



### Overview of Fiscal 2003

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About one year has passed since I assumed the role of president on June 24, 2003, and since that time I have repeatedly stressed the importance of customer-centric thinking, quality and timely delivery, and speed. I have met with numerous customers, spent a lot of time at the frontlines of our operations, and worked to bring about a change in the attitudes and conduct of everyone in the company, from senior management on down.

In addition, early on I set forth certain immediate management priorities: improving the profitability of our business operations, restoring financial soundness, and continuous reform of our operating structure. Our dedicated efforts in these areas enabled us to largely achieve the consolidated financial performance targets that we set at the beginning of the fiscal year.

	Target	Actual
Net sales	¥4,800 billion	¥4,766.8 billion
Operating income	¥150.0 billion	¥150.3 billion
Net income	¥30.0 billion	¥49.7 billion
Interest-bearing loans	¥1,500 billion or under	¥1,277.1 billion *at end of FY 2003

Considering the harsh market conditions we continued to face, I thought these goals would be difficult to achieve, but we were able to do so thanks to the support of our shareholders and customers, as well as the strong determination of everyone at Fujitsu to keep our promises.

On the other hand, we also posted some significant extraordinary losses relating to global restructuring measures focusing on North America and fundamental reforms to our domestic software and services business. These initiatives were intended to aggressively promote overseas business expansion for future growth and to ensure the health and continued strong growth of our software and services business, and we felt it was important to deal with potential problems swiftly and decisively. We were able to offset these losses by generating gains through asset sales and transferring the substitutional portion of our employees' pension funds to the government system.

In fiscal 2003 my goal was to make Fujitsu a sound and healthy company again. Building on the results of the past year, my goal for fiscal 2004 and beyond is to make Fujitsu a truly strong company. Achieving our fiscal 2003 targets was merely the first step toward the larger goal of becoming a strong company.

Looking forward, I have no intention of letting up. I am determined that we move steadily forward by continuing to act from the customer's perspective, maintaining our commitment to quality and timely delivery, and continuing to increase our institutional speed.

## Principal Restructuring Initiatives in Fiscal 2003

### Strengthened business through operational partnerships

- Jul. 2003 Integrated Flash memory operations with AMD
- Sep. 2003 Fujitsu Leasing received investment from Tokyo Leasing (20% share)
- Apr. 2004 Integrated compound semiconductor operations of Fujitsu Quantum Devices and Sumitomo Electric

### Restructured global operations

- Oct. 2003 Restructured US platforms business
  - Fujitsu Technology Solutions and Fujitsu PC merged into Fujitsu Computer Systems
- Nov. 2003 Established Fujitsu (China) Holdings
  - Merger of four China-based IT operating companies
- Apr. 2004 Realigned overseas services business
  - Alignment of Americas operations under Fujitsu Consulting, European operations under Fujitsu Services, and Australasian operations under Fujitsu Australia

### Realigned group companies

(net reduction of 32 consolidated subsidiaries)

- Oct. 2003 Fujitsu Microelectronics Solutions
  - Merger of two communications companies for semiconductor development
- Oct. 2003 Fujitsu Integrated Microtechnology
  - Merger of four semiconductor assembly companies
- Oct. 2003 Fujitsu Network Technologies
  - Merger of four communications development companies
- Apr. 2004 Fujitsu Applications
  - Three software development companies merged into two

## Future Management Direction

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My goal in fiscal 2004 is to move beyond the restoration of our financial health and make Fujitsu a strong company for the benefit of customers, employees and shareholders.

A strong Fujitsu will be able to provide solutions worldwide that are optimized for each customer's situation; it will be a company in which others can put their trust for their important IT needs; it will be a company that can reward employees for their efforts; and it will be a company that can deliver solid returns to shareholders.

To achieve this, I believe there are three important things we need to do:

1. Secure steady profitable growth,
2. Demonstrate leadership in products and technologies,
3. Cultivate excellence in human resources and management.

In addition, I have set forth four key challenges we must meet in order to make Fujitsu a strong company.

### 1. Strengthen our existing businesses

We will work to strengthen the competitiveness of our products, reform our business processes and reevaluate our operational and product structures to ensure that we are able to generate profits even amidst a harsh business environment.

### 2. Create and cultivate new businesses

We will step up our efforts in three key areas with future growth potential: markets related to ubiquitous networking, the small and mid-sized enterprise market, and overseas markets.

### 3. Reform our organization and approach

Based on the following, we will work to reform the overall structure of the Fujitsu Group.

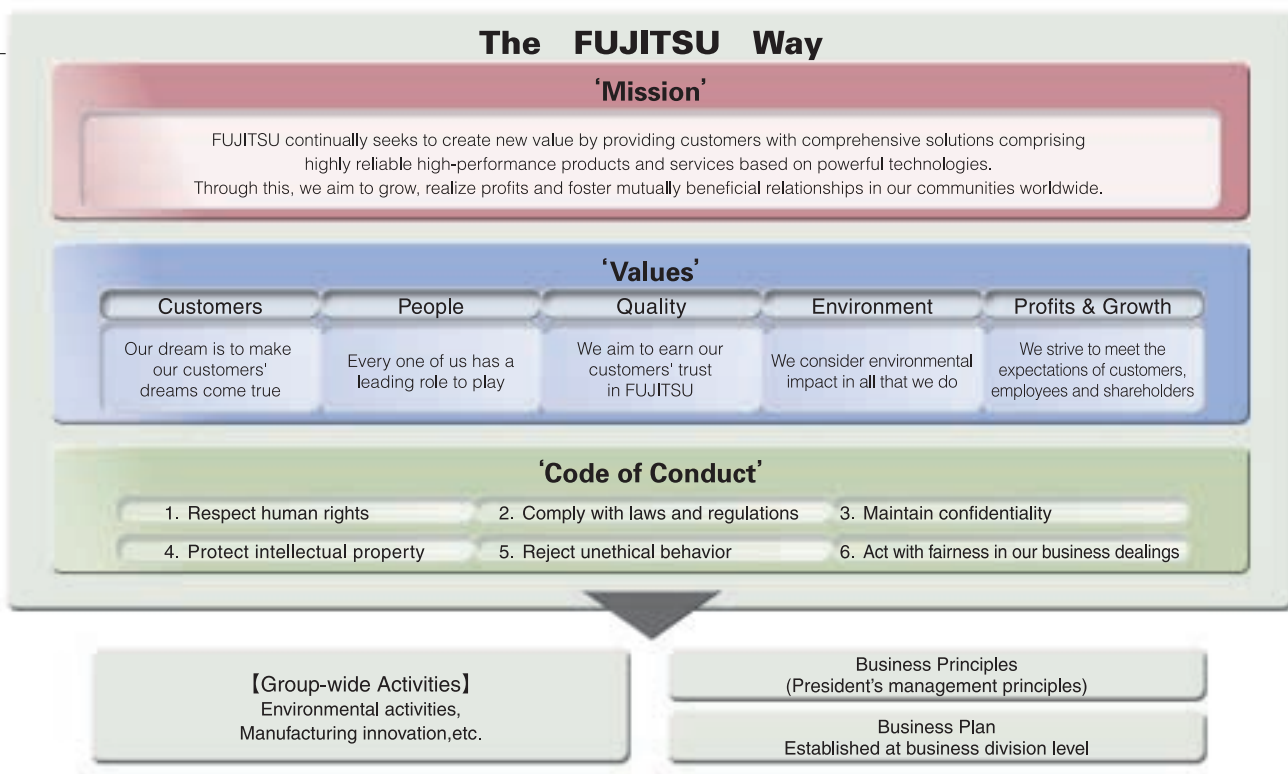
1. Create an organization that is easy for customers to understand.
2. Accelerate responsiveness to customers.
3. Provide seamless support throughout the customer's IT system lifecycle.
4. Eliminate overlap and competition among business operations and functions.

Two examples of these reforms are the agreement reached with Fujitsu Support and Service Inc. to make it a wholly owned subsidiary in order to strengthen our support and operational services businesses, and the realignment of our sales and systems engineering groups in order to create an organization that is closer to the customer.

### 4. Reform our management systems

To better deal with a constantly evolving market and rapidly changing customer needs, we will reform our management systems, including changing traditional ways of doing things and organization, as well as enhancing our own IT systems.

In order to implement these measures, it is essential that Fujitsu employees the world over share a common mindset and sense of purpose. Toward that end, we have established *The FUJITSU Way* as our basic set of principles. I believe that abiding by these principles – both as a corporation and as individual employees – is fundamental to forming a strong company.



## Corporate Governance

### ● Our Fundamental Thinking on Corporate Governance

We believe that ensuring the transparency and efficiency of corporate management for shareholders and other stakeholders is essential for good corporate governance. In order to do so, we have actively appointed outside directors. In addition, we have separated management oversight and operational execution functions based on the belief that this separation helps to improve management transparency and efficiency.

### ● Management Organization Regarding Business Decisions, Operational Execution and Oversight

**Management Oversight:** The 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.

**Operational Execution:** 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 two councils.

### ● Risk Management

The Risk Management Committee monitors on an ongoing basis the variety of risks to which the company is exposed and develops strategies to mitigate them. The Committee reports serious risk-related issues to the Management Council and to the Board of Directors so that countermeasures can be thoroughly considered. Through these and other measures, we are working to strengthen the risk management structure for the entire Fujitsu Group.