Fujitsu is dedicated to being a trusted and valued partner to its customers by continuing to develop services and products from a customer-centric perspective and delivering them globally. We are tackling a range of reforms in order to continue being a company that inspires pride in customers, shareholders, business partners and employees.

Kuniaki Nozoe, President
A.1  Our overall performance for the year was disappointing, as we faced an economy that deteriorated beyond what anyone expected. In our mainstay Technology Solutions business, however, business reform measures steadily bore fruit despite the unforgiving environment, and while revenues declined modestly, we successfully achieved a higher operating profit in this segment. I think this is proof of Fujitsu’s true strength.

Amid an economic crisis that grew beyond all projections, Fujitsu endured major declines in revenues and earnings in fiscal 2008 compared to the previous fiscal year. In particular, volume hardware products, such as semiconductors, electronic components and hard disk drives (HDDs), were directly impacted by the worsening global economic situation and posted disappointing results. We therefore booked impairment losses on advanced semiconductor facilities and other losses to mitigate the burden in fiscal 2009. As a result, the bottom line was negative as we incurred a loss of over ¥100 billion. I feel responsible for this as the company’s senior manager.

Business Performance

Consolidated Business Performance

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2009/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>5,330.8</td>
<td>4,692.9</td>
<td>–637.8 (–12.0%)</td>
</tr>
<tr>
<td>Operating income</td>
<td>204.9</td>
<td>68.7</td>
<td>–136.2 (–66.5%)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>48.1</td>
<td>–112.3 (—)</td>
<td></td>
</tr>
</tbody>
</table>

(Years ended March 31)

Consolidated Business Performance by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>2008</th>
<th>2009</th>
<th>2009/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Solutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>3,272.2</td>
<td>3,077.0</td>
<td>–6.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>180.1</td>
<td>188.7</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Ubiquitous Product Solutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>1,188.9</td>
<td>949.1</td>
<td>–20.2%</td>
</tr>
<tr>
<td>Operating income</td>
<td>52.5</td>
<td>0.5</td>
<td>–98.9%</td>
</tr>
<tr>
<td>Device Solutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>796.7</td>
<td>587.6</td>
<td>–26.2%</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>18.2</td>
<td>–71.9 (—)</td>
<td></td>
</tr>
</tbody>
</table>

(Years ended March 31)
A Conversation With the President

Q.2 One year has passed since you were appointed president of Fujitsu. As president, how are you reforming the company and what direction are you setting for management over the medium term?

A.2 We will continue to transform Fujitsu through our focus on the customers’ customers, globalization, and sustainability.

Fujitsu has been conducting management from a customer-centric perspective. Since taking over from former President Hiroaki Kurokawa one year ago, I have promoted reforms aimed at new targets while continuing in the direction he set. The reforms are focused on three areas: thinking about our customers’ customers, globalization, and ensuring that we contribute to the creation of a sustainable environment.

Customer-centric management will always be an important part of the agenda at Fujitsu. However, first and foremost, customer-centric management involves widening our field of view from customer IT to the customer’s entire business. This primarily means thinking from the perspective of our customers’ customers.

As for globalization, we have abandoned our traditional Japan-centric approach and adopted a global perspective to doing business. Our slogan in this regard is “Think Global, Act Local,” which means to translate the global perspective into local action in each region. We have already started major reforms focused on this. (Refer to the feature on page 22–25 for more information.)

In the third area of transformation, sustainability, we are committed to making environmental contributions to preserve the Earth for generations to come. IT has the power to improve environmental efficiency throughout society. We are committed to reducing the impact of environmental activities on the environment by leveraging this potential. Sustainable management is certainly a major issue for companies going forward. Fujitsu will harness the power of IT to reduce the environmental impact of its own activities as well as that of its customers and society at large.

Q.3 Tell us a little more about what you mean by thinking from the perspective of your customers’ customers.

A.3 We aim to go beyond simply providing IT solutions to customers. We aim to utilize IT to contribute to the success of our customers’ entire businesses.

Fujitsu aims to help customers succeed in their businesses, not simply supply IT to them. This is what we mean by the perspective of our customers’ customers. In order to contribute to our customers’ businesses, we must think from the perspective of their customers.

One initiative in this area is the Field Innovation concept proposed by Fujitsu. In order to improve business, we have to make improvements not just in terms of IT but also with a view to the people and processes involved. Field Innovation brings specific business issues into focus and implements reforms that consist not only of IT solutions but also consider the way people work, their skills, and business processes. We are currently training Field Innovators able to promote this approach together with customers.

In-house personnel with extensive experience in various business fields are being selected for the program. Approximately 150 managers were trained in the first phase of the program, which started in October 2007, and some 170 managers were trained in the second phase that began in October 2008.

The 150 or so Field Innovators trained in the first phase of the program completed trial projects in-house and at customer sites. Full-fledged activities for customers have commenced as of April 2009. Field Innovators are responsible for making improvements together with the customer based on a firsthand understanding of the customer’s situation. At the same
A.4 Economies and customer operations are becoming increasingly global, and in order to continue to provide value to customers, it is essential for Fujitsu itself to globalize. By raising the global presence of Fujitsu, we intend to promote alliances with global partners and provide even higher value solutions.

As customers continue to globalize their operations, Fujitsu itself must become a truly global company to be able to continue providing value to them. Further, with open source making headway and the scope of IT continuing to expand, it is no longer realistic for any one company to try and support all the IT needs of customers. It is essential that we strengthen alliances with global partners and build complementary relationships. In order to do this it is important to raise the global presence of Fujitsu as a corporation.

In our business outside of Japan, in June 2008 we consolidated a management structure that had been separated by region. This simpler structure has expedited decision-making and we are now implementing business reforms from a global standpoint.

The largest change has been making a wholly owned subsidiary of Germany-based Fujitsu Siemens Computers, which has considerable strength in system products. This integration has been positioned as a pivotal reform for the entire Fujitsu Group, and we are currently working diligently to reform the server business, reorganize domestic distribution systems, revamp sites outside Japan and strengthen relationships with global partners.

In order to bring about global business expansion going forward, the entire Fujitsu Group must share common goals, personnel must increasingly interact and share knowledge, and products and services must be standardized and disseminated from a global perspective. Moreover, in each country and region, we will seek to “Act Local” in even closer coordination with our customers.

The Fujitsu Group is committed to continuing to provide value to customers guided by the concept of “Think Global, Act Local.”
A.5 Through IT, we will help reduce the impact of economic activity on the environment for customers, society and the Earth.

The world is coming to recognize that IT has an extremely important role to play in reducing environmental impact, and in preventing global warming, in particular.

To translate this IT potential into new innovation, the Fujitsu Group announced its Green Policy Innovation in December 2007, as a new initiative aimed at helping customers reduce their environmental impact. We are currently implementing projects to reduce environmental impact by targeting cumulative CO₂ reduction of 7 million tons over the four years from fiscal 2007 to fiscal 2010. The results of the initiative in its first two years surpassed the target, contributing to reducing CO₂ emissions by a total of approximately 2.23 million tons in fiscal 2007 and fiscal 2008.

We have also established Green Policy 2020, a medium-term environmental vision for the Fujitsu Group in response to the commitment of the July 2008 G8 Toyako summit in Hokkaido to halve global greenhouse gas emissions by the year 2050, compared to present levels. Key concepts for this vision are “Creation,” “Collaboration,” and “Change.” By generating environmental innovation in ourselves and in society, we hope to help bring about a prosperous, low-carbon society. The Fujitsu Group aims to help reduce annual carbon dioxide emissions in Japan by approximately 30 million tons annually in 2020 by continuing to promote activities focused on the goals of this vision.

A.6 Our major focuses are further strengthening the IT services business, getting the products business on track and improving profits from business outside Japan. We are aiming to increase revenues and earnings in fiscal 2010 as structural reforms take effect.

Since becoming president of Fujitsu, I have been keenly aware of the balance in our business portfolio in my managing of the company. Specifically, we have focused on further strengthening the services business, getting the products business on track and improving the profitability of business outside Japan. We will also promote the reorganization or sale of businesses with poor prospects for future earnings and growth.

By promoting these initiatives, further simplifying Fujitsu’s business, and consolidating resources in areas where profits and growth are anticipated, we intend to create a stronger corporate structure. My mission is to execute these initiatives with all due speed.

For example, as of April 1, 2009 we have concentrated solutions products such as point-of-sale (POS) and other retail store system products, totalizator systems for public racing, RFID tags, and palm vein authentication devices, into Fujitsu Frontech as the front-end technology business. Also, on April 30, 2009, we concluded a
We will focus on three initiatives: structural reforms, deploying Field Innovators at customer sites, and expanding global business.

In order to further strengthen Technology Solutions, we are focusing on three initiatives. The first is reforming our structure. Up to now, our sales structure has been divided by both industry and region, but since April 2009 we have shifted to a system divided only by industry and where each division serves the entire country. This structure focuses more fully on our customers’ businesses. Operating on this basis will bolster our industry-specific expertise and ability to propose powerful solutions. Initiatives are already underway, including the aforementioned concentration of the front-end technology business into Fujitsu Frontech, the consolidation of the ITS business into Fujitsu TEN, and making Fujitsu Business Systems a wholly owned subsidiary in order to strengthen the solutions business aimed at medium-sized enterprises, a move slated for August.

The second initiative is successfully sending Field Innovators out into the field on actual projects. By changing how we interact with customers, this unique program will underpin our efforts to realize management from the perspective of our customers’ customers.

The third initiative is expanding business operations on a global basis. In particular, we have set a target for fiscal 2010 of selling 500,000 x86 server units globally. For the business outside of Japan, it will be extremely important to translate the structural reforms promoted by Richard Christou, our corporate senior executive vice president, into tangible financial results.
Q.8 How do you intend to achieve your fiscal 2010 target of selling 500,000 x86 server units on a global basis?

A.8 We have set a challenging target for x86 servers. We want to sell 500,000 units globally and capture a 7% share of the worldwide market in fiscal 2010. The target includes 200,000 units in Japan and a 30% share of the Japanese market. Given current economic conditions, we recognize that this target will be difficult to achieve, but we see it as pivotal to Fujitsu reforms, and to achieve it we intend to make changes across the board from research and development to partner strategy.

In order to achieve such a challenging target, we will need to radically change our approach. I believe that in the process of sharing this goal and working to achieve it, it will become clear what we must change, both within Fujitsu and in our relationships with partners. To achieve the sales target of 200,000 units in Japan, we will make major changes that will include reviewing our sales systems, including relationships with partners, and bolstering product marketing.

A worldwide share of 7% is not our final goal. Over the medium-to-long term we plan to build strength to capture an even higher share of the market. Our current goal represents Fujitsu’s first attempt to act globally towards one, unified target. It also represents a major step forward in terms of putting into practice the “Think Global, Act Local” approach I have promoted since the start of my tenure.

In terms of what we specifically intend to change, it will not just be server divisions. We believe it will be necessary to reorganize related research and development functions, material’s procurement, marketing, groups outside of Japan and sales systems inside Japan. In addition, we must develop collaborative relationships with our global partners, including Microsoft and SAP, in ways that fit with our new business structure. In Japan, we have already started making changes. One example is the establishment of a business group with responsibility for x86 server sales promotion.

Q.9 It is often said that Fujitsu’s strength lies in its technology. Does the strategy you’re putting forth represent a change in policy?

A.9 No. We will continue to create the kind of unique value that only we can create with diverse services and products underpinned by our technology, from servers and networks to the semiconductors and other device technologies used to build them.

Fujitsu’s strength lies in the fact that we possess a broad range of both services and products rooted in technology. For example, we have network technologies, technologies for creating highly reliable, high-performance servers, technologies for building systems for mission-critical business processes, supercomputers and processors boasting world-class performance.

The reason why we put so much emphasis on products is that without products it would not be possible to continue to invest in technology. Being able to control technologies ourselves is an important part of providing even higher value. Additionally, we are able to provide even higher value services precisely because they are integrated into our products.
A.10 Our semiconductor business is shifting to a “fabrication-light” model. Another important task will be further leveraging our strengths in semiconductor technologies throughout the Fujitsu Group, which means thinking about how to tie these strengths to Fujitsu’s end-services and end-products.

Despite the challenging market conditions, we have fully reviewed our semiconductor business in order to build a profitable business structure. In particular, for mature technology products (130nm generation and earlier), we will focus on standard products for the global market while optimizing production systems and utilizing existing facilities. At the same time, we will reassign personnel throughout the Group.

The costs involved in state-of-the-art mass production facilities have grown enormous due to the miniaurization of semiconductor process technologies. Recovering that investment is becoming increasingly difficult. For state-of-the-art 40nm generation LSI devices, an agreement has been signed to outsource manufacturing to a foundry in Taiwan. The importance of software continues to increase, as represented by system-on-a-chip (SoC) LSI devices, and we will work to bolster the business by leveraging our strengths in software development.

At the same time, it is also true that Fujitsu Group services and products are stronger precisely because we have semiconductor technology. A case in point is the SPARC processor, which is utilized in Fujitsu’s UNIX servers. The processor leverages Fujitsu’s strength in semiconductors, allowing us to provide powerful server products all over the world. Using processors developed independently by Fujitsu enables us to create highly reliable, high-performance servers; those servers improve the reliability of overall systems, which in turn raises the competitiveness of our Technology Solutions business. Another aspect is that the SPARC processor has led to new alliances with prominent global companies.

In addition to bolstering the competitiveness of the semiconductor business itself, we will focus further on harnessing our semiconductor technologies to boost Fujitsu’s overall competitiveness.

Q.11 Do you have a message for shareholders, investors, and employees?

A.11 Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world. This is our Corporate Vision. To this end, it is crucial that we achieve healthy profits and growth, raising corporate value in a sustained manner by practicing the Fujitsu Way, which embodies the philosophy of the Fujitsu Group.

As a shareholder myself, I would like to make Fujitsu a company that excites shareholders to support the company and its growth. It is important for a company to continually challenge itself to innovate and facilitate growth. For employees, we want to make Fujitsu a company that inspires pride and a sense of purpose.

On the matter of returning profits to shareholders, our policy is to pay a portion of retained earnings to shareholders to provide a stable return, and to retain a portion by the company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance. In addition, taking into consideration the level of profits, we aim to increase the distribution of profits to shareholders when the financial base is sufficiently strong enough, including through share buybacks.

* Refer to page 54 for more information on the Fujitsu Way.