



# Fujitsu's Management Direction

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# Overview of Fiscal 2003

# FY 2003 Basic Direction

## Shore Up Fundamentals

Customer-Centric Perspective

On-time Delivery & Quality

Speed

## Financial Targets

Net Sales            4,800 billion yen

Operating  
Income                150 billion yen

Net  
Income                30 billion yen

## Key Issues

Improve Profitability of Operations

Strengthen Balance Sheet

Continuously Revise  
Business Structure

## Balance Sheet Target

Reduce Interest-Bearing  
Debt Below  
1.5 Trillion Yen

# Key Initiatives Undertaken

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## Corporate Reforms

- Directors: Company-wide perspective/accountability
- Managers: Reforms at the work front, in manufacturing & development, and in speed of actions
- All Employees:
  - Customer-centric perspective
  - Quality, timely delivery, cost consciousness
  - Speed

## Manufacturing & Development Innovation

- Introduce Toyota-style production methods
- Improve measurability of reforms

## Commitment to Our Customers

- Visits to more than 2,000 customers

# Robust Platforms Essential to Recovery

## 222 Campaign

### ● Shared Targets for Sales/Systems Engineering/Business Units

- Obtain feedback from customers and the market
- Strengthen field support structure for business units

→ **Improve Communications**

### ● FY 2003 Results

	Target Divisions	Target Models	Substantial Improvement
1 <sup>st</sup> Half	34	5	4 Divisions
2 <sup>nd</sup> Half	46	5	20 Divisions

**20% Growth in Total**

# Reforms to Business Structure

## Strengthen Business through Operational Partnerships

- 03/7 Integration of Flash memory operations with AMD
- 03/9 Fujitsu Leasing receives capital investment from Tokyo Leasing (20% share)
- 04/4/1 Fujitsu Quantum Devices and Sumitomo Electric Industries integrate operations

## Restructure Global Operations

- 03/3Q Restructure U.S. platforms business (FTSI, FPC combined to create FCS)
- 03/3Q Restructure overseas services business (FC in Americas/FS in EMEA/FAL in Australasia)
- 03/11 Fujitsu China Holdings (consolidation of 4 IT operating companies in China)

## Realign Group Companies (net reduction of 32 consolidated subs.)

- 03/10 Fujitsu Microelectronics Solutions (consolidation of 2 telco companies for semiconductor develop.)
- 03/10 Fujitsu Integrated Microtechnology (consolidation of 4 back-end assembly companies)
- 03/10 Fujitsu Network Technologies (consolidation of 4 communications development companies)
- 04/4/1 Fujitsu Prime Software Technologies (consolidation of PC software companies)
- 04/4/1 Fujitsu Applications (restructuring of 3 software development companies into 2 companies)

# Restoring Financial Soundness

## Improvement from Operations

Increased cash flows from operations: ¥117.7B (FY02) → ¥304.0B (FY03)

## Other Improvements

- Sale of shareholdings
- Pension fund transfer (proxy portion)
- Real estate securitization
- Fixed asset sales

(billion yen)

	FY 02	FY 03	
	(March 03)	(March 04)	Change
Shareholders' Equity	702.3	827.1	+ 124.7
Shareholders' Equity Ratio	16.6%	21.4%	+ 4.8%
Interest Bearing Debt	1,763.7	1,277.1	- 486.6
Net Debt	1,500.5	861.2	- 639.3

## FY 2003 Targets and Actual Results

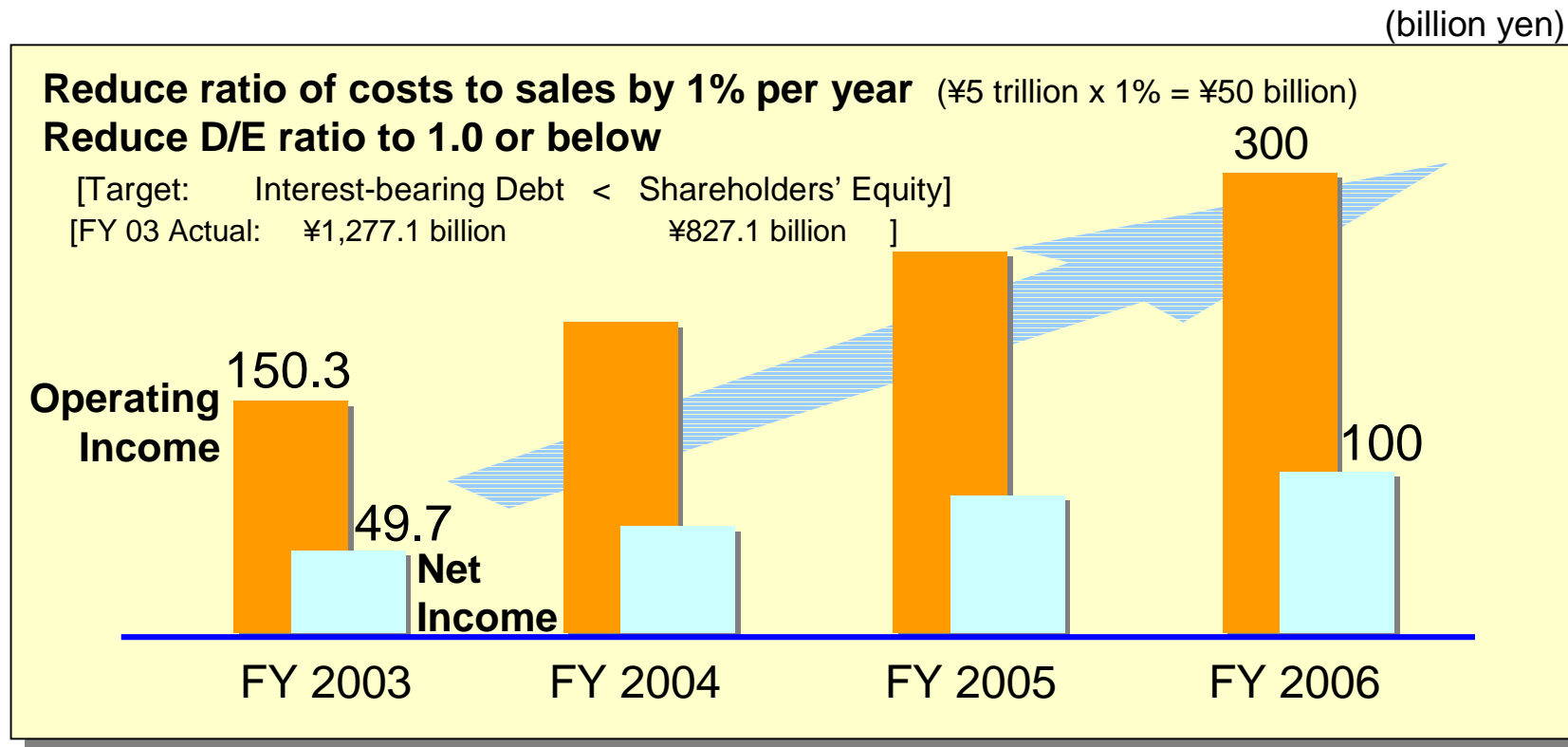
	<b>Targets</b>	<b>Results</b>
Net Sales	¥4,800 billion	¥4,766.8 billion
Operating Income	¥150 billion	¥150.3 billion
Net Income	¥30 billion	¥49.7 billion





# FY 2004 Management Direction

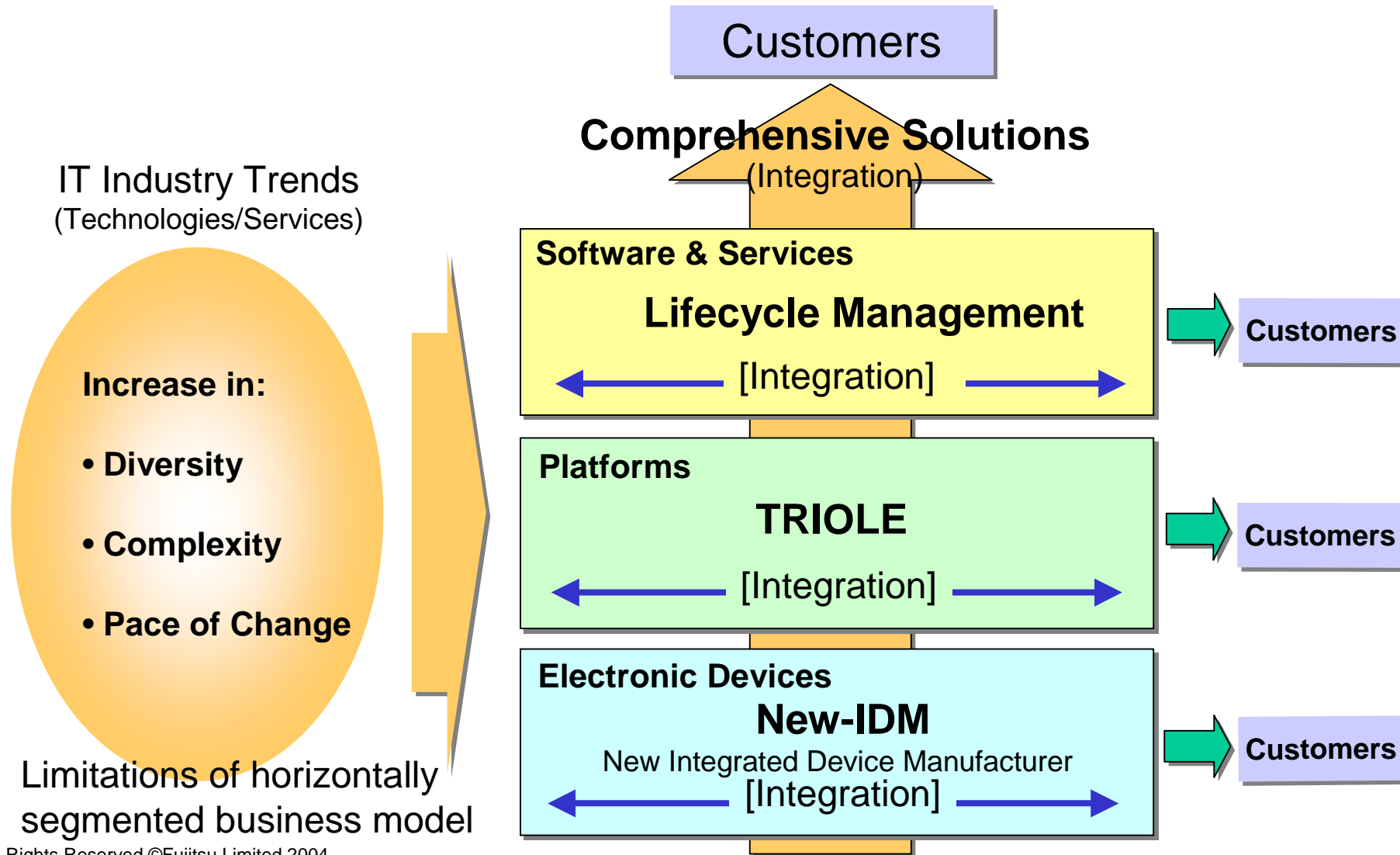
# Medium-Term Targets



Continuously provide comprehensive solutions comprising high-quality products and services based on powerful (leading-edge/high-performance/high-reliability) information technologies

# Fujitsu's Business Strategy

Leverage superiority of integrated business model



# Four Key Challenges

## 1. Strengthen Existing Businesses

- Consider profits as fixed cost of doing business
- Continue to reduce ratio of costs to sales
- Continue to accelerate management speed

## 2. Create and Cultivate New Businesses

- Rejuvenate overseas businesses
- Drive creation of ubiquitous networking market

## 3. Reform Organization and Approach

- Optimize organization from customer's perspective

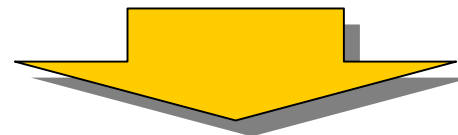
## 4. Reform Management Systems

- Enhance Visibility
- Simplify

# Strategic Direction for Fiscal 2004

A Strong Company in the Eyes of  
Customers, Shareholders and Employees

- Secure steady profitable growth
- Demonstrate leadership in products and technology
- Cultivate excellence in human resources and management



FY 2004 is the Starting Line

Shift from Defense to Offense

Change Our Corporate Rhythm

Compete on Products, People and Technology



# Platforms Business

## Market Realities

Recovery in unit volumes, but pricing pressures continue

Limitations of best-of-breed model

Further integration of software into hardware products

## Basic Strategies

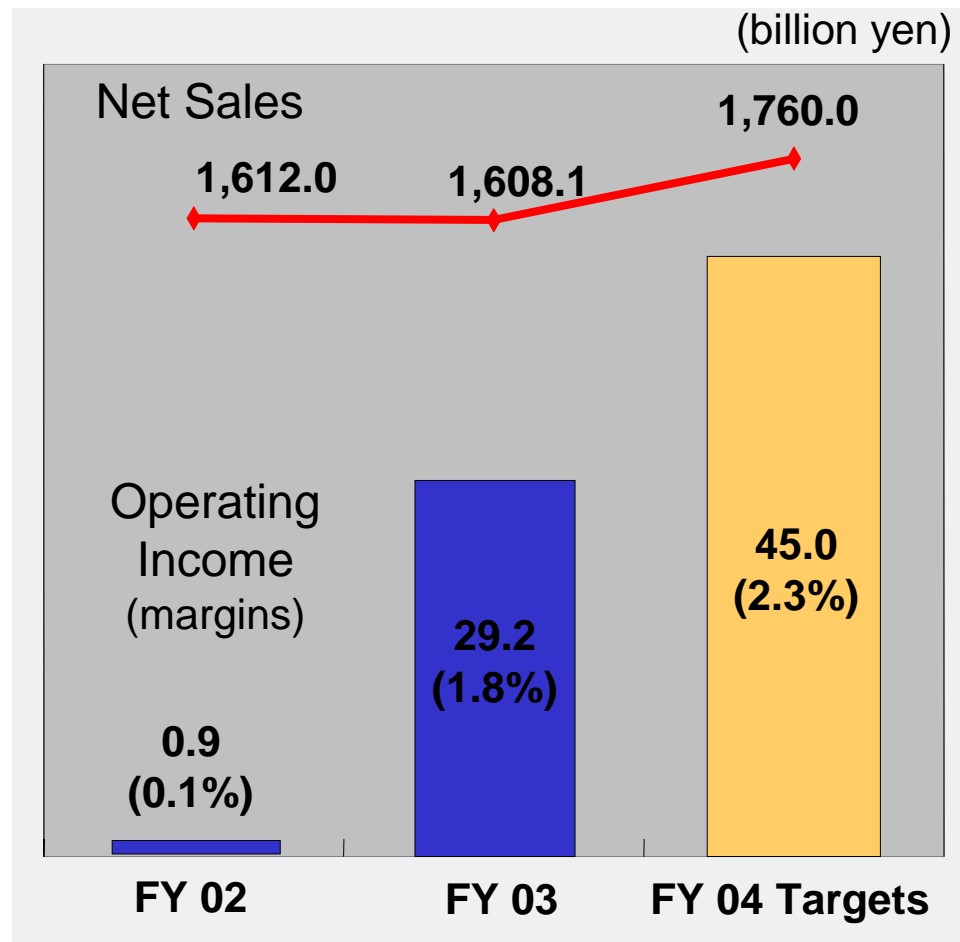
Continue to improve QCD (Quality, Cost, Delivery)

Differentiate on overall system reliability through integrated model for IT optimization (TRIOLE)

Pursue product differentiation

# Platforms Business

## FY 2004 Targets



### Strengthen Existing Business

- Expand TRIOLE
- Enhance Fujitsu 222 Initiative
- Innovate production & development
- Rebuild telecom equip. business

### Create and Cultivate New Businesses

- Launch mission-critical IA server
- Drive ubiquitous networking market
- Extend TRIOLE to global market

# Production & Development Innovation and Targets

## ■ Advance Production and Development Innovation

Extend reforms through to upstream design based on factory floor perspective

- Reform business processes
- Reform work style
- Increase value of human resources

## ■ FY 2005 Targets

Double Productivity (3X to 5X improvement for newly targeted plants/lines)

**Quality:** Double (design quality); cut design changes in half

**Delivery:** Reduce development time by 30%; cut production steps in half

**Costs:** Reduce costs by over ¥100 billion per year

(procurement, design, production)

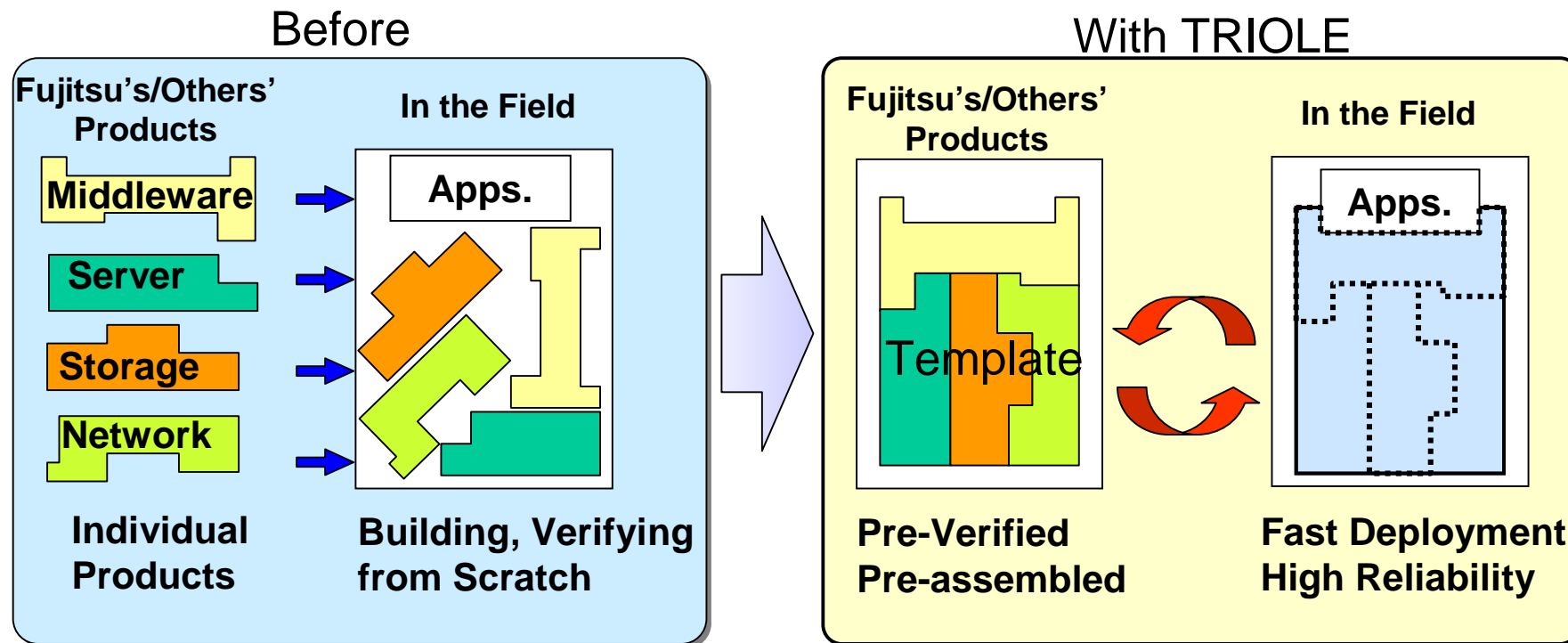
Cut wasted expenses in half

(product fix expenses, product failures, disposal costs)



# TRIOLE Expansion

## Integrated Model for Optimized IT Systems Construction



### Developing Patterns and Templates from Business Process/Usage Perspective

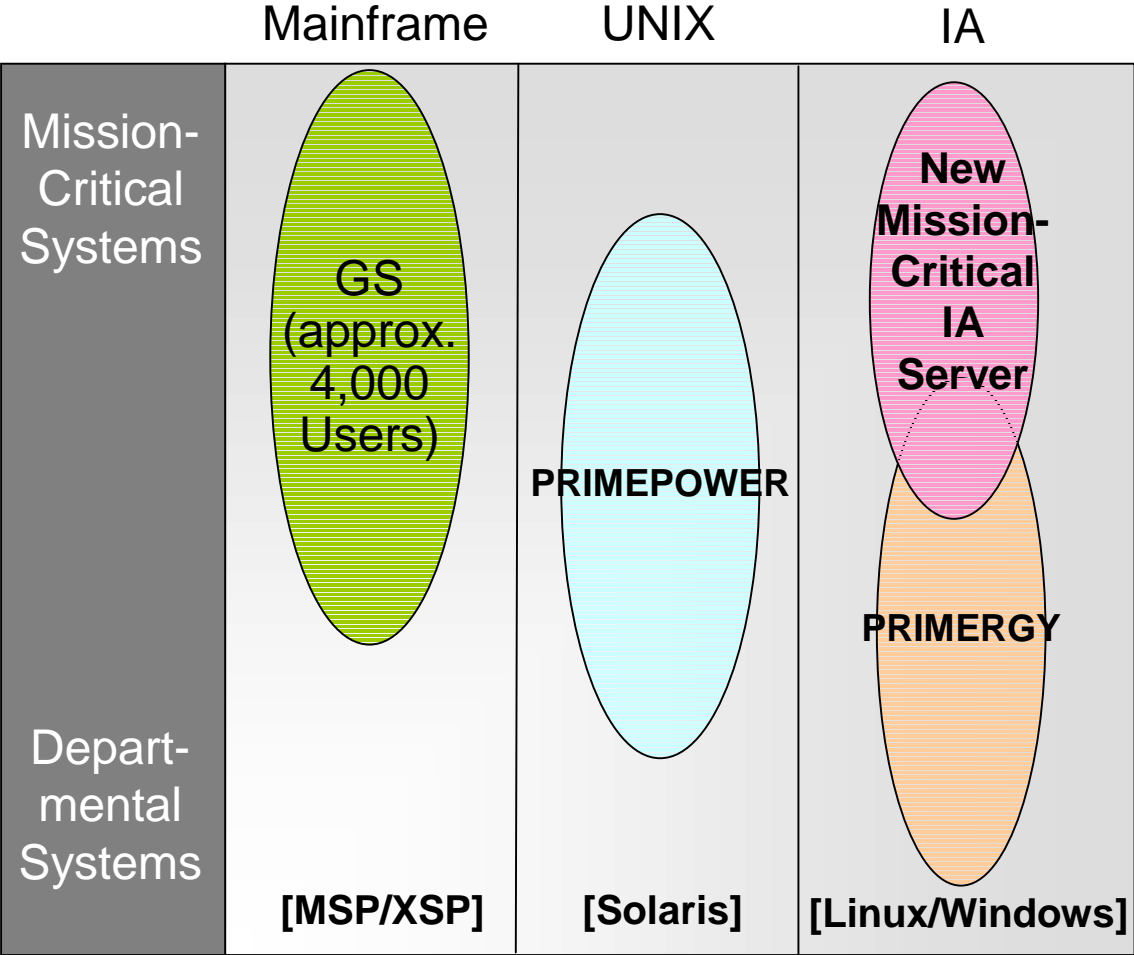
- Provides platform integration and functions to meet application requirements
- Enables reuse of middleware-implemented common functionality
- Raises efficiency of Sales, SE through accumulated proposal expertise

## Product Differentiation (Examples)

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- **PRIMEPOWER (UNIX Server)**  
High-reliability, world-leading performance (on SAP, Oracle benchmarks)
- **ETERNUS (Storage System)**  
High-reliability, world-leading performance
- **IPCOM S**  
Router/Switch/Firewall/SSL/Load Balancer functions all in one unit (industry first); saves space and cabling, reduces TCO
- **Interstage V6 Shunsaku Data Manager**  
Ultra high-speed XML Data Search System
- **Interstage V6.1 Realtime Communicator**  
Mobile communications platform using presence tracking
- **Systemwalker V11 Resource Coordinator**  
Autonomic platform for total system control
- **FLAIRINC**  
Two-way real-time communications platform

# Server Strategy



GS (mainframes)  
**Continue to support users' application assets**

PRIMEPOWER  
**High reliability from Fujitsu's proprietary hardware, large stable of ISVs from use of Solaris**

IA Servers  
**Makes optimal use of Linux/Windows open standards; differentiation on reliability**

**Introducing mission-critical IA server in FY 05**



# Software and Services Business

## Market Realities

### Recovery in demand for IT services, but competition is intensifying

- **Manufacturing:** Continuing aggressive global investment, mostly by large companies
- **Retail:** Bifurcation (large players investing aggressively)
- **Finance:** Signs of recovery despite tough environment
- **Government:** Strong demand for e-government/e-municipality services
- **Telecom Carriers:** Severe environment continues
- **Healthcare:** Growth in digital medical charts
- **Regional:** Severe environment continues
- **Mid-sized companies:** Signs of recovery for Tokyo-based firms
- **Overseas:** Strong demand in China, East Asia

### Continuing growth in outsourcing services

## Basic Strategies

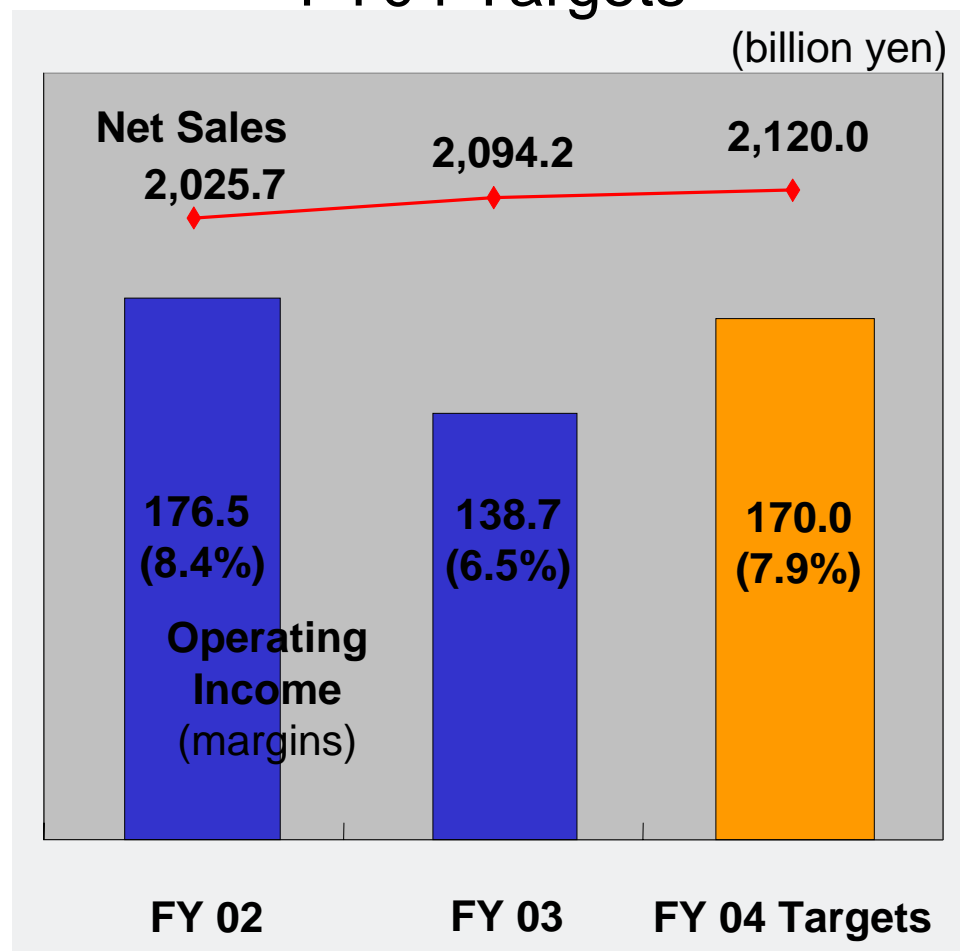
Emphasize lifecycle management

Strengthen project management

Focus on technologies and human resources

# Software and Services Business

## FY04 Targets



### Strengthen Existing Business

- Revitalize systems integration business
- Strengthen consulting capabilities
- Expand outsourcing
  - Data Center
  - On-Site
  - Network (FENICS)

### Create and Cultivate New Businesses

- Application maintenance (APM)
- Migration services
- Drive ubiquitous networking market

# Measures to Revitalize Systems Integration Business

## Renew SDAS\* Comprehensive Systems Development

- (1) Target: Reduce development times by 30-50%
- (2) Use in 100% of open standard web system projects in FY 04
- (3) Professional Development (2005)
  - 20,000 base technicians, 500 operational architects

## Strengthen Real-Time Management and Third-Party Review

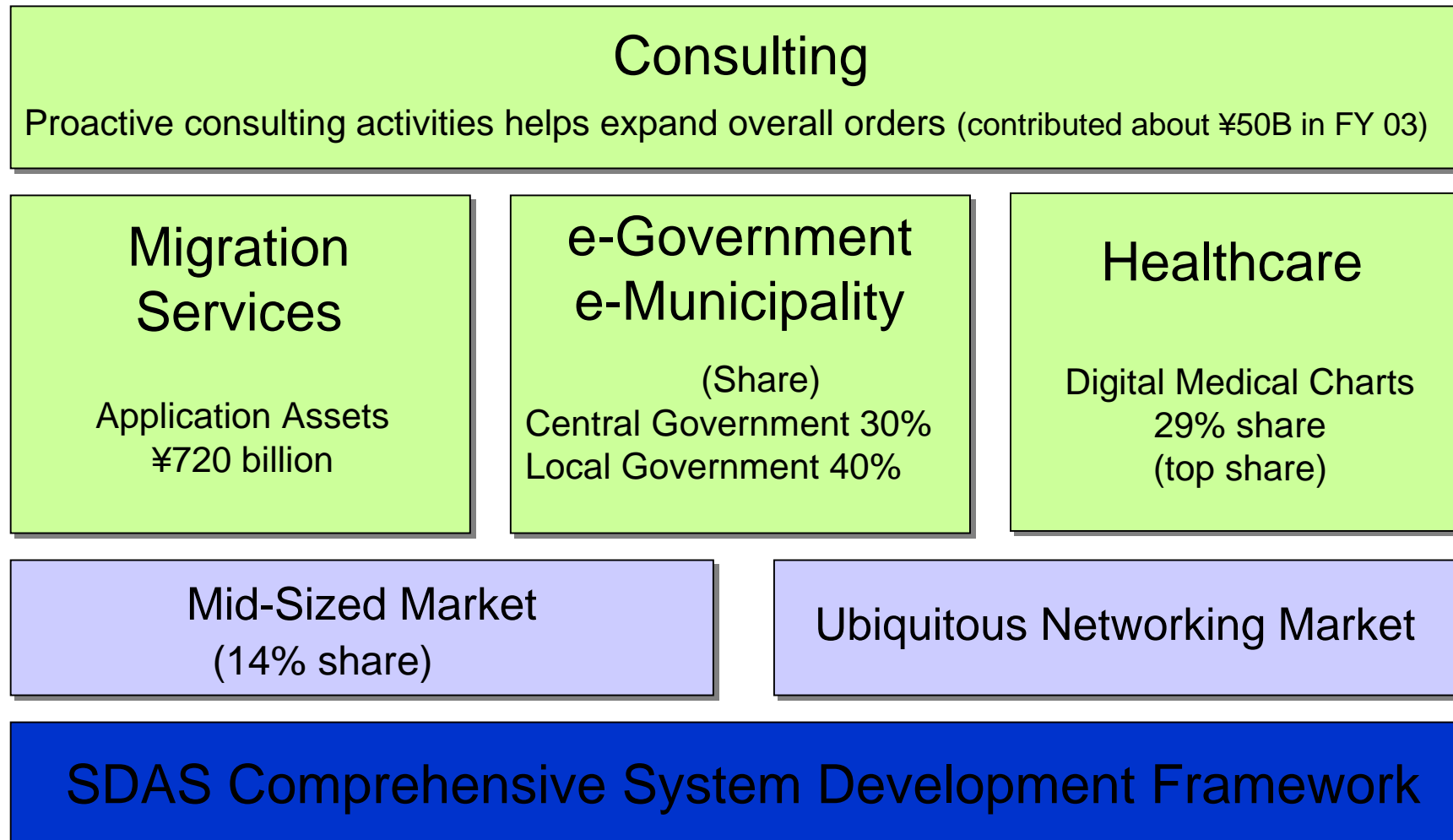
- (1) Reform project management through % of completion standards
  - Recognize earnings or losses on a monthly basis (sales/costs)
- (2) Strengthen risk management through review of business deals
  - Business Risk Management Office reviews all major deals

## Strengthen Cooperation with Core Partner Companies

- (1) Strengthen ties with 200 core partners (out of 2,000 total partner companies)
- (2) Increase support for core partners (tech for development efficiency, training)

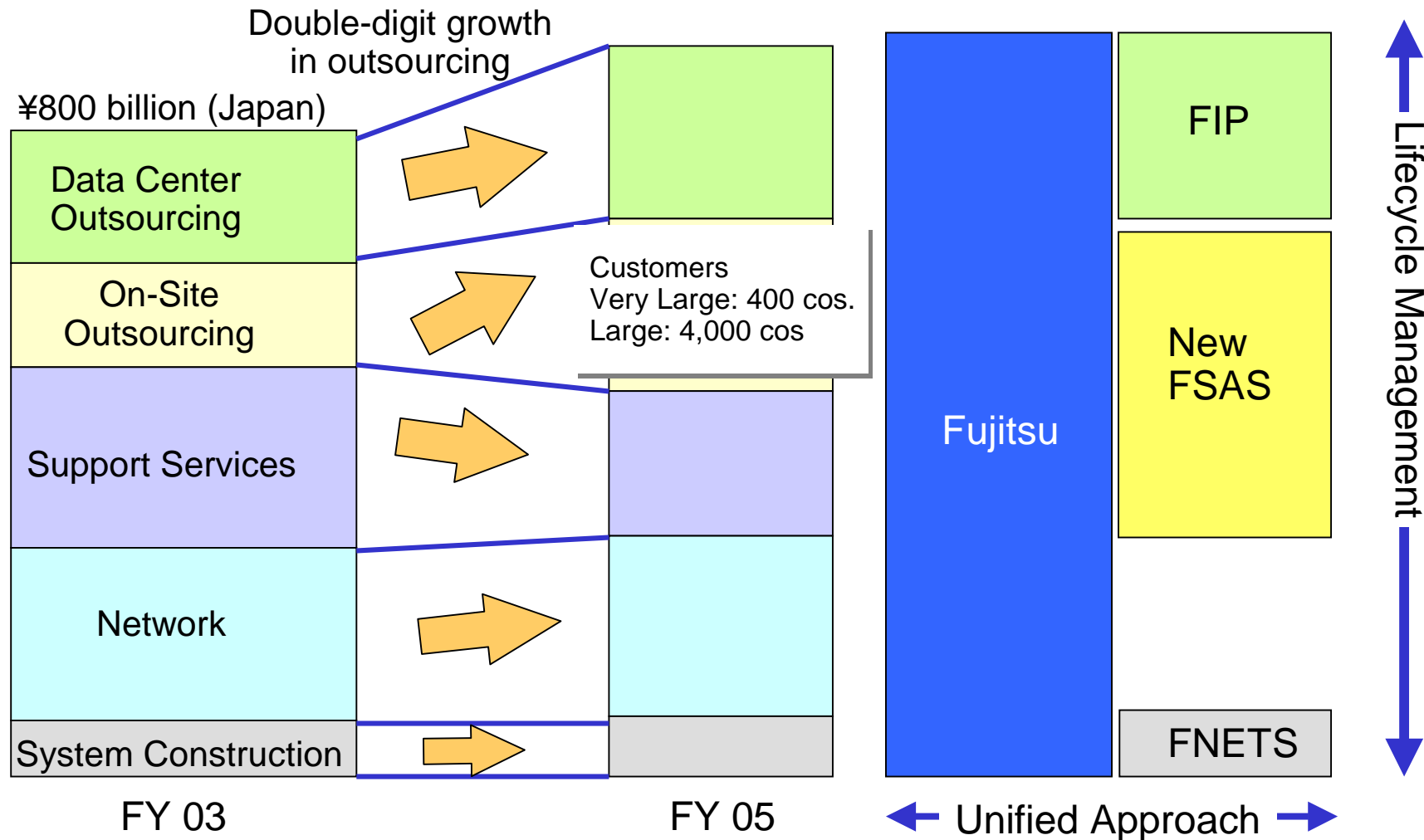
\* Systems Development Architecture & Support facilities

# Focus Areas for Solutions/SI Business



# Expand Our Infrastructure Services Business

Optimize foundation for providing lifecycle management



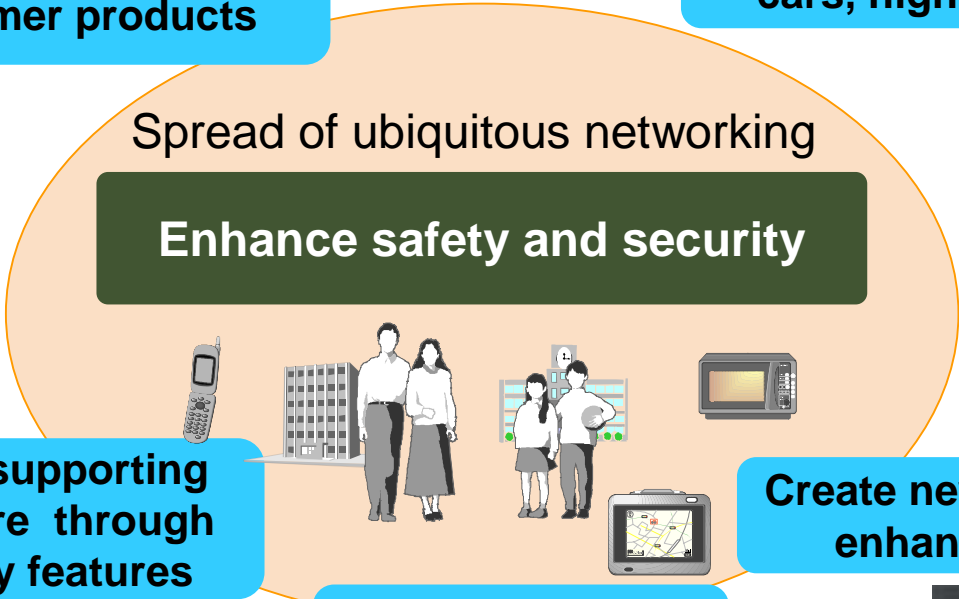


# Drive Ubiquitous Networking Market

Take advantage of our comprehensive strengths – from electronic devices to products, mission-critical systems and solutions – to create new markets

Apply software-embedded chips in digital consumer products

Develop ITS Business for cars, highways, railways



Example: car radar sensor

Improve systems supporting social infrastructure through enhanced security features

Create new markets utilizing enhanced traceability

Healthcare

Business expansion focusing on digital medical charts



99% Accuracy

Example: palm vein authentication system



Example: e-airport through RFID tags; verification system at Narita



# Electronic Devices Business

## Market Realities

Strong market will continue in FY 04

System-on-chip devices driving end-product competitiveness (performance, cost, delivery)

Progress of miniaturization highlighting limitations of horizontally segmented business model

## Basic Strategies

Enhance internal collaboration (with software and services, product groups)

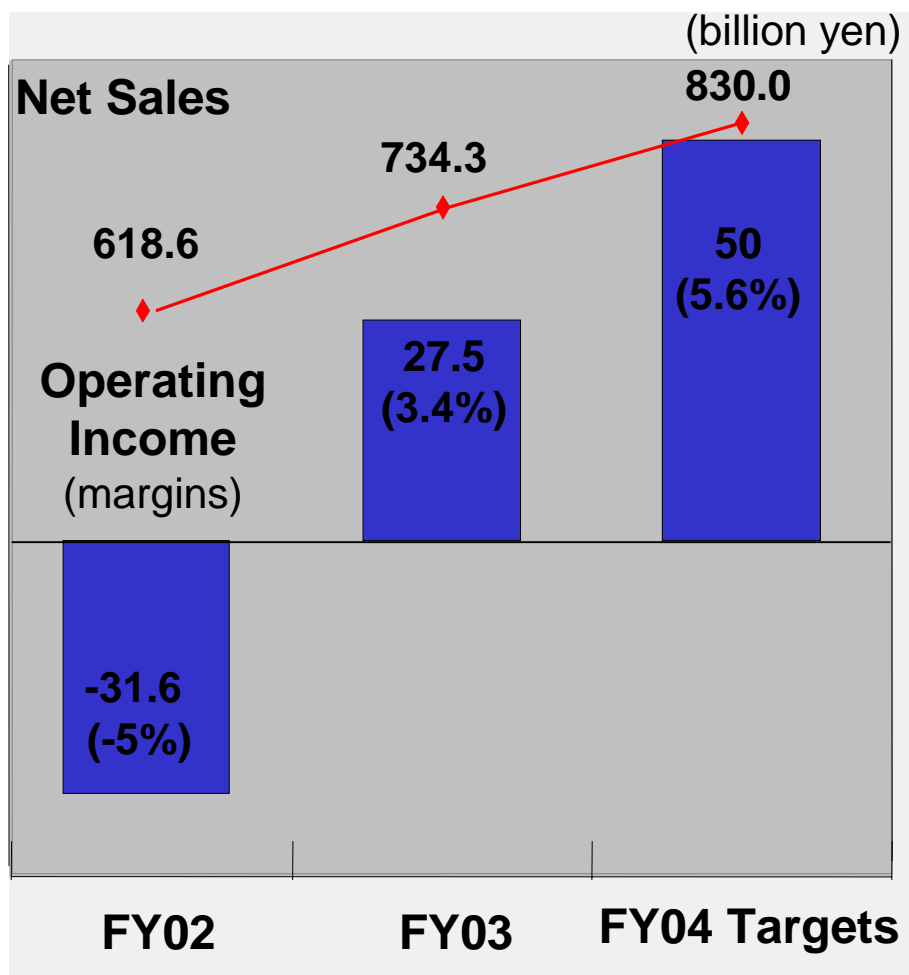
Work with customers as technology partners

Change model for recouping investment

Continue QCD improvements (Quality, Cost, Delivery)

# Electronic Devices Business

## FY04 Targets



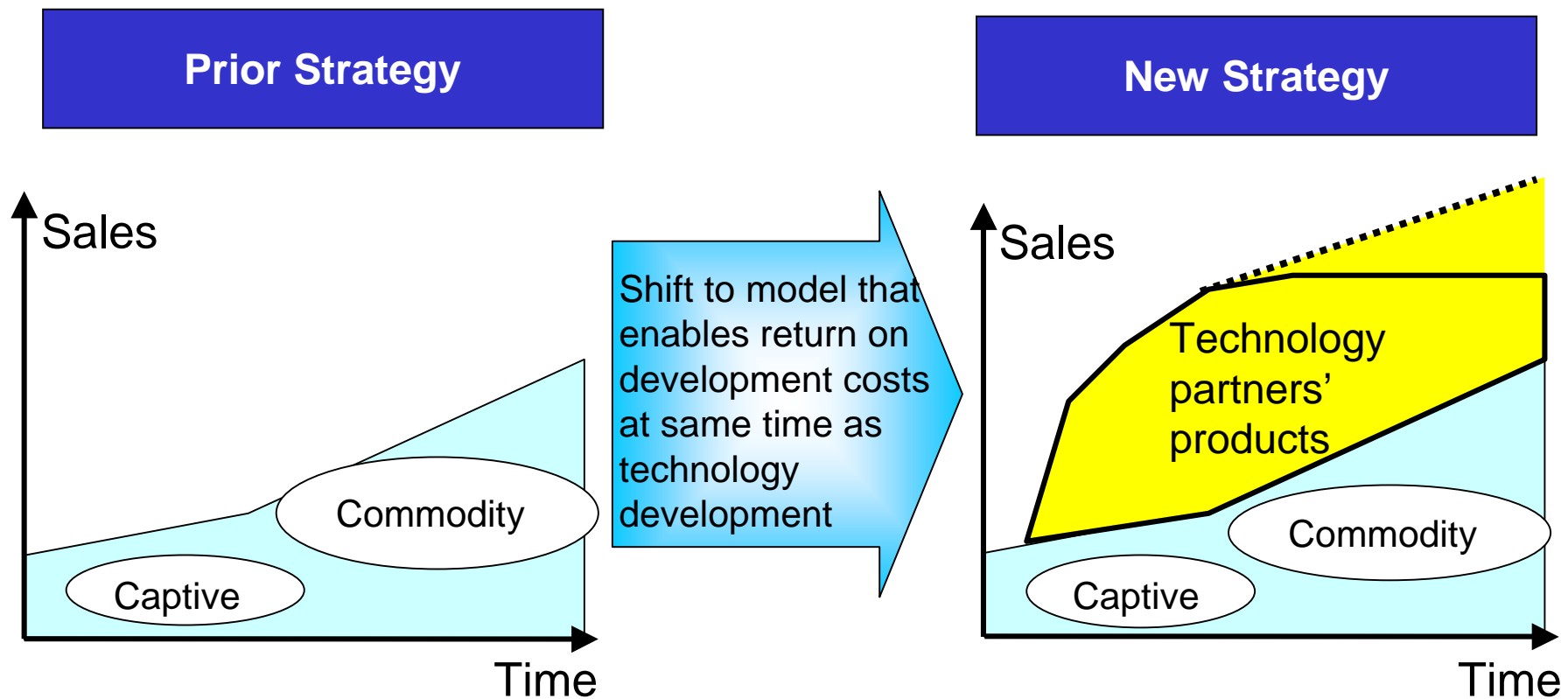
### Strengthen Existing Business

- Improve quality, meet delivery deadlines
- Reform production through introduction of Toyota-style methods

### Create and Cultivate New Businesses

- Pursue New-IDM strategy
- Construct new fab for 300mm logic chip mass production
- Develop solution-oriented products (FR-V, FRAM, reconfigurable logic, etc.)

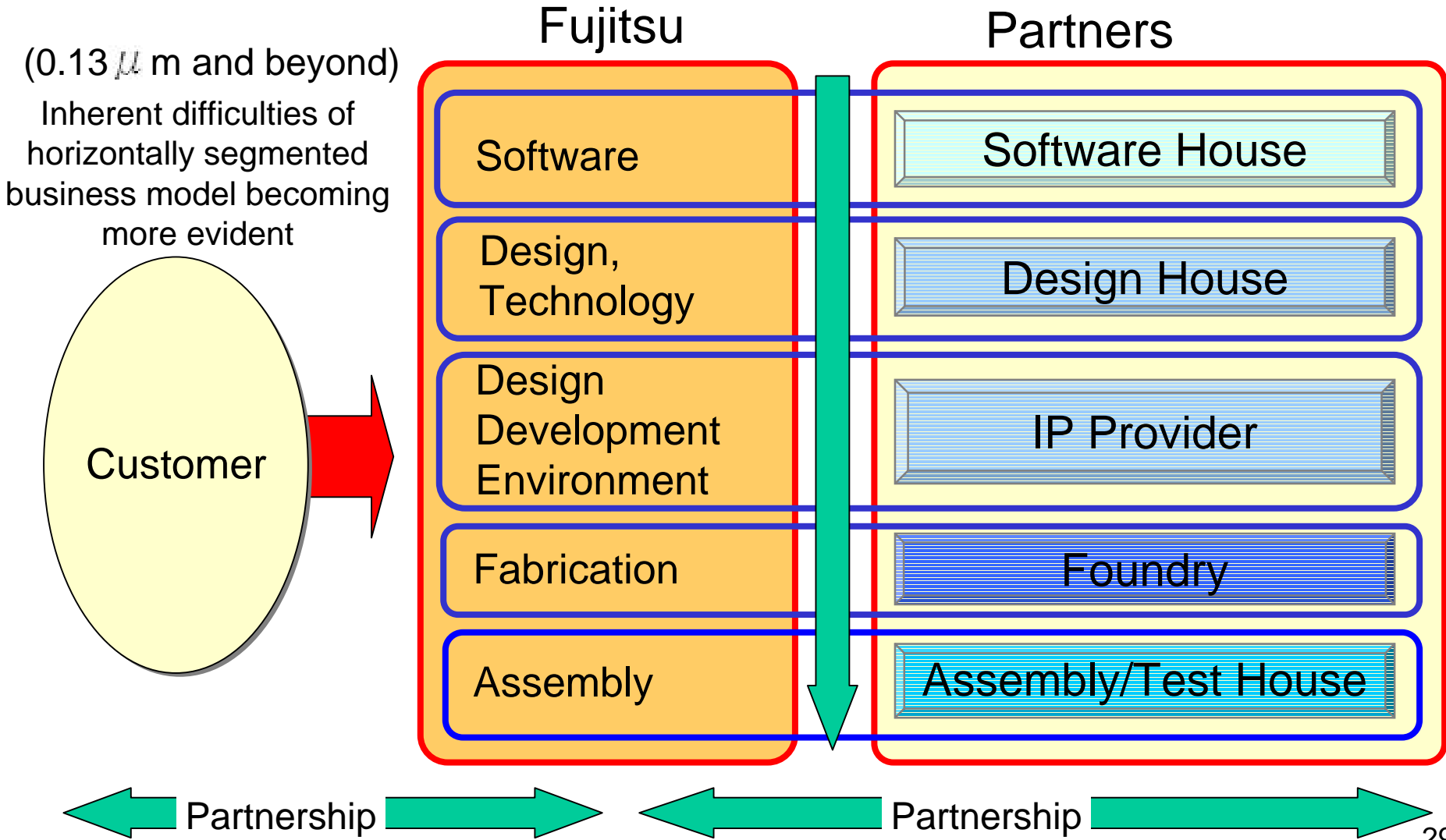
# New Strategy for Leading-Edge Logic LSIs



- Strengthen partner strategy: Leading-edge technology partners  
More than 10 companies have already evaluated our 90nm tech and agreed to become partners
- Optimize product mix of basic and leading-edge products

# One-Stop System-on-Chip Solutions

## New-IDM (Integrated Device Manufacturer)





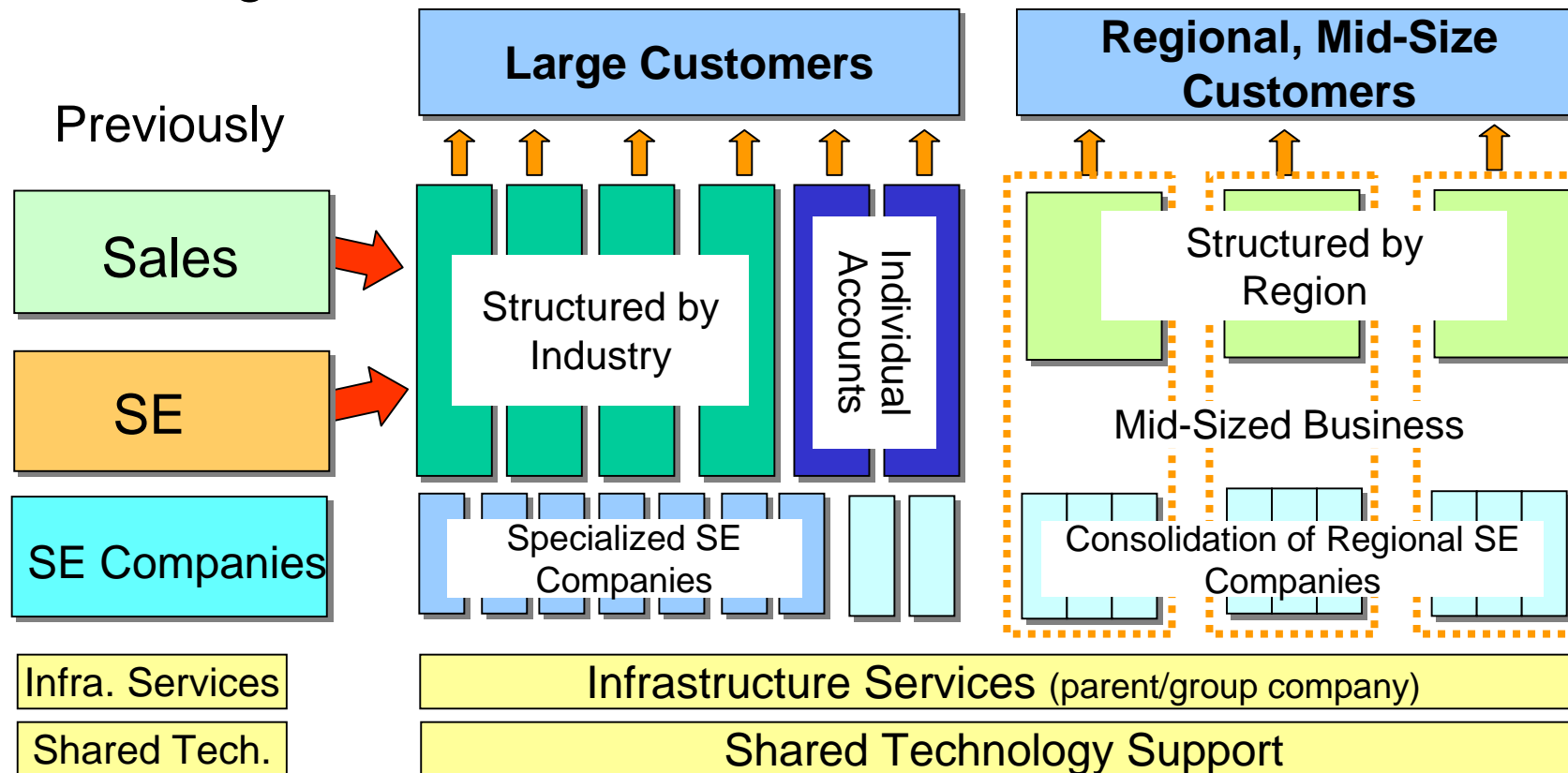
# Reforming Our Organization and Approach

## Basic Approach

- Create an organization that is easy for customers to understand
  - Single point of contact for the customer
- Accelerate responsiveness to customers
- Provide seamless support throughout the customer's IT system lifecycle
- Eliminate overlap and competition among business operations and functions

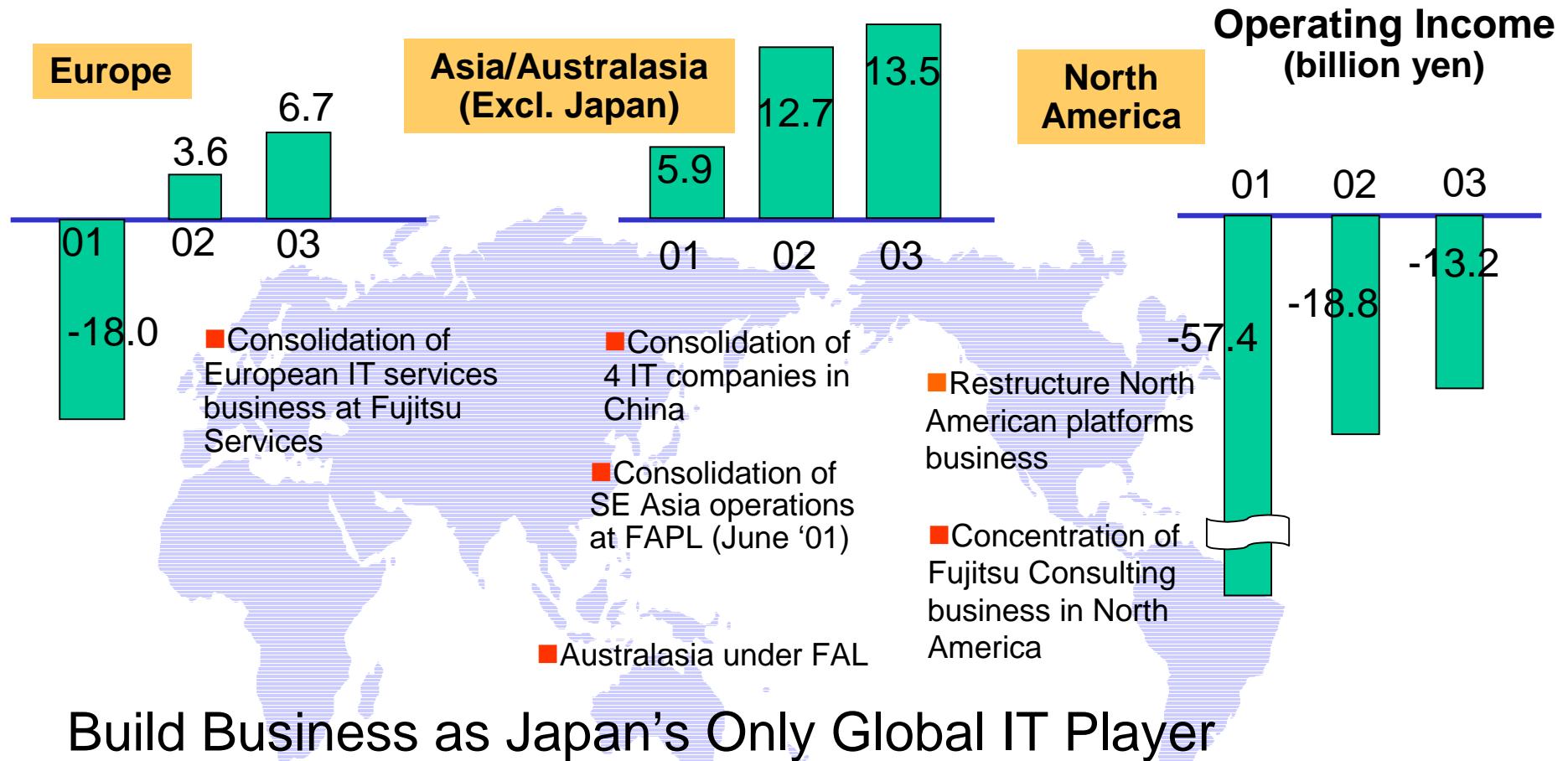
# Integration of Sales and Systems Engineering

## Getting Closer to the Customer



- Establish single point of contact for customers (lifecycle management)
- Accelerate customer responsiveness / Clarify responsibility for profit and loss
- Enhance structure for regional and mid-sized markets  
(enhance network of regional SE companies)

# Restructuring of Global Business



## Build Business as Japan's Only Global IT Player

- Secure global account support structure (including for Japanese companies)
- Leverage infrastructure services to grow European business
- Grow hardware business through global expansion of TRIOLE strategy



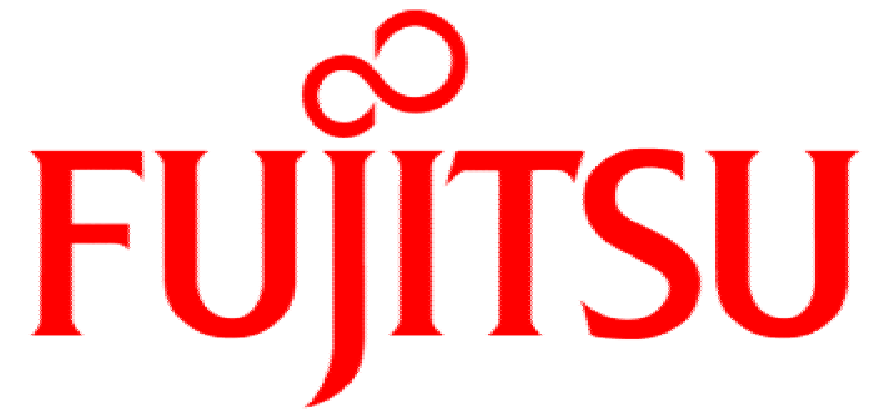


# Financial Targets

# Financial Targets for Fiscal 2004

## Fiscal 2004 (Consolidated)

Net Sales	¥4,950 billion
Operating Income	¥200 billion
Net Income	¥70 billion



**THE POSSIBILITIES ARE INFINITE**

# Cautionary Statement

The documents may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects," and similar expressions which indicate future events and trends identify forward-looking statements.

Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- general economic and market conditions in the major geographic markets for Fujitsu's services and products, which are the United States, EU, Japan and elsewhere in Asia, particularly as such conditions may effect customer spending;
- rapid technological change, fluctuations in customer demand and intensifying price competition in the IT, telecommunications, and microelectronics markets in which Fujitsu competes;
- Fujitsu's ability to dispose of non-core businesses and related assets through strategic alliances and sales on commercially reasonable terms, and the effect of realization of losses which may result from such transactions;
- uncertainty as to Fujitsu's access to, or protection for, certain intellectual property rights;
- uncertainty as to the performance of Fujitsu's strategic business partners;
- declines in the market prices of Japanese and foreign equity securities held by Fujitsu which could cause Fujitsu to recognize significant losses in the value of its holdings and require Fujitsu to make significant additional contributions to its pension funds in order to make up shortfalls in minimum reserve requirements resulting from such declines;
- poor operating results, inability to access financing on commercially reasonable terms, insolvency or bankruptcy of Fujitsu's customers, any of which factors could adversely affect or preclude these customers' ability to timely pay accounts receivables owed to Fujitsu; and
- fluctuations in rates of exchange for the yen and other currencies in which Fujitsu makes significant sales or in which Fujitsu's assets and liabilities are denominated, particularly between the yen and the British pound and U.S. dollar, respectively.