollution be found.

- **Fiscal 2005 Soil and Groundwater Surveys and Status of Response Measures**

In fiscal 2005, we took the opportunity of plans to sell land at six business sites and demolish certain buildings to conduct soil and groundwater surveys and, if necessary, implement cleanup measures. Of these, there was one site where no contamination was found. The survey results and status of the cleanup measures at the other five sites are presented below.

- **Kawasaki Plant (Kawasaki, Kanagawa Prefecture)**
We removed earth contaminated with heavy metals. We are continuing with purification of contaminated groundwater.
- **Vacant site at Minami Tama Plant (Inagi City, Tokyo)**
Our surveys verified VOC and heavy metal contamination of soil and groundwater. We are implementing cleanup measures starting in fiscal 2006 using the in-situ powdered iron mixture method.

- Tojyo Annex, Oyama Plant (Oyama City, Tochigi Prefecture)**
 Soil contamination was identified in certain sections and contaminated soil was removed. Dioxin in excess of allowable levels was discovered in incinerated waste while the soil was being removed. There was no groundwater contamination or dispersal of contaminants outside the site. The excavated soil that contained incinerator ash was processed according to Japanese law.
- Shin-Etsu Fujitsu, Ltd. (Shinano Town, Nagano Prefecture)**
 VOC contamination was discovered in soil and groundwater surveys, and cleanup measures using the in-situ powdered iron mixture method were implemented.
- Idle land at PFU Limited's Minami Hakui site (Hakui City, Ishikawa Prefecture)**
 Although fluorine soil contamination was found, groundwater was within prescribed levels. We plan to continue using monitoring wells while implementing soil decontamination measures. Discussions are proceeding

with the local authorities, and we plan to hold meetings to brief local residents. However, this land is not used for business activities and the contamination was caused prior to our purchase, so we are preparing an appeal to the Coordinating Committee for Pollution and Other Issues, which is an independent local government committee.

• **Business Sites at which Decontamination Measures are Now Being Implemented (July 2006)**

As of July 2006, there are three business sites at which soil or groundwater contamination has been discovered and groundwater decontamination measures are being implemented as shown in the table below.

Contamination found at the Oyama Plant has been reported to the authorities, and we are discussing decontamination methods to be used. We will be holding a series of meetings for local residents to explain the status of the contamination and our policies for dealing with it.

Groundwater Conditions

Business site	Location	Cleanup status	Maximum monitoring well measurement value (mg/ℓ)		Regulated value (mg/ℓ)
			Chemical name	Measured value	
Kawasaki Plant	Kawasaki, Kanagawa Prefecture	Along with continuing VOC decontamination by pumping and aeration, we plan to add new measures for decontamination. We completed removal of soil contaminated by heavy metals in March 2006.	cis-1,2-dichloroethylene	0.116	0.04
			Trichloroethylene	<0.01	0.03
			Benzene	<0.01	0.01
			Hexavalent chromium	<0.01	0.05
			Cyanogens	Undetected	Must not be detected
			Lead	0.015	0.01
			Arsenic	0.005	0.01
Minami Tama Plant vacant site	Inagi City, Tokyo	Along with continuing VOC decontamination by pumping and aeration, we plan to implement decontamination using the powdered iron mixture method.	cis-1,2-dichloroethylene	0.574	0.04
			Tetrachloroethylene	0.272	0.01
			Trichloroethylene	0.024	0.03
			Arsenic	0.005	0.01
Shin-Etsu Fujitsu, Ltd.	Shinano Town, Nagano Prefecture	Along with continuing VOC decontamination by pumping and aeration, we have been performing decontamination using the powdered iron mixture method from January 2006.	1,1-dichloroethylene	<0.01	0.02
			cis-1,2-dichloroethylene	0.150	0.04
			Tetrachloroethylene	<0.01	0.01
			Trichloroethylene	<0.01	0.03

* We report the latest data on highest measured values of monitoring wells positioned outside the site. These wells monitor impact from groundwater leakage, which presents the greatest risk of soil and groundwater contamination. When measurements within the site that show levels of certain substances in excess of legal limits have occurred in the past, we have also published the values measured in the off-site monitoring wells, even when they have been below the legal limits.

Compliance

Ensuring thorough compliance in line with our code of conduct.

Approaching Compliance Based on The FUJITSU Way Code of Conduct

Along with articulating the mission and values of the Fujitsu Group, *The FUJITSU Way* also includes a code of conduct stipulating the basic rules that each and every employee is expected to follow in realizing these aims. This code of conduct clearly spells out the stance of the Fujitsu Group with respect to strict observance of laws, regulations and social norms, and indicates the principles, standards, and common basic values governing our business activities.

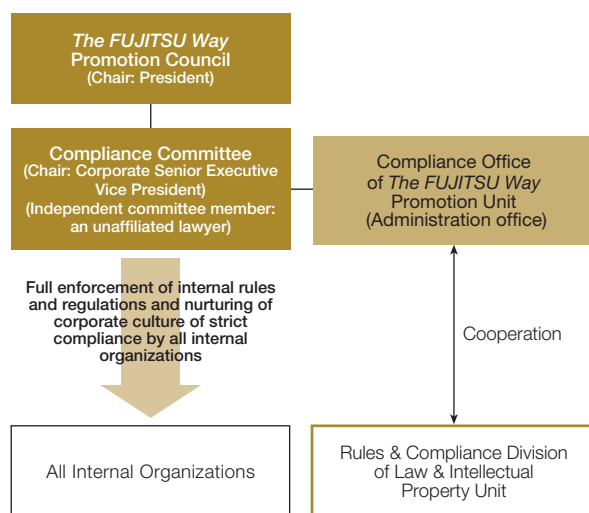
Compliance Promotion Structure

In 2004, we established the Compliance Committee under *The FUJITSU Way* Promotion Council, chaired by a corporate executive vice president and including an independent lawyer as an outside member.

Based on the stance of strict compliance with social norms indicated in *The FUJITSU Way* Code of Conduct, the Compliance Committee promotes the thorough diffusion and implementation of internal rules, the nurturing of a corporate culture of strict compliance, and the construction of necessary systems and structures.

Furthermore, we also carry out activities aimed at instilling an awareness of compliance in cooperation with the Rules & Compliance Division of the Law & Intellectual Property Unit.

Compliance Promotion Structure



The FUJITSU Way Code of Conduct

(October 2002)

The FUJITSU Way Code of Conduct indicates basic principles, standards, and shared values concerning how Fujitsu Group employees are to conduct themselves. The Code of Conduct is made up of the six tenets listed below.

- **Respect Human Rights**

We will respect the rights of every individual. Human rights are not to be infringed through sexual harassment or discrimination on the basis of race, religion, belief, sex, social status, family origin, handicap or sexual orientation. Such discrimination shall not be tolerated.
- **Comply with Laws and Regulations**

We will adhere to all applicable laws and social norms whether in Japan or overseas. Compliance shall be complete and without exception.
- **Maintain Confidentiality**

Each employee shall appropriately handle and safeguard information held within or passing through our company in accordance with its type, including company confidential information, third-party confidential information, and personal data.
- **Protect Intellectual Property**

We recognize intellectual property as an essential resource underpinning our corporate activities, fully understand the legal significance of these rights, and, on that basis, make efforts to obtain, maintain and utilize these rights. We will respect other companies' intellectual property while protecting our own.
- **Reject Unethical Behavior**

No employee shall use his or her position or role in the company for personal gain.
- **Act with Fairness in Our Business Dealings**

In our dealings with customers, business partners and competitors, we must in every case act in a manner that is fair.

Instilling an Awareness of Compliance Provision and Revision of Compliance Manual

To instill an awareness of compliance issues, we have created a compliance manual that explains, in an easily understandable manner, the main laws that closely affect our business. We have disseminated this to regular employees at Fujitsu and domestic Group companies via intranet.

This manual is revised as appropriate and covers the April 2005 revisions to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, the November 2005 revisions to the Unfair Competition Prevention Law, and the January 2006 revisions to the Anti-Monopoly Act.

Furthermore, our concern for compliance is not limited to Japanese laws: we have also produced a similar manual concerning the US Export Administration Regulations (EAR), which closely affect our global business development, to assure a thorough understanding of these issues.



Compliance manual

Implementing Compliance Education

To assure thorough compliance with laws such as Japan's new Company Law, Whistleblower Protection Act, and Anti-Monopoly Act, we hold compliance training courses for officers of Fujitsu and domestic Group companies taught by outside lawyers. We also hold internal training sessions for new managers in which instructors from both inside and outside Fujitsu talk about such issues as the importance of *The FUJITSU Way* Code of Conduct and compliance, and present typical examples that show situations that are



The FUJITSU Way small card

clear-cut as well as those where decisions are more difficult.

Furthermore, we have printed *The FUJITSU Way* on small cards and distributed them to all Fujitsu Group employees. In this way, each employee can be reminded to refer to our core principles and standards when interacting with customers or business partners, or when facing doubts about day-to-day work judgments. An English version of the small card is available for employees of overseas Group companies and foreign employees of domestic Group companies.

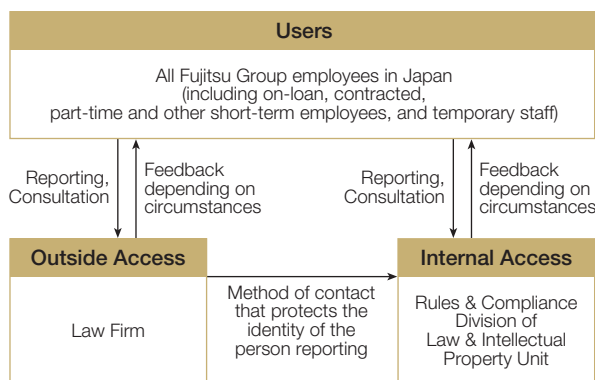
Help Line System

In September 2004, we took a further step to promote compliance with the Code of Conduct, establishing an internal help line system at Fujitsu to handle reports from employees and provide consultation.

The help line serves three purposes. It is a consultation resource for employees who, in the course of carrying out their job responsibilities, are unable to determine whether a particular action is potentially in violation of *The FUJITSU Way*. It also serves as a line of reporting for employees when they are unable to go through normal management channels. In addition, it can be used when an employee has concerns that something may violate laws or company regulations. The help line is available to all Group employees in Japan, including on-loan, contracted, part-time and other short-term employees as well as temporary staff.

In addition to this help line, we are planning to implement individual help line systems at domestic Group companies starting in fiscal 2006.

Help Line System



Compliance

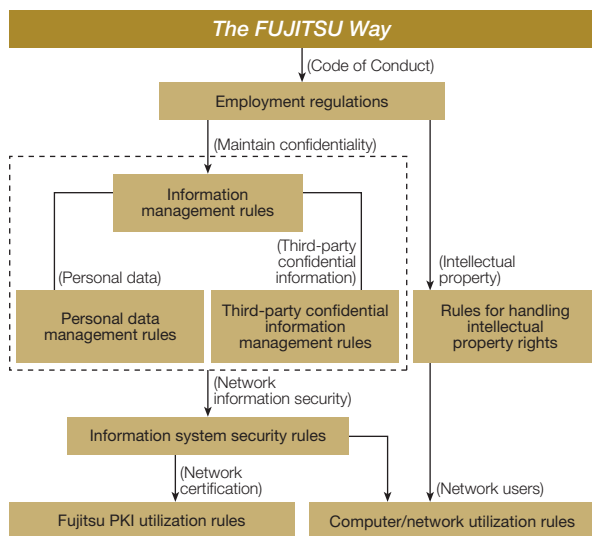
Information Security

Information Security-related Rules and Regulations

We are committed to strengthening information security, including following Japan's Personal Data Protection Law, which came into effect in April 2005, and have been pursuing a policy of promoting appropriate information management and utilization in strict compliance with internal rules and regulations.

The *FUJITSU Way* Code of Conduct clearly spells out our confidentiality policy and is the foundation of our approach to information security. We have also devised seven separate rules relating to information management, including information management rules, personal data management rules, and third-party confidential information management rules, which we are working to assure are fully observed at Fujitsu and domestic Group companies.

Rules Related to Information Management

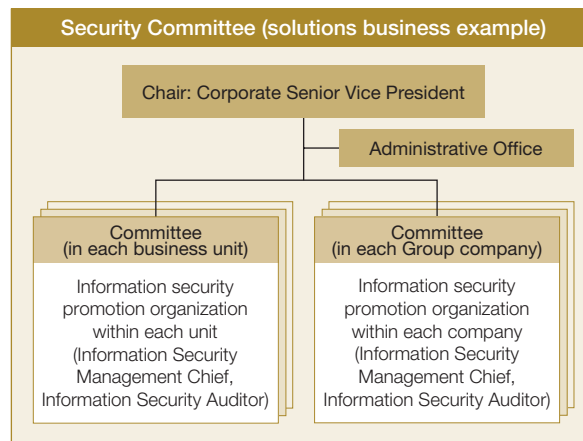


Strengthening Information Security at the Business Group Level

To assure the strongest possible information security, we are working to implement a company-wide information security management structure. As part of that effort, we are building dedicated information security management systems within each business group to promote strict information security measures that reflect the particular characteristics of each individual business.

In our solutions business, for example, we have established a Security Committee, and an Information Security Management Chief promotes a variety of information security measures, such as anti-virus measures, based on the committee's decisions. We are building a system in which an Information Security Auditor audits the way those measures are carried out.

Information Security Management Structure



Promoting ISMS and Privacy Mark Certification

In various Fujitsu business units and domestic Group companies, we are working to acquire ISMS (Information Security Management System) and privacy mark certification required for business promotion and to ensure thoroughgoing management of customers' confidential information and personal data.

Promoting Information Security Education

We are putting special effort into information security education as part of our measures to prevent information loss and leaks. In particular, we have created an "Information Management Handbook" and published it to all Fujitsu and Group company employees in Japan over our intranet. We are also implementing e-learning and face-to-face education programs in this area.

Since the Information Management Handbook was published in 2002, we have repeatedly revised it to remain up-to-date with changes in the IT world, revising it three times in fiscal 2005 alone. Our face-to-face education for Fujitsu and domestic Group company employees in this area includes making information security education part of new employee training as well as the training provided to employees when they are promoted.



Information Management Handbook

Information Security Training for Business Partners

In light of the growing number of reports of information loss and leaks, we are providing information security training not only to Fujitsu Group employees but also to employees of our business partners, such as software development and service subcontractors.

See page 36 for details of the training we provided in fiscal 2005.

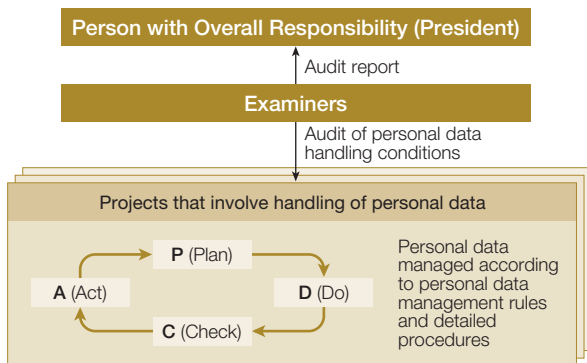
Personal Data Protection Initiatives

In addition to implementing a Personal Data Protection Policy, we have strengthened our personal data management system by stipulating Personal Data Management Rules based on Japan's Personal Data Protection Law, which came into full force in April 2005.

In particular, we provide detailed rules based on the Personal Data Management Rules for all projects that involve the handling of personal data and strive to manage personal data according to these rules. The management of personal data in individual projects is audited once a year by an auditor and is reported to the president, who has overall responsibility for personal data management.

 **Privacy**
<http://www.fujitsu.com/global/privacy/>

Personal Data Protection Management System



Protecting Intellectual Property Intellectual Property Protection Policy

The Fujitsu Group recognizes that intellectual property is a critical business asset that supports corporate activities and, in full recognition of the legal meaning of intellectual property rights, strives to acquire, secure, and make use of such rights.

For the intellectual property that we create, we take appropriate measures, including acquiring patent rights, to assure that our rights are protected legally. We also make effective use of any intellectual property rights we acquire to promote, in a stable manner, our business and R&D activities.

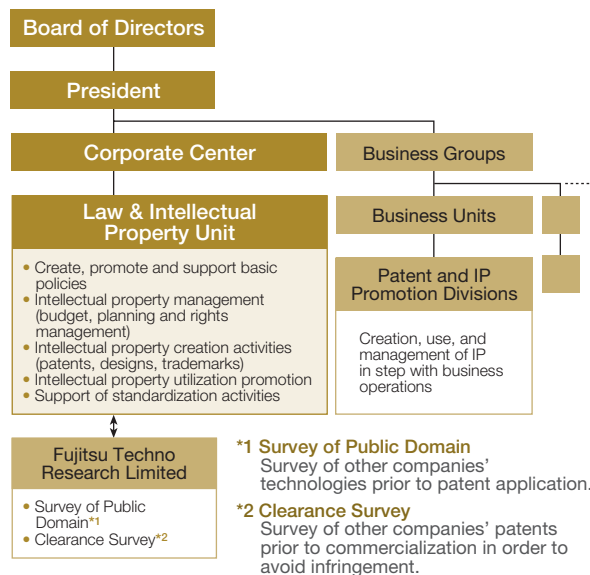
Promotion and Management Structure

The Law & Intellectual Property Unit is primarily responsible for promoting Fujitsu's intellectual property strategies. This unit proposes strategies related to the acquisition and management of intellectual property rights; handles licensing negotiations related to intellectual property rights; establishes and carries out educational activities related to internal rules; and carries out surveys and disseminates information on intellectual property issues related to Fujitsu's business.

In addition, patent & IP promotion divisions in each business unit provide specific guidance for utilizing intellectual property in day-to-day business and R&D activities.

Furthermore, we have a specialized subsidiary to handle prior patent search surveys of the public domain (to determine if a patent has already been acquired) and clearance surveys (to determine potential infringement of patents held by other companies).

Intellectual Property Strategy Promotion and Management Structure



Respecting the Patents of Other Companies

Infringing the patents of other companies would ultimately result in major problems for the Fujitsu Group and also cause serious difficulties for our customers and the markets we serve. We take great care to avoid any potential patent infringement, not only through various internal rules and procedures, but at every stage, from research and development to the point a new product or service is released, by thoroughly investigating other companies' patents. At the same time, in conformance with legal practices, we deal resolutely and swiftly with any and all infringements by other companies of Fujitsu's patent rights.



Chapter **1**

Fujitsu and Society

To earn the trust and satisfy the expectations of our stakeholders

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“Customer-centric” Management

We take a customer-centric approach to management in order to become an invaluable partner to our customers.

Implementing Customer-centric Management

At the Fujitsu Group, by keeping the front lines of our customers’ operations foremost in our thoughts and actions, helping them cope with the changes they face and keeping our commitments to them, we strive to serve as an invaluable partner.

We are intensely focused on continuous quality improvement so that customers can use our products and services with confidence.

We communicate with our customers on a variety of levels, starting with our sales personnel and system engineers, who are in direct contact with them. This communication allows us to stay in tune with our customers and to relay their valuable opinions and requests to upper management for further consideration.

In order to ensure that our organization is aligned in a manner that promotes customer-centric behavior, the organizational operation of each division is based upon the framework of the Japan Quality Award Program*. We are striving to create an organization in which management issues identified within this framework are investigated and then a business plan formed and properly implemented so that we can constantly be in a position to implement customer-centric innovations.

We encourage all of our employees to continuously think and act from the customer’s perspective in their daily work.

Organizational Initiatives Flowing from Japan Quality Award Program



* Japan Quality Award Program

Modeled on the U.S. “Malcolm Baldrige National Quality Award” (MB Award), the de facto standard for global management innovation, the Japan Quality Award (JQA) was created in December 1995 under the leadership of the Japan Productivity Center for Socio-Economic Development. The award recognizes organizations demonstrating management innovation that centers on improving customer value. Based on the MB Award’s self-assessment philosophy, the Japan Quality Award Program aims to promote an organization capable of creating a high level of value for customers, corporate identity, employees and society as a whole.

The Pursuit of Quality

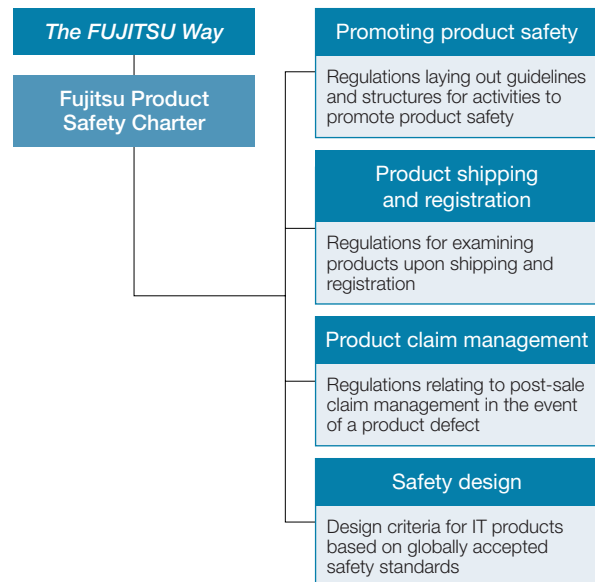
Safety Assurance Based on the Fujitsu Product Safety Charter

We are committed to technology excellence and strive to be second to none in terms of quality. In fact, we consider our brand to be synonymous with quality. Providing customers with the high-performance, high-quality products and competitive, value-generating services they expect, and that can be used safely and with confidence, lies at the heart of our manufacturing and development business.

Based on this philosophy, we established the “Fujitsu Product Safety Charter” in June 1994, ahead of the implementation of the Japan Product Liability Law on July 1, 1995. The Charter has advanced our manufacturing business by reaffirming our commitment to ongoing Group-wide efforts to enhance the safety of our products and services, as well as clearly stating our corporate goals and providing guidelines for our employees.

Since then, incorporating the principles of the Charter, we have also put into place various regulations and technical standards on product safety, which are then disseminated at new employee and group training courses and quality conferences.

Quality & Safety-Related Regulations



“Customer-centric” Management

Creating and Operating a Quality Assurance System

In the light of the important role Fujitsu IT plays in supporting various aspects of society, we have a significant responsibility in terms of product and service quality assurance. That is why we have developed systems and structures to ensure that each and every employee tenaciously pursues quality with a professional mindset based on *The FUJITSU Way* tenet on quality: “We aim to earn our customers’ trust in Fujitsu.”

Focusing on design reviews, we seek to deliver quality assurance in our product development and manufacturing processes by evaluating the reliability of the components and units as well as the systems themselves. In addition to working with suppliers to develop agreed-upon quality assurance criteria for purchased parts and units built into our products, we carry out joint quality assurance measures.

The Quality Assurance Unit, which reports directly to the president and adopts a position independent of development, manufacturing and evaluation, makes the final independent assessment on whether or not a product is suitable for shipping.

We are continuously working to improve these quality assurance measures within the framework of ISO9001 certification acquired by each of our business locations beginning in 1992.

Improving Quality in All Our Work through Qfinity Activities

In 1966 we launched a high reliability program under the watchwords “reliability” and “creativity” primarily to improve product functions and reliability. Then, from 1977, we introduced Value Engineering activities to reduce product costs and rationalize working procedures

Building on these successes, in April 2001 we launched the “Qfinity” program with the aim of pursuing quality improvement activities suited to the new age.

Our Qfinity concept emphasizes a quality improvement model using the PDCA (plan, do, check, act) cycle that exhaustively pursues not only better product functions and reliability but also quality improvements in all phases of work, including efforts to improve customer response and delivery and reduce costs. Qfinity themes range from the major guidelines of each division to everyday issues arising in the workplace. These themes are then addressed by groups of employees who work on specific projects, and by individual employees who actively propose reforms and improvements, with all Fujitsu employees participating in principle in at least one of these ways.

We also leverage our IT resources in support of these Qfinity activities. The web-based Qfinity system on our intranet enables information sharing on all activities and provides a network by which to access information and knowledge on objectives, benchmarking of processes,

technology and expertise. This makes it possible for the skills of individual employees to become know-how that is shared by the entire company, so that each employee can contribute directly to improving work quality. To enable all members of the Fujitsu Group to leverage the achievements of Qfinity activities, information is shared via the Qfinity intranet site and a company-wide Qfinity Conference is held.



The word Qfinity was created by combining “Quality” and “Infinity” to express the concept of the infinite pursuit of quality.



Company-wide Qfinity Conference

Qfinity Activity Examples in Fiscal 2005

Group Projects

- In a joint activity, development, assessment and other related divisions worked together to improve the quality and delivery of the high reliability, high-performance ETERNUS3000 storage system.
- Implementation of the Cedar System-on-Chip (SoC) design and verification method helped improve development efficiency for large-scale, high-performance system LSI devices.

Employee Proposals

- Employee requests and proposals helped realize space-saving improvements in the hard disk drive installation process for PCs.
- Improved operating efficiency by abolishing run cards used to manage the semiconductor manufacturing process, thereby fostering further efficiency gains toward a paperless environment.

Communicating with Our Customers

In addition to the support provided by our sales, system engineering and field support staff who work directly with customers to configure their systems, we have set up various customer service desks to improve customer satisfaction and enhance communications.

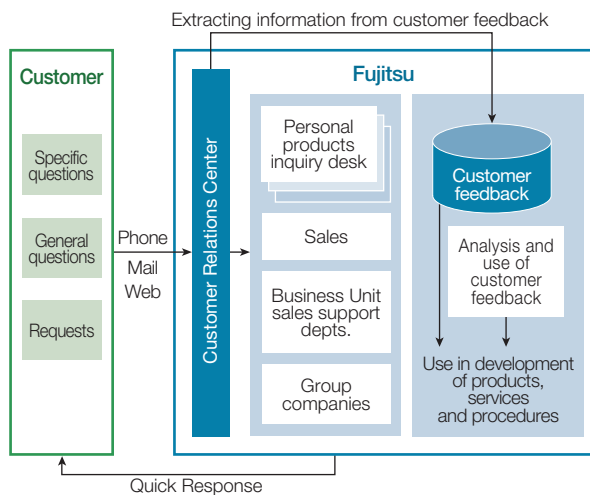
Through these activities we intend to make a concerted effort to meet our customers' expectations and become their invaluable partner.

Customer Relations Center (Japan)

In Japan, we established a Customer Relations Center in June 2003 as a single source of information on services and products for when the customer may not know where the question should be addressed or even, perhaps, the particular product concerned. The Customer Relations Center functions as a switchboard that quickly and effectively connects customers to the appropriate department, so that we can respond speedily to their needs.

The center also functions as a clearing house for information gleaned from customer queries and comments, which is fed back to those engaged in product and service development and in quality improvements, in order to help improve customer satisfaction.

Customer Relations Center Role and Processes



Support for Personal Computer Users

To support individual personal computer users in Japan, we provide technical support 24 hours a day, 7 days a week utilizing the Internet and a network of three service branches in the Keihin (Tokyo-Yokohama), West Japan and Hokuriku (central Honshu) regions*. This networked support system enables us to optimize management of customer information and inquiries in order to provide quick and accurate response.

* Use of online technical support requires registration. The service may be temporarily unavailable during system maintenance.

Fujitsu User Group Activities

The Fujitsu Group provides various user group activities with the following aims:

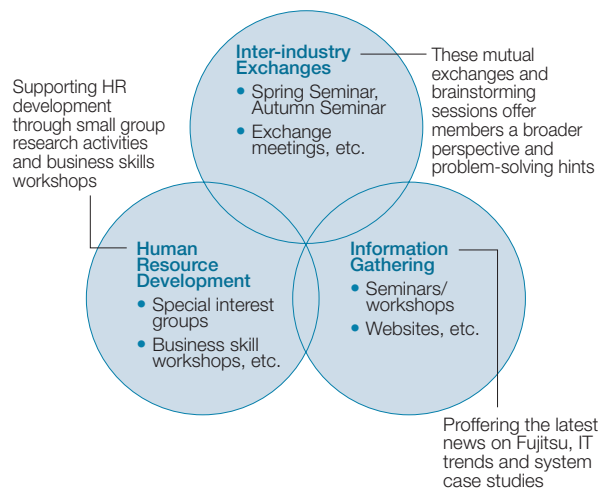
- Information gathering, HR development, inter-industry exchanges;
- Closer exchanges in particular regions, brainstorming activities (now being expanded globally);
- Advanced IT research;
- Industry-, product- and service-specific activities.

We provide across-the-board support for these activities and strive to quickly respond to our customers' needs and suggestions.

The Fujitsu Family Society, our main user community, is Japan's largest information system user group, boasting 4,000 members. Through organizations at both a regional and national level, the group conducts 400 activities annually and is expanding its range of overseas activities as well.

In addition, we have a Leading-Edge Systems Users Group focused on advanced IT research activities, as well as specific initiatives in the manufacturing and retail industries, and with financial and academic research institutions that are useful to customers in the day-to-day management of their organizations.

Fujitsu Family Society Activities



“Customer-centric” Management

Universal Design

Our products and services incorporate the principles of universal design by taking a multi-faceted view of our customers’ workplaces (the environments in which they are used) and work styles (the work actually performed and communications).

Contributing to Customers’ Businesses with Universal Design

Information technology is an indispensable part of our work and everyday lives with ubiquitous applications. That is why we at Fujitsu pursue what we call “human-centered design” in striving to deliver IT products and services that are readily understood and easy to use.

As IT gathers momentum and becomes more interwoven with our social fabric, so too have its users grown more diverse. Today there is a demand for IT with greater ease of use and which avoids the limitations imposed by differences in age, physical ability, cultural background or experience.

To this end, the Fujitsu Group actively espouses the following four principles of universal design while constantly listening to our customers in order to develop products and services that enable even more people to utilize IT comfortably, safely and effectively.

- **Complement the Five Senses**

We equip our products and services with various operating methods so as not to restrict accessibility for users whose sensory functions may be impaired by age or other factors.

- **Consider Physical Capabilities**

The dimensions, setup and operability of our products are all designed to flexibly accommodate users of all statures and physical capabilities, including those in wheelchairs, and to minimize physical stress and fatigue.

- **Consider Cultural and Individual Sensitivities**

We provide readily understood information in an attempt to avoid misunderstandings and incomprehensibility brought about by disparities in user knowledge, culture and language.

- **Maximize Usability**

We design interfaces with outstanding usability to enhance user safety, efficacy, efficiency and satisfaction.

Fostering a Holistic Approach to Universal Design

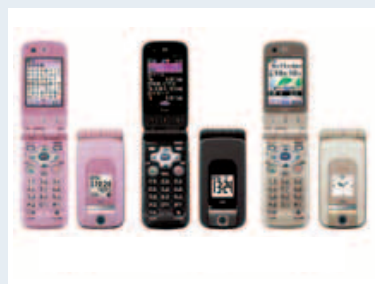
Underpinned by the philosophy of universal design, we are working to better understand our customers’ IT usage environments based on the results of direct feedback and field surveys from three perspectives: the IT itself, the workplaces in offices and stores where our products and services are used, and the work style with which office tasks and communication are performed.

Furthermore, we are working to clarify and improve problems in synch with our customers via a three-step process of broadening our understanding of the customer, thoroughly considering the customer’s usage environment, and providing attractive products and services.

 **Accessibility**
<http://www.fujitsu.com/global/accessibility/>

Universal Design Examples

FOMA® Raku Raku Phone III



This line of mobile phones combines highly popular and easily legible display screen functions and readily understood illustrated operating guides with automatic voice-synthesized operating instructions and e-mail. It also features enhanced call capabilities such as a voice speed change function for slower playback of the speaker’s voice, and a clear voice function for cleaner sound even in noisy areas.

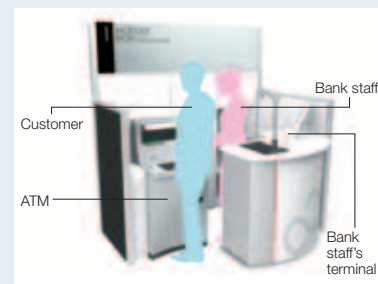
FOMA is a registered trademark of NTT DoCoMo

Web Accessibility Solutions



Accessibility will play a critical role in the future as a service platform for websites that need to reach many people. We leverage our accumulated tools and services for web accessibility as solutions that provide comprehensive support for customers, from planning their websites to status assessment, accessible web design and website operation.

Improved Customer Service



We are using universal design not only to improve our IT products, but also to present proposals for improving workplaces, including stores and other spaces, as well as work styles in these places. For instance, we collaborated with a banking customer to create a new type of service counter that leverages both the speed of ATM transactions and the personal attention of bank staff, and to co-develop a business system, thereby delivering more efficient and detailed service to satisfy the bank’s diverse clientele.

Creating a Working Environment that Allows Employees to Make the Most of Their Abilities

Believing that “every one of us has a leading role to play,” we are creating a working environment that enables employees to make the maximum use of their abilities and supports their professional and personal growth.

Personnel Policy

For an enterprise to maintain continuous growth, it must provide its employees with a working environment that encourages each of them in the lively and active use of their abilities and aptitudes, and offers them a wide variety of experience and growth.

Recognizing this, one of the core values expressed in *The FUJITSU Way* is that “every one of us has a leading role to play.” We therefore seek to provide an environment that makes it easy for all employees to give their best, challenging each of them to achieve higher standards in their work and supporting them in their growth as they make use of their specialized abilities.

Respect for Human Rights

The shared principles articulated in the code of conduct of *The FUJITSU Way* are guidelines for each employee to use in conducting daily business operations. Prime among them is respect for human rights, an attitude that underpins all our corporate and individual activities. This principle informs the actions of every member of the Group.

Practicing Respect for Human Rights

The Fujitsu Group carries out ongoing education for all employees on various human rights issues, including sexual and other forms of harassment and discrimination, so as to extend an awareness of human rights throughout the organization. We have also set up a consultation desk to address employee concerns.

Through these activities, we are striving to foster a climate of respect and a flexible and comfortable working environment, and to educate our employees to play their part as members of society in the elimination of discrimination.

Defining a Policy of Respect for Human Rights in Employment Practices

In 2006, we established “Fujitsu Group Guidelines on Respect for Human Rights in Employment” to clarify measures relating to equal opportunity, the prohibition of forced and child labor, and the promotion of a comfortable working environment.

Diversity in Employment

Employment of People with Disabilities

Employees with various disabilities are at work in departments throughout the Group. We attend numerous interviews organized by employment and job placement support agencies, and provide an open flow of information for current and potential employees with disabilities via special pamphlets and website content. With respect to workplace assignments, we try to select workplaces that will enable individuals to make the most of their abilities, and we provide long-term support and follow-up to promote their

further development. As a result, in 2006 we exceeded the 1.8% employment rate for people with disabilities required by law in Japan.

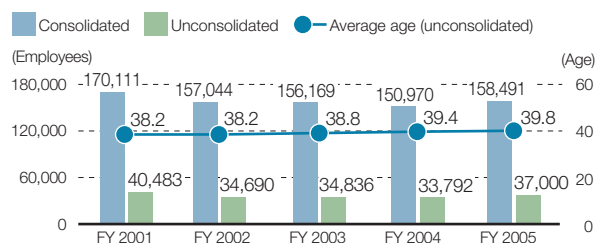
Employment of Foreign Nationals in Japan

The Fujitsu Group promotes internationally minded employment practices in keeping with the globalization of our business. In Japan, we proactively employ Japanese exchange students and foreign nationals through specific activities, including recruiting events for exchange students held domestically and overseas, as well as on-campus recruiting at leading universities around the world.

Striving to Provide Equal Opportunity in Employment and Advancement

Together with our employment policy of not discriminating by education, age, gender or other factors, once someone has entered employment we offer opportunities for promotion commensurate with performance and competence. We are also actively advancing the promotion of female employees to managerial positions as part of our equal opportunity efforts in all areas of the Group.

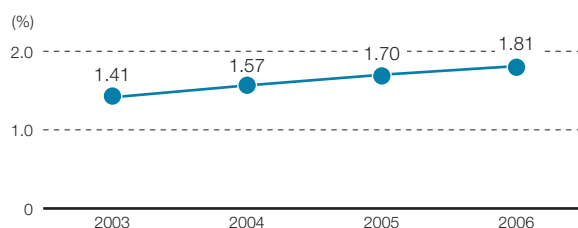
Trend in Number and Average Age of Employees



Employees by Region

Region	Employees (thousands)
Japan	99
Americas	9
Europe	21
Asia, Australasia, others	29
Total	158

Trend in Percentage of Employees with Disabilities (Fujitsu Limited)



Creating a Working Environment that Allows Employees to Make the Most of Their Abilities

Creating Good Working Conditions Balancing Work with Pregnancy, Child Care and Nursing Care Needs

We offer flexible working conditions and a favorable environment that makes it easier to balance a career with raising a family or providing nursing care, thereby enabling all employees to develop their abilities to the fullest. In Japan, in accordance with legislation supporting measures to foster the raising of the next generation, we have formulated an action plan that extends our efforts from creating a flexible working environment to also reviewing actual working procedures.

Number of Employees Using the Support System (FY 2005, Fujitsu Limited)

System	Users
Child care leave	220
Family care leave	17
Reduced working hours (child/family care)	209
Paternity leave	705

In addition to the above, we also provide babysitter subsidies, paid leave honoring long-term service and for volunteer and other activities, and in some locations, in-house childcare facilities.

Survey on Employee Satisfaction

In order to achieve the mission laid out in *The FUJITSU Way* and to be seen by our customers as a reliable management and business partner, we feel it is vital to increase the number of employees who are sympathetic to our mission as well as personally motivated to always act in the best interests of the customer.

In order to ascertain whether we are making progress in this direction, we conduct employee satisfaction surveys. Based on the results of these surveys, managers identify and tackle problems found in their organizations, and work to implement improvements formed after internal discussions.

Evaluation and Awards System Performance Evaluation System

In Japan, we have introduced a system under which employees set their own performance targets every six months and receive compensation based on the extent to which they meet those targets and the processes they use to do so. The system supports employees as they pursue their personal growth objectives, providing objective standards by which to assess their careers and skills.

Awards System

Every June, at the events commemorating Fujitsu's foundation, awards for outstanding performance are presented. All employees of the Fujitsu Group are eligible. Awards are also presented at the company and business group level.

Compensation for Employee Inventions

In the event that Fujitsu receives the rights to an employee invention and registers it as a patent, compensation is paid to the employee or employees responsible. In conjunction with Article 35 of the Japan Patent Law, we promote awareness of our "Regulations on Compensation for Employee Inventions," disclose relevant guidelines and offer an email-based service for consultation and to sound out opinions.

Human Resources Development

We consider the development of human resources and employee education as key management priorities and essential to ensure continuing growth in an era of increasingly severe changes in our operating environment. We are committed to cultivating a workforce that is second to none.

Supporting Career Development with the "Executive Personnel Image" Standard

We set a standard with regard to the image that Fujitsu managers should project to give our employees the right idea of the direction they should pursue and skills they should acquire. This standard forms the basis for our promotion scheme. Employees can refer to this standard as a guide in their own efforts to develop their skills and advance their careers. At the same time, the company uses the standard in reviewing and reforming employee education programs and providing a career support structure.

We provide training for managers based on this image, and distribute handbooks containing practical advice for supporting their workplace and staff in order to help them become better managers.

Fujitsu University

Fujitsu University was established in April 2002 to pursue human resources development from a long-term perspective. Here, based on Group business strategy closely coordinated with strategies for human resource development, we offer employees a variety of courses aimed at:

- Fostering professionals who can create high added value for customers;
- Fostering business leaders who can powerfully advance global business;
- Promoting the shared values and skills of all employees—the "baseline" of the group's capabilities as a comprehensive solutions provider.

Fujitsu NetCampus

Open to all employees around the world, NetCampus is our in-house educational platform for the management of learning. Course content, applications and acceptances for enrollment, and a wide variety of learning support functions are all provided via intranet.

Education on Manufacturing Innovation

Based on the Human Resources Promotion Development Law, the Fujitsu Institute of Technology carries out accredited career training in a one year intensive group education course that combines the basic disciplines and practical skills required by the Fujitsu Group. This training fosters production site operators capable of adapting to the dynamic changes that occur on the manufacturing floor.

In addition, the course is structured to provide education for each rung of the career ladder, including site foreman, and offers a well-rounded training curriculum to reinforce the organizational strength of the Group's manufacturing sites.

Flexible Allocation of Personnel and Career Development

By promoting the flexible allocation of personnel to sectors and positions within the Group in response to growth areas and other changing circumstances, we provide employees with the opportunity to optimize their potential contributions. We have also established a system by which employees may select and pursue particular career paths, and we support them in such endeavors.

In-house Transfers (FY 2005, Fujitsu Limited)

System	Transfers (no. of people)
In-house Recruitment	371
Free-Agency	71

Employee Career Development Self-Support System

This system aims to empower employees to access a wide array of career options that can provide meaning in both their work and daily lives as they venture out into a world no longer bound by age-based conventions on employment. The system assists them to make proactive career decisions and opens the way for career shifts and independent ventures well in advance of their retirement.

Retiree Re-employment Scheme

Although the official age for retirement is 60 years in Japan, we have implemented a system for re-employment of retirees in accordance with the Law Concerning Stabilization of Employment of Older Persons enacted in April 2006. We strive to provide fulfilling opportunities for all employees who wish to continue working past 60.

Health and Safety at Work

To ensure that all Group employees have a working environment that is safe, pleasant, and secure, health and safety educational programs and training matched to workplace realities are carried out and practical measures implemented. Our suppliers are required to do the same.

The requirements of mental health are not overlooked, and proper care is taken to ensure employee well-being.

Central Health and Safety Committee

Every year, Fujitsu holds a meeting of the Central Health and Safety Committee attended by employer and employee representatives. The committee sets policies for the company as a whole, monitors natural disasters and other threats to health and safety, and proposes preventive measures. The health and safety organizations at each location also hold monthly committee meetings, developing policies as they apply to the local situation and implementing them to ensure site safety.

Health Management & Mental Health

In Japan, Fujitsu has established Health Promotion Centers and Health Management Offices at each business location, which are responsible for performing various health checks, education to increase health consciousness, guidance to maintain good health, consultations, as well as counseling for those in need of mental health care. In 2005, we bolstered our support for employee self-care by developing an online system enabling secure access to one's health check-up results.

We began educating different levels of employees on mental health in 1966, and in 2005 set up an e-Learning program course for all employees. Other initiatives include enhancement of an e-diagnosis self-check tool for determining one's level of stress, whereby employees who are concerned about their self-test results can then access a web-based consultation service.

Enhancing Information Disclosure and Communication

We carry out our responsibilities to shareholders and investors by paying a fair return from profits and disclosing information in good faith.

Basic Policy on Returns to Shareholders

Our basic policy is to provide shareholders with a stable return and to secure sufficient internal reserves to strengthen our financial position for future growth and improved profitability in the mid to long term.

For the fiscal year ending March 2006, we declared a year-end dividend of three yen per share, taking the total for the year to six yen, including the interim dividend of three yen.

Basic Policy on Information Disclosure

We recognize that timely and appropriate disclosure of company information to shareholders, investors and securities analysts is the bedrock of a healthy securities market. Based on this awareness, we disclose information in accordance with Japanese securities and exchange law and with disclosure regulations for stock exchanges where Fujitsu stock is listed. Also, it is our policy to disclose information promptly, accurately and fairly whenever it may affect investment decisions, even without any regulatory obligation and when it may be adverse to Fujitsu.

Timing of Annual Shareholders' Meeting

In order to have as many as possible of our shareholders attend, we schedule our annual shareholders' meeting to avoid days when many other such meetings take place in Japan. Also, in consideration of the needs of our overseas shareholders, English agendas for the meeting and ballots for the exercise of voting rights are dispatched about three weeks in advance.

Further, in addition to introducing in June 2002 a means to enable shareholders to exercise their voting rights using the Internet, from the annual shareholders' meeting held in June 2006 we are implementing an online platform for voting by institutional investors.

Communicating with Shareholders and Investors

We are actively involved in IR activities in Japan and abroad, including holding briefing sessions for institutional investors and securities analysts, responding to individual requests from investors, visiting Japanese and international investors, and transmitting information through the Fujitsu website as part of our communications efforts.

We also disseminate press releases, providing information through the media to individual investors and the public at large as part of our efforts to ensure fair disclosure.

A Variety of Meetings for the Investor Community

In addition to briefings on financial results, we provide a variety of presentations on management policy and specific business briefings targeted at institutional investors and securities analysts.

In these presentations, senior managers speak on various topics: the president discusses the broad management picture; top executive officers use financial data and other materials to describe business conditions; presidents of the various business groups speak about practical strategy; and other corporate executive officers speak on conditions at the front lines. Besides these presentations, we also hold small-scale meetings when appropriate and respond to individual requests on a one-on-one basis.

For overseas institutional investors, we hold road shows twice a year in Europe and North America, and local staff also visit investors individually. In addition, we strive to provide the same level of information to overseas parties as to those in Japan. For example, we have set down the principle of simultaneously posting important press releases in English and Japanese on our website.



Management direction briefing

Communicating with Individual Shareholders and Investors

For individual shareholders and investors, we prepare and send out interim and year-end financial reports. We promptly disclose IR materials used at analyst briefings and materials and images from the year-end presentation of results on our website, utilizing PDF files and streaming technology. We have also placed an inquiry form on the website for two-way communication.

Socially Responsible Procurement Activities

We value cooperative relationships with our business partners and are collaborating with them to consolidate a framework for responsible business dealings.

Establishing Procurement Guidelines in Keeping with Our Corporate Social Responsibilities

Amid a growing awareness of the importance of corporate social responsibility (CSR), we are working with our business partners to ensure that procurement activities are carried out in accordance with CSR principles, not only in our own business activities but throughout the entire supply chain.

In March 2006, based on *The FUJITSU Way*, we articulated a basic stance on procurement under the theme of “promoting CSR-conscious procurement,” and at the same time published new CSR Procurement Guidelines outlining for our business partners various CSR-related considerations we require in order to do business. These guidelines stipulate items concerning conservation of the global environment, legal compliance and other issues, explains how business partners can comply with them, and urges them to do so.

In the future we will stipulate additional CSR measures as part of the criteria by which we evaluate and select our partners. We will also boost our CSR-related support for business partners by providing assistance in developing environmental management systems, hosting seminars, and other measures.

Basic Stance on Procurement (headings)

1. Coexistence with Suppliers
2. Fair and Proper Evaluation and Selection of Suppliers
3. Promotion of CSR-Conscious Procurement Activities

CSR Procurement Guidelines (headings)

1. Protection of the Global Environment
2. Compliance with Laws and Regulations
3. Respect for Human Rights, Labor, Health and Safety
4. Assurance of Safety and Quality of Products and Services
5. Maintenance and Promotion of Information Security
6. Fair Trade and Corporate Ethics
 - 1) Fair Trade
 - 2) Protection of Confidential Information
 - 3) Protection of Intellectual Property
 - 4) Prohibition of Bribes

 [Procurement Policy/CSR Procurement Guidelines \(full text\)](http://www.fujitsu.com/global/about/procurement/policy/)
<http://www.fujitsu.com/global/about/procurement/policy/>

Procurement Cooperation with Business Partners

Advancing Green Procurement

We have set forth our basic requirements for environmentally sound procurement practices in the “Fujitsu Group Green Procurement Direction” and are working with our business partners on activities in this area.

One example relating to the establishment of our partners’ environmental management systems is that we require them to have third-party accreditation, such as ISO14001, in keeping with calls for activities to further reduce ecological burdens, as in the EU’s Restrictions on Hazardous Substances Directive and the Kyoto Protocol.

We also promote green procurement targets in line with the Fujitsu Group Environmental Protection Program (Stage IV), and at the end of fiscal 2005, our rate of procurement from partners with an established EMS reached 99.7% (see Page 43). In fiscal 2005, we conducted 22 seminars to help those business partners still lacking third-party accreditation to improve their EMS, with a total of 1,544 companies in attendance. In the seminars we spoke of the need for a greater awareness of global environmental conservation and the significance of obtaining third-party accreditation.

We will continue to help our business partners with initiatives such as strengthening management of chemical substances contained in the goods they supply to us, in order to help them improve their environmental management systems.

Information Security in Collaboration with Our Business Partners

Recently there has been a marked increase in the number of information security incidents, such as the loss or theft of notebook PCs or storage media, or data leakage due to infected file-sharing software. We are strengthening our Group-wide internal information security measures to prevent the occurrence or reoccurrence of such incidents.

For example, starting in September 2005, we carried out the following initiatives in collaboration with some of our contract software development and service partners.

- Information Security Seminars (September-October 2005) (A total of 20 seminars with approx. 1,200 companies in attendance)
- Questionnaires on the status of our business partners’ information security measures (October-November 2005)
- Audits (on-site) of the information security measures of our business partners (December 2005-ongoing)
- Information Security Training Course (February-March 2006)
- Directives prohibiting the use of “Winny” P2P file-sharing software (December 2005; March 2006)

Contributing as a Corporate Citizen

As a good corporate citizen, we seek to foster mutually beneficial relationships in our communities worldwide, and we leverage our distinctive skills as an IT company to contribute to society in a variety of ways.

Our Philosophy on Contributing to Society

A primary motivation for the Fujitsu Group is to live and thrive as a good corporate citizen in harmony with local and international communities. We aim to grow and to fulfill our responsibility to promoting the sustainability of society by working for the best interests of all of our stakeholders, including customers, employees, shareholders and investors, suppliers and business partners, local and international communities, public institutions and government authorities.

As part of this policy, we engage in social contribution activities that include educational programs for young people who will become future leaders, as well as a variety of initiatives to promote international communication and environmental conservation.

Social Contribution Highlights

Japan-America Institute of Management Science

This institute, now in its 34th year, is a non-profit educational institution set up with the full backing of Fujitsu in 1972. Anticipating the increasing importance of US-Japan business relations, the institute was established based on then Fujitsu President Yoshimitsu Kohra's vision to foster the development of globally minded business people who could act as a future bridge between the two nations.

We continue this support today through a dedicated internal organization (the JAIMS Promotion Division), which also serves as the Institute's Japan office, providing financial assistance for operating funds and other purposes, as well as advertising activities and the planning of seminars for placement of exchange students.

We established the Foundation for International Information Processing Education (FINIPED) at the same time as JAIMS in order to provide scholarships to Japanese and other students at JAIMS, as well as financial support for the development of human resources.

In commemoration of the 50th anniversary of Fujitsu's founding, in 1985 we established the Fujitsu Asia Pacific Scholarship Program to provide scholarships for study at JAIMS by students from the Asia-Pacific region. The scholarship program aims to deepen understanding of Japanese culture, society and management techniques, and foster business leaders who can serve as a bridge between Japan and the world. It also helps advance cultural exchanges and mutual understanding among business people in the Pacific Rim.



JAIMS students

To date, more than 20,000 participants from some 50 countries have come to study at JAIMS, including about 2,800 exchange student program graduates and

approximately 18,000 seminar attendees. These participants are utilizing the English language and business skills they acquired at JAIMS and its global network of contacts to conduct business in countries all over the world.

In July 2006, JAIMS was awarded the 2006 Japanese Foreign Minister's Commendation in recognition of its more than 30-year contribution to international exchange.

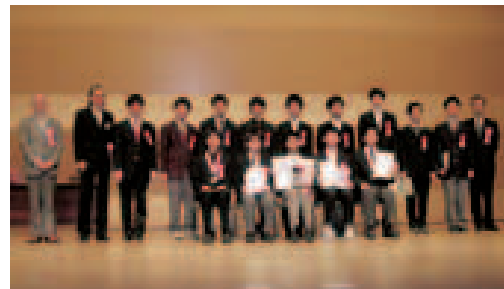
 [Japan-America Institute of Management Science](http://www.jaims.org/)
<http://www.jaims.org/>

Support for the Mathematical Olympiad & Olympiad in Informatics

We support the activities of the Mathematical Olympiad Foundation of Japan and the Japanese Committee for the International Olympiad in Informatics, the latter being a designated non-profit organization, to discover and foster valuable human resources expected to play leading roles in the future development of society.

The Mathematical Olympiad Foundation of Japan was established in 1991 in order to uncover gifted mathematicians for selection and entry as national representatives in the International Mathematical Olympiad (IMO), to further develop their skills, and to help improve and promote mathematical education from an international perspective. Fujitsu provided the basic funds for the establishment of the Foundation together with two other companies and one individual, and presents supplementary prizes to the top performers at the Japan Mathematical Olympiad and the Japan Junior Mathematical Olympiad from which national representatives for the IMO are selected.

The Japanese Committee for the International Olympiad in Informatics was established in 2005 to train human resources to support Japan's mathematical information science sector. It provides participants and cooperation for the International Olympiad in Informatics (IOI), a programming contest that targets junior and senior high school students. As a supporting member, Fujitsu provides assistance in the Committee's operation, and presents supplementary prizes to the top performers at the Japan Olympiad in Informatics from which national representatives for the IOI are selected.



16th Japan Mathematical Olympiad Awards Ceremony

Mutually Beneficial Relationships with Local Communities Outside Japan

The Fujitsu Group provides financial support and engages in a wide range of other activities to support local communities where we maintain a business presence.

In the United States, for example, Texas-based Fujitsu Transaction Solutions has been the presenting sponsor for the American Heart Association's "Swing Fore Heart" charity golf tournament since 2003, while each year California-based Fujitsu Computer Systems supports the American Cancer Society, Second Harvest Food Bank*1,

and The Family Giving Tree*2 with employee as well as corporate donations.

In addition, responding to those in need, Fujitsu Group companies generously supported the relief and recovery efforts for those impacted by the devastating Hurricane Katrina.

*1 Second Harvest Food Bank

A private, non-profit food bank which annually gathers and distributes tens of millions of pounds of food to its delivery centers to be sent directly to agencies and other designated recipients for preparation and distribution.

*2 The Family Giving Tree

Provides Christmas presents to underprivileged children.

Social Contribution Activities in Fiscal 2005

Promotion of Learning & Education/ International Exchange

- Management of the Japan-America Institute of Management Science (JAIMS)
- Management of Foundation for International Information Processing Education (FINIPED)
- Support for the Mathematical Olympiad Foundation of Japan & The Japanese Committee for the International Olympiad in Informatics
- The Fujitsu Asia Pacific Scholarship Program

Cultural and Artistic Activities

- Sponsorship of the Fujitsu Concert Series
- Sponsorship of the Concord Jazz Festival
- Hosting of the 13th Fujitsu Cup Masters Tournament (the only senior level *Shogi* tournament of its kind)
- Hosting of the 18th World Go Championship Fujitsu Cup
- Sponsorship of the Fujitsu Ladies Golf Tournament
- Support for the Kawasaki Frontale Professional Soccer Team

Company Sports

- Track and field
- American football
- Women's basketball

Local Activities

- Kawasaki Plant Spring Festival
- Numazu Plant Tea Picking Festival
- Fujitsu Solution Square *Kusunoki* Festival

Disaster Relief

- Support for victims of the Northern Pakistan earthquake (charity drive on @nifty Internet service)
- Support for victims of Hurricane Katrina (United States)
- Support for victims of the Leyte Island landslide (Philippines)

Fujitsu Group tree planting activities overseas (see Page 59)



Group study session (JAIMS)



Kawasaki Plant Spring Festival



Fujitsu Solution Square *Kusunoki* Festival



Numazu Plant Tea Picking Festival



Local exchange with Fujitsu American football club



Local exchange with Fujitsu women's basketball club

* Please see Page 59 for details about our social contribution activities relating to the environment.



Chapter **2**

Fujitsu and the Environment

Passing on Our Precious Environment to Future Generations

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Environmental Policy

Setting forth a “Fujitsu Group Environmental Policy” and engaging in environmental protection activities throughout the Group.

Fujitsu Group Environmental Policy

(October 2002)

Philosophy

The Fujitsu Group recognizes that environmental protection is a vitally important business issue. By utilizing our technological expertise in the IT industry and our creative talents, we seek to contribute to the promotion of sustainable development. In addition, while observing all environmental regulations in our business operations, we are actively pursuing environmental protection activities on our own initiative. Through our individual and collective actions, we will continuously strive to safeguard a rich natural environment for future generations.

Principles

- We strive to reduce the environmental impact of our products throughout the product life cycle.
- We are committed to conserving energy and natural resources, and practice a 3R approach (reduce, reuse, recycle) to create best-of-breed eco-friendly products.
- We seek to reduce risks to human health and the environment from the use of harmful chemical substances or waste.
- Through our IT products and solutions, we help customers reduce the environmental impact of their activities and improve environmental efficiency.
- We disclose environment-related information on our business activities, products and services, and we utilize the resulting feedback to critique ourselves in order to further improve our environmental programs.
- We encourage our employees to work to improve the environment, bearing in mind the impact of their business activities and their civic responsibilities.

Fujitsu Group Environmental Policy

Since its founding in 1935, Fujitsu has made environmental preservation one of the most important elements in its management, based on its philosophy of “manufacturing in harmony with nature.”

In 1992, the year when Agenda 21* was adopted at the Rio de Janeiro Global Summit, we established “Fujitsu’s Commitment to the Environment.” This was created in the mold of the Global Environment Charter announced by the Japanese Federation of Economic Organizations in the previous year. In October 2002, when the Johannesburg Summit was held and summit participants were debating how to execute Agenda 21 in a more effective way, we revised this commitment to create the Fujitsu Group Environmental Policy. Our objective in this revision was to implement environmental management in a way that reflects the distinct character of the Fujitsu Group’s business, responding to more and more diverse problems where environmental management is increasingly vital.

* Agenda 21

A concrete plan of action for sustainable development, to be carried out by various countries and international organizations. It involves programs to deal with environmental issues, including social and economic problems such as population, poverty and human settlement issues, as well as soil, forests, the atmosphere, desertification, agriculture, biodiversity, water, hazardous wastes and chemical materials.

Green Policy 21

We want every employee of the Fujitsu Group to understand the approach, which has applied since our founding, of manufacturing in harmony with nature and to put this approach into practice in their daily work. For this purpose, we have established “Green Policy 21” as a concept to guide our actions—a concept that goes beyond any mere statement of intent.

We have adopted as our slogan “We make every activity green,” and we put this idea into practice in all areas of our business.

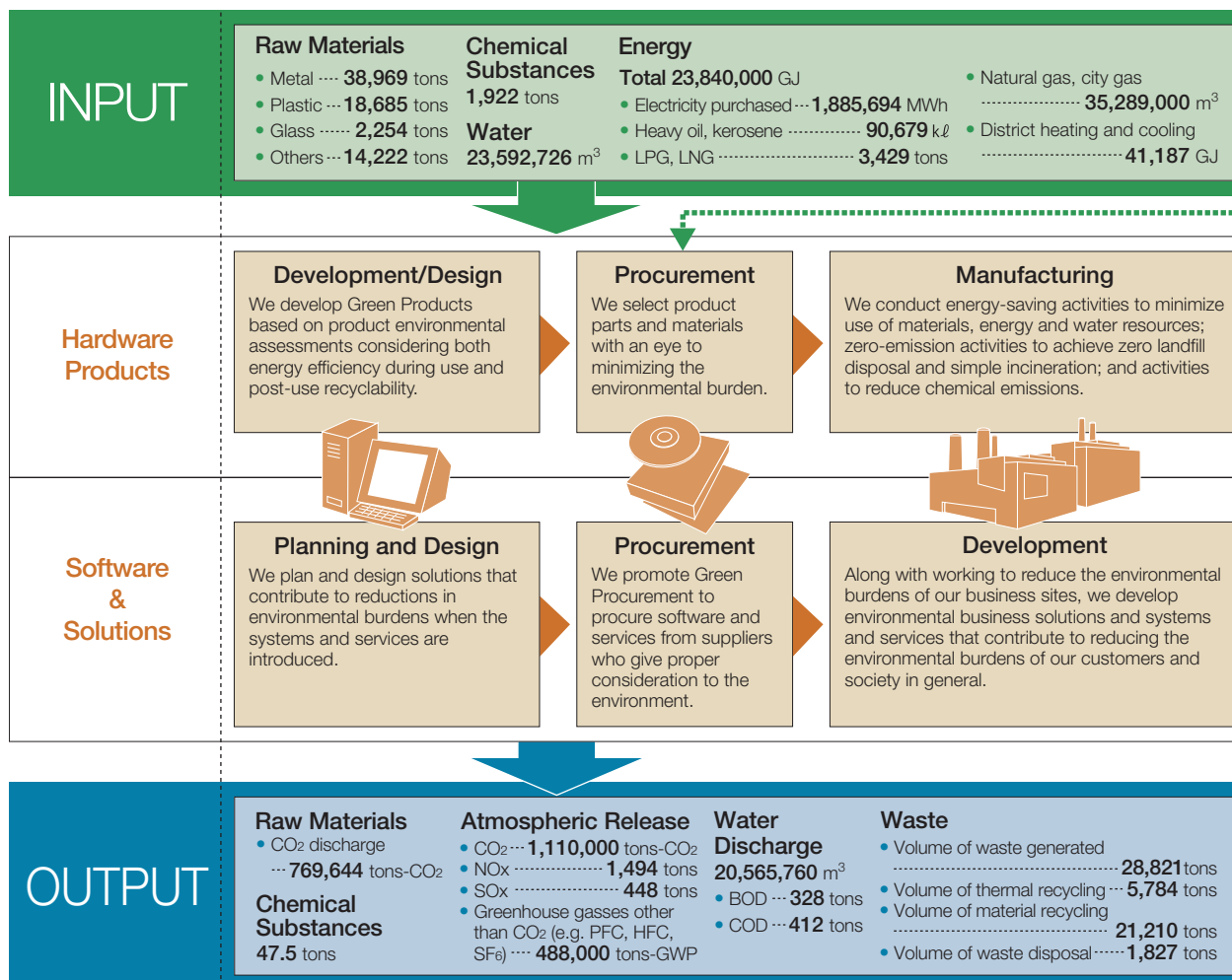
Environmental Concept “Green Policy 21”



Operating Activities and Environmental Burden (Material Balance)

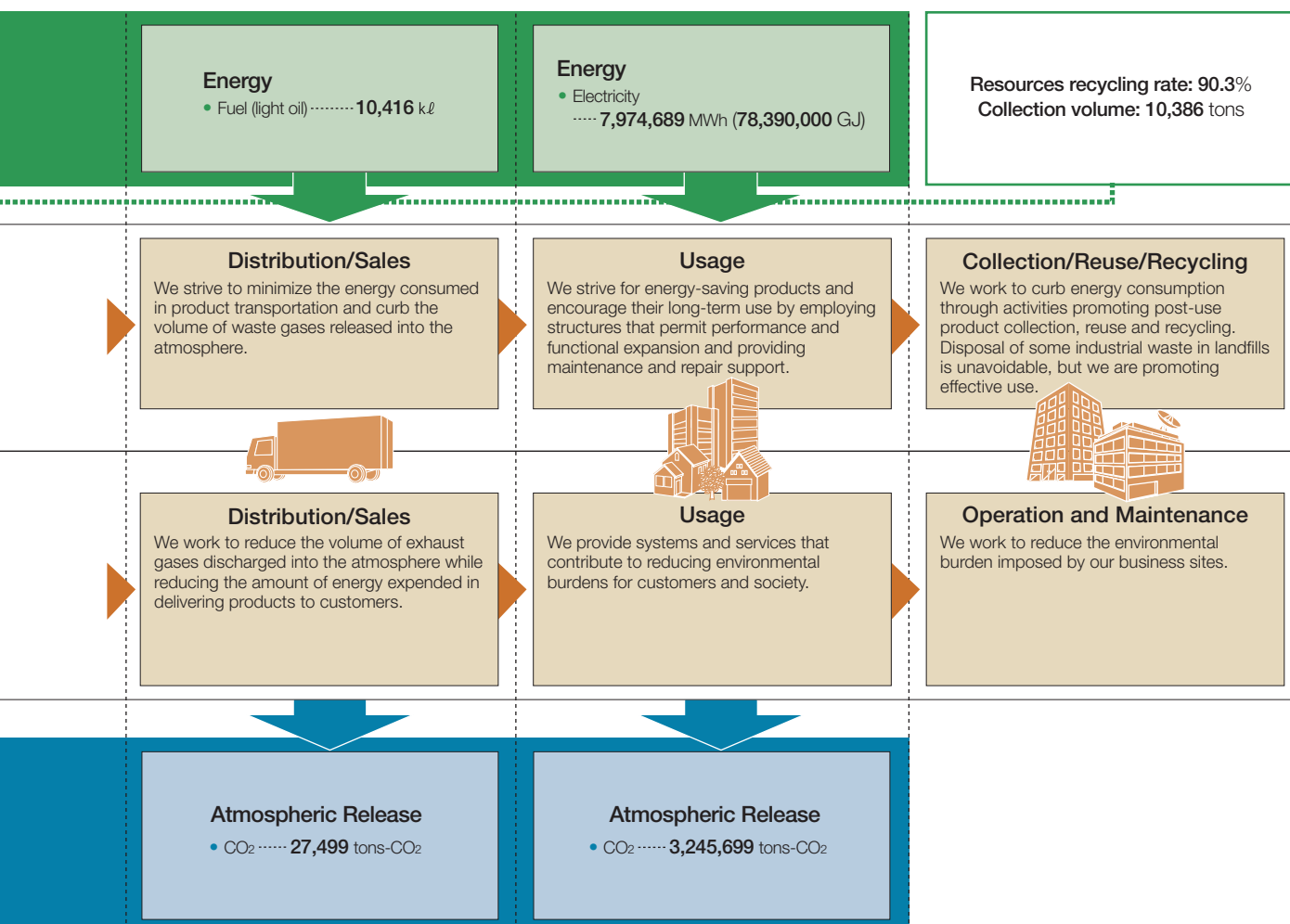
We promote environmentally friendly business activities through quantitative assessment of our environmental burden from the life cycle and supply chain standpoints.

Material Balance



Calculation Methods

INPUT		
Development/ Planning & Design	Chemical Substances	Volume of PRTR Law target chemicals handled by plants/sites in fiscal 2005
Procurement/ Manufacturing/ Development	Raw Materials	Material inputs to our major products* shipped in fiscal 2005 (raw materials per unit for each product times the number of units shipped in fiscal 2005) *Major products: Personal computers, mobile phones, servers, workstations, storage systems, magnetic disk drives, MO drives, printers, scanners, financial terminals, retail terminals, routers, LAN access equipment, access network products, mobile phone base stations, and electronic devices.
	Energy	Electricity, oil and gas consumed by plants/sites in fiscal 2005
	Water	Volume used by plants/sites in fiscal 2005
Distribution/ Sales	Energy	Fuel consumption volume assuming that all CO ₂ released during transportation is from light oil fuel. (Conversion coefficient: 2.64 kg-CO ₂ /liter light oil)
Usage	Energy	Electricity consumption by major products shipped in fiscal 2005 (Assumed hours of use per product, Age-based electricity consumption × Units shipped in fiscal 2005)
Collection/Reuse/Recycling		The weight ratio of recycled parts and resources with respect to the processing volume of post-use products is calculated according to the method of the Japan Electronics and Information Technology Industries Association. It excludes collected waste other than post-use electronic products.



Calculation Methods

OUTPUT		
Development/ Planning & Design	Raw Materials	Material inputs to our major products* shipped in fiscal 2005 (raw materials per unit for each product times the number of units shipped) *Main products: Personal computers, mobile phones, servers, workstations, storage systems, magnetic disk drives, MO drives, printers, scanners, financial terminals, retail terminals, routers, LAN access equipment, access network products, mobile phone base stations, and electronic devices.
Procurement Manufacturing/ Development	Chemical Substances	Measuring the concentrations of PRTR Law target chemicals discharged through plants' drains and exhaust ports in fiscal 2005 and multiplying the total volume discharged (nickel compounds, manganese compounds, etc.) or total volume emitted (xylene, toluene, etc.), or calculating based on the chemical substance balance (xylene and toluene).
	Atmospheric Release	CO ₂ : CO ₂ discharge volume associated with energy consumption by plants/sites in fiscal 2005 (Energy consumption × CO ₂ conversion factor) NO _x , SO _x : Calculated from emissions/concentrations from vents (boilers, etc.) by plants/offices in fiscal 2005 Greenhouse gasses other than CO ₂ : Discharge volume of process gasses used in semiconductor manufacturing (calculated by formulas such as <volume of gas used> × <ratio consumed in reactions> × <detoxification ratio>)
	Water Discharge	Wastewater volume discharged by plants/sites into sewerage or rivers in fiscal 2005 BOD: A measure of the emission volume of organic pollution of water discharged by businesses employing the volume of oxygen consumed when organic matter in water is resolved by microbe activity COD: A measure of the emission volume of organic pollution of water discharged by businesses employing the volume of oxygen consumed when organic matter in water is resolved chemically by oxidizers
	Waste	Volume of Waste Generated: The volume of waste disposal by plants/sites in fiscal 2005 Volume of Waste Disposal: The volume of landfill disposal and simple incineration by plants/sites in fiscal 2005 (including waste which is not a zero emission target)
Distribution/ Sales	Atmospheric Release	The total CO ₂ volume in fiscal 2005, including both fuel consumption by Fujitsu's shipping business when measurable, and shipping distance × freight weight × coefficient when the freight of companies other than Fujitsu is included, as in mixed load transportation
Usage	Atmospheric Release	The volume of CO ₂ emissions during use of major products shipped in fiscal 2005 (Assumed hours of use per product, Age-based CO ₂ emissions × Units shipped in fiscal 2005)

Targets and Achievements

Establishing clear objectives that apply to all business areas of the Fujitsu Group, as well as carrying out well-planned and continuous environmental protection efforts.

Environmental Protection Program (Stage IV)

The Fujitsu Group establishes mid-range environmental action programs to provide concrete objectives for implementing environmental policies. In Stage IV of the Fujitsu Group Environmental Protection Program, which covers fiscal 2004 through fiscal 2006, we are expanding the scope of our environmental efforts to include all areas of the Group (design and development divisions, manufacturing divisions, headquarters bodies, sales, and software & services divisions), and through systemic environmental

protection activities we will strive to contribute to the building of a sustainable society.

In fiscal 2005 we completed construction of an environmental management framework that includes overseas Group companies and achieved a 90% resource reuse and recycling rate for collected end-of-life products one year earlier than planned. Among other results, we also succeeded in increasing the number of Super Green Products and certified Environmentally Conscious Solutions that we offer. We are stepping up our efforts to complete other items in progress that are scheduled to be completed in fiscal 2006.

Fujitsu Group Environmental Protection Program (Stage IV)

Items	Fujitsu Group Targets	Performance (in fiscal 2005)	Related Pages
Strengthening Environmental Management	To establish an EMS-based framework for environmental management across the entire Fujitsu Group by the end of fiscal 2005.	We obtained globally integrated certification that expanded our domestic Group integrated certification coverage to 11 companies and 12 overseas locations selected from the standpoint of the product supply chain. In addition, environmental management systems were introduced at another 34 overseas locations, thus completing the construction of an environmental management framework for all Group companies (consolidated subsidiaries).	P15~ P45~
Green Procurement	To increase the procurement ratio from suppliers who have implemented an environmental management system (EMS) to 100% by the end of fiscal 2006.	The percentage of our procurement from business partners who have implemented an EMS as a share of all procured items (parts used in products, materials, software, equipment, construction work, maintenance, etc.) reached 99.7%.	P36
Environmental Measures for Products	All business units to provide Super Green Products (with top-class environmental characteristics) in their principal product line offerings by the end of fiscal 2006. All Fujitsu-brand products to be made free of Fujitsu-specified hazardous substances by the end of fiscal 2005.	We developed Super Green Products in 21 product categories, marking a total of 33 product categories in which Super Green Products have been introduced since fiscal 2004. We started providing products free of Fujitsu Group-specified hazardous substances in April 2006 (with certain exceptions*) * These exceptions are: • Products in which reliability is seen as critical, such as certain medical equipment that is not subject to the RoHS directive and products for special systems • Products supplied to customer specifications	P51~
Product Recycling	To establish recycling systems in Europe by the end of fiscal 2004, and in North America and Asia by the end of fiscal 2006. To increase the reuse and recycling rate of collected end-of-life products in Japan to 90% by the end of fiscal 2006. To increase the utilization rate of recovered waste plastic for the Fujitsu Group in Japan to 20% by the end of fiscal 2006.	We selected sites for constructing recycling systems in North America and Asia, and preparation for operations is in progress. The resource reuse and recycling rate for collected end-of-life products reached 90.3%. * This target was achieved one year earlier than planned We achieved a rate of 5.0% for materials used in products. We are also investigating use of these materials for transport pallets.	P54~
Environmentally Conscious Solutions	To provide Environmentally Conscious Solutions in all areas of our software and services business by the end of fiscal 2006 in order to help customers reduce their environmental burdens.	We expanded deployment of our Environmentally Conscious Solutions certification system from Fujitsu business units to include Group companies, and designated a total of 54 products in 24 fields as Environmentally Conscious Solutions.	P50
Global Warming Countermeasures	To reduce CO ₂ emissions resulting from energy consumption down to or below the actual emission levels of fiscal 1990 by the end of fiscal 2010. (15% reduction from fiscal 2000 levels by end of fiscal 2006.) To reduce greenhouse gases other than CO ₂ by 10% from the actual fiscal 1995 emission levels by the end of fiscal 2010. To contribute to the reduction of greenhouse gases by efficient physical distribution, product recycling, development of energy saving products, and other measures.	CO ₂ emissions due to energy consumption were about 1,110,000 tons. This corresponds to a 31% reduction from fiscal 2000 levels (2.5% higher than 1990 levels). Emissions made up of other greenhouse gasses (PFC, HFC, and SF ₆) were about 488,000 tons, an 88.4% increase compared to fiscal 1995 levels. We strengthened our environmental activities in our logistics divisions.	P47~
Promotion of Green Factories	To reduce, by the end of fiscal 2006, the discharge of chemical substances that are subject to the Pollutant Release and Transfer Register (PRTR) by 15% compared to the actual fiscal 2001 discharge levels. To reduce the amount of waste generation by 3% compared to the actual amount in fiscal 2003 by the end of fiscal 2006.	Emissions of specified chemical substances were 47.5 tons, a decline of 52.0% compared with fiscal 2001. The amount of waste generated was 28,821 tons, a decline of 43% compared with fiscal 2003.	P56~

Environmental Accounting

Understanding and evaluating the “costs” and “benefits” of environmental protection activities helps to identify problems and share best practices across the Group.

Conditions in Fiscal 2005

In fiscal 1998, we introduced environmental accounting, in which costs and benefits associated with environmental conservation are evaluated.

In these calculations, we use not only the Ministry of the Environment’s Environmental Accounting Guidelines but also computational standards that we have established independently in order to estimate effects that are not so easily assessed.

In fiscal 2005, the Fujitsu Group had total environmental costs of 17.9 billion yen and was able to achieve an economic benefit of 24.5 billion yen. Compared to the previous fiscal year, although there was no change in the costs, the benefits increased by 1.9 billion yen. However, excluding the impact of the removal of Fujitsu Hitachi Plasma Display Limited and Fujitsu Display Technologies Corp. from Fujitsu’s consolidated accounts beginning in fiscal 2005, environmental costs and benefits increased by 2.3 billion yen and 3.8 billion yen, respectively.

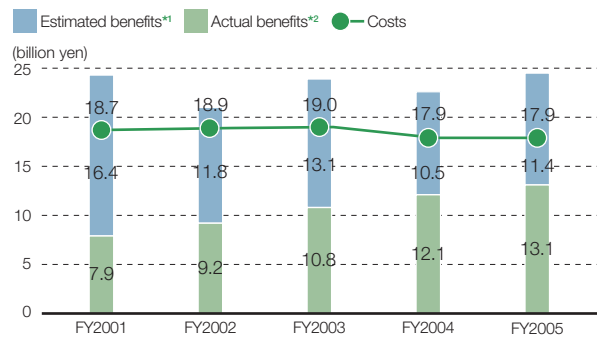
The main sources of the increase in environmental costs were for such purposes as the restoration of contaminated soil (environmental remediation) and the handling of banned substances in products (research and development). Similarly, the increases in economic benefits were due to proceeds from the sale of unnecessary resources with material value, increases in the cost reductions associated with our Green Process activities, risk avoidance effects (pollution prevention) associated with water pollution

prevention-related investments, and similar items.

More detailed information on the basic items in our environmental accounting is available on our website.

 **Environmental Accounting**
<http://www.fujitsu.com/global/about/environment/accounting/>

Trends in Costs and Economic Benefits



*1 Estimated Benefits

Benefits not directly presentable in monetary amounts which can be put into monetary figures under certain conditions (e.g. contribution of environmental conservation activities to value added in manufacturing, savings from avoidance of operating losses stemming from failure to observe environmental laws and regulations).

*2 Actual Benefits

Benefits which can be directly declared in monetary amounts, like savings produced in the case of reductions in environmental conservation costs.

Environmental Accounting

Item	Main areas covered	Investment (100 million yen)	Costs (100 million yen)	Economic benefit (100 million yen)	Environmental conservation benefits
Business area costs/benefits	Pollution prevention costs/benefits	7.8 [-0.1]	51.1 [-0.9]	89.5 [+4.2]	
	Global environmental conservation costs/benefits	9.9 [+2.8]	21.0 [-7.8]	23.2 [-1.9]	CO ₂ 171,000 tons-CO ₂
	Resource circulation costs/benefits	2.8 [-4.8]	29.9 [-2.7]	97.0 [+11.2]	NOx 2,091 tons SOx 314 tons BOD -23 tons COD 14 tons
Upstream/downstream costs/benefits	Collection, recycling, reuse, and proper disposal of manufactured and commercial goods, etc.	0.9 [+0.7]	10.6 [+0.9]	8.5 [-0.5]	
Administration costs/benefits	Provision and operation of environmental management systems, environmental education of employees, etc.	1.0 [-1.6]	31.8 [-5.1]	7.0 [±0.0]	Amount of waste generated 21,299 tons
R&D/solutions business costs/benefits	Research and development on products that contribute to environmental protection, etc.	2.1 [+1.0]	22.0 [+3.9]	15.9 [+3.9]	Discharge of PRTR-target substances 4.5 tons
Social activity costs/benefits	Donations to, and support for, environmental groups, etc.	0.0 [±0.0]	0.1 [±0.0]	0.0 [±0.0]	
Environmental remediation costs/benefits	Restoration of natural environments, etc.	0.0 [±0.0]	12.6 [+11.6]	4.0 [+2.0]	
Total		24.5 [-2.0]	179.1 [-0.1]	245.1 [+18.9]	

- Numbers in brackets indicate increases or decreases in comparison with the previous year.
- Environmental conservation benefit = [total burden for fiscal 2004] - [total burden for fiscal 2005]
- The environmental conservation benefit for CO₂ is the value related to energy use.

Strengthening Environmental Management

We are continuously working to improve our ISO14001-based environmental management system and to promote unified environmental management of the Fujitsu Group.

EMS Implementation and Operation Strengthening Our Environmental Promotion Structure

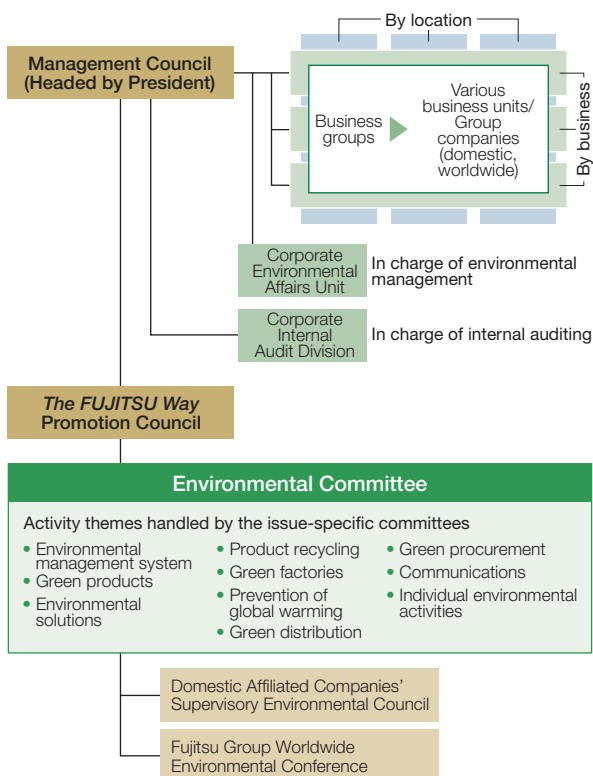
In order to carry out management decisions quickly, the Fujitsu Group environmental management system (EMS) has been developed in accordance with our business organization, that is, our business group structure. Each business group undertakes environmental efforts tailored to the particular characteristics of its business and also participates in Group-wide environmental activities.

Decision making concerning EMS activities takes place in the Management Council, and these decisions are transmitted to each business group by the Corporate Environmental Affairs Unit, which is in charge of environmental activities for the Fujitsu Group.

In addition, with respect to certain environmental themes, issue-specific committees managed and coordinated by the Environmental Committee, and comprising concerned parties from various units that transcend the business group/business unit framework, debate and develop concrete environmental action plans and improvements to the EMS structure. The results of their deliberations are reported to the Corporate Environmental Affairs Unit, and feedback is provided to the Management Council, after which they are reflected in the activities of each business group.

In fiscal 2005, along with changing both the name and

Structure for Environmental Activities



role of the deliberative body consisting of heads of Group companies, we strengthened our Group-wide and cross-divisional efforts in areas such as Green Logistics and Individual Environmental Activities.

Going forward, the Fujitsu Group is committed implementing a PDCA (Plan, Do, Check, Act) approach across the Group to continually improve our EMS.

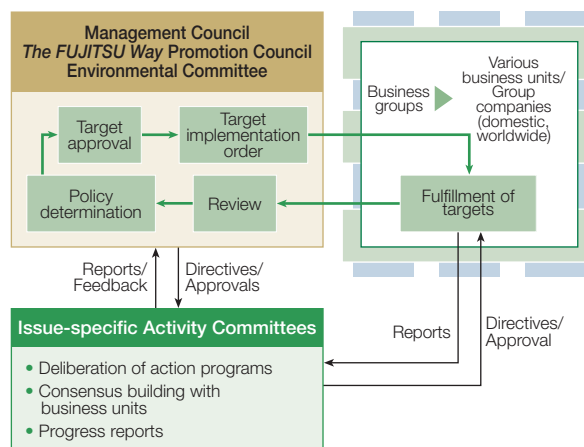
• Modification of the Group Company Governance Framework

Associated with the start of operation of the Fujitsu Group integrated EMS from fiscal 2005, we expanded the number of companies covered and revised the role of the coordinating council for the Group in Japan, changing its name to the Domestic Affiliated Companies' Supervisory Environmental Council. From now on, this council will have the role of transmitting to the heads of all domestic Group companies the items approved by the Environmental Committee and the Management Council, as well as the Group's overall direction for environmental activities, including for nonmanufacturing Group companies.

• Establishment of the New Green Logistics Committee

To respond to Japan's Revised Energy-Saving Law and strengthen initiatives with respect to environmentally friendly packaging materials and resource saving, the Environmental Committee created a new Green Logistics Committee under its direction (reorganizing the Green Logistics Working Group launched in July 2003 under the auspices of the Global Warming Prevention Measures Strategy Committee). This organizational enhancement will further strengthen the CO₂ reduction and other environmental improvement efforts of the entire Fujitsu Group.

Action Implementation Flow



- **Creation of Individual Environmental Activities Working Group**

This working group was established in September 2005 with the purpose of creating guidelines and plans for increasing the environmental awareness of each individual Fujitsu Group employee and promoting involvement in environmental activities.

Construction of a Globally Integrated EMS

We obtained integrated ISO14001 certification, which is an international EMS standard, covering our domestic consolidated subsidiaries at the end of fiscal 2004. In fiscal 2005 we expanded our EMS coverage to 11 companies/ 22 business sites outside Japan involved in manufacturing activity or otherwise requiring certification for business reasons, thus achieving globally integrated ISO14001 certification at a scale among the top of Japan's major electronics companies. Furthermore, our nonmanufacturing overseas consolidated subsidiaries implemented and are operating environmental management systems based on common standards derived from the Fujitsu Group environmental policies. In this way, we established a framework for environmental management of the entire Group.

Implementation of Environmental Audits (internal audits)

Internal audits of the Fujitsu Group are carried out by employees of the Corporate Internal Audit Division, Corporate Environmental Affairs Unit, and other business sites under the basic principles of independence and objectivity.

In fiscal 2005, focusing on environmental impact and compliance issues, we carried out internal audits of a total of 546 divisions at 102 companies. These audits discovered 641 issues, of which 115 were classified as minor faults and 526 were classified as items to be monitored. The following three points were the main issues discovered.

- **Legal compliance:**

Problems with the items recorded, management system for record keeping, and other matters related to handling of industrial waste.

- **Inadequate manuals for standards and procedures:**

Inconsistencies between manuals, content deficiencies and other issues.

- **Inadequate implementation plans;**

Lack of clarity in some plans and other issues.

In fiscal 2006 we will continue to implement corrective policies and verification activities regarding the items identified.

Implementation of Management Review

Through deliberations of the Environmental Committee and Management Council in fiscal 2005, we implemented a management review to evaluate the effectiveness of our domestic and international environmental activities and discuss the direction of such activities in fiscal 2006 and beyond. As a result of this review, it was decided to give particular weight to the following issues going forward.

- Full-fledged development of Super Green Products and environmentally conscious solutions, together with efforts to differentiate ourselves in the market based upon the extent to which environmental considerations are embedded in our business.
- Avoiding environmental risks related to products and strengthening internal audits to fully audit our principal businesses.
- Strengthening global warming countermeasures

Promoting Environmental Education and Awareness for All Employees

As a foundation for promoting involvement in environmental activities by all our employees, we are carrying out a variety of environmental education and consciousness-raising activities throughout the Group. In this way, we aim to increase the environmental awareness of each and every one of our employees.

Environmental Education at Our Numazu Plant

At our Numazu Plant, we are preserving the natural environment as an "industrial park" under an innovative concept that includes retaining the natural woods and tea plantations that were present before the factory was opened. Taking advantage of the natural environment within the plant complex, we created a "Nature Appreciation Academy" to provide hands-on environmental education for our employees and local community residents. In this effort we worked together with the Whole Earth Institute, an NPO in Shizuoka Prefecture, to carry out a survey of flora and fauna at the site and incorporate the results in constructing a hands-on environmental education program for each season and training environmental interpreters (nature observation guides). In addition to organizing nature observation events for employees of the Numazu Plant and their families, we also hold nature observation instructor seminars for those in charge of EMS activity promotion at each of our factories. In the future, we plan to implement programs and hands-on events for employees, local residents, and visitors to our plants, and to promote environmental learning extensively.



Nature School at the Numazu Plant

Global Warming Countermeasures

We engage in global warming prevention activities through three approaches that take the entire business life cycle into consideration.

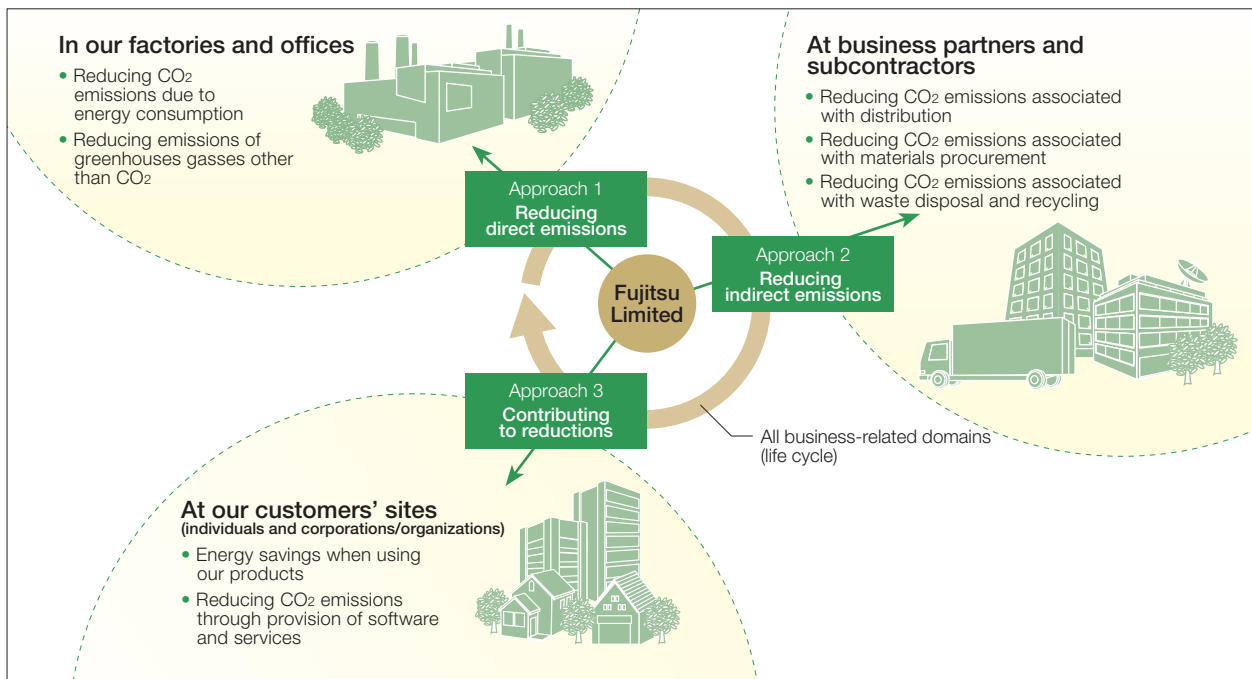
Three Approaches to Reducing CO₂ Emissions

On February 16, 2005 the Kyoto Protocol came into effect, establishing targets for reductions in CO₂ and other greenhouse-effect gases as international obligations and increasing demands for corporations to press ahead more

vigorously than ever with measures to halt global warming.

We in the Fujitsu Group are working hard to reduce CO₂ emissions in all areas of our business activities, focusing on three approaches that take the entire business life cycle into consideration.

Three Approaches to Reducing CO₂ Emissions



Approach 1: Reducing Direct Emissions Reducing CO₂ Emissions Due to Energy Consumption

We are moving forward with a variety of energy-saving measures and have made it a goal to limit the amount of CO₂ emissions due to energy consumption to below the fiscal 1990 level by the end of fiscal 2010. As an intermediate goal, we have set a target of reducing such emissions to 15% below the fiscal 2000 level by the end of fiscal 2006.

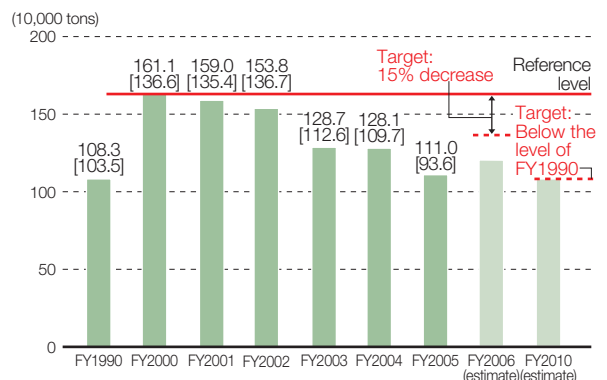
- Energy-saving measures for equipment with a focus on motive power facilities (introduction of free cooling, inverters, energy-saving facilities)
- Increased efficiencies through revised manufacturing processes, accompanied by proper motive power facility operation and improvement of management
- Proper settings for office air conditioning, energy saved with lighting and office automation equipment

Fiscal 2005 CO₂ emissions due to energy consumption were about 1,110,000 tons-CO₂ for the Fujitsu Group in total (domestic operations: 936,000 tons, Fujitsu Limited: 623,000

tons), which corresponds to a 31% reduction from fiscal 2000 levels and a 2.5% increase over fiscal 1990 levels.

In addition to the effect of energy conservation efforts, this 171,000 ton reduction from the previous fiscal year was attributable in large part to the impact of business restructuring.

CO₂ Emissions Related to Energy Consumption (Fujitsu Group Totals) [figures in brackets are emissions for Japan only]



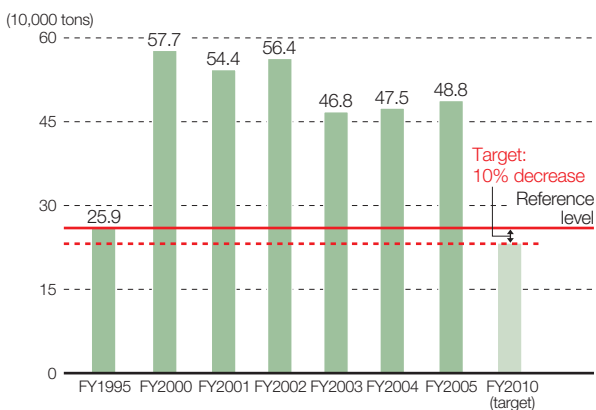
Cutting Emissions of Greenhouse Gases Other than CO₂

The semiconductor industry has established a voluntary action plan to cut the emissions of PFC, HFC and SF₆, which are all greenhouse gases.

We have set a target of reducing emissions of greenhouse gasses other than CO₂ to 10% below the fiscal 1995 level by the end of fiscal 2010. Our Electronic Devices Group is continuing to change over to gases with lower global warming potential as well as install equipment to eliminate PFCs on new manufacturing lines.

Converted to Global Warming Potential (GWP) figures, these gas emissions corresponded to about 488,000 CO₂ equivalent tons in fiscal 2005. Although there are differences in our scale of production and manufacturing processes, this is an 88.4% increase from fiscal 1995.

Emissions of Greenhouse Gases other than CO₂ (total for electronic devices)

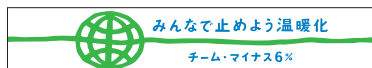


Activities by Individual Employees—Participation in “Team Minus 6%” Campaign

To prevent global warming, the environmental awareness and involvement of each and every employee is of great importance. Since June 2005 we have participated in Japan’s “Team Minus 6%” national campaign to help prevent global warming.

This involves setting office air conditioning levels to 28°C and not wearing neckties and jackets in the summer, participating in efforts to cut down nighttime illumination, and setting office heating temperatures to 20°C in the winter.

To promote these activities, we set up a dedicated web site and created and distributed badges with the Team Minus 6% logo.




15% Reduction in CO₂ Emissions at Our Aizu Wakamatsu Plant


Our Aizu Wakamatsu Plant in northeastern Japan started operation in October of 1967 as Fujitsu’s first semiconductor mass production facility. Currently, it is a front-end semiconductor fabrication facility that mainly produces CMOS logic and analog devices used in AV and game equipment, digital appliances, automotive products, mobile phones, and other products.

This plant addresses environmental considerations and manufacturing innovation in an integrated, holistic manner, and in fiscal 2005 it succeeded in reducing CO₂ emissions by about 14,000 tons (equivalent to a reduction of 15% for the entire factory) through energy-saving measures.



Aizu Wakamatsu Plant

- Expanded introduction of free cooling**
 We reduced the energy required for cooling water used by production equipment by implementing “free cooling” measures, which utilize cold outside air in winter, spring, and fall.
- Upgraded refrigeration equipment to energy-saving models**
 In conjunction with measures to eliminate fluorocarbon refrigerants we upgraded older refrigeration equipment that had been in use over 20 years to the latest high-efficiency turbo refrigeration systems.
- Implemented energy-saving improvements in production equipment**
 We attached power-saving units to the vacuum pumps used in the semiconductor wafer production process and thus curtailed pump power consumption.
- Introduced NAS batteries**
 We are using NAS batteries to help even out power loads by storing power at night and discharging it for use during the day. These batteries are also used as countermeasures for brief voltage drops and power outages.
 

NAS batteries
- Promoted effective utilization of waste heat**
 We use the waste heat from refrigeration equipment to heat the distilled water used in the production process, thus reducing the fuel consumed by boilers.
- Installed PFC removal equipment**
 We began installing PFC removal equipment in existing production lines, having already introduced such equipment in new production lines (new plants).
 

PFC removal equipment

Global Warming Countermeasures

Approach 2: Reducing Indirect Emissions Reducing CO₂ Emissions Associated with Distribution

Our logistics divisions have primary responsibility for product distribution, and we have been working together with our shipping subcontractors to promote the reduction of CO₂ emissions associated with distribution through our “Green Logistics” activities.

In addition, in line with Japan’s Revised Energy Conservation Law*, which came into effect in April 2006 and mandates that shipping contractors and shippers over a certain size make efforts to reduce CO₂ emissions, we are currently strengthening such efforts throughout the Group.

We have also newly established a target to reduce transport-related CO₂ emissions to 10% below the level in fiscal 2000 by the end of fiscal 2010.

- **Joint distribution with Group companies**

We are planning to engage in joint distribution with Group companies for products, such as PCs and servers, sold to corporate customers in the Tokyo metropolitan area starting in the first half of fiscal 2006.

- **Optimal relocation of Group distribution centers**

We will consolidate five distribution centers in the Tokyo metropolitan area into three centers in the first half of fiscal 2006.

- **Use of returning trucks for parts shipments**

Since October 2005 we have been using trucks returning from making product shipments to transport procured components to our manufacturing sites.

- **Optimal expansion of our modal shift program**

We are pushing forward with our modal shift program for PCs for corporate customers. Our modal shift ratio increased from about 12% in fiscal 2004 to 19% in fiscal 2005.

* **Japan’s Revised Energy Conservation Law**

Under Japan’s Revised Energy Conservation Law (transportation section), transportation providers (including in-house distribution) that have a transport capability above a certain standard (200 trucks) and shippers (users of transportation services) that ship goods above a certain standard (30,000,000 ton-km) are required to create and submit an energy conservation plan, and to submit periodic reports on their energy consumption.

CO₂ Emissions Trends in the Distribution Process (Fujitsu Limited in Japan)

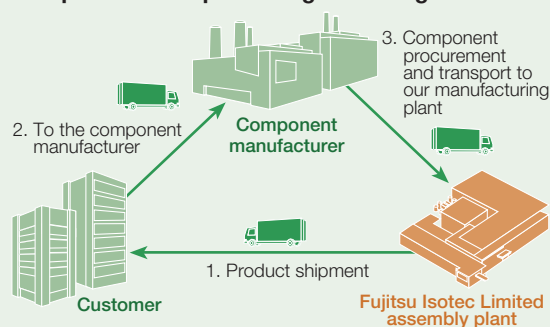
	FY 2003	FY 2004	FY 2005
CO ₂ emissions (tons)	27,851	27,364	27,499

Reducing CO₂ Emissions by Using Returning Trucks

Fujitsu is working with suppliers to create a distribution system that imposes minimal burdens on the environment.

Since fiscal 2005, in cooperation with component manufacturers, we have been dispatching trucks that have completed delivery of our PC products to pick up and transport back to our facilities procured components such as hard disk drives. This practice is expected to reduce CO₂ emissions at our PC assembly plant (Fujitsu Isotec Limited), for example, by about 160 tons of CO₂ per year.

Component Transport Using Returning Trucks

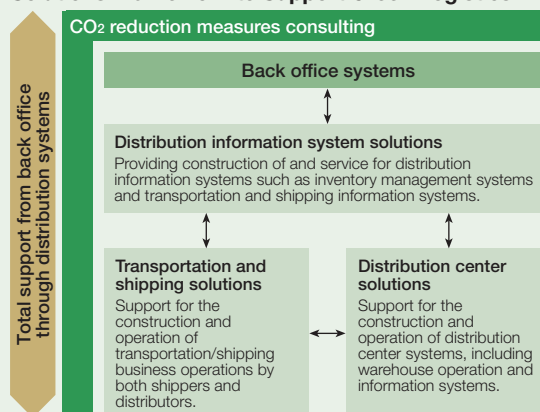


Strengthening and Expanding “Logistics Solutions” that Respond to the Revised Energy Conservation Law

In light of the April 2006 revisions to Japan’s Energy Conservation Law, we have recognized a growing need to support our customers’ CO₂ emissions-reduction efforts and have accordingly strengthened and expanded our “logistics solutions” and begun providing them to our customers.

In particular, at the heart of our CO₂ reduction consulting services is a coherent set of solutions covering assessment of current conditions, creation of a reduction measures plan, implementation support, and evaluation. In reexamining customers’ distribution systems from an environmental burden standpoint, we also help them to take full advantage of IT to optimize their overall supply chains.

Solutions Framework to Support Green Logistics



Contributing to the Environment with IT Solutions

Providing products and IT solutions that help to reduce CO₂ emissions.

Approach 3: Contributing to Reductions

We are working to contribute to our customers' energy conservation and CO₂ emissions-reduction efforts through the provision of Environmentally Conscious Solutions as well as our Green Products and Super Green Products offerings (see page 51), which are based on strict evaluation standards that we have established.

Providing Environmentally Conscious Solutions

The application of IT can, in itself, be effective at reducing environmental burdens by helping to conserve resources and save energy. Thus IT can be said to be a fundamental technology supporting the formation of a 21st century recycling-minded society.

From this standpoint, Fujitsu Laboratories has developed a method for quantitatively evaluating on a per-environmental-factor basis (volume of materials consumed or number of people moved) the environmental burden reduction effects of adopting particular software or IT services.

Utilizing this method, we are certifying as Environmentally Conscious Solutions those software and IT service offerings (IT solution products) that can achieve by their adoption environmental burden reductions of 15% or more (in CO₂ equivalent terms), and providing these solutions to our customers.

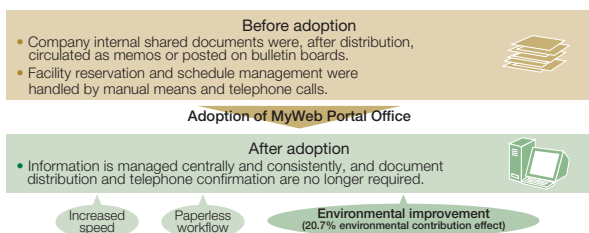
In fiscal 2005 we extended this program to include our domestic Group companies, and by the end of fiscal 2005, a total of 54 offerings had been thus certified.

We also participate in the IT Solutions Working Group of the Japan Forum on Eco-Efficiency, and have been involved in creating the Information Communication Technology (ICT) Environmental Efficiency Guidelines used to evaluate efforts to reduce environmental burdens through the adoption of IT services.

 [Website for the Japan Environmental Management Association for Industry](http://www.jemai.or.jp/english/index.cfm)
<http://www.jemai.or.jp/english/index.cfm>

FY 2005 Example: Environmental Improvement Effects of Certified Solution Offering "MyWeb Portal Office"

The MyWeb Portal Office solution implements functions such as bulletin boards, schedule management, document management, workflow management, and web-based email on the PC desktop, helping not only to increase work efficiency and information sharing, but also contributing to reducing internal environmental burdens by improving office space utilization efficiency and reducing waste and paper and electricity usage.



Deployment of New POS Systems Helps Mitsukoshi Reduce CO₂

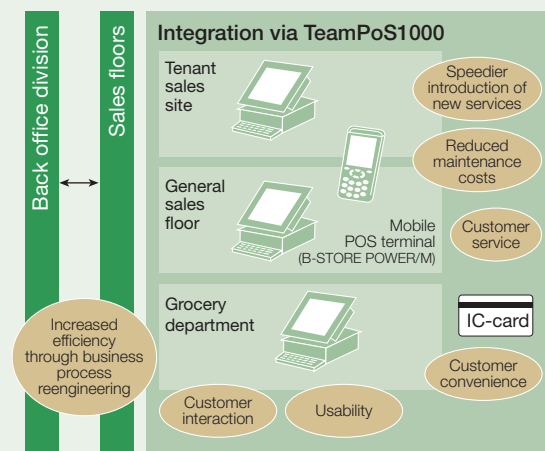
Mitsukoshi, Ltd. is a time-honored Japanese retailer with a 300-year history. In addition to being one of the earliest companies to plan and merchandise its own series of environmentally conscious products, Mitsukoshi has aggressively responded to increasing consumer environmental awareness by, for example, working to reduce the environmental burden incurred in distribution and working with its suppliers to develop its supply-chain management.

In conjunction with a reorganization of its core business begun in September 2004, and aiming to even further reduce the environmental burdens imposed by its operations, Mitsukoshi introduced 3,400 Fujitsu TeamPoS1000 compact POS terminals in its stores. Although these terminals provide a wide range of advantages, including ease of operation and management, low cost, and optimized design for department store environments, what tipped the scales in favor of this model was its "form-free" function. This function improves the quality of service by, for example, allowing sales clerks to bring a portable terminal before the customer to complete credit card transactions, rather than have them fill in paper slips. In addition, by digitizing order slips and transaction records, the system eliminates the use of 1.8 million paper slips and 1.4 million rolls of paper for transaction records per year. Altogether, the introduction of the TeamPOS terminals generated an environmental burden reduction effect equivalent to a 55% reduction in CO₂ (1,300 tons) in fiscal 2005. Note also that this product is certified as a Fujitsu Green Product (see page 51), due to its use of recycled materials and other factors.



Mitsukoshi Department Store in Tokyo

Deployment of New POS System



 [Environmental Solutions](http://www.fujitsu.com/global/about/environment/activity/esolutions.html)
<http://www.fujitsu.com/global/about/environment/activity/esolutions.html>

Environmental Measures for Products

We are accelerating the development of Green Products and Super Green Products and are working to reduce environmental burdens throughout the product life cycle.

Green and Super Green Product Development

The Fujitsu Group has adopted a unified Group-wide approach to eco-design for newly designed products and strives to improve environmental performance throughout the product life cycle. We have been implementing our own environmental assessments for products since 1993, and we develop eco-friendly products that reflect environmental considerations in such areas as energy saving, 3R design,* non-use of hazardous chemical substances, packing materials, and information disclosure.

In 1998, to further strengthen development of eco-friendly products, we established Green Product Evaluation Standards and positioned the products that satisfy them as Green Products.

Then, in fiscal 2004, we combined what had previously been two separate sets of regulations—for product environmental assessment and for Green Product evaluation—into a single set of standards with even higher levels of consideration for the environment. We called these Product Environmental Green Assessment Regulations, and they have helped to both strengthen our Green Product development efforts and make them more efficient.

Furthermore, since fiscal 2004, we have been working on what we call “Super Green Product” development for newly developed products. Super Green Products are those that meet the required conditions for Green Products and are also top class in terms of low energy consumption, 3R design and technology, non-use of hazardous substances, packing materials and use of eco-friendly materials and technologies. Super Green Products are products or systems with superior environmental characteristics than others we supply or are available on the market.

In fiscal 2005, we offered Super Green Products in 21 new product categories, for a cumulative total of 33 product categories.

* 3R design

Design based on the principles of reduce, reuse and recycle.

Carrying out Life Cycle Assessment (LCA)

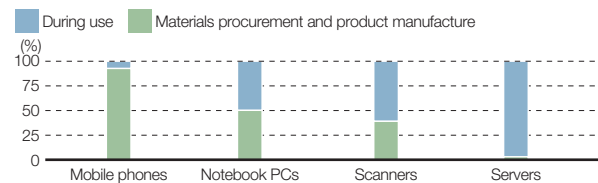
We carry out life cycle assessment (LCA) to evaluate Green Products and Super Green Products. Also, to respond quickly to industry or other organizations’ environmental labeling standards (see page 53), as well as to meet our customers’ procurement requirements, we reviewed our LCA evaluation

procedures and units of measurement, revising them and putting them into a database.

LCA enables us to perform granular analysis of a product’s environmental impact, such as determining whether products generate proportionally higher environmental burdens in the materials procurement or manufacturing stages, as well as which products consume large amounts of energy during use.

We carefully analyze the LCA data for each product category and use that analysis to advance environmentally conscious design that takes into account the particular characteristics of each one.

Comparison of Main Stages of CO₂ Emission



Super Green Product Development in Fiscal 2005

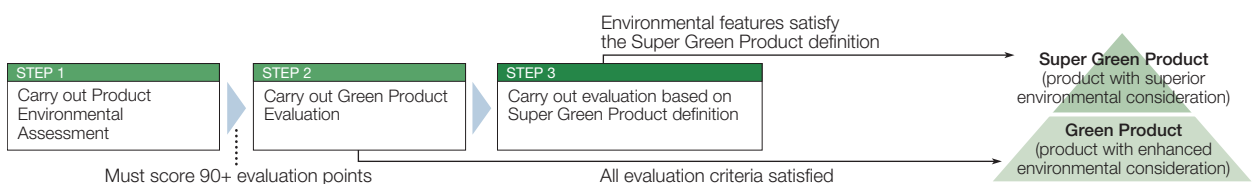
Fujitsu Limited (11 product categories)

- LSI packages
- IPCOM S2400 network server
- MAW3 series and MAX3 series magnetic disk drives
- Handy Drive magnetic disk drive
- PRIMERGY BX600 PC server
- W-CDMA wireless base stations
- FMV-BIBLO NB80L/NB80M/NB80R notebook PCs (3 product groups)
- FMV-C5200 desktop PC
- VL-153SS color LCD display

Consolidated subsidiaries and affiliates (10 product categories)

- CSSD Filter SAW filter (Fujitsu Media Devices Limited)
- MBH7BTZ20 Bluetooth module (Fujitsu Media Devices Limited)
- FRS1000 waste plastic recycling system (Fujitsu Automation Limited)
- MIPF Series compact chip components (FDK Corporation)
- Media Converter (compact MC71) access network equipment (Fujitsu Access Limited)
- GF Series office system desks (Fujitsu CoWorCo Limited)
- FTR-H3 power supply compact silent relay (Fujitsu Component Limited)
- TeamPoS3000 POS terminal (Fujitsu Frontech Limited)
- PalmSecure palm vein authentication unit (Fujitsu Frontech Limited)
- fi-5900C scanner (PFU Limited)

Mechanism for Green and Super Green Product Evaluation



Super Green Product Development Examples

World's First Bio-based plastic used in full-size notebook PC chasis FMV-BIBLO NB series



Environmentally friendly material:
Bio-based plastic used throughout* the chasis

* Except for plastic used in keyboard, mouse, one-touch function buttons, and a few other parts.

Chemical substances:
RoHS compliant

Bio-based plastic

This new polymer, jointly developed by Fujitsu Limited, Fujitsu Laboratories Ltd., and Toray Industries, Inc., is comprised of roughly 50% bio-based materials (polylactic acid primarily from corn and other plant starches), which reduces the usage of petrochemical resources. When used for the chasis of a notebook PC, CO₂ emissions for the whole life cycle of the chasis are reduced by about 15% compared to chasis made from conventional petrochemical-based polymers, thus reducing the environmental burden of the product.

Industry's First POS terminal to acquire EcoLeaf environmental label

TeamPoS3000 POS terminal



Environmental label:
The industry's first POS product to acquire third-party EcoLeaf environmental label certification

3R design technology:
Uses recycled plastic (in the main unit and the display's external shell)

Eco-friendly materials:
Uses bio-based plastic (for part of the multi-item electronic keyboard)

Chemical substances:
RoHS compliant

EcoLeaf Environmental Label certificate



Palm Vein Authentication Unit (PalmSecure)



3R design technology:
Size reduced by 75% from previous version

Chemical substances:
RoHS compliant

Eco-friendly materials:
Uses bio-based plastic (all structural components)

Media Converter (Compact MC71)



3R design technology:
Uses recycled plastic (all parts weighing 25g or more)

Achieves at least 50% faster disassembly time through screw-free structure

Weight reduced by 38% from previous products

Compact Silent Power Supply Relay (FTR-H3)



Quiet operation:
The world's first* silent compact-profile 10A1 relay (power "make" relay) with a product height of 19mm
Average acoustic pressure: 55 dB (previous model: 70 dB)

* As of April 10, 2006 (according to a Fujitsu study)

Image Scanner (fi-5900C)



Energy conservation:
Among best in the large-format scanner class

Eco-friendly materials:
Uses bio-based plastic for part of the paper ejection unit

Chemical substances:
RoHS compliant

Other:
Achieves a 55% reduction in CO₂ emissions compared to previous models through improvements in total processing capacity, including more efficient scanning operations.

LSI Packages



Chemical substances:
Lead-free, halogen-free, and antimony-free

Eco-friendly materials:
Uses bio-based plastic in embossed tape

Hard Disk Drives (MAW3 series and MAX3 series)



Energy conservation:
Energy efficiency significantly greater than previous products*

Chemical substances:
RoHS compliant

* MAW3300NC/NP: 0.0316 W/GB.

Environmental Measures for Products

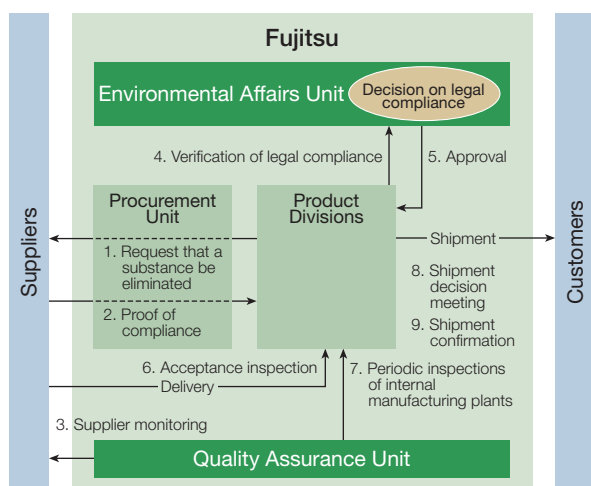
Elimination of Restricted Chemical Substances for Use in Products

In compliance with Japanese and international laws and regulations, we have drawn up a list of hazardous substances that must not be used in products or materials, and through our Green Procurement activities we are working to eliminate use of these specified substances. From April 2006 we began shipment of products that do not contain any of these Fujitsu Group-stipulated hazardous materials.

In fiscal 2005 we strengthened our internal systems to assure that our products are in compliance with the European Union's RoHS* directive, including, for example, measures to confirm that our product design procedural framework is able to verify that RoHS-specified substances are not included in the products we design.

* RoHS (Restriction of the use of certain Hazardous Substances in electrical and electric equipment), the European Union directive.

Framework for RoHS Directive Compliance



Disclosure of Environmental Information on Products

We actively disclose environmental information on our products, both via the Internet and in the form of environmental labels.

Disclosure of Environmental Information via Environmental Labels

We apply environmental labels to our product packing boxes, catalogs, and other materials in accordance with ISO14020 (the international standard for environmental labels).

Disclosure of Environmental Information on Products via the Internet

On the Fujitsu website, we actively disclose to our customers environmental information such as environmental labeling related to our products. In fiscal 2005 we created a new

content area for environmental information related to Fujitsu PCs sold in Japan.

Note that environmental information on our hard disk drives, displays, printers, and scanners that are subject to Japan's Green Procurement laws*1 are disclosed on the Green Procurement Network website*2.

*1 Green Procurement laws

Japanese laws affecting procurement on environmental grounds

*2 Green Procurement Network

This is a nationwide network in Japan encouraging consumers, enterprises and government to further green procurement

Environmental Labels (Classification based on ISO14020 international standards concerning environmental labels)

• Type I

Label certifying approval by a third-party organization of environmental details concerning products for which voluntary application has been submitted by the manufacturer.

Eco-mark (Certified by the Japan Environmental Association)

Since becoming Japan's first desktop PC manufacturer to receive Eco-mark certification in January 2001, we have acquired certification for printers as well. <http://www.ecomark.jp/english/index.html>



• Type II

Label indicating that environmental details concerning products meet independent criteria set by the manufacturer.

Environmental Emblem

This is our own environmental label. It is indicated on Green and Super Green products for which special consideration has been given to environmental factors. http://www.fujitsu.com/global/about/environment/policy/emblem_1994.html



Energy-saving Labeling

This is indicated on products that meet the Law Concerning the Rational Use of Energy.



3R Eco-label for PCs

This label is used for PCs that meet Japan Electronics and Information Technology Industries Association standards. <http://www.jeita.or.jp/english/>



The International Energy Star Program

This logo is displayed for computers (PCs, workstations), displays, printers and scanners registered with the program. http://www.eecj.or.jp/ene-star/index_esu.html



• Type III

Label indicating a product's quantitative environmental burden throughout its life cycle.

In fiscal 2005, we acquired new certification for desktop PCs and POS terminals.

EcoLeaf Environmental Label (Certified by Japan Environmental Management Association for Industry)

In May 2003, Fujitsu became Japan's first notebook PC manufacturer to receive EcoLeaf environmental label certification. <http://www.jemai.or.jp/english/ecoleaf/index.cfm>



Product Recycling

Advancing collection and materials recycling of end-of-life IT products in Japan and overseas to help promote a recycling-minded society.

Promoting Product Recycling Recycling Systems Overseas

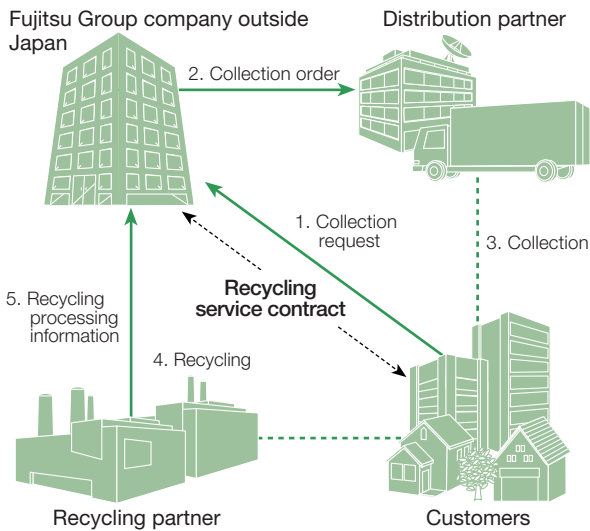
Overseas, our Group companies are establishing recycling structures by selecting local logistics partners to collect end-of-life IT products and recycling partners to recycle these products, thereby advancing collection and materials recycling of end-of-life IT products.

In Europe, where recycling directives for end-of-life products have been issued, we started building this structure in fiscal 2004, and we are making progress in expanding such efforts to our Group companies in North America and Asia as well.

In fiscal 2005, in consideration of developments in the recycling infrastructures of each country and business conditions specific to each operation, our principal Group companies in North America and Asia organized the tasks that they need to undertake in establishing their overall recycling structures. Some of these Group companies have already started selecting their recycling partners.

In fiscal 2006, these companies will be moving forward with concrete preparations to begin recycling activity based on items they have organized.

Overseas Recycling Overview



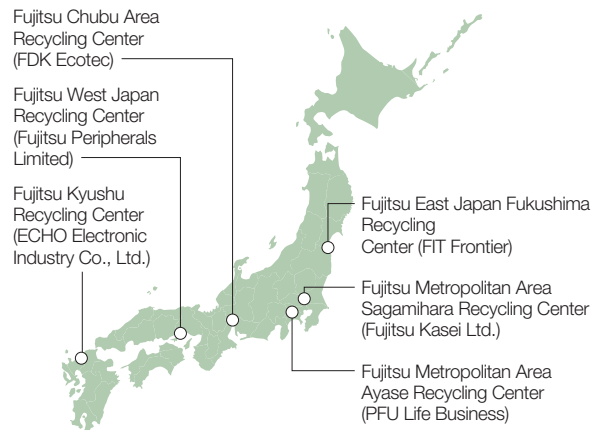
Promoting Recovery and Recycling of End-of-Life IT Products in Japan

Having acquired wide-area system approval from the Ministry of Environment for industrial waste and general waste recycling, we are actively engaged in recovery and recycling activities in Japan. For end-of-life IT products from corporate customers, we are using six recycling centers throughout Japan as well as our nationwide distribution network for these efforts.

We collect and recycle materials from end-of-life PCs of individual consumers using an industry-wide collection

system that operates in cooperation with Japan's postal service and uses post offices around the country.

Fujitsu Recycling Center Locations



Collection and Recycling Performance

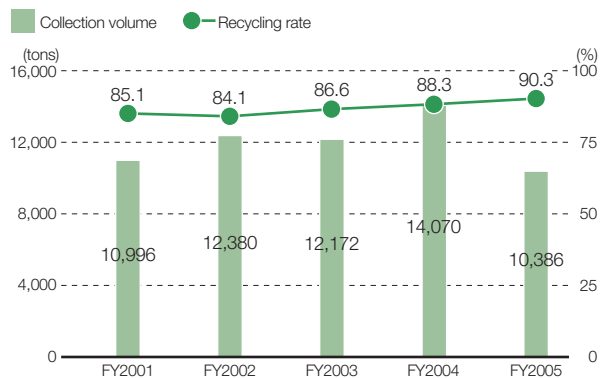
In fiscal 2005, we collected 10,386 tons of end-of-life IT products from our corporate customers in Japan and achieved a resource reuse and recycling rate* of 90.3%, thereby meeting the target established in the Fujitsu Environmental Protection Program (Stage IV) one year ahead of schedule. This was due to our efforts in promoting recycling of recovered plastic and the reuse of parts and components. In the future we will continue to work to increase our resource reuse and recycling rate.

In collection and materials recycling of end-of-life PCs from individual customers, we transitioned from a scheme managed by local governments to a manufacturer-operated system, and the volume of units collected rose steadily to 66,720 units.

*Resource reuse and recycling rate

The ratio of reused parts and reused resources to the processed amount of business-use end-of-life IT products by weight.

Trends in Collection Volume and Materials Recycling Rate of Post-use IT Products for Business

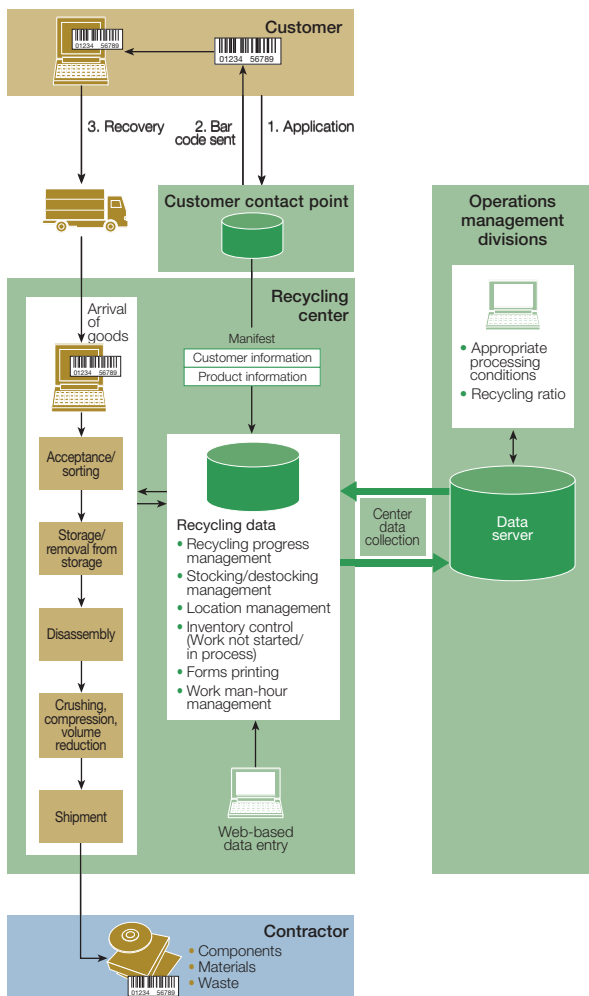


Product Recycling

Developing an Integrated Recycling Information Management System

We have developed an Integrated Recycling Information Management System that provides total traceability through bar code-based operational management of products to which electronic tags have been attached at the manufacturing stage, enabling them to be monitored from manufacturing until they are discarded at the end of their useful lifetimes. Bar code labels are attached to end-of-life products that a customer has asked us to handle and the product collected. The process from acceptance at the processing center and disassembly through the point at which saleable components reach their destination reseller is managed in manifest units. This system reduces operational risks such as theft, loss, and illegal disposal by monitoring the recycling process in real time. We will introduce the system in our recycling centers in fiscal 2006.

Integrated Recycling Information Management System



Participation in Electronic Tag Validation Experiment

In fiscal 2005 we participated in the Ministry of Economy, Trade and Industry's electronic tag validation experiments for the electrical and electronics industries by carrying out tests to validate the effectiveness of utilizing electronic tags in the recycling business model. In this business model, we are aiming both to supply products that are appropriate for a recycling-minded society and to achieve total traceability, in which environmental information spanning the whole product life cycle can be made visible, transmitted, and used effectively.



Electronic tag validation experiment (block read)

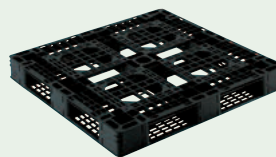


Electronic tag validation experiment (shipment processing)

Reusing Waste Plastics

We are committed to the recycling of end-of-life IT products. As part of that effort, we have experimentally manufactured and evaluated the quality of plastic shipping pallets for our own products that were made by reusing plastics recovered from end-of-life IT products collected at our recycling centers.

These plastic pallets can be reused repeatedly and can help reduce the volume of wooden pallets previously used. Working to make the use of these plastic pallets practical, we will strive to promote the most effective use of resources.



Plastic pallets

Promotion of Green Factories

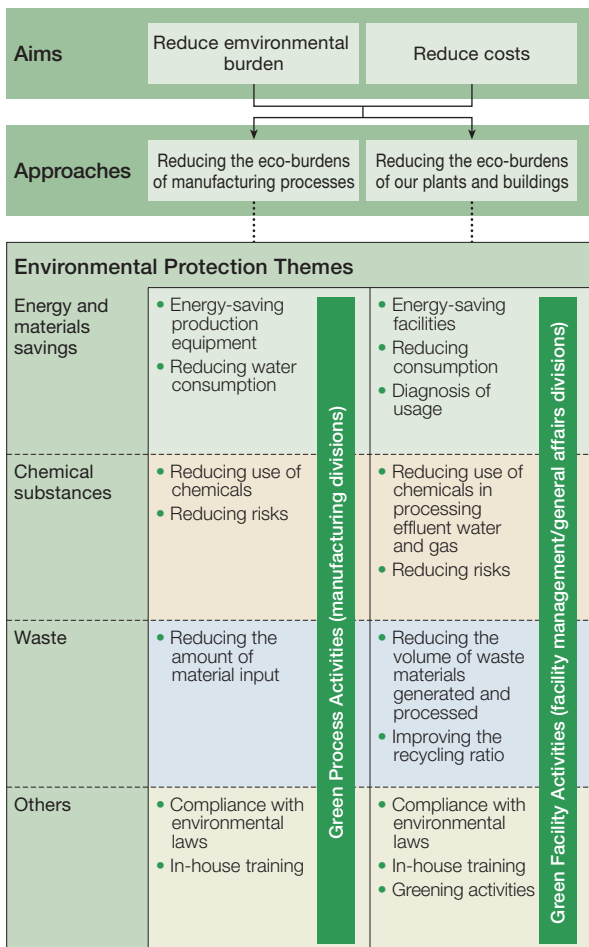
Advancing eco-friendly manufacturing through comprehensive environmental protection activities.

The “Green Factory” Concept (eco-friendly factories)

At the Fujitsu Group, we have coined the term “Green Factories” to refer to facilities that pursue a unified approach in striving to reduce the amount of materials and energy used in business operations, minimize the amounts of chemical discharge, waste, and air pollution produced through business operations, and also minimize manufacturing costs. At the same time, these facilities must also make comprehensive efforts to comply fully with all relevant laws and regulations and to prevent environmental risks in advance.

To promote these activities, our manufacturing divisions carry out Green Process Activities, and facilities management divisions and waste management divisions (general affairs divisions) carry out Green Facility Activities.

The Green Factory Concept



Promoting Green Process Activities

Green Process activities are intended to reduce manufacturing costs and, after calculating an environmental burden index (CG index*) for each product line (based on the amount of materials required, the volume of chemical substances used, the energy consumed, etc.), to lower environmental burdens continually.

The CG index is used to assign priorities for Green Process activities within the Group and to set quantitative targets, devising and implementing plans to reduce environmental burdens and costs. The progress in implementing these plans is evaluated at quarterly review meetings, and items for which the target values are not met are thoroughly analyzed and the results fully incorporated into activities in the following quarter.

The cumulative benefit achieved through our Green Process activities in fiscal 2005 was 936 million yen.

* CG index

Original to the Fujitsu Group, this index describes the product of input volume used per product, the cost, and the environmental impact (on a scale from 1 to 10).

Green Process Example (Fujitsu Mie Plant) Reducing use of chemical solvents in the semiconductor manufacturing process

Our Mie Plant in central Honshu produces semiconductors for digital AV products. As one theme of our Green Process activities, we reexamined the methods we use at the plant to remove etching residue that occurs during the circuit pattern transfer step of the wafer manufacturing process. As a result of this review, we switched from batch processing to single-wafer processing, which resulted in better post-washing quality. Furthermore, this improvement enabled us to significantly reduce the amount of resist remover used to remove the residue of the photosensitive material. As a result, we were able to reduce the production line's CG index by 51.9% from its previous level.

Promotion of Green Factories

Promoting Green Facility Activities

Green Facility activities are focused on stabilizing factory operation, reducing environmental burden, and preventing environmental risks by identifying and reforming aspects of the factory infrastructure that can be improved in terms of thorough compliance with environmental regulations, reducing waste, and conserving energy, water and other resources.

We started these activities at 14 business locations in our Electronic Devices Group from fiscal 2004, setting half-year activity targets at each business location and evaluating the results using a standardized evaluation procedure.*

* Standardized evaluation procedure

This procedure evaluates individual activity effects by assigning a point score to the achievement level (the reduction achieved by the activity) for 11 items such as reductions in energy, water and chemical usage, and also provides an overall evaluation by combining those scores.

Implementing Disaster-Prevention Inspections

To prevent risks to buildings and facilities*¹ and environmental equipment*² associated with natural disasters (earthquakes, typhoons, heavy rain, etc.) or aging of structures, we have formed facilities and environmental working groups, positioning them as independent bodies that implement disaster-prevention inspections to check on the functions and status of individual facilities' preparedness measures on a continuing basis.

*1 Facilities

Includes buildings, electrical systems, piping, distilled water production equipment, high-pressure gas production equipment, and chemical storage warehouses.

*2 Environmental equipment

Includes waste-water processing facilities and exhaust gas processing facilities.

Factory Greening Activities (Numazu Factory)

In recognition of its longstanding and continuous management and protection of the surrounding green space and wide-ranging environmental activities for the local community, our Numazu Plant was awarded "Excellent Stage 3" certification based on the Social and Environmental Green Evaluation System (SEGES)* operated by the Urban Green Fund. Excellent Stage 3 certification is the highest level that can be acquired in a single year, and is promoted to "Superlative Stage" status if maintained for seven straight years. The plant is committed to managing and protecting its green space as well as to continuing its other environmental activities, and thereby aims to continually acquire this certification.

* **Social and Environmental Green Evaluation System (SEGES)**
System for evaluating excellent green spaces created by corporations and their related activities.



Certification Label

Reducing the Amount of Chemicals Discharged

Basic Approach to Reducing Chemical Discharge

We are currently focusing our efforts to reduce the amounts of chemicals discharged and used on the following two items.

- Reductions in discharge of substances subject to the PRTR Law (Pollutant Release and Transfer Register);
- Reductions in discharge of 20 industry-specified VOC (volatile organic compound) substances subject to voluntary efforts.

Although the PRTR Law requires that sites report data on any of the designated chemicals for which annual usage/processing amounts to one ton or more, we take an even stricter approach to managing these substances. We stipulate that Fujitsu Group business locations that use 100 kg or more of any PRTR-specified substance be held to the same reporting requirements.

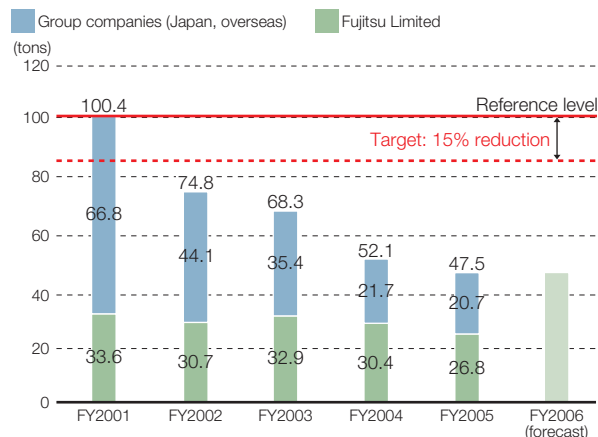
Fiscal 2005 Performance

The Fujitsu Group Environmental Protection Program (Stage IV) sets a target of reducing the business activity-related discharge of chemical substances subject to the PRTR Law by 15% compared to fiscal 2001 discharge levels by the end of fiscal 2006.

This goal has already been achieved, and we have continued to appropriately manage these substances and achieved further reductions.

In addition to strengthening management of chemical substances that are subject to the PRTR Law and reviewing our manufacturing processes, in fiscal 2005 we implemented a variety of measures to reduce chemical discharge by our semiconductor factories, including installing organic solvent recovery equipment. As a result, the total amount of PRTR chemical substances discharged by the Fujitsu group fell to 47.5 tons, a 52% reduction from fiscal 2001 levels.

PRTR Law Chemical Discharge Amounts



Reducing VOC Emissions

The revisions to Japan's Air Pollution Control Law that came into effect on April 1, 2004 stipulate regulations on VOC emissions.

As of the end of fiscal 2005, there were no Fujitsu Group business locations subject to regulatory control for VOCs. However, in line with voluntary industry initiatives, we have established a goal of reducing annual discharge of 20 specified VOC substances by 30% relative to fiscal 2000 levels by the end of fiscal 2010.

Our activities in this area in fiscal 2005 included identifying the amounts of VOCs emitted or handled in fiscal 2000 and studying effective reduction measures. To effectively reduce such discharges, we are installing organic solvent recovery units in our electronic device manufacturing facilities, which handle large amounts of these materials, and taking other measures to reduce emissions of chemical substances. We are also switching to substitute materials with lower toxicities in the cleaning processes in these factories.

We will initiate Group-wide activities in this area in fiscal 2006.

Reducing the Amount of Waste Generated Basic Approach to Reducing Waste Generation*

In working towards creating a recycling-minded society, we have adopted a basic 3R policy (reduce, reuse and recycle), and in aiming for an even higher level of 3R achievement encourage all our employees to separate waste materials into different categories for more effective recycling.

* Waste generation reduction

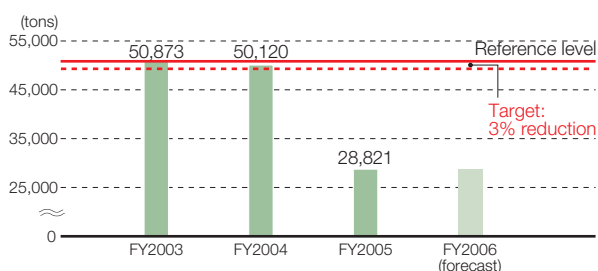
Definition: Reduction of waste generated by sites
Targeted waste: All discarded materials (excluding those with monetary value)

Fiscal 2005 Performance

In the Fujitsu Group Environmental Protection Program (Stage IV), we set the goal of reducing the amount of waste generated by our business operations by 3% compared to fiscal 2003 levels.

In fiscal 2005, as a result of efforts that enabled us to assign monetary value to paper and inorganic sludge, we reduced the total amount of waste generated to 28,821 tons, which corresponds to a reduction of 43% below fiscal 2003

Amounts of Waste Generated



* Statistics for 12 Fujitsu sites and 27 Group companies.

levels. Business restructuring was also a significant factor in these reductions.

Progress towards Zero Waste Emissions* at Group Companies in Japan

We are actively promoting zero emissions activities at our domestic Group companies. In fiscal 2003, Fujitsu Limited achieved zero emissions. In fiscal 2004, except for one business location, all Fujitsu Group companies in Japan achieved zero emissions, and this zero emissions status has continued ever since.

We made continuous efforts in fiscal 2005 to determine measures for reducing to zero the discharge of sewage treatment tank sludge that became an issue at the single business location that failed to achieve zero emissions status in fiscal 2004. Due to structural factors in the sewage treatment tank facilities essential for strict conformance with water quality regulations, however, we were not able to achieve zero emissions at this facility in fiscal 2005. We continue to study how to reduce sewage treatment tank sludge emissions to zero at this one location.

* Zero waste emissions

Achieving 100% waste utilization, with none going to landfills or simple incineration.

Polychlorinated Biphenyl (PCB) Storage and Processing

Based on storage and management regulations of our domestic business locations and affiliated companies for storage of transformers, condensers, and fluorescent light ballasts that include PCB in their materials, these items are stored and managed in strict conformance with Japan's PCB Special Measures Law.

The amounts of PCB currently being stored by Fujitsu Limited and domestic affiliated companies are shown below.

PCB Storage Volumes

	Transformers (units)	Condensers (units)	Fluorescent light ballasts (units)
Fujitsu	106	287	40,388
Affiliated companies	60	46	1,303
Total	166	333	41,691

(As of March 2006)

The PCB Special Measures Law mandates the treatment of PCB waste by fiscal 2016. We have registered with the Japan Environmental Safety Corporation (JESCO) under their early discount system and have a system in place for performing this treatment within the stipulated period.

Environmental Contributions to Society

We promote activities that make environmental contributions and foster mutually beneficial relationships in our communities worldwide.

Our Approach to Social Contributions Regarding the Environment

The Fujitsu Group contributes to both local and international communities through activities that aim to preserve a healthy global environment that can be passed on to future generations.

Environmental Contribution Highlights International Reforestation Activities

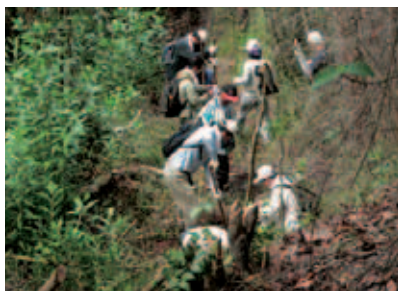
We have been supporting tropical reforestation activities in Thailand, Vietnam, and Malaysia since 1998, and have planted one million trees covering 500 hectares of land.

In November 2005, we carried out reforestation activities at the Fujitsu Group Malaysia Eco-Forest Park in Sabah State at the northern tip of Malaysia's Borneo Island.

The seedlings we planted were dipterocarp (the tree from which Philippine mahogany is made). This is an attempt to return the acacia forest, which is a foreign species planted after logging of the tropical rain forest, to the original Borneo species, the dipterocarps.

In implementing this project, employees from the Fujitsu Group in Japan, employees from business locations in Malaysia, local students, and staff from the Sabah State Forestry Development Authority formed a joint team using English as their common language. Many of the team members had participated in previous reforestation efforts at the site and were able to verify the growth of the seedlings planted previously.

In fiscal 2006 we will continue reforestation activities at the Fujitsu Group Malaysia Eco-Forest Park.



International reforestation activities (Malaysia)

 **Overseas Forestation Activities (details)**
http://www.fujitsu.com/global/about/environment/activity/e_os_forestation.html

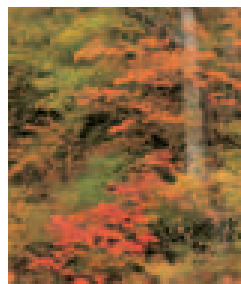
Fall Foliage Greening Campaign

In an initiative linking together community relations activities at various Fujitsu locations in Japan and intended to engage as many employees as possible, we carried out cleanup activities at streets and parks around our business locations and organized environmental fairs open to community residents. These activities were timed to take place during the fall foliage season, from October

through December 2005, and were publicized on our company intranet.

There were 57 such activities posted on the intranet this way. In addition to detailed plans for these activities, we also posted photographs of the areas where they actually took place to give a better sense of what they would be like. A total of 3,200 Fujitsu employees throughout Japan participated in these activities.

The idea for this initiative grew out of a workshop for training environmental leaders.



Amou Pass, Hida City, Gifu Prefecture



Park and walkway cleanup activity along the Koutsuki River (Fujitsu Kagoshima Branch Office)

Nature Conservation Activities in Suzhou, China

The Hua San National Forest Park (Flower Mountain) located to the west of Suzhou City has become one of China's historic locations, visited by many priests and famous people. The mountains of Suzhou have a rocky soil that is difficult for trees to take root in, and thus mountain trees are rare.

In cooperation with the park's administrator, the Environmental Management Office of Jiangsu Fujitsu has contributed to environmental preservation and helped boost safety for the local community by donating disused shipping pallets for reuse as protective fencing installed around a number of the park's centuries-old trees and "Thousand-year-old Well." Furthermore, Jiangsu Fujitsu employees participated in tree planting activities during the year, planting over 80 ginkgo, camphor, and other trees.

By continuing to take care of trees as well as repairing wooden fences and signs, we are committed to supporting the environment of this historical region.



Tree planting activity



Safety fence made from discarded pallets

Our Basic Approach to working with External Groups

Fujitsu is committed to contributing widely to the achievement of a sustainable society, not only through our own internal activities but also through active engagement with a wide range of external groups and organizations, including industry groups, government authorities, international and educational bodies, and NPOs and NGOs.

Some of Our Principal Affiliations (in Japan)

- Network for Sustainability Communication (NSC)
- Nippon Environment Club
- Japan Environmental Management Association for Industry
- Communications and Information Network Association of Japan
- Japan Electronics and Information Technology Industries Association
- CJC (Clean Japan Center)
- Nippon Keidanren
- Japan International Forestry Promotion and Cooperation Center (JIFPRO)
- Environmental Partnership Organizing Club (EPOC, Nagoya)
- Japan for Sustainability (JFS)

Internship Program with the Musashi Institute of Technology

Every year since 2002, we have engaged in joint research with the Musashi Institute of Technology through an internship program. In fiscal 2005, we raised LOHAS (lifestyle of health and sustainability) as the theme for the research and worked on how to explain this concept to children in an easily understandable manner. The result of that effort was the joint development of the “LOHAS and CO₂” software program that allows children to



Research presentation at the Eco-Products Exhibition

evaluate their degree of environmental awareness while having fun through conversations with animated characters. We also held a variety of exhibitions and events, including an eco-products exhibition.

Participation in IEC/TC111

In the electrical and electronics fields, countries and regions around the world have moved forward in recent years with the formulation of various laws and regulations, and thus there are increasing calls in the industry for international standardization of related regulations. In this context, a dedicated committee (TC111) for drawing up common environmental regulations for electrical and electronic products was established in the IEC (International Electrotechnical Commission) in October 2004. Fujitsu's Koichi Mori was selected to chair this committee, and discussions are proceeding under initiative from Japan.

- 1935 • Park-style design adopted for new Kawasaki Plant at the suggestion of Fujitsu's founder, Manjiro Yoshimura.
- 1972 • Environmental control sections established at each plant.
- 1987 • Ozone Layer Protection Committee established.
- 1989 • Environmental Committee established.
- 1990 • Environmental management evaluation system implemented.
- 1991 • Environmental Engineering Center established.
- 1992 • Fujitsu's Commitment to the Environment formulated.
 - Use of CFCs and carbon tetrachloride for cleaning eliminated.
 - Energy Saving Committee established.
- 1993 • Product Recycling Committee established.
 - Waste Control Committee established.
 - Fujitsu Environmental Protection Program (Stage I) formulated.
 - Product Environmental Assessment Guidelines formulated.
 - Domestic Affiliated Companies' Environmental Protection Council established.
 - Environmental Information Service (FJ-COG) inaugurated.
- 1994 • First issue of Eco-Plaza environmental bulletin published.
 - Use of 1, 1, 1-trichloroethane eliminated.
 - 1st Fujitsu Group Environmental Technology Exhibition held.
 - Fujitsu Environmental Emblem designed.
 - Overseas Environmental Information Network begins operation.
- 1995 • Environmental Management System Committee established.
 - Recycling system established and implemented.
 - Fujitsu Group Worldwide Environmental Conference established.
- 1996 • Fujitsu Environmental Protection Program (Stage II) formulated.
 - Environmental Engineering Center homepage placed on intranet.
 - Chemical Emissions Reduction Committee established.
 - First Environmental Report published.
- 1997 • Environmental homepage established on Fujitsu website.
 - All domestic manufacturing sites certified ISO14001 compliant.
- 1998 • Reforestation activities conducted in Thailand.
 - Green Product program launched.
- 1999 • Environmental accounting introduced.
 - Reforestation activities conducted in Vietnam.
- 2000 • Four development and service sites in Japan certified ISO14001 compliant.
 - Corporate Environmental Affairs Unit established.
 - Desktop PC awarded Eco-mark for first time.
- 2001 • Fujitsu Environmental Protection Program (Stage III) formulated.
 - Calendar using paper from sustainable forest published.
 - Reforestation activities conducted in Malaysia.
- 2002 • A world's first: Tin-zinc-aluminum lead-free solder developed.
 - A world's first: Biodegradable plastic parts with lower environmental burden employed in notebook computers.
 - Fujitsu Group Environmental Policy established.
 - A world's first: Magnesium alloy recycled in-house applied in notebook computers.
- 2003 • Support for reforestation activities employing Rhythm Forest reforestation network game initiated.
 - Zero waste emission achieved by all 13 plants in Japan.
- 2004 • ISO14001 integrated certification acquired by all Fujitsu Limited sites, among largest systems in Japan.
 - 100% Green Product ratio achieved for all newly developed products.
 - Fujitsu Group Environmental Protection Program (Stage IV) formulated.
- 2005 • ISO14001 certification acquired by all Group companies in Japan.
 - Supply of Super Green Products begins.
- 2006 • ISO14001 globally integrated certification acquired, including overseas Group companies. Establishes global environmental management framework for the Group as a whole.

Information Published on the Fujitsu Website

For additional details and information, please see our corporate website.

 **2006 Sustainability Report**
<http://www.fujitsu.com/global/about/environment/report/rep2006.html>

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Comment from Shin Nihon Environmental and Quality Management Research Institute Co., Ltd.

Since 1999, Fujitsu Limited (“Fujitsu” below) has been at the vanguard in disclosing corporate environmental information, and it now discloses CSR information as the Fujitsu Group Sustainability Report (“Sustainability Report” below). Furthermore, so as not to mislead stakeholders who are the readers of the Sustainability Report, Fujitsu has from the beginning engaged independent third-party assurance procedures to guarantee the reliability of the disclosed information.

At the same time, the same level of management and monitoring systems provided for economic activities must also be provided for environmental and social activities that are the basis of the company’s information disclosure. The Fujitsu Group is operating management systems such as their globally integrated EMS (see page 15 of the Sustainability Report) for environmental aspects as well as IT and other monitoring systems related to environmental performance and environmental accounting.

However, even at Fujitsu, which actively disseminates CSR information, the construction of systems like this for activities in the social realm is still in its infancy. To make its CSR activities even more effective, the Fujitsu Group must make clear its criteria for social performance aspects, which require continuous improvement as well as a stepwise expansion of the range of items monitored in this area.

Additionally, while it is important to manage both environmental activities and economic activities in a unified system, we think that to achieve this goal it would be effective to construct a mechanism in which the reductions in environmental burdens and other improvements achieved by improvements in quality and productivity and reduced costs can be recognized in terms of their environmental and social performance benefits.

* The opinion above was derived from work performed by Shin Nihon Environmental and Quality Management Research Institute Co., Ltd. within the range of procedures commissioned by Fujitsu during this fiscal year. Note that this research institute does not guarantee the content of this opinion.

TRANSLATION

Independent Assurance Report

September 22, 2006

Mr. Hiroaki Kurokawa
President and Representative Director
FUJITSU LIMITED

Shin Nihon Environmental and Quality Management Research Institute Co., Ltd
Representative Director Yasuo Kurihara

1. Scope and objectives of this engagement

The purpose of this assurance engagement, based on the contract with Fujitsu Limited (the “Company”), is to express an independent opinion on the Fujitsu Group Sustainability Report (the “Report”) in respect of whether the environmental performance data, environmental accounting data and material environmental information¹, which are prescribed in the institutional framework of the assurance engagement and the registration of the environmental report of the Company and its material subsidiaries, were accurately measured, calculated and covers all material aspects without omissions in accordance with the reporting standard of a social and environmental report. The reporting responsibility belongs to the Company’s management. Our responsibility is to express an independent opinion on the Report.

¹The material environmental information which are prescribed in the institutional framework of the assurance engagement and the registration of environmental report, are indicated in the “Environmental report assurance and registration mark standards” (The Japanese Association of Assurance Organizations for Environmental Information).

2. Outline of the assurance engagement procedures

We have applied limited assurance engagement procedures mainly composed of inquiry, review and analytical procedures in accordance with the “Practical guideline for assurance engagement of non-financial statements (exposure draft)” (Japanese Institute of Certified Public Accountants Jul 2005) and the “Practical guideline for assurance engagement of environmental information” (J-AOEI Jan 2006). Therefore, our assurance engagement provides relatively limited assurance compared to a reasonable assurance engagement.

Outline of the applied procedures is as follows;

- 1) Understanding and evaluating the collection and calculation process of the subject information described in the Report.
- 2) Recalculating and cross-checking the subject information described in the Report with the supporting evidence on a sample basis.
- 3) Verifying the consistency of the subject information with other information described in another part of the Report.
- 4) Conducting an onsite assessment² to make inquiries to the responsible persons, understanding the circumstances and verifying the supporting evidence per site visit.

²The onsite verification took place at the Head Quarter Office, Fujitsu Kawasaki Works, Fujitsu Mie Works, and two major subsidiaries; Fujitsu Isotec Limited and Fujitsu Frontech Limited.

3. Our opinion

Based on our assurance engagement, we have not come across any materially incorrect determinations or miscalculations, or omissions in relation to the environmental performance data, environmental accounting data and material environmental information prescribed in the institutional framework of the assurance engagement and the registration of an environmental report in compliance with the reporting standard.

4. Our independence

We, as a member of the Ernst&Young ShinNihon Group, are in compliance with the Certified Public Accountant Law, the ethics regulation of the Japanese Institute of Certified Public Accountants and the ethics procedure of Ernst&Young ShinNihon. Therefore, there has been no common interest between the Company and us.

NOTE: The above Independent Review Report was prepared based on the original Japanese version.

FUJITSU LIMITED

<http://www.fujitsu.com/global/about/environment/>



This report is printed with ink containing less than 15% oil-based solvent.

AL0046-1-Dec.2006