

Telecommunications



Testing of WDM system equipment

Growing Our Network Solutions Business on a Global Basis

We have adopted three basic guidelines for our telecommunications business in the broadband Internet era:

Growing as a network solutions provider that offers comprehensive solutions rather than just individual products;

Expanding into global markets, centering on photonics and 3G mobile communications; and

Adhering to “selection and concentration” in order to enhance profitability.

Based on these principles, we are pursuing a strategy focused on the fields of photonics, 3G mobile communications and IP products.

In implementing this strategy, first we plan to further strengthen our photonics business, an area in which we have achieved great success with regional telephone companies in the U.S. market. We are working to build even more competitive systems to respond to increased demand for high-speed, high-capacity transmission technology accompanying the shift from SONET to the rapidly expanding WDM technology. In addition, we are strengthening our business activities with long-distance telephone companies and new common carriers, and we intend to use our success in the American market as a springboard for expanding our business in Europe. In fiscal 2000, we unveiled a WDM system with the world's largest transmission capacity (1.76 Tb/s) and participated in WorldCom's “Terabit Challenge” field trials, and we aim to be a full-fledged participant in building its commercial network. We also have received a large-scale project order from Dynegy Connect, the communications subsidiary of a major U.S. electric power company. We are building on these accomplishments to reinforce our leadership position in the photonics field.

In 3G mobile communications, particularly W-CDMA, we will intensify efforts to expand our business globally. Capitalizing on our experience and know-how as a comprehensive supplier for NTT DoCoMo, which is

promoting W-CDMA technology, we will use Evolium SAS, our joint venture with Alcatel formed in November 2000, as a base for promoting this business, particularly in Europe, where there are significant business opportunities stemming from the shift from the current GSM standard to W-CDMA.

In the field of IP products, we plan to differentiate ourselves from the competition by expanding our high-performance, highly reliable, high-quality routers and switching systems for telecommunications carriers. In addition, anticipating future growth of IP-based networks, we will use our strategic alliance with Lucent Technologies to develop the network intelligence business utilizing leading-edge softswitch technology to improve network performance.

*SONET: Synchronous Optical NETWORK
WDM: Wavelength Division Multiplexing
W-CDMA: Wideband-CDMA
GSM: Global System for Mobile Communication