

Fiscal 2001 Summary

A new revolution in the utilization of information technology is taking place on a global scale, impacting nearly every aspect of society. In Japan, too, the increasing importance of IT can be seen in the implementation of the e-Japan initiative, which aims to create one of the world's most advanced information and communication networks. Although the IT industry has experienced a temporary setback, its medium- and long-term growth prospects are excellent, for it serves as the foundation for the ultra high-speed, large-capacity networked society of tomorrow.

However, fiscal 2001 was marked by global economic stagnation and cutbacks in IT-related capital spending. There was a major deterioration in the market for semiconductors and components owing to a decline in worldwide demand for mobile phones and personal computers, as well as cutbacks in capital spending by telecommunications carriers, particularly in North America. This resulted in the most difficult business environment the Fujitsu Group has experienced.

In this challenging environment, we undertook a comprehensive restructuring of the Fujitsu Group in order to improve profitability and realize new growth in the mid-term. We more tightly focused our resources on areas offering potential for high profits and growth, reorganized and streamlined our R&D and manufacturing operations, and exited from certain business areas.

Consolidated net sales for fiscal 2001 were ¥5,006.9 billion (down 8.7% from the previous year), and we posted an operating loss of ¥74.4 billion (compared to an operating profit of ¥244.0 billion the previous year). In addition, we took a restructuring charge of ¥417.0 billion, which included the closure of semiconductor production facilities overseas and the withdrawal from the business of small form factor hard disk drives for desktop PCs. This resulted in a net loss of ¥382.5 billion (compared to a net profit of ¥8.5 billion the previous year). The reduction in shareholders' equity stemming from the large net loss, coupled with an increase in interest-bearing liabilities, resulted in deterioration of our financial base.

Principal Business Reforms Implemented in Fiscal 2001

To solidify the foundation for greater profitability and achieve new types of growth, we positioned fiscal 2001 as a year of fundamental structural reform for the Fujitsu Group, implementing changes focused on three key areas: 1) pursuing higher value-added business through an orientation toward software and services; 2) focusing more tightly on core technologies and products; and 3) enhancing the competitiveness of the Group.

■ Electronic Devices

We closed our Gresham semiconductor facility in the U.S. and consolidated our fabrication and assembly lines across the Group, thereby streamlining our production organization. In addition, we concentrated all System LSI (SoC) development work at our Akiruno Technology Center, where we are aggressively developing advanced semiconductor technology solutions to help increase the competitiveness of our servers and networking equipment.

From left:
Tadashi Sekizawa, Chairman
Naoyuki Akikusa, President, CEO & COO



■ Information Processing

In April 2002, to improve production efficiency we established Fujitsu IT Products Limited, consolidating into one location all our Unix server and storage systems manufacturing. We exited from the business of small form factor hard disk drives for desktop PCs and have instead concentrated on hard disk drives for servers, where value-added is higher and growth prospects are better.

■ Telecommunications

In the network equipment business, in light of the rapid shift towards IP-based networking hardware, we exited the PBX business in North America. In the field of photonics, we streamlined our North American subsidiary and consolidated the production of advanced-technology products at our Oyama plant. In the mobile area, we concentrated development and manufacturing of 3G mobile equipment at our Nasu facility.

■ Services and Software

We reorganized the consulting & applications and IT infrastructure services businesses formerly headed by ICL and DMR Consulting in Europe and North America by establishing two new subsidiaries, Fujitsu Services Holdings PLC and Fujitsu Consulting Inc., in April 2002. Uniting these companies under the common Fujitsu brand identity has reinforced their position as part of a global top-quality IT services provider. Fujitsu's goal is to provide one-stop solutions to global multinationals while at the same time providing services carefully tailored to meet the diverse needs of customers in each country and region.

Our Corporate Direction and Business Strategies

As an IT leader helping to advance the broadband Internet, the Fujitsu Group seeks to foster long-term customer relationships — primarily with corporations and public sector institutions — by providing total solutions comprising high-quality products and services based on superior technology. Most importantly, we continuously strive to understand the needs of our customers, examining things from their perspectives and working to maximize satisfaction by extending our “customer focus” to their

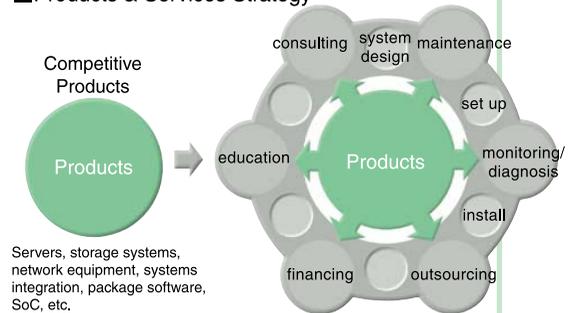


customers. The pace of the IT revolution has been remarkably fast, yet the utilization of IT advancements has not reached full potential. Proposing revolutionary new uses for IT is one way of sparking new demand. The Fujitsu Group is intent on staying at the cutting edge of technological change, and, with customers' needs firmly in mind, proposing new ways to use IT and pioneering new markets.

■ Products & Services Strategy

The Fujitsu Group's growth strategy is to increase the software and services orientation of all our business areas. This is not simply a matter of enhancing our Software and Services Business Group; rather, it is a cohesive products & services strategy to provide services that revolve around competitive products throughout our business lines. In our software and services business we are enhancing our service offerings that focus on developing and operating customers' systems, such as consulting, training and security diagnostics. In our product businesses, such as SoC, servers and network equipment, we are seeking to add value by expanding the scope of services we offer. For example, in addition to leveraging our expertise in software development to enhance our hardware offerings, we are also developing a full range of product-related services, such as deployment support, monitoring, and performance diagnostics.

■ Products & Services Strategy



■ Fujitsu's Value Chain: Technologies, Platforms and Services

Another point of emphasis in the Fujitsu Group's business strategy is our interlocked value chain of technologies, platforms and services. What this means more specifically is using our advanced electronic devices and other technologies as the source of competitive strength for our platform products. In turn, our platform product lines, boasting high reliability, performance and quality, serve as the foundation for increasing the added value of our services. In other words, in order to provide optimal services to our customers, we utilize the best possible platforms and technologies, which enables us to provide more competitive total information systems. Providing comprehensive solutions based on this unique value chain is a major competitive advantage of the Fujitsu Group.



Establishing Stable Profitability and New Sources of Growth in Each of Our Businesses

To achieve more stable sales and profits amidst the ups and downs of the economic cycle, and to find new growth opportunities arising from structural changes in the market, we are pursuing the following measures.

■ Software and Services Business — Enhancing Profitability

Software and services has become a pillar of the Fujitsu Group's sales and profits. The key to reinforcing the integrity of this pillar is to enhance our competitiveness by expanding our menu of service offerings and improving the productivity of our software development activities. In 1992, we pioneered an easy-to-understand menu of standardized IT service offerings in Japan, called PROPOSE. Based on this model, our services business initially revolved around our existing systems integration business, expanding over time into consulting, maintenance and training, and then to a more complete range of value-added managed services, such as call centers, maintenance and monitoring, and security diagnostics. We aim to improve profitability by increasing the contribution of income from PROPOSE-type service offerings to overall services revenues.

To make the software development process more productive, we are working to improve efficiency by making more effective use of packaged solutions, such as ERP¹ and CRM²; promote software componentization; and embed common functions in middleware. Our GLOVIA ERP package, used by international firms such as Dell and Ericsson, takes a fine-grained approach to componentization, with 1,800 functional modules that can be used to organize business know-how in fields like finance, accounting and production management. These components are standardized and can be reused as often as needed. This thorough approach to componentization and component standardization improves development efficiency so that we can quickly deliver optimal solutions to our customers.

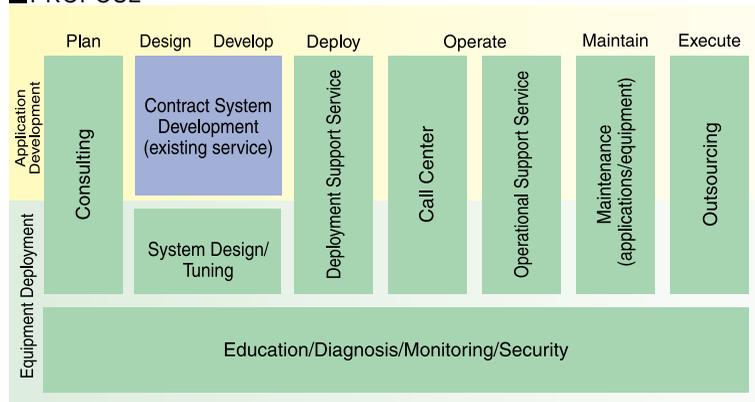
1. ERP: Enterprise Resource Planning

Integrated management of accumulated company information in areas ranging from administrative processes (accounting, personnel, etc.) and manufacturing processes (inventory management) to sales processes (distribution). Provides a framework and methodology for increasing business efficiency.

2. CRM: Customer Relationship Management

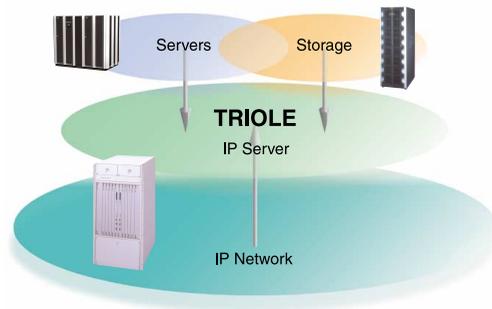
A business method that applies information technology to enhance customer satisfaction and make sales activities more efficient. Based on a detailed database of individual customer interactions — sales, maintenance, inquiries and follow-ups — it integrates the management and use of this information.

■ PROPOSE



■ Platforms Business — Strengthening Competitiveness through Fusion of Telecommunications and Information Processing

Along with the emergence of the high-speed, high-capacity networked economy, customers now require information systems to have the following four key capabilities: 24x7 nonstop operation, the ability to handle extreme load fluctuations, the ability to rapidly form business linkages between companies, and the ability to handle an expanding range of business applications. It is difficult to meet these demanding requirements through the conventional approach of simply combining stand-alone products. Instead, it is becoming increasingly important to have servers, storage systems and networking equipment that can be combined or easily linked together. These factors were the impetus for our new information system concept for the next-generation network era, called TRIOLE. This new approach integrates and optimizes the special features of our best-of-breed, high-quality servers, storage systems and networking equipment to create network information systems with the utmost scalability, reliability, stability and security. Our ability to develop competitive products combining telecommunications and information processing, and to build high value-added information systems, differentiates Fujitsu in the market and will help increase sales and profitability.



■ Electronic Devices Business — Focusing on Advanced Semiconductor Solutions

In our electronic devices business, we are focusing chiefly on the development and design of advanced system LSI, or System-on-Chip (SoC). We are strengthening efforts to provide semiconductor solutions that leverage the Fujitsu Group's superior technology and comprehensive capabilities in software and other areas, targeting in particular the markets for digital AV, networking/mobility, and automotive applications. Recognizing the critical importance of next-generation semiconductor technology to Fujitsu's continuing competitiveness in servers and network equipment, we developed 90nm CMOS technology³ and began prototype production using this technology at our Akiruno Technology Center in December 2001 — an industry first. In regard to volume production, we intend to control new capital spending by contracting out production and other measures.

3. 90nm CMOS technology

Stipulated in the International Technology Roadmap for Semiconductors (ITRS) as the next step in design-rule miniaturization. Ten nanometers is one one-hundred-millionth of a meter.



Clean room at Akiruno Technology Center

Direction Regarding Independent Businesses

Within the business domains of technologies, platforms and services, there are many group companies that have considerable value, as well as many business units that possess highly competitive, advanced technologies. We aim to raise the overall value of the Fujitsu Group by carefully cultivating these as “independent businesses” and unlocking their latent value. By promoting management autonomy, including the development of sales channels outside of Fujitsu proper and the adoption of independent employment practices, we hope to cultivate the ability of these group companies to grow on their own. Within Fujitsu itself, as well, we will spin off units that are considered good candidates for success as independent businesses. Electronic devices-related operations in compound semiconductors, plasma displays, LCDs, SAW filters, and components, as well as small form factor hard disk drive operations, will be positioned as independent businesses. These moves will serve to increase the value of the Fujitsu Group as a whole.

New Corporate Governance Structure

To strengthen management oversight and promote faster decision making and greater management agility, we revised our corporate governance structure. Specifically, we instituted a corporate executive officer system that helps to enhance the oversight role of the Board of Directors, and, by granting wide authority to corporate executive officers, to accelerate the decision-making process. In conjunction with these changes, we introduced a business group structure that ensures flexibility in the allocation of resources and reinforces an organic approach to management that seeks to take advantage of synergy among business units within each group. Of particular note, we have reorganized the telecommunications and information processing groups into a unified “Platforms Business Group” to promote the development of products that fuse computing and networking technologies. Moreover, to ensure that our businesses are more responsive to customer needs, we are enhancing our sales groups along customer and regional lines and strengthening our marketing capabilities.



Global Knowledge Institute executive training seminar at Fujitsu University

Cultivating Top-Caliber Human Resources

In pursuing our business strategy going forward, we recognize that our employees are a vitally important asset. We established a comprehensive training program, Fujitsu University, to develop top-caliber professionals and business leaders. A dynamic, can-do spirit is crucial to our ongoing success, and we aim to strategically cultivate a cadre of leaders who will unlock the opportunities of the future.

Research & Development: Toward the Next Generation of IT Network Systems

As broadband Internet becomes ubiquitous, we believe that next-generation networks will require levels of performance and functionality that mere extensions of current systems will be unable to deliver. The Fujitsu Group has been researching such new areas as organic computers⁴ that can autonomously detect and isolate faults, and grid computing⁵, in which multiple data processing resources on the Internet can function as one virtual computing center accommodating extreme load fluctuations. We are pursuing R&D of cutting edge technologies to power the IT network systems and their underlying electronic devices for the networked economy of tomorrow.

4. Organic computer

System comprising multiple ultra-thin computers (like blade servers) that can autonomously monitor, diagnose and modify system resources.

5. Grid computing

A combination of midrange and high-performance computers, databases and research facilities, distributed over a wide geographic area, that is made accessible as a whole to individual users regardless of location, providing a computing environment with supercomputer-grade processing power.

Toward Sustainable Growth

What mankind can dream, technology can achieve; reliability and creativity — these have long been the watchwords of the Fujitsu Group as we have pioneered new markets and new technologies. Our corporate message, “The Possibilities Are Infinite,” is also an expression of our determination to serve as a trusted partner who can utilize IT to help our customers unleash infinite possibilities for their business success. We will continue to concentrate on providing customer-centric IT solutions for the global marketplace.

At the same time, we have made environmentalism a priority issue for the Group. We are pursuing a variety of environmental initiatives including striving to make all of Fujitsu’s products eco-friendly and offering IT-based environmental solutions to our customers.

We posted a significant loss in fiscal 2001, but we are confident that the restructuring initiatives we have implemented will improve profitability in fiscal 2002 and beyond. We will seek to increase shareholder value by strengthening our profitability and our financial base, while continuing to earn the trust of our customers around the world. On behalf of the Fujitsu Group, we wish to thank our shareholders for their continuing support.

Tadashi Sekizawa
Chairman
Tadashi Sekizawa

Naoyuki Akikusa
President, CEO & COO
Naoyuki Akikusa

