Raising Corporate Value
- Fujitsu’s New Growth Strategy -

March 7, 2002
Fujitsu Limited
Naoyuki Akikusa, President & CEO
1. Overall Corporate Direction
   (1) Status of Restructuring Initiatives
   (2) Management Objectives

2. Addressing Under-Performing Businesses
   (1) Electronic Devices
   (2) Telecommunications
   (3) Hard Disk Drives


4. New Developments in Platforms Business

5. Foundation for Future Growth

6. Conclusion
1. Overall Corporate Direction
Key Challenge Confronting the IT Industry

Widening Gap Between Technology Innovation and Utilization

Rate of Change

Technology Innovation
- CPU Speed
- Transmission Speed
- Storage Capacity

IT Utilization

Mainframes  Client/Server  Internet

New Ideas Needed to Drive Demand for IT
Status of Restructuring Initiatives

Electronic Devices Group

Consolidation of R&D Functions, Streamlining of Manufacturing Capacity

- Closing of Gresham Plant (Jan. 2002)
- Consolidation of Next-generation R&D at Akiruno (Started Dec. 2001)
- Consolidation of Domestic Wafer Fabrication Lines (12 lines → 8 lines)
  (2 lines eliminated Mar. 2002; 2 lines to close Sep. 2002)
- Consolidation of Assembly Companies (7 → 5)
  Closing of SMIL (Ireland) (Mar. 2002)
  Consolidation of Domestic Companies (By Sep. 2002)

Affiliates

- FHP: Alliances with Two Taiwanese Vendors (Feb. 2002)
  Negotiating to Set Up Joint Venture (By Apr. 2002)
  Sale of Miyazaki Bldg. 1 Assets (By Sep. 2002)
- FMD: Closing of Chikuma Electronics (Nov. 2001)
  Divestiture of Aluminum Electrolysis Condenser Business (Jan. 2002)
## Status of Restructuring Initiatives

### Information Processing Group

#### Consolidation of R&D and Manufacturing Facilities

- **✓** Consolidating Production of UNIX Servers and Storage Systems at New Company: FJIT (Apr. 2002)
- **✓** IA Servers: Development Consolidated at FSC (By end of Apr. 2002) Production Shifted to FIT (Nov. 2001)
- **✓** Closing of HAL, US-based Processor R&D Company (Mar. 2002)
- **✓** Closing of FIR (Ireland), Serial Printer Manufacturer (Mar. 2002)

#### Exit from Unprofitable Businesses

- **✓** Ended Development and Production of Hard Disk Drives for Desktop PCs (Sep. 2001)
- **✓** Sold Portion of FTC’s (Thailand) HDD Factory to Western Digital Corp. (Dec. 2001)
Status of Restructuring Initiatives

Telecommunications Group

Consolidation of R&D and Manufacturing Facilities

- Realigned Main Plants in Japan to Focus on Specialized Production
  Oyama Plant: Advanced Photonics
  Nasu Plant: IMT2000 (3G)
  (Dec. 2001)

- Transfer of IP and Access Line-Related Products to Affiliate
  (Dec. 2001)

- Reduced FNC (North America) Headcount by 2,300, Restructured
  11 Locations
  (Dec. 2001)

- Converted FAL (Australia) Plant into Joint Venture with Local
  EMS Firm
  (Sep. 2001)

Exit from Unprofitable Businesses

- Closure of FBCS, North American PBX Business
  (By Mar. 2002)
Status of Restructuring Initiatives

Software & Services Group

Restructuring of Global Organization

- Separated DMR Consulting from Amdahl (Apr. 2001)
- Restructuring and realignment of ICL/DMR (Apr. 2002)
  Reducing headcount by 2,300 (FY 2001)
- Integrating FSBA (USA) and FSE (Europe) with DMR
- Consolidating Under the Fujitsu Brand (Apr. 2002)
  ICL → **Fujitsu Services** Holdings PLC
  DMR → **Fujitsu Consulting** Holdings Inc.

Shift in Business Structure

- Strengthening Infrastructure Services Business
  Establish 10 Regional B-IDCs (in addition to Tatebayashi, Akashi and Tokyo centers) (as of Mar. 2002)
- Strengthening IT Consulting Business
  Establishing Business Solution Center
- Developing Common Middleware Platform for e-Japan Business (Inter Community 21)
## Status of Fujitsu Group’s HR Realignment

Involving About 30,000 Employees
(including transfers and headcount reduction)

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<tr>
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<tbody>
<tr>
<td><strong>Software &amp; Services</strong></td>
<td>1,200</td>
<td>4,700</td>
<td>-</td>
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<td><strong>Information Processing</strong></td>
<td>7,500</td>
<td>9,800</td>
<td>600</td>
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<td><strong>Telecommunications</strong></td>
<td>7,300</td>
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<td><strong>Electronic Devices</strong></td>
<td>5,100</td>
<td>6,600</td>
<td>1,800</td>
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<td><strong>Total</strong></td>
<td>21,100</td>
<td>29,500</td>
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At least 140 billion yen improvement in operating income expected in FY2002
Based on a foundation of superior technology, Fujitsu will continually provide total solutions in the form of high-quality products and services, primarily to corporations and public sector institutions.
Business Objectives

Provide Leading-edge, High-Performance, High-Reliability Systems

Provide Information Systems to Handle Skyrocketing Traffic Volumes

Create Breakthroughs in Applications

Create and Deliver Proposals that Make Full Use of the Latest Technological Advances

Pioneer New Markets as an IT Leader

Pioneering a New Markets Such as e-Japan
Group Management

Spin-Off "FUJITSU" Spin-Off

Independent Businesses

- Business Autonomy
- Diversification of Funding Sources
- Growth Through Expansion of Sales
- Outside the Group
Product & Service Strategy

Competitive Products

Products

Server/Storage Products
Network Equipment
SI/Package Software
System LSI

Value-Added Services

Consulting
System Design
Maintenance
Configuration
Monitoring/Analysis
Installation
Education
Financing
Outsourcing

Products
Value Chain

- Platforms
- Services (Products)
- Technologies (Electronic Devices)
- Integration
- Customers

Value Chain Integration Diagram
Reform of Management Structure

Separate Management Oversight and Business Execution

- Strengthen Management Oversight Through Streamlined Board of Directors
- Speed Management Responsiveness Through a New System of Corporate Executive Officers
- Clarify Executive Responsibility via Business Performance Evaluations

Shift from Business Unit System to Business Groups

- Ensure Greater Flexibility in Resource Allocation
- Leverage Synergy Among Business Units
- Promote More Dynamic, Organic Management
Measures to Improve Profitability

Reduce Materials Costs

- Advance Centralized Purchasing
- Promote Use of Standardized Parts
- Harmonize CAD Between Information and Telecommunications Units

Reduce Inventory by 50% (by end of FY 2003)

- ¥1 Trillion → ¥500 Billion

Cut Fixed Expenses

- Reduce Headcount, Introduce Flexible Work Shift System
Reform of Sales Organization

Domestic Sales

Strengthen Product Marketing

- Establish IT Product Sales Division
- Establish PFU Product Sales Division

Strengthen Marketing of Systems Engineering Companies

Strengthen Handling of Large Accounts

- Establish Large-Accounts Strategic Sales Promotion Department
  Integrate Across Business Areas, From Electronic Devices through Services
Reform of Sales Organization

Overseas Sales

Introduce a Regional Sales Division System

• Sales Division for Americas & Europe
• Sales Division for Asia-Pacific

Set Up Global Sales Organization for Telecom Carriers

• Establish Network Sales Group

Reorganize ICL/DMR

• IT Infrastructure Services: ICL→Fujitsu Services
• Consulting & Application Services: DMR→Fujitsu Consulting
2. Addressing Under-Performing Businesses
Breakdown of Current Operating Income

- Software & Services
- Computers
- HDD
- Telecommunications

¥ billion

-100 ¥ billion to 200 ¥ billion
Electronic Devices

- Logic
- System Memory (Including Flash)
- LCD
- Compound Semiconductors (FQD)
- PDP (FHP)
- Media Devices (FMD)
- Components (FCL)
Electronic Devices Business Direction

- Contribute to Fujitsu Products
- Enhance Solutions Business
- Spin-off as Independent Engineering Operation
- Strengthen Alliance with AMD
- Enhance Solutions Business
- Enhance Optical Module Business
- Acquire Toshiba’s Business
- Enhance Facilities at Miyazaki #2

- Logic
- System Memory (Including Flash)
- LCD
- Components (FCL)
- Media Devices (FMD)
- PDP (FHP)
- Compound Semiconductors (FQD)

Independent Businesses
Electronic Devices Business Direction

Contribution of Leading-Edge Device Technology (CS100)

- High-Speed
- Compact
- Energy-Efficient

High-End Servers
Routers/Switches
Encryption Chips, Etc.

Enhance Fujitsu Products

Improve Competitiveness of System LSI for Outside Customers

3G Mobile / Mobile Handsets
XML Chips
Telecommunications Business Direction

(Expand Scope of Operations)

Establish Solutions Business Model

- Expand Service Offerings
- Strengthen Ties w/ Software & Services Group

Establish Business Model for Slow-Growth Environment

Strengthen Optical Component Module Business

(Use Technical Merits to Expand Sales Channels)

- Consider Integrating Operations within the Group

(Improve Investment Efficiency)

Consolidate Operations

High-Performance IP Routers,
3G Base Stations
#1 in N. American Metro Transmission Market
Hard Disk Drive Business Direction

Restructure

Exit Desktop Hard-Drive Market

Build on Strengths

Establish Dominance in Products for High-End Servers
Establish Superiority in R&D
(100 Gb/in², head technology, etc.)

Pursue Business Development, Including Alliances
Growth Strategy for Services Business

Expand Range of Service Offerings

- Business Consulting
- IT Consulting
- Installation Services
- Installation Support
- ASP Services
- Application Maintenance
- Operational Services (Outsourcing)
- Education
- Security Diagnostics
- Maintenance & Monitoring
- Call Centers
- ASP Services

Expand Range of Service Offerings
Re-usable Software Solutions

Enhance Competitiveness Through Lower Costs, Shorter Delivery Times, Higher Quality

Packaged Solutions
ERP (Glovia) / CRM / SCM / PLM

Software Componentization
Embed Middleware with Common Functions

Promote EJB Componentization
INTERSTAGE
Software Componentization &
Middleware Embedded w/ Common Functions

IT Systems for Customers

Establish Component
Distribution Market

Solutions
Application Packages
(GLOVIA, etc.)

EJB Componentization

Integration
EJB Application
Components
(Business Logic)

Search Engine
Security
E-procurement
Middleware (INTERSTAGE)
E-voting

Embedded with Common Functions
Expansion of Services: PROPOSE

Commercialization of Service Products (Since 1992)
Service Packages, Menus, Series

- Consulting
- Planning
- Design
- Development
- Installation
- Operation
- Maintenance
- Customer Operations

Application Development
- Configuration / Tuning
- Education / Diagnostics / Monitoring / Security
- System Development (Existing Service)
- Installation Support
- Call Centers
- Operational Support
- Maintenance (Applications & Hardware)
- Outsourcing

Equipment Installation
Reasons for Promoting PROPOSE

Shift Away from Man-Hour/Month Model
- Expand High Value-Added Business

Ensure More Consistent/Stable Revenues
- Improvement in Cash Flow

Business Targets for PROPOSE (FY2003)
- Increase PROPOSE Share of Total Software & Services Revenue from 40% to 60%
Strategic Alliance with Accenture

Increase Customer Satisfaction and Open New Markets by Providing Comprehensive Services - from Management Consulting through Systems Operation and Maintenance

Flow:
- Management Consulting
- Business Process Consulting
- System Construction
- Operations & Maintenance

Typical:
- Consulting Company
- IT Vendor

Our Alliance:
- Fujitsu & Accenture

【Target】
- Consulting Fields
  - Electronics & Precision Instruments
  - Automotive
  - e-Japan
- Training Areas
- Strategic Outsourcing Areas

【Organization】
- Steering Committee
  - Board Members
- Steering Subcommittee
  - General Managers
- Admin Office
  - Implementation Coordinators
- Co-op Teams
  - Offering Development, Proposal Writing
  - Consulting, Etc.
ICL/DMR Business Direction

Consolidate Operations to Increase Profitability

**DMR:** Focus on IT Consulting  
(Specialized Fields)  
CRM/Business Intelligence  
Enterprise Application Integration  
Develop Business Outside North America

**ICL:** Focus on IT Infrastructure-Related Services  
Business in UK  
Restructure Mainland Europe Business  
Adopt Customer-Oriented Sales Organization

Promote Fujitsu Brand Principles

Develop Business Emphasizing Long-term Customer Relationships
Promote Global e-Government Business

Expand Business Through Promotion of Best Practices from Various Countries

- England
- Australia
- USA
- Philippines
- Vietnam
- Indonesia
- Malaysia
- Finland
- Canada
- Japan
- USA
- Canada
- Malaysia
- Indonesia
- Philippines
- Vietnam
- Japan
- Australia

- Tax-Web, Smartcard
- Administrative Application System
- Design and Support of Federal Government Online Systems, etc.
- Central Government, Local Government Systems
- e-Japan

Fujitsu Services
Fujitsu Consulting
FAPL
netCommuinty
Recent Initiatives in Services

New Products, Alliances, Etc.

Apr. ‘01  World’s First to Introduce EJB Components Compliant with Portability Standards
May ‘01  Announced Medical Information System Alliance with GE Medical Systems
Jul. ‘01  Opened Fujitsu Tokyo System Center (third major system center)
Jul. ‘01  Introduced “Business Support Services” to Assist Customers w/Business Reform
Oct. ‘01  Tokyo Futures Exchange Orders Next-Generation System
Nov. ‘01  Won ¥46.5 Billion Terminal Order from Japan Racing Association
Nov. ‘01  Released “Collabo Agent” Retailer-Vendor SCM Support System
Nov. ‘01  Released “GLOVIA.com v6” ERP Solution for Manufacturing Sector
Dec. ‘01  @nifty Introduces World’s First IPv6 Trial Service
Dec. ‘01  Fujitsu and Mitsubishi Chemical Form Alliance in New Genome Drug Technology
Dec. ‘01  Released “RosettaNet Solution Service” for Global B2B
Jan. ‘01  Nordstrom Inc. (US Department Store) Orders 10,000 POS Terminals
Jan. ‘01  TJX Co Inc. (US retail company) Orders 12,000 POS Terminals
Jan. ‘01  Introduced “Secure Package Distribution Service” for Secure Info Exchange
Feb. ‘02  Announced Global Push in IT Services; ICL and DMR Reorganized
Feb. ‘02  Fujitsu and Accenture Join Forces in Total Solutions Business
4. New Developments in Platforms Business
Current Information System Requirements

24-hours/365-days Uninterrupted Operation
  Total System Reliability, Including Network

Ability to Handle Large-Scale Load Fluctuations
  High Performance / High Scalability / Load Distribution Among Servers

Fast Links Among Enterprises and Businesses
  Business Process / Database Integration

Continual Growth in Applications
  Speedy Development of New Businesses / Smooth Links with Existing Operations
Necessity of Comprehensive Approach

Limitations of Individual Systems

Servers

Storage

Network

Applications / Middleware

Comprehensive Solutions Made Possible by Links/Fusion

Solutions Via Tri-polar Server/Storage/Network Configuration
New Product Development Based on TRIOLE Concept

- Achieves Mainframe-Level Reliability in Open Systems Environment
- Supports Continuous Operation While Offering Superior Scalability

Non-Disruptive Expansion

PRIMEPOWER
PRIMERGY

Servers

Storage Systems

ETERNUS

IP Server (Platform Layer)

Achieves High Performance/Reliability Through Automatic Allocation Based on Load/Expansion/Problem

Server/Storage Virtualization

IP Network

Climents

GeoStream/
FLASHWAVE

Non-Disruptive Expansion
SAN/NAS
Data Sharing
Data Exchange (XML)
Autonomous Operation

Data Sharing

Data Exchange (XML)
Competitive Advantage: PRIMEPOWER

**Top Performance**
- TPC-C, SAP-SD Benchmarks
- Scalable to 128 CPUs
  - Pursue Leading CPU Performance in FY2002
- Maintain Competitive Superiority through Use of CS100 Leading-edge Semiconductor Technology

**Reliability to Support Mission-Critical Systems**
- Achieves Mainframe-Equivalent High Reliability
  - Faster Server Switchover Time
  - Disaster Recovery
  - Improved Ability to Handle System Expansion while Maintaining Continuous Operation
- Combination of Fujitsu Platforms (Servers, Storage Systems, Middleware) for Ideal Mission-Critical System Solution
Competitive Advantage: ETERNUS Storage System

- Reliability and Performance for Mission-Critical Systems
  - Uses Interconnect Method for Flexible Scalability and High Performance
  - Redundant Components for High Reliability
  - Advanced Copy Function for Zero Application Downtime
  - Remote Copy Function for Disaster Readiness

- Advanced Storage Management
  - Stronger Storage Platform with SP500, SP5000
    - SAN, NAS Integration
    - Content Sharing and Management
    - Autonomous Control for Storage and Files
  - System-Wide Management, Incl. Servers & Network

- Total Integration
  - Integrated System Combining Servers (PRIMEPOWER), Software, and Services

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**GR740**

- \( \sim 13.7 \text{TB} \)

**SP5000 Model 650**

- 2-8 CPUs (675MHz)
- 4GB-32GB of Memory
Competitive Advantage: GeoStream IP Router

High Reliability and Availability: 99.9999% Uptime
- All Modules Fully Redundant
- Super-Fast Recovery
  - Power Failure Recovery Time: 0 $\mu$ sec
  - Processor Failure Recovery Time: 19.3 $\mu$ sec
  - Software Update During Operations: 524 $\mu$ sec
  (Source: TOLLY GROUP Availability Benchmark, Dec. 2001)

Multi-Service Platform
- Efficiently Handles Multiple Services:
  - VPN (Layer 2 VPN, Layer 3 VPN)
  - IPv6
  - VOIP
  - BRAS (xDSL, FTTx, etc. – Wide Range of Broadband Access Support)
  - Mobile IP
Organizational Reform to Support Development of Next-Generation Systems

Telecommunications Group
- Transport Systems Group
- Network Systems Group

Information Processing Group
- Computer Systems Group
- File System Group
- Software Group
- Personal Systems Business Group
- Mobile Phones Group

Platforms Business Group
Recent Initiatives in Platforms Business

New Products & Alliances

Aug. ’01 Updated PRIMERGY IA Server Lineup
Aug. ’01 Developed World-leading 100 Gbit/in² Hard Disk Technology
Aug. ’01 Announced INTERSTAGE Solution Suite of Business Process Templates
Oct. ’01 Released MHR Series 2.5” HDD with Capacity Up to 40 GB
Oct. ’01 Launched Global Sales of GR700 Series Storage Systems
Nov. ’01 Fujitsu LIFEBOOK Receives “Best of Show” at COMDEX 2001
Nov. ’01 INTERSTAGE v4 Software Platform Released Worldwide
Nov. ’01 Released SystemWalker v10 Integrated Operations-Management Software
Dec. ’01 Formed Alliance with Oracle Japan to Promote Technologies for High-Reliability Systems
Dec. ’01 SymfoWARE Server v5 Database Software Released
Jan. ’02 Cooperated with 4 Enterprise Linux Vendors to Enhance Failure-Detection Functions
Jan. ’02 40 Gbps Optical Transmission Module Comercialized
Jan. ’02 Introduced B-STOREPOWER Broadband POS System
Feb. ’02 ETERNUS SP5000 Network Storage Server Released
Feb. ’02 TRIOLE Platform Concept Announced
Feb. ’02 Formed Basic Technology Development Alliance for 3G Wireless Handsets with SAGEM of France
Feb. ’02 Introduced GS21 600 Model Group, World’s Fastest Mainframes
5. Foundation For Future Growth
Challenging New Technological Frontiers

GRID Computing

Organic Computers

Next-Generation CMOS Technology

Next-Generation Information Systems

Wireless LAN

10Gbps Ethernet

Optical Switches & Routers
Cultivating Human Resources

Human Resources Development Strategy for the Entire Fujitsu Group

Establish Fujitsu University
Development of Numazu Campus

Fostering Tomorrow’s Leaders

(1) Cultivating Business Leaders
    Global Knowledge Institute
    Upper-level Executive Education Programs

(2) Developing a Corps of Professionals
    Reform Training and Compensation Systems
    (Starting with System Engineering Departments)
Technology Incubation

New Technology Creation Project 2001

To Cultivate the Seeds of New Businesses

- Identify Promising New Ideas
- Foster Spirit of Innovation

Evaluation Using Outside Perspectives

- Venture Capitalists and Outside Consultants

This Year’s Results

- 900 new business ideas submitted
6. Conclusion
Foundation for Future Growth

- Clear Strategy for Dealing with Under-Performing Businesses
- Achieve Further Growth and Profits in Services Business
- Pursue Next-Generation Platform Businesses
Cautionary Statement:
Due to uncertainties relating to changes in demand for products and components in key markets (Japan, U.S., Europe, etc.), currency exchange rate fluctuations, Japan and U.S. stock market conditions, and other factors, actual results may vary substantially from projections.