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FOR IMMEDIATE RELEASE  
Oct. 24, 2001

### Fujitsu Reports FY2001 First-Half Financial Results

[for first-half fiscal period, ended September 30, 2001]

#### 1. Summary of Consolidated Results

##### a. Summary of Consolidated Statements of Operations

	Yen (millions) (except per share data)		Change(%)	Yen (millions) (except per share data)	U.S. Dollars (millions) (except per share data)
	1st Half FY2001(*1)	1st Half FY2000(*2)		FY2000(*3)	1st Half FY2001
Net Sales	Y 2,387,743	Y 2,490,570	-4.1	Y 5,484,426	\$20,065
Operating Income (Loss)	(59,142)	100,287	-	244,026	(497)
Income (Loss) Before Income Taxes	(310,489)	100,410	-	157,564	(2,609)
Net Income (Loss)	(174,720)	17,239	-	8,521	(1,468)
<b>Amounts Per Share of Common Stock:</b>					
Basic Earnings (Loss)	Y (88.29)	Y 8.77	-	Y 4.33	\$ (0.742)
Diluted Earnings	-	Y 8.61	-	-	-

	Shares (thousands)		Shares (thousands)
	September 30 2001	September 30 2000	March 31 2001
Common Stock Issued	1,982,517	1,965,843	1,977,227

##### b. Net Sales by Business Segment

	Yen (millions)		Change(%)	Yen (millions)	U.S. Dollars (millions)
	1st Half FY2001	1st Half FY2000		FY2000	1st Half FY2001
Services & Software	Y 931,784	Y 895,964	+4.0	Y 2,014,375	\$7,830
Information Processing	670,209	721,319	-7.1	1,571,802	5,632
Telecommunications	315,213	340,648	-7.5	778,052	2,649
Electronic Devices	296,082	359,809	-17.7	759,723	2,488
Financing	50,468	51,725	-2.4	107,246	424
Other Operations	123,987	121,105	+2.4	253,228	1,042
TOTAL	Y 2,387,743	Y 2,490,570	-4.1	Y 5,484,426	\$20,065

##### c. Summary of Consolidated Financial Condition

	Yen (millions) (except per share data)			U.S. Dollars (millions) (except per share data)
	September 30 2001	September 30 2000	March 31 2001	September 30 2001
Total Assets	Y 4,783,468	Y 4,960,170	Y 5,200,071	\$40,197
Shareholders' Equity	1,023,146	1,210,213	1,214,383	8,598
Shareholders' Equity Ratio	21.4 %	24.4 %	23.4 %	
Shareholders' Equity Per Share	Y 516.08	Y 615.62	Y 614.18	\$4.34

Note:

\*1. 1st Half FY2001 : April 1, 2001 - September 30, 2001

\*2. 1st Half FY2000 : April 1, 2000 - September 30, 2000

\*3. FY2000 : April 1, 2000 - March 31, 2001

**d. Summary of Consolidated Statements of Cash Flows**

	Yen (millions)		U.S. Dollars (millions)	
	<b>1st Half FY2001</b>	1st Half FY2000	FY2000	<b>1st Half FY2001</b>
<b>Cash Flows from Operating Activities</b>	<b>Y (70,181)</b>	Y 130,132	Y 596,462	<b>\$ (590)</b>
<b>Cash Flows from Investing Activities</b>	<b>(227,881)</b>	(198,062)	(466,809)	<b>(1,915)</b>
<b>Cash Flows from Financing Activities</b>	<b>208,712</b>	1,950	(137,648)	<b>1,754</b>
<b>Cash and Cash Equivalents at Half-year End</b>	<b>219,016</b>	247,340	309,984	<b>1,840</b>

**e. Group Companies**

<b>Consolidated Subsidiaries</b>	522 companies
<b>Unconsolidated Subsidiaries (equity method applied only)</b>	- companies
<b>Affiliates (equity method applied only)</b>	29 companies

**2. Projections for FY2001 (April 1, 2001 - March 31, 2002)**

**Consolidated Earnings Forecast**

	Yen (billions) (except per share data)	Change(%) FY00 to FY01
Net Sales	Y 5,200.0	-5.2
Operating Income	0.0	-
Net Loss	(310.0)	-
Net Loss per Share	(156.37) yen	-

Note: All yen figures have been converted to U.S. dollars for convenience only at a uniform rate of \$1=119yen.

### 3. Summary of Unconsolidated Results

#### a. Summary of Unconsolidated Statements of Operations

	Yen (millions) (except per share data)			Yen (millions) (except per share data)	U.S. Dollars (millions) (except per share data)
	1st Half FY2001	1st Half FY2000	Change(%)	FY2000	1st Half FY2001
	Net Sales	Y 1,428,866	Y 1,513,281	-5.6	Y 3,382,218
Operating Income (Loss)	(23,707)	25,669	-	100,279	(199)
Income (Loss) Before Income Taxes	(263,343)	120,811	-	65,564	(2,212)
Net Income (Loss)	(148,643)	74,111	-	46,664	(1,249)
<b>Amounts Per Share of Common Stock:</b>					
Basic Earnings (Loss)	Y (75.11)	Y 37.72	-	Y 23.70	\$ (0.631)
Cash Dividends	Y 2.50	Y 5.00	-50.0	Y 10.00	\$0.021

#### b. Summary of Unconsolidated Financial Condition

	Yen (millions) (except per share data)			U.S. Dollars (millions) (except per share data)
	September 30 2001	September 30 2000	March 31 2001	September 30 2001
	Total Assets	Y 3,146,359	Y 3,435,328	Y 3,443,959
Shareholders' Equity	1,055,574	1,256,156	1,224,291	8,870
Shareholders' Equity Ratio	33.5 %	36.6 %	35.5 %	
Shareholders' Equity Per Share	Y 532.44	Y 638.99	Y 619.20	\$4.47

### 4. Projections for FY2001 (April 1, 2001 - March 31, 2002)

#### Unconsolidated Earnings Forecast

	Yen (billions) (except per share data)	Change(%) FY00 to FY01
Net Sales	Y 3,100.0	-8.3
Operating Loss	(20.0)	-
Net Loss	(210.0)	-
Net Loss per Share	(105.93) yen	-

## Consolidated Statements of Operations

	Yen (millions)		Change(%)	Yen	U.S. Dollars
	1st Half FY2001	1st Half FY2000		(millions)	(millions)
				FY2000	1st Half FY2001
<b>Net sales</b>	<b>Y 2,387,743</b>	Y 2,490,570	-4.1	Y 5,484,426	<b>\$20,065</b>
<b>Operating costs and expenses:</b>					
Cost of goods sold	<b>1,760,003</b>	1,760,306	-0.0	3,942,614	<b>14,790</b>
Selling, general and administrative expenses	<b>686,882</b>	629,977	+9.0	1,297,786	<b>5,772</b>
	<b>2,446,885</b>	2,390,283		5,240,400	<b>20,562</b>
<b>Operating income (loss)</b>	<b>(59,142)</b>	100,287	-	244,026	<b>(497)</b>
<b>Other income (expenses):</b>					
Net interest	<b>(18,325)</b>	(17,116)		(34,664)	<b>(154)</b>
Equity in earnings of affiliated companies, net	<b>3,976</b>	3,185		13,429	<b>33</b>
Amortization of unrecognized obligation for retirement benefits	<b>(17,812)</b>	(11,928)		(22,463)	<b>(150)</b>
Restructuring charges	<b>(202,945)</b>	(25,560)		(102,485)	<b>(1,705)</b>
Amortization of the unrecognized net obligation for retirement benefits at transition	-	(415,615)		(415,615)	-
Loss on devaluation of marketable securities	-	-		(10,574)	-
Gain on establishment of stock holding trust for retirement benefit plan	-	460,280		460,280	-
Gain on sale of subsidiaries' stock	-	12,068		25,563	-
Gain on sales of marketable securities	-	4,190		10,645	-
Other, net	<b>(16,241)</b>	(9,381)		(10,578)	<b>(136)</b>
	<b>(251,347)</b>	123		(86,462)	<b>(2,112)</b>
<b>Income (Loss) before income taxes</b>	<b>(310,489)</b>	100,410	-	157,564	<b>(2,609)</b>
<b>Income taxes</b>	<b>(127,997)</b>	80,025	-	140,700	<b>(1,076)</b>
<b>Minority interests</b>	<b>7,772</b>	(3,146)	-	(8,343)	<b>65</b>
<b>Net income (loss)</b>	<b>Y (174,720)</b>	Y 17,239	-	Y 8,521	<b>\$ (1,468)</b>

## Consolidated Balance Sheets

	Yen (millions)		U.S. Dollars (millions)
	September 30 2001	March 31 2001	September 30 2001
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents and short-term investments	Y 235,697	Y 319,728	\$1,981
Receivables, trade	933,433	1,188,597	7,844
Inventories	855,980	896,842	7,193
Other current assets	377,865	332,337	3,175
<b>Total current assets</b>	<b>2,402,975</b>	<b>2,737,504</b>	<b>20,193</b>
<b>Investments and long-term loans</b>	<b>780,018</b>	<b>784,259</b>	<b>6,555</b>
<b>Property, plant and equipment less accumulated depreciation</b>	<b>1,316,545</b>	<b>1,383,795</b>	<b>11,063</b>
<b>Intangible assets</b>	<b>283,930</b>	<b>294,513</b>	<b>2,386</b>
	<b>Y 4,783,468</b>	<b>Y 5,200,071</b>	<b>\$40,197</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings and current portion of long-term debt	Y 753,977	Y 683,935	\$6,336
Payables, trade	731,335	977,018	6,145
Other current liabilities	648,274	782,720	5,448
<b>Total current liabilities</b>	<b>2,133,586</b>	<b>2,443,673</b>	<b>17,929</b>
<b>Long-term liabilities:</b>			
Long-term debt	1,089,969	952,289	9,159
Other long-term liabilities	319,690	372,735	2,687
<b>Total long-term liabilities</b>	<b>1,409,659</b>	<b>1,325,024</b>	<b>11,846</b>
<b>Minority interests</b>	<b>217,077</b>	<b>216,991</b>	<b>1,824</b>
<b>Shareholders' equity:</b>			
Common stock	314,921	314,652	2,646
Capital surplus	510,017	505,449	4,286
Retained earnings	296,483	483,709	2,492
Unrealized gains on securities, net of taxes	3,561	19,035	30
Foreign currency translation adjustments	(101,638)	(108,451)	(854)
Treasury stock	(198)	(11)	(2)
<b>Total shareholders' equity</b>	<b>1,023,146</b>	<b>1,214,383</b>	<b>8,598</b>
	<b>Y 4,783,468</b>	<b>Y 5,200,071</b>	<b>\$40,197</b>
	<b>September 30 2001</b>	<b>March 31 2001</b>	<b>September 30 2001</b>
Ending balance of interest bearing loans	Y 1,843,946	Y 1,636,224	\$15,495

## Supplementary Information

	Yen (Billions)		
	1st Half FY2001	FY2001* (Forecast)	FY2000
Capital expenditure [Semiconductors]	Y 191.7 [107.3]	Y 340.0 [120.0]	Y 438.0 [196.8]
Depreciation	165.5	345.0	323.4

Note: \* FY2001: April 1, 2001 - March 31, 2002

## Consolidated Statements of Cash Flows

	Yen (millions)			Yen (millions)	U.S. Dollars (millions)
	1st Half FY2001	1st Half FY2000	Change	FY2000	1st Half FY2001
<b>1. Cash flows from operating activities:</b>					
Income (Loss) before income taxes and minority interests	Y (310,489)	Y 100,410	-410,899	Y 157,564	\$ (2,609)
Depreciation and amortization	202,602	188,788	+13,814	453,847	1,703
Reversal (Accrual) of provisions	4,135	(88,203)	+92,338	(65,857)	35
Equity in earnings of affiliates, net	(3,976)	(3,185)	-791	(13,429)	(33)
Disposal of property, plant and equipment	94,850	19,853	+74,997	45,678	797
Decrease (Increase) in receivables, trade	256,373	47,299	+209,074	(5,057)	2,154
Decrease (Increase) in inventories	35,504	(115,739)	+151,243	(71,459)	298
Increase (Decrease) in payable, trade	(247,961)	(7,682)	-240,279	110,687	(2,084)
Other, net	(101,219)	(11,409)	-89,810	(15,512)	(851)
Net cash provided by operating activities	(70,181)	130,132	-200,313	596,462	(590)
<b>2. Cash flows from investing activities:</b>					
Purchase of property, plant and equipment	(196,686)	(167,056)	-29,630	(406,928)	(1,653)
Increase in investments and long-term loans	(1,109)	(32,872)	+31,763	(34,078)	(9)
Other, net	(30,086)	1,866	-31,952	(25,803)	(253)
Net cash used in investing activities	(227,881)	(198,062)	-29,819	(466,809)	(1,915)
<b>1+2 [ Free Cash Flow ]</b>	<b>(298,062)</b>	<b>(67,930)</b>	<b>-230,132</b>	<b>129,653</b>	<b>(2,505)</b>
<b>3. Cash flows from financing activities:</b>					
Increase (Decrease) in bonds, notes, short-term borrowings and long-term debt	210,133	14,231	+195,902	(111,545)	1,766
Dividends paid	(9,886)	(9,814)	-72	(19,642)	(83)
Other, net	8,465	(2,467)	+10,932	(6,461)	71
Net cash provided by financing activities	208,712	1,950	+206,762	(137,648)	1,754
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,618)</b>	<b>(2,856)</b>	<b>+1,238</b>	<b>1,803</b>	<b>(14)</b>
<b>5. Net (decrease) in cash and cash equivalents</b>	<b>(90,968)</b>	<b>(68,836)</b>	<b>-22,132</b>	<b>(6,192)</b>	<b>(765)</b>
<b>6. Cash and cash equivalents at beginning of period</b>	<b>309,984</b>	<b>316,176</b>	<b>-6,192</b>	<b>316,176</b>	<b>2,605</b>
<b>7. Cash and cash equivalents at end of period</b>	<b>Y 219,016</b>	<b>Y 247,340</b>	<b>-28,324</b>	<b>Y 309,984</b>	<b>\$1,840</b>

## Consolidated Business Segment Information

		Yen (millions)			Yen (millions)	U.S. Dollars (millions)
		1st Half FY2001	1st Half FY2000	Change(%)	FY2000	1st Half FY2001
<b>Services &amp; Software</b>	<b>Net Sales</b>					
	Japan	Y 666,983	Y 629,445	+6.0	Y 1,454,412	\$5,605
	Overseas	264,801	266,519	-0.6	559,963	2,225
	Unaffiliated Customers	931,784	895,964	+4.0	2,014,375	7,830
	Intersegment	30,684	28,227	+8.7	61,922	258
	Total	Y 962,468	Y 924,191	+4.1	Y 2,076,297	\$8,088
	<b>Operating Income</b> [As % of Sales]	Y 48,327 [5.0%]	Y 55,429 [6.0%]	-12.8	Y 128,735 [6.2%]	\$406
<b>Information Processing</b>	<b>Net Sales</b>					
	Japan	465,373	483,869	-3.8	1,089,006	3,911
	Overseas	204,836	237,450	-13.7	482,796	1,721
	Unaffiliated Customers	670,209	721,319	-7.1	1,571,802	5,632
	Intersegment	115,077	125,534	-8.3	270,983	967
	Total	785,286	846,853	-7.3	1,842,785	6,599
	<b>Operating Income (Loss)</b> [As % of Sales]	(4,949) [-0.6%]	5,464 [0.6%]	-	18,905 [1.0%]	(42)
<b>Telecommunications</b>	<b>Net Sales</b>					
	Japan	168,228	153,884	+9.3	382,512	1,414
	Overseas	146,985	186,764	-21.3	395,540	1,235
	Unaffiliated Customers	315,213	340,648	-7.5	778,052	2,649
	Intersegment	6,677	5,985	+11.6	15,514	56
	Total	321,890	346,633	-7.1	793,566	2,705
	<b>Operating Income (Loss)</b> [As % of Sales]	(35,338) [-11.0%]	8,090 [2.3%]	-	37,922 [4.8%]	(297)
<b>Electronic Devices</b>	<b>Net Sales</b>					
	Japan	143,671	179,240	-19.8	373,863	1,207
	Overseas	152,411	180,569	-15.6	385,860	1,281
	Unaffiliated Customers	296,082	359,809	-17.7	759,723	2,488
	Intersegment	50,325	70,058	-28.2	149,213	423
	Total	346,407	429,867	-19.4	908,936	2,911
	<b>Operating Income (Loss)</b> [As % of Sales]	(35,557) [-10.3%]	56,594 [13.2%]	-	113,400 [12.5%]	(299)
<b>Financing</b>	<b>Net Sales</b>					
	Japan	50,468	51,725	-2.4	107,246	424
	Overseas	-	-	-	-	-
	Unaffiliated Customers	50,468	51,725	-2.4	107,246	424
	Intersegment	4,405	3,998	+10.2	7,872	37
	Total	54,873	55,723	-1.5	115,118	461
	<b>Operating Income</b> [As % of Sales]	2,018 [3.7%]	1,669 [3.0%]	+20.9	3,414 [3.0%]	17
<b>Other Operations</b>	<b>Net Sales</b>					
	Japan	92,104	86,514	+6.5	183,243	774
	Overseas	31,883	34,591	-7.8	69,985	268
	Unaffiliated Customers	123,987	121,105	+2.4	253,228	1,042
	Intersegment	60,789	61,402	-1.0	128,246	511
	Total	184,776	182,507	+1.2	381,474	1,553
	<b>Operating Income</b> [As % of Sales]	1,142 [0.6%]	3,706 [2.0%]	-69.2	8,182 [2.1%]	10
<b>Elimination</b>	<b>Net Sales</b>	(267,957)	(295,204)		(633,750)	(2,252)
	<b>Operating Income</b>	(34,785)	(30,665)		(66,532)	(292)
<b>Total</b>	<b>Net Sales</b>					
	Japan	Y 1,586,827	Y 1,584,677	+0.1	Y 3,590,282	\$13,335
	Overseas	800,916	905,893	-11.6	1,894,144	6,730
	Unaffiliated Customers	2,387,743	2,490,570	-4.1	5,484,426	20,065
	Intersegment	-	-	-	-	-
	Total	Y 2,387,743	Y 2,490,570	-4.1	Y 5,484,426	\$20,065
	<b>Operating Income (Loss)</b> [As % of Sales]	Y (59,142) [-2.5%]	Y 100,287 [4.0%]	-	Y 244,026 [4.4%]	\$ (497)

\*Note: For purposes of comparison, 1st Half FY2000 and FY2000 figures have been restated to reflect 1st Half FY2001 product composition for respective business segments.

## Consolidated Geographic Segment Information

		Yen (millions)			Yen (millions)	U.S. Dollars (millions)
		1st Half FY2001	1st Half FY2000	Change (%)	FY2000	1st Half FY2001
<b>Japan</b>	<b>Net Sales</b>					
	Unaffiliated Customers	Y 1,744,060	Y 1,738,981	+0.3	Y 3,936,526	\$14,656
	Intersegment	226,828	313,677	-27.7	613,448	1,906
	Total	Y 1,970,888	Y 2,052,658	-4.0	Y 4,549,974	\$16,562
	<b>Operating Income</b>	Y 23,255	Y 124,405	-81.3	Y 328,987	\$195
[As % of Sales]	[1.2%]	[6.1%]		[7.2%]		
<b>Europe</b>	<b>Net Sales</b>					
	Unaffiliated Customers	289,562	319,890	-9.5	670,983	2,433
	Intersegment	7,445	12,399	-40.0	27,230	63
	Total	297,007	332,289	-10.6	698,213	2,496
	<b>Operating (Loss)</b>	(14,924)	(7,244)	-	(6,051)	(125)
[As % of Sales]	[-5.0%]	[-2.2%]		[-0.9%]		
<b>The Americas</b>	<b>Net Sales</b>					
	Unaffiliated Customers	230,091	310,809	-26.0	623,136	1,934
	Intersegment	28,407	39,699	-28.4	73,747	238
	Total	258,498	350,508	-26.3	696,883	2,172
	<b>Operating Income (Loss)</b>	(41,733)	2,623	-	(17,492)	(351)
[As % of Sales]	[-16.1%]	[0.7%]		[-2.5%]		
<b>Others</b>	<b>Net Sales</b>					
	Unaffiliated customers	124,030	120,890	+2.6	253,781	1,042
	Intersegment	118,266	151,742	-22.1	302,035	994
	Total	242,296	272,632	-11.1	555,816	2,036
	<b>Operating Income (Loss)</b>	(272)	10,187	-	14,021	(2)
[As % of Sales]	[-0.1%]	[3.7%]		[2.5%]		
<b>Elimination</b>	<b>Net Sales</b>	(380,946)	(517,517)		(1,016,460)	(3,201)
	<b>Operating Income</b>	(25,468)	(29,684)		(75,439)	(214)
<b>Total</b>	<b>Net Sales</b>					
	Unaffiliated Customers	Y 2,387,743	Y 2,490,570	-4.1	Y 5,484,426	\$20,065
	Intersegment	-	-	-	-	-
	Total	Y 2,387,743	Y 2,490,570	-4.1	Y 5,484,426	\$20,065
	<b>Operating Income (Loss)</b>	Y (59,142)	Y 100,287	-	Y 244,026	\$ (497)
[As % of Sales]	[-2.5%]	[4.0%]		[4.4%]		

## Net Overseas Sales by Customer's Geographic Location

		Yen (millions)			Yen (millions)	U.S. Dollars (millions)
		1st Half FY2001	1st Half FY2000	Change (%)	FY2000	1st Half FY2001
Europe		Y 314,629	Y 342,011	-8.0	Y 725,756	\$2,644
The Americas		307,939	376,658	-18.2	765,288	2,587
Others outside Japan		178,348	187,224	-4.7	403,100	1,499
<b>Total</b>		Y 800,916	Y 905,893	-11.6	Y 1,894,144	\$6,730
<b>As % of Consolidated Net Sales</b>						
Europe		13.2	13.8		13.2	
The Americas		12.9	15.1		14.0	
Others outside Japan		7.4	7.5		7.3	
<b>Total</b>		33.5	36.4		34.5	

## Marketable Securities

### 1. Net Unrealized Gain on Marketable Securities

	Yen (millions)			Yen (millions)		
	September 30, 2001			March 31, 2001		
	Carrying Value	Fair Value	Net Unrealized Gains	Carrying Value	Fair Value	Net Unrealized Gains
<b>Held-to-maturity securities</b>	Y 2,676	Y 2,718	Y 42	Y 3,851	Y 3,892	Y 41
<b>Investment in affiliates</b>	250,434	424,345	173,911	247,951	690,253	442,302
<b>Total</b>	<b>Y 253,110</b>	<b>Y 427,063</b>	<b>Y 173,953</b>	<b>Y 251,802</b>	<b>Y 694,145</b>	<b>Y 442,343</b>

### 2. Summary of Marketable Securities at Fair Value

	Yen (millions)			Yen (millions)		
	September 30, 2001			March 31, 2001		
	Cost	Carrying Value (Fair Value)	Net Unrealized Gains (Losses)	Carrying Value	Fair Value	Net Unrealized Gains (Losses)
<b>Available-for-sale:</b>						
Equity securities	Y 110,162	Y 116,923	Y 6,761	Y 110,140	Y 144,148	Y 34,008
Debt securities and others	6,443	6,403	(40)	1,747	1,379	(368)
<b>Total</b>	<b>Y 116,605</b>	<b>Y 123,326</b>	<b>Y 6,721</b>	<b>Y 111,887</b>	<b>Y 145,527</b>	<b>Y 33,640</b>

### Derivative Financial Instruments

The Fujitsu Group basically enters into derivative transactions only to cover actual requirements for the effective management of receivables / liabilities and not for speculative or dealing purposes.

## Management Direction

### *Basic Business Philosophy*

Along with the more ubiquitous and sophisticated use of the Internet as part of the social infrastructure in such fields as B2B e-commerce, medicine, education and e-government, the broadband era is taking shape as transmission of ever-larger amounts of data at faster speeds – and the related shift towards always-on connectivity, interactivity and mobile usage – becomes possible.

Against the backdrop of such sweeping societal changes, and as a new stage in Fujitsu's "Everything on the Internet" business strategy adopted the year before last, we are focusing our business activity on the broadband Internet. As a leading IT business group in this new era, Fujitsu offers a comprehensive range of technologies – from the platforms that form the core of the broadband Internet (including photonic networks, next-generation mobile communication systems and high-performance servers) and leading-edge electronic device technology to high-level security and systems operation know-how. In addition to offering total solutions utilizing these technologies, we are aggressively pursuing new business opportunities in such fields as e-Japan, an e-government scheme now being promoted by the authorities in Japan, and global-scale outsourcing services.

### *Challenges and Business Strategy*

The Fujitsu Group faces a severe economic environment, marked by restrained corporate IT investment in such key markets as Europe and the U.S. and continued global stagnation in consumer demand. A market recovery is not anticipated before the second half of fiscal 2002. Moreover, we must also contend with the challenge of responding to significant qualitative changes in customer needs, such as the trend for companies to outsource the management of their IT systems, and the overall push to make global business more efficient. To respond to such challenges, Fujitsu has announced a major restructuring and new growth strategy, positioning fiscal 2001 as "the year of fundamental structural reform." Specifics of the new strategy are outlined below.

- Pursuit of higher added value through software and services

We are committed to seeking greater added value by expanding our software and services business and increasing the software and service aspects of all of our business areas, thereby countering the effect of product areas where added value has declined. With respect to data storage and appliance servers for specialized uses, we are working to improve profitability by providing operations management, backup and other types of services. For the telecommunications carrier market, we are working to strengthen our competitiveness by moving beyond simply supplying equipment to providing comprehensive services in such areas as system design, operation, maintenance and installation. In the area of System LSI, or system-on-chip, we are seeking to differentiate ourselves by developing extensive middleware and applications. Moreover, we are making structural changes in our services business, including integrating and reforming existing operations, utilizing Internet data centers, and putting special emphasis on infrastructure services in order to provide broadband Internet-delivered services.

- Greater concentration on core technologies and products

We are concentrating our resources on technologies and products where we are globally competitive, for example, in such areas as advanced electronic devices, optical technology, including DWDM, and high-reliability servers and storage systems. In addition, by forging strategic alliances with other companies, we are working to optimize the allocation of our resources and enhance efficiency.

- Strengthening group-wide competitiveness

We are moving ahead with restructuring and consolidating our domestic and international affiliates in order to further clarify the direction of the Fujitsu Group as a whole and fully mobilize the Group's

combined strengths. In software and services, we are clarifying and realigning the operational and geographic responsibilities of our overseas subsidiaries ICL and DMR Consulting under the common “Fujitsu” corporate brand, with ICL to focus on infrastructure services and DMR on IT consulting services. This reorganization is intended to help strengthen and expand our global services business. In information processing, we are reorganizing our development and manufacturing structure for the core business areas of servers and storage systems, for example, consolidating responsibility for development of all Intel architecture servers at Fujitsu Siemens Computers, our joint venture with Siemens of Germany. In telecommunications, we have positioned photonics, 3G mobile, IP and broadband access as core product areas, and by strengthening relationships with our affiliates Fujitsu Network Communications in the U.S. and Fujitsu Networks Europe, we are building an organization capable of delivering global solutions. In electronic devices, we are concentrating advanced technology development at our Akiruno Technology Center and striving to strengthen our worldwide manufacturing structure and make it more efficient through streamlining of domestic and overseas production facilities and other measures.

- Management reforms in other areas

We initiated the Qfinity program in May of this year with the goal of not only improving product quality and reliability but also quality issues relating to customer service, delivery time and cost. As part of this activity, we are also working to reduce inventory and significantly trim costs. In order to revitalize our human resources, we are reworking our results-based approach and pursuing advanced training for managers, including the establishment of a Global Knowledge Institute (GKI) that aims to cultivate next-generation management leadership able to operate successfully anywhere in the world.

- Protecting the global environment

We have been putting emphasis on environmental protection activities in keeping with our Third Environmental Activities Plan, announced in April. In particular, we have set a goal of strengthening our ability to provide recyclable products and are working to develop “green” products for markets around the world.

Based on these measures, and with the expectation of a mild market recovery, we are making utmost efforts to reduce our fixed costs and build a business structure that, even in an environment of zero growth, will produce profits. Looking further ahead to a full-fledged market recovery, we are working on a group-wide basis to develop new products and technologies and thereby make a significant contribution as a global enterprise that provides optimal solutions to businesses and society.