

Contact: Yuri Momomoto, Robert Pomeroy  
Fujitsu Limited, Public & Investor Relations  
+81(0) 3-3215-5259 (Tokyo)

## **Fujitsu Reports FY2002 Financial Results**

### ***Achieves Major Turnaround in Operating Profit Despite Lower Sales from Continuing Global IT Slump***

**Tokyo, April 25, 2003**—Fujitsu Limited, a leader in customer-focused IT and communications solutions for the global marketplace, today reported consolidated net sales of 4.61 trillion yen for fiscal year 2002 (April 1, 2002 - March 31, 2003), a decline of 8% compared with the previous fiscal year. Converted into US dollars\*, net sales were approximately US\$38.4 billion.

A combination of factors resulted in an exceptionally challenging operating environment for Fujitsu in fiscal 2002. Economic conditions in the U.S. continued to deteriorate two years after the bursting of the IT bubble, and against the backdrop of a global-scale deflationary trend, stock values weakened, personal consumption flagged and corporations continued to limit their investment in IT. Conditions in the IT sector itself became increasingly severe as markets for IT products underwent rapid structural change, such as heightened competition from Chinese vendors and other low-cost producers who expanded their production capacity.

On the positive side, there were continued benefits from the spread of activities relating to the e-Japan (e-government) initiative and in the second half of the year signs of recovery in China and some other Asian markets, as well as indications that investment by telecommunications carriers in the U.S., Europe and elsewhere may have bottomed out. Toward the end of the fiscal year, however, such developments as the outbreak of war in Iraq and concern about the possible spread of the SARS epidemic heightened uncertainty regarding the global economy going forward.

Amid such market conditions, and despite a significant decline in sales, Fujitsu achieved a consolidated operating profit of 100.4 billion yen (US\$837 million) for the fiscal year, marking a major turnaround in profitability from the operating loss of 74.4 billion yen recorded in fiscal 2001. However, due to extraordinary losses, including 151.4 billion yen (US\$1.2 billion) in restructuring costs required to cope with structural changes in the IT industry and deflationary trends, a 30.6 billion yen (US\$255 million) charge to cover corrective measures for certain small form-factor hard disk drives, and stock valuation losses arising from the stock market slump, the company recorded a consolidated net loss of 122.0 billion yen (US\$1.0 billion), a narrowing of 260.4 billion yen compared with the net loss of 382.5 billion yen the previous year.

## **Results by Business Segment**

### **Software & Services**

While overall IT investment was sluggish, healthcare sector business connected with the implementation of e-Japan, sales to manufacturing companies expanding global operations, and corporate outsourcing business related to the growth of broadband network infrastructure all developed favorably. Nevertheless, such factors as curtailed investment by telecommunications carriers in Japan, the U.S. and Europe, as well as a cyclical slowdown in demand from major financial sector customers had a major impact on results, with consolidated sales for this segment declining by 3% to 2.02 trillion yen (US\$16.8 billion).

However, thanks to progress in implementing restructuring measures overseas, Fujitsu's key operations in the U.K. and U.S. were restored to a profitable footing, and the company realized major gains in operational efficiency through packaging of solutions and expanding use of EJB (Enterprise Java Beans) componentization technology. As a result, despite the decline in sales for the sector, operating profit increased to 176.5 billion yen (US\$1.4 billion), an improvement of 18.6 billion yen over the previous year.

### **Platforms**

Although personal computer shipments in Japan by all manufacturers were lower than the previous year and price competition intensified, Fujitsu was able to increase its market share, showing particular strength in consumer models. Moreover, sales of Fujitsu mobile phones with unique, easy-to-use features were especially buoyant. On the other hand, severe investment constraints remained in effect at telecommunications operating companies in Japan as well as North America. As a result, sales of optical transmission systems fell sharply from the previous year, and sales of 3G mobile systems in Japan were sluggish. In addition, sales of large-scale servers and storage systems suffered sharp declines due to the completion of investment cycles in the financial services sector. Together with the effect of the company's withdrawal from small-form-factor magnetic disk drives for desktop PCs in the previous fiscal year, these factors led to an overall decline in platform sales of 20%, to 1.61 trillion yen (US\$13.4 billion).

In regard to profitability, on the other hand, the company implemented further restructuring measures during the fiscal year to streamline operations, and the resulting cost reductions and improvements in efficiency contributed to a substantial improvement in profitability. Reversing a significant operating loss from the previous fiscal year, Fujitsu recorded a 973 million yen (US\$8 million) operating profit for the sector in FY2002, representing an improvement of 58.5 billion yen despite the major drop in sales.

### **Electronic Devices**

In semiconductors, thanks to favorable progress in inventory adjustments for products in such areas as mobile telephones and AV equipment, sales of logic ICs and flash memories increased significantly over the previous year. Sales also improved in the PDP and LCD display fields, as well as components and all other areas. Overall sales for the sector amounted to 618.6 billion yen (US\$5.1 billion), an increase of 13%.

Regarding profitability, although there was no significant price recovery for flash memory and other products, the overall semiconductor market appeared to bottom out, and PDP operations became profitable due to significant growth in demand for PDP TV sets. Together with the efficiency benefits from earlier restructuring efforts, these factors helped greatly narrow the operating loss in the sector to 31.6 billion yen (US\$263 million), an improvement of 77.6 billion yen.

### **Summary of Cash Flows**

Despite the major improvement in profitability, cash flows from operating activities declined by 62% to 117.7 billion yen (US\$982 million), due primarily to the slippage into FY2002 of cash outflows relating to large restructuring expenditures in the previous fiscal year. On the other hand, as a result of concentrating investment expenditures in sectors with promising growth potential and due to the sale of marketable securities, cash flows from investing activities were 64.4 billion yen (US\$537 million), a dramatic decrease over last year's figure of 409.4 billion yen.

Thus, by holding cash flows from investing activities below the level of cash flows from operating activities, the company was able to return free cash flow to a positive basis, recording free cash flow of 53.3 billion yen (US\$445 million), an improvement of 156.2 billion yen over the previous fiscal year. In regard to cash flows from financing activities, although the company issued 250 billion yen (US\$2.0 billion) in convertible bonds in May 2002, due to redemption of debentures and repayment of other debts, there were negative cash flows of 67.2 billion yen (US\$560 million). As a result, the total of cash and cash equivalents declined by 17.0 billion yen.

## Financial Index

Due to the rapid deterioration of profitability following the bursting of the IT bubble two years ago and the major expenditures relating to accompanying restructuring measures, Fujitsu's shareholders' equity ratio dropped well below the 20% level. Despite the sale of some assets and efforts to improve efficiency, the company was unable to reduce the ending balance of interest bearing loans. Going forward, in addition to continuing to ensure the restoration to profitability of its core businesses, in order to bolster shareholders' equity it will move quickly to implement measures to maximize effective use of assets.

Due to cash outflows relating to restructuring expenditures from the previous fiscal year being carried over, cash flows from operating activities deteriorated significantly in FY2002. In FY2003, the company expects cash flows from operating activities to have inflows of 320 billion yen. On this basis, the debt repayment period and interest coverage ratio are expected to improve compared to FY2001.

	FY1998	FY1999	FY2000	FY2001	FY2002
Shareholders' Equity Ratio	21.5%	23.4%	23.4%	18.6%	16.6%
Shareholders' Equity Ratio at Market Value	71.3%	123.2%	63.5%	43.8%	15.2%
Debt Repayment Period (years)	4.8 years	3.6 years	2.7 years	5.7 years	15.0 years
Interest Coverage Ratio	6.9	9.6	12.2	7.1	3.9

Notes:

- 1) Shareholders' equity ratio: shareholders' equity / total assets  
Shareholders' equity ratio at market value: total stock market value / total assets  
Debt repayment period: interest bearing loans / cash flows from operating activities  
Interest coverage ratio: cash flows from operating activities / interest payments
- 2) All calculations based on consolidated financial figures.
- 3) Cash flow uses cash flows from operating activities. Interest bearing loans subject to all liabilities listed in the balance sheet that require payment of interest.

\* Note: All yen figures have been converted to U.S. dollars for convenience only at a uniform rate of US\$1 = 120 yen, the closing exchange rate on March 31, 2003. The rate used for the FY2001 financial results announcement (issued April 25, 2002) was US\$1 = 133 yen.

## Earnings Projections for FY2003

Since the end of fiscal 2002, such developments as the war in Iraq and concerns over the global spread of the SARS epidemic have increased uncertainty regarding the future of the global economy. In particular, there are questions about the post-Iraq War consequences for the US economy, which plays a pivotal role in the global economy. There is also concern about the

stock market slump, which is still showing the effects of the collapse of the IT bubble, as well as weak consumer demand and poor prospects for a sharp recovery in corporate IT investment. Nevertheless, while the situation differs according to sector and market, there are some encouraging signs pointing to a recovery beginning to take shape from the middle of 2003. These include the broad effects of the e-Japan initiative on IT investment in Japan, the emergence of a new global market with the rise of China, the strong global expansion of leading corporations (including Japanese players), and more active investment in mobile business by telecommunications carriers.

The business environment in which Fujitsu operates is expected to remain difficult and uncertain in fiscal 2003. However, by mobilizing its comprehensive range of capabilities – from cutting-edge technologies to services – the company will actively promote the expansion of broadband network infrastructure and the growth of services and software as drivers of the IT industry, making particular efforts to provide the most efficient solutions to help customers cope with deflationary pressures. As one of the few groups with the ability to support customers worldwide in both hardware and software, Fujitsu will redouble its efforts to deepen relationships of trust with its entire range of customers.

Further, the company will continue to aggressively carry out measures to boost operational efficiency, reduce costs and improve cost effectiveness, as well as to strengthen the global competitiveness of its platform products and services in order to secure the recovery of growth and profitability for its main businesses.

Finally, in order to rapidly achieve a fundamental improvement in its financial position that will enable it to strengthen shareholders' equity, Fujitsu will accelerate measures to boost the efficient use of the company's assets.

Taking these factors into consideration, Fujitsu makes the following projections at this time.

### **Fujitsu Limited Consolidated Earnings Forecast for Fiscal 2003**

(Billion Yen)

	Half Year (Apr. 1 – Sep. 30)			Full Year (Apr. 1 – Mar. 31)		
	FY2002	<b>FY2003</b>	Change	FY2002	<b>FY2003</b>	Change
Net Sales	2,105.3	<b>2,150.0</b>	--	4,617.5	<b>4,800.0</b>	+ 4%
Operating Income	(23.2)	<b>(20.0)</b>	--	100.4	<b>150.0</b>	+49%
Net Income	(147.4)	<b>(40.0)</b>	--	(122.0)	<b>30.0</b>	--

	First Quarter (Apr. 1 – Jun. 30)			Second Quarter (Jul. 1 – Sep. 30)		
	FY2002	<b>FY2003</b>	Change	FY2002	<b>FY2003</b>	Change
Net Sales	982.9	<b>980.0</b>	--	1,167.3	<b>1,170.0</b>	--
Operating Income	(29.0)	<b>(35.0)</b>	--	5.7	<b>15.0</b>	+159%
Net Income	(56.4)	<b>(40.0)</b>	--	(91.0)	<b>0</b>	--

## About Fujitsu

Fujitsu is a leading provider of customer-focused IT and communications solutions for the global marketplace. Pace-setting technologies, highly reliable computing and telecommunications platforms, and a worldwide corps of systems and services experts uniquely position Fujitsu to deliver comprehensive solutions that open up infinite possibilities for its customers' success. Headquartered in Tokyo, Fujitsu Limited (TSE:6702) reported consolidated revenues of 4.6 trillion yen (US\$38 billion) for the fiscal year ended March 31, 2003. For more information, please see: [www.fujitsu.com](http://www.fujitsu.com)

For details and supplemental information regarding Fujitsu's FY2002 financial results, please see <http://pr.fujitsu.com/en/ir>

All company/product names mentioned may be trademarks or registered trademarks of their respective holders and are used for identification purposes only.