

New Directions for the Internet Age ➤ Rapid advances in information and communications technologies centering on the Internet have accelerated globalization in every industry and brought great changes to the ways that companies do business and people live.

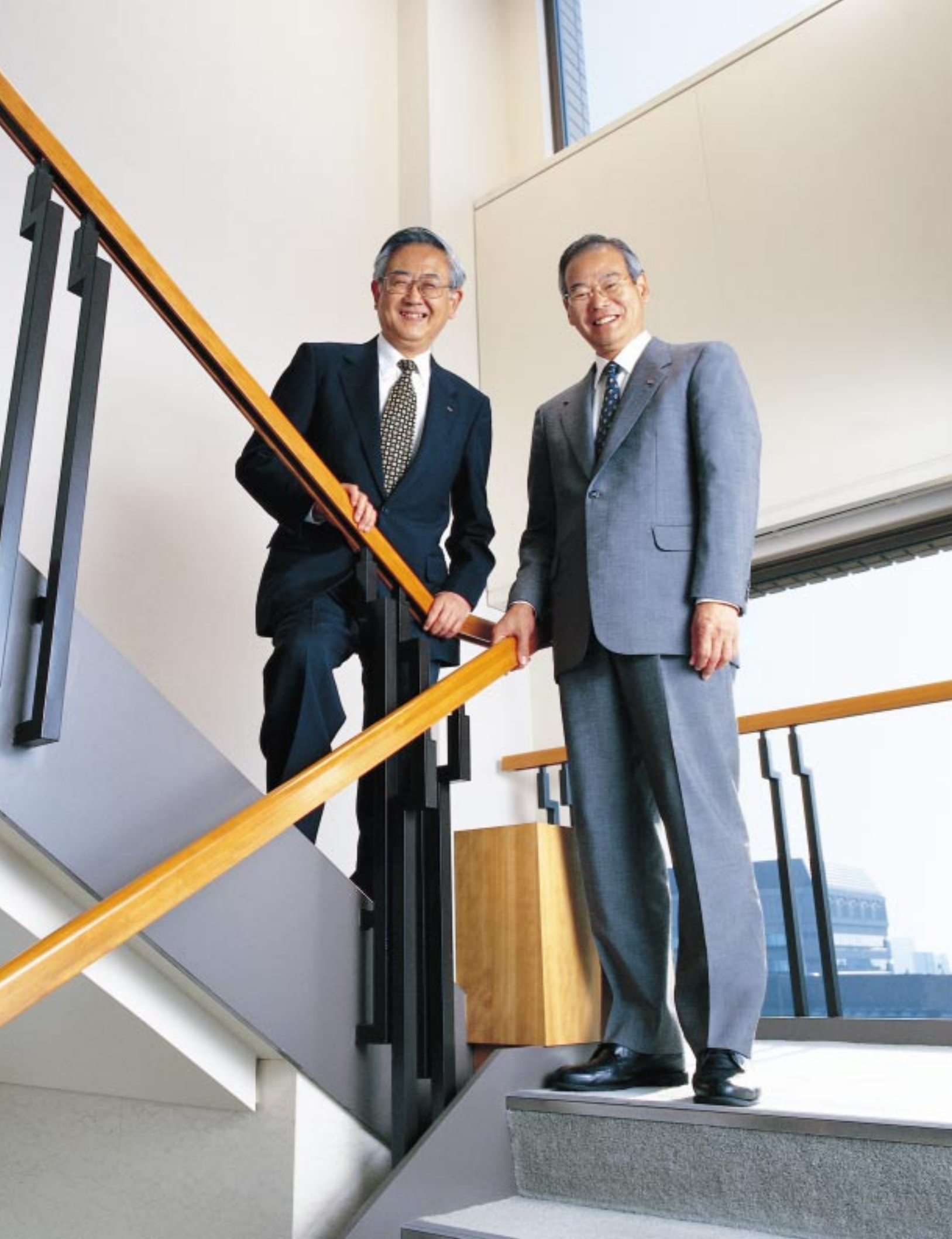
The Fujitsu Group foresaw these revolutionary changes early on, and we have been reorganizing our operational structure to focus on providing solutions that unleash the potential of the network age. We have been developing our services and software business in Japan and overseas as major profit centers going forward. At the same time, we have been restructuring our semiconductor business. To be better positioned to take advantage of global opportunities emerging in the Internet era, several challenges remain, including the need to further improve operational efficiency as well as to restore profitability to our semiconductor business. By being more selective and further concentrating our management resources on Internet-related core business areas, we intend to capitalize on these opportunities.

In fiscal 1998, ended March 31, 1999, we continued to face difficult business conditions, including cutbacks in investment by Japanese telecommunications companies and declining semiconductor prices. However, sustained efforts in our overseas businesses, as well as in services and software, began to bear fruit so that we were able to increase consolidated net sales 5.2%, to ¥5,242.9 billion. Nevertheless, due to declines in telecommunications sales in Japan and operating income, as well as extraordinary expenses resulting from the restructuring of our semiconductor operations, we posted a net loss of ¥13.6 billion for the year. Looking ahead, on the strength of our ongoing structural reform measures and our Internet-based business strategy, we anticipate a quick return to profitability.

An Unwavering Focus on the Needs of the Customer ➤ Today, when the burgeoning use of the Internet is bringing great change to society, companies and individuals, “customer focus” is a value proposition that is more essential to achieving healthy growth and profits than ever before. We intend to seize new business opportunities by keeping carefully attuned to the evolving needs of our customers. By thoroughly adopting and internalizing this mindset throughout the Fujitsu Group, and by acting upon it, we can tap a wellspring of new growth and fulfill our mission as a global leader in the information technology (IT) industry.

One of our strongest assets in this regard is the Fujitsu Group’s corps of 55,000 top-notch services and software personnel, who are using their high-level expertise in implementing large-scale systems to bring optimal solutions to customers on a global basis. Based on our “Global Solution Link” concept, Fujitsu Group companies like Amdahl Corporation and DMR Consulting Group, Inc. in North America, ICL PLC in Europe, Fujitsu Asia Pte. Ltd. and

*From left:
Tadashi Sekizawa, Chairman
Naoyuki Akikusa, President*



Fujitsu Australia Ltd. are pooling their know-how, services and products to offer world-class, locally tailored solutions that precisely satisfy customers' diverse needs.

We recently made NIFTY Corporation a wholly owned subsidiary. By integrating our NIFTY SERVE and InfoWeb on-line services, we will further consolidate our position as Japan's largest Internet service provider and as a leader in offering content and forums that are opening up new vistas for Japanese users. In addition to providing the state-of-the-art equipment needed to support the continuing expansion of the Internet, we will also take full advantage of this infrastructure to help companies create new ways of doing business.

Leveraging Our Core Technological Strengths 🚀 The Fujitsu Group continues to make strides and gain recognition as a total solutions provider. The solutions that our customers rate most highly for their quality are those that are supported by products embodying our advanced core technologies.

In the United States, which leads the world in Internet penetration, demand is increasing for high-speed, high-capacity communications infrastructure, and this trend is spreading to Japan and the rest of the world. We are making important contributions to next-generation network infrastructure through our R&D in leading-edge wavelength division multiplexing (WDM) optical network technology and through innovative products, such as our FETEX-150 E-Cube hybrid switching system with Internet protocol functionality and our experimental W-CDMA equipment for mobile communications.

In the information processing field, we will be enhancing the network functionality of our full range of products, including Intel architecture servers, UNIX servers and global servers (mainframes). Furthermore, through technological advances in system-on-chip, flash memory, compound semiconductor, plasma display panel (PDP) and other component areas, we are upgrading the speed, mobility, multimedia capability and overall performance of these systems to help users exploit the full potential of the Internet.

In this way, utilizing our unique capabilities and strengths, we will continue to play a leading role in building and enhancing the infrastructure for the Internet age. By focusing our core technologies in telecommunications, information processing and electronic devices more intensively on the Internet, we will more rapidly bring to market the sophisticated products that consumers and businesses demand.

A Management Objective of 10% ROE in FY 2000 ➤ The Fujitsu Group is committed to maximizing capital efficiency, and we utilize such management indicators as return on equity (ROE) and free cash flow. Unfortunately, ROE worsened in fiscal 1998. This was largely the result of continuing weakness in the Japanese telecommunications market, coupled with the extraordinary losses that we incurred as we restructured our semiconductor business, including the shift from DRAMs to system-on-chip. These measures were taken for the sake of future growth and improved profits. By selectively allocating and concentrating our management resources so as to offer Internet-based global products and solutions, we are confident that we will achieve an ROE of 10% in fiscal 2000.


A New Dimension to Our Corporate Mission ➤ We will continually strive to develop original technologies and ideas that can meet the challenge of our corporate slogans: "Reliability and Creativity" and "What Mankind Can Dream, Technology Can Achieve." In addition, we will reinforce our focus on the Internet, both in services and in products and components, to enhance the value of our core businesses by adopting the slogan "Everything on the Internet."

Although our business environment may become even harsher in the years to come, by rapidly responding to change and concentrating our management resources on the areas that have the Internet as their core, we are confident that we can improve our growth and profit potential, promote management efficiency and strengthen our financial position. At the same time, we will continue to devote special attention to dealing with global environmental problems on a groupwide basis, such as by creating environment-friendly products and expanding recycling programs.

We are determined to be a global industry leader in the 21st century, a company that is trusted and relied on by customers and is constantly renewing itself. In this way, we will strive to earn the continued support of our shareholders.



Tadashi Sekizawa, Chairman



Naoyuki Akikusa, President