

5. Fiscal 2005 Earnings Projections

The IT market enjoyed good growth in the first half of fiscal 2004, particularly in the digital home electronics area, but the negative economic impact of higher oil prices and monetary tightening in the US and inventory adjustments in the digital home electronics market contributed to a rapid softening in the second half.

At the outset of fiscal 2005, a trend toward slower growth is evident in the US and China, which have been the drivers of the global economy. Europe, on the other hand, is experiencing a mild recovery, despite the strong euro and other destabilizing factors. IT investment in Japan is likewise expected to exhibit mild growth. We also anticipate inventory adjustments in digital home electronics to be completed and recovery to ensue from the second half.

Against this backdrop, we devoted the past fiscal year to making our organization more efficient, for example, by integrating our sales and systems engineering groups in Japan and reforming our groupwide organization and approach, so as to offer comprehensive solutions that comprise hardware incorporating leading-edge technologies, software and services, and thereby provide customers with high levels of satisfaction over the entire IT system lifecycle.

Building on these efforts, this year we will revise our business segments into customer-centric product categories. First, we are positioning Technology Solutions – covering the provision of comprehensive solutions comprising the high-performance, high-quality products, software and services that customers are demanding – as the core business domain of the Fujitsu Group, and pursuing greater profitability and growth.

Next, the Ubiquitous Product Solutions segment will include products such as PCs, mobile phones and hard disk drives, which are integral to meeting individuals' needs in the era of ubiquitous networking. In this segment we will give priority to improving speed and quality and reducing costs.

In Device Solutions, through a series of restructuring initiatives and alliances, we are focusing our resources on logic chips, and, together with related components businesses, we will pursue advanced technologies that other companies cannot match, as well as higher quality and greater efficiency.

Fiscal 2003 and 2004 were a period of retrenchment, during which we slimmed down our balance sheet and shored up our financial position. As a result, we have now recovered to a point where many of our key financial indices are on a par with 2000 levels, before the tech bubble collapsed. In 2005, will further review our structures and procedures from the viewpoint of international standards, targeting further implementation of International Financial Reporting Standards (IFRS), while identifying and managing risk factors.

We will strive to even out sales and profitability across the fiscal year and do our utmost to exceed our initial profit targets for fiscal 2005.

Based on these considerations, at this time we make the following earnings projections for fiscal 2005:

FY 2005 Earnings Projections

(Billion Yen)

	First Quarter			Second Quarter		
	FY 2004	FY 2005	Change (%)	FY 2004	FY 2005	Change (%)
Net sales	1,008.1	1,010.0	0.2%	1,211.9	1,190.0	-1.8%
Operating income (loss)	(4.3)	(10.0)	---	37.6	25.0	-33.6%
Net income (loss)	(11.8)	(30.0)	---	3.6	---	---

	Half Year			Full Year		
	FY 2004	FY 2005	Change (%)	FY 2004	FY 2005	Change (%)
Net sales	2,220.0	2,200.0	-0.9%	4,762.7	4,850.0	1.8%
Operating income (loss)	33.2	15.0	-54.9%	160.1	175.0	9.2%
Net income (loss)	(8.1)	(30.0)	---	31.9	50.0	56.7%

Broken down by segment, we project higher sales and profits in Technology Solutions, primarily on the strength of much improved profitability in Network Products and Solutions/Systems Integration. However, in Ubiquitous Product Solutions, we foresee higher sales but lower income, due to the keen pricing competition in the PC and hard disk drive markets. Due to the transfer of our display operations outside the Group, we forecast lower sales and narrower losses from those businesses, but higher depreciation and other burdens at the startup phase of our new 300-mm line at the Mie Plant are expected to further depress profitability in the Device Solutions segment. In light of worsening market conditions, this segment is expected to report significantly lower half-year results than in the previous year.

FY 2005 Earnings Projections by Main Business Segments

(Billion Yen)

		FY 2004 (Actual)	FY 2005 (Estimate)	Change from FY 2004	Increase/ Decrease (%)
Technology Solutions	Net sales	2,935.0	3,000.0	65.0	2.2%
	Operating income	143.0	180.0	37.0	25.9%
	Operating margin	4.9%	6.0%	1.1%	
System Platforms	Net sales	767.0	760.0	-7.0	-0.9%
	Operating income	36.0	40.0	4.0	11.1%
	Operating margin	4.7%	5.3%	0.6%	
Services	Net sales	2,168.0	2,240.0	72.0	3.3%
	Operating income	107.0	140.0	33.0	30.8%
	Operating margin	4.9%	6.3%	1.4%	
Ubiquitous Product Solutions	Net sales	1,031.0	1,050.0	19.0	1.8%
	Operating income	30.0	25.0	-5.0	-16.7%
	Operating margin	2.9%	2.4%	-0.5	
Device Solutions	Net sales	795.0	750.0	-45.0	-5.7%
	Operating income	33.0	20.0	-13.0	-39.4%
	Operating margin	4.2%	2.7%	-1.5%	

***Composition of New Business Segments**

Segment	Sub-segment	Main products/services
Technology Solutions	System Platforms	
	System products	Servers (mainframes, UNIX servers, IA servers), peripheral equipment used in information systems (disk arrays, etc), software, etc. *Business-use PCs are included in Ubiquitous Product Solutions
	Network products	Optical transmission systems, mobile systems (3G base station systems, etc), IP systems, etc.
	Services	
	Solutions/SI	System construction (systems integration services), system installation and operational support, consulting, etc.
	Infrastructure Services	One-stop information system operational management (outsourcing, IDC services), network environments and networking-related services for information systems (network services, Internet services), information system and network maintenance and monitoring services, etc.
	Other	Information system installation and network construction, custom terminal installation (ATMs, POS systems), etc.
Ubiquitous Product Solutions	PCs/Mobile Phones	Personal computers, mobile phones
	Hard Disk Drives	Storage devices (compact magnetic disk drives, magneto-optical drives)
	Other	Optical modules
Device Solutions	LSI Devices	Logic chips (system LSIs, ASICs, microcontrollers, FRAM-embedded logic), memory chips (flash memory, FCRAM)
	Electronic Components, Other	Semiconductor packages, SAW filters, components, etc.

These materials 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. 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 key markets (particularly Japan, North America and Europe)
- Variability in high-technology markets (particularly for semiconductors, PCs, mobile telephones, etc.)
- Fluctuations in currency exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for procurement of parts and components
- Changes in competitive relationships relating to collaboration, alliances, and technology provision
- Potential emergence of unprofitable projects