Corporate Governance: Our Basic Position and Status of Initiatives

1. Basic Position

Fujitsu believes that ensuring the transparency and effectiveness of corporate management for shareholders and other stakeholders is fundamental to good corporate governance. In order to do so, we intend to actively utilize outside directors, separate management oversight and operational execution functions, and strengthen the integrity of that separation.

2. Status of Initiatives

(1) Management organization regarding business decisions, operational execution and oversight, and other structural issues regarding corporate governance

Fujitsu's Board of Directors carries out a management oversight function, supervising the execution functions of the Management Strategy Council and the Management Council under its authority.

As an executive organ, 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. The Board of Directors makes decisions on items of particular importance on the agendas of the Management Strategy Council and the Management Council. Statutory auditors carry out an auditing function, reviewing the Board of Directors as well as operational execution functions.

The Board of Directors currently has six directors, comprised of five from inside the company and one from outside. In addition, the Board also has five statutory auditors, two standing and three external. Two outside directors were appointed at the annual shareholders meeting in June 2002. Only one outside director currently serves on the Board, however, due to the resignation of Director Toshihiko Fukui (now governor of the Bank of Japan) in March 2003.

(2) Initiatives to strengthen corporate governance during the last year

In fiscal 2002, in order to separate management oversight and operational execution functions, a system of Corporate Executive Officers was introduced and the number of directors was reduced from 32 to seven. Also, in an effort to enhance management transparency, the number of outside directors was increased from one to two*. As a result of this reorganization, the overall Board of Directors comprised a total of 12 members**, seven from inside the company and five from outside, including two standing auditors and three external auditors.

The reorganization shifted the position of the Board, putting greater emphasis on management oversight, as well as reducing its size and increasing the ratio of outside directors. As a result, the Board discussions have become much more lively than before.

*Due to the resignation of Director Fukui in March 2003, the Board of Directors currently has one outside director.
**At the end of March 2003, the Board of Directors comprised a total of 11 members: five directors from inside the company (four of whom also serve as executive officers), one outside director, two standing auditors, and three external auditors.

Besides the above-mentioned initiatives, we established a Risk Management Committee to monitor and deal with various risk factors affecting the company. This committee reports to the Management Council on important issues and to the Board of Directors, discussing with the respective bodies appropriate ways to deal with the particular situation. This initiative has enabled the Fujitsu Group as a whole to strengthen its risk management structure.