

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.

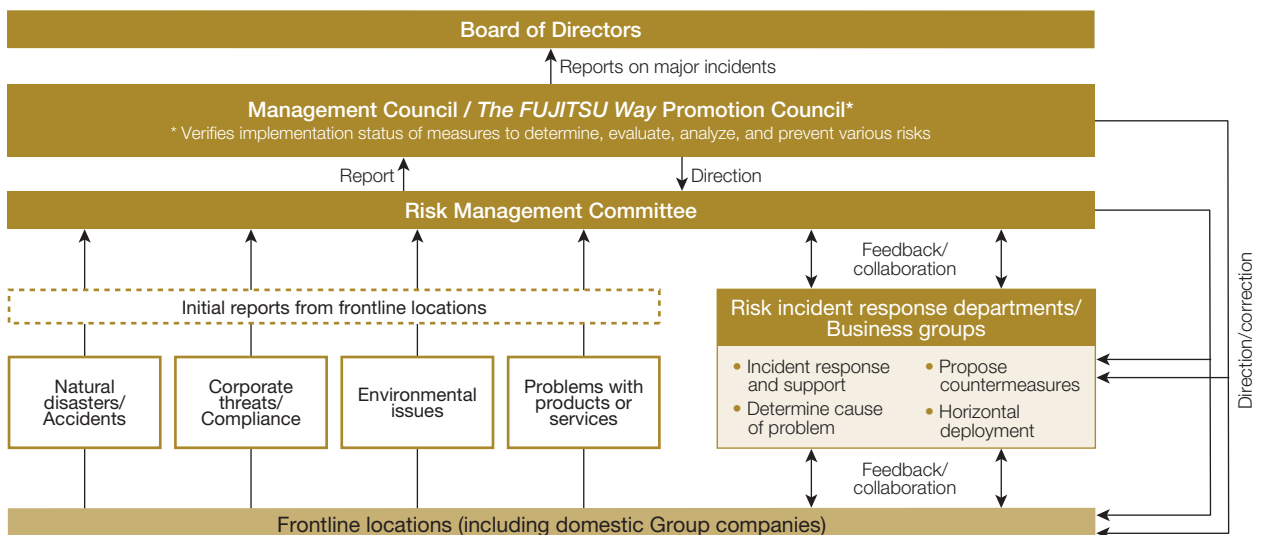
Risk Management Structure and Risk Management Cycle

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

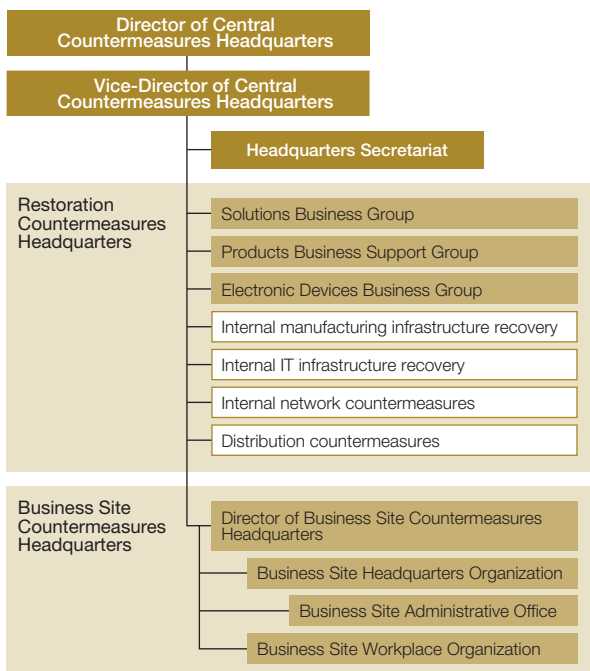
We are organizing a Group-wide earthquake disaster prevention network in Japan to prepare the Fujitsu Group in the event of a major earthquake. To minimize harm to persons and property, we perform frequent disaster prevention inspections at all our domestic business locations and since 1995 have carried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