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Question 1—Although Fujitsu offers solutions covering a wide range of information and communications fields, the company's consolidated net sales of ¥5 trillion are reported as a single business segment. What is the breakdown on profitability by division?

Excluding fiscal 1997 expenses that could not be allocated to information processing, telecommunications or electronic devices, operating income as a share of sales in each business was 6% for information processing and 12% for telecommunications. The corresponding figures in fiscal 1996 were 6% and 16%. Electronic devices had a loss in both years.

Information processing and telecommunications infrastructure business fueled growth in Fujitsu's earnings in fiscal 1997. In the information processing sector, we expect profitability to increase as we complete a full line of solutions business products and implement our plans for global business development. In fiscal 1998, Amdahl's earnings will improve substantially as its new and highly regarded Millennium 700 Series servers make further inroads into the market. Our superior systems integration capabilities will enable us to capitalize on growing solutions business opportunities. These, in turn, will lead to higher sales of hardware and software, thereby

contributing to increased profitability.

In the telecommunications sector, NTT, facing divestiture, will hold capital investment down in the short term. And with the domestic economy still in the doldrums and uncertainties surrounding business in Asia, we believe that demand will bottom out in the first half of fiscal 1998. On the mid-term horizon, however, we anticipate that sales and profits will rise. NTT is expected to resume capital investments after its reorganization. Furthermore, by taking advantage of progress in deregulation and next-generation mobile communications, we will expand our global business in this sector.

The electronic devices group supplies the core products essential to the competitiveness of the other two groups. Although earnings have been hurt by the steep plunge in DRAM market prices, system LSIs and flash memory devices are growing as a share of sales. The group is expected to contribute to profits in and after fiscal 1999.

Question 2—What is the outlook for Fujitsu's large-scale server business and the development of new technologies?

Fujitsu has now completed the shift from Emitter Coupled Logic (ECL) to Complementary Metal-Oxide Semiconductor (CMOS) technology. Al-

though the performance of ECL machines is currently superior to that of their CMOS counterparts, by the year 2000 that situation will be reversed. Moreover, with respect to maintenance, power consumption, floor space and other criteria, the total cost of CMOS systems is lower. Customers who value superior cost-performance will thus boost demand for CMOS machines.

In February 1998 Fujitsu began shipping machines with 12 CPUs that boast maximum performance of 700 MIPS. This exceeds the performance of our existing ECL units. For early 1999, we have under development a system with performance approaching 1,000 MIPS, and for the first half of the year 2000, systems that can perform nearly 2,000 MIPS.

Question 3—What are Fujitsu's special strengths in the services and software businesses?

Over the past 20-30 years Fujitsu has engaged in stiff competition with IBM and other companies in this area. In order to offer sophisticated solutions to customers' IT requirements, we have provided assistance ranging from consulting to software development and training. This capability has been a major reason why we have been able to maintain our number-one position in Japan in terms of IT sales. Having cultivated sys-

tem engineers in a wide variety of specialized fields, Fujitsu now boasts Japan's largest corps of such experts. Including customer engineers, our service personnel worldwide number 52,000.

The tools, documentation and information management systems needed to provide leading-edge solutions are firmly in place. Fujitsu's communications technology, our FENICS domestic network infrastructure with more than two hundred connections, and our ability to deliver increasingly important network solutions are especially important assets.

Fujitsu offers a strategic set of service products called "PROPOSE," which enables customers to select service offerings as easily as they would hardware products. In 1997 we also announced "SOLUTIONVISION," a new concept in which hardware, services and software solutions are tailored to match the requirements of customers in a particular industry or field. With a solid track record in meeting or exceeding customer requirements for quality, delivery and function, Fujitsu has become the company of choice when it comes to new, large-scale or high-level systems. Going forward, we will continue to develop superior solutions on a global scale.

Question 4—What is the outlook for semiconductors, especially the difficult DRAM business?

Fujitsu's electronic devices group develops components essential for the development of competitive computer and communications products. For this reason, we are committed to staying at the vanguard of technological progress. We intend to pursue growth in existing businesses, mainly logic devices, and will place particular emphasis on system LSI for digital AV applications and for the IT industry, including Fujitsu itself. We have no plans for withdrawing from the DRAM field. Indeed, leading-edge DRAM development is essential to support progress in system LSI, which combines RAM and logic on a single chip. On the other hand, the current oversupply situation dictates that DRAM mass production be scaled back. In its place, we will increase production of flash memories—an area where Fujitsu, combined with joint venture partner Advanced Micro Devices, Inc., already holds the world's top market share.

Mixed production at our DRAM factories will continue but will be accompanied by structural reforms, such as a shift to logic devices and flash memories. These steps are intended to improve the profitability of the semiconductor group as a whole.

Question 5—What is Fujitsu's overall strategy for the future?

Speed is essential. We need to anticipate changes quickly and make decisions faster. To achieve this goal, we have set forth three major objectives: generate results from global strategies as soon as possible; become number one in customer satisfaction; and use networks as a foundation for achieving high growth and earnings.

We also have important goals for our financial position. First and foremost, we are committed to increasing profits for our shareholders. To do so, we will strive to reduce interest-bearing liabilities and to boost return on investment by becoming more selective in making new investments, as well as concentrating investment in promising areas. In essence, Fujitsu aims to be an organization that can anticipate and respond to global trends while remaining focused on our customers' requirements. We believe this strategy will allow us to grow and prosper.