Management Direction Briefing

May 25, 2005

Hiroaki Kurokawa
President
Fujitsu Limited
The FUJITSU Way - Making Dreams Come True -

**Our Mission**

FUJITSU continually seeks to create new value by providing customers with comprehensive solutions comprising highly reliable high-performance products and services based on powerful technologies. Through this, we aim to grow, realize profits and foster mutually beneficial relationships in our communities worldwide.

**Our Values**

- **Profits & Growth**: We strive to meet the expectations of customers, employees and shareholders.
- **Environment**: We consider environmental impact in all that we do.
- **Employees**: Every one of us has a leading role to play.
- **Quality**: We aim to earn our customers’ trust in FUJITSU.
- **Customers**: Our dream is to make our customers’ dreams come true.

**Our Code of Conduct**

- Respect human rights
- Comply with laws and regulations
- Maintain confidentiality
- Protect intellectual property
- Reject unethical behavior
- Act with fairness in our business dealings
Overview of FY 2004
## FY 2004: Operating Targets and Results

<table>
<thead>
<tr>
<th></th>
<th>Targets (billion yen)</th>
<th>Results (billion yen)</th>
<th>Difference (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>4,950.0</td>
<td>4,762.7</td>
<td>– 187.3</td>
</tr>
<tr>
<td>Operating Income</td>
<td>200.0</td>
<td>160.1</td>
<td>– 39.9</td>
</tr>
<tr>
<td>Net Income</td>
<td>70.0</td>
<td>31.9</td>
<td>– 38.1</td>
</tr>
</tbody>
</table>
### Trends in Operating Income by Segment

<table>
<thead>
<tr>
<th></th>
<th>FY 2002</th>
<th>FY 2003</th>
<th>FY 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Results</td>
<td>Initial Targets (Apr. ’04)</td>
</tr>
<tr>
<td>Software &amp; Services</td>
<td>176.5</td>
<td>138.7</td>
<td>170.0</td>
</tr>
<tr>
<td>Platforms</td>
<td>0.9</td>
<td>29.2</td>
<td>45.0</td>
</tr>
<tr>
<td>Electronic Devices</td>
<td>–31.6</td>
<td>27.5</td>
<td>50.0</td>
</tr>
<tr>
<td>Other Operations</td>
<td>14.3</td>
<td>15.6</td>
<td>10.0</td>
</tr>
<tr>
<td>Consolidated Total</td>
<td>100.4</td>
<td>150.3</td>
<td>200.0</td>
</tr>
</tbody>
</table>

(billion yen)
Operating Income: Shortfall vs. Initial Projection

Segments that outperformed initial projections

Segments that underperformed initial projections

(PDP/LCD Price Reductions)

Consolidated

Initial Projection

October
Revision

January
Revision

Actual
results

Software & Services

Expansión en pérdidas por proyectos SI ganadores

System construction (public infra.), others

Results
Efforts to Improve Quality

Status of Quality for Principal Products in FY 2004

1Q FY03

- 12% Top Quality
- 23% Above Average
- 59% Below Average
- 6% Unacceptable

2Q FY03

- 3% Top Quality
- 7% Above Average
- 69% Below Average
- 21% Unacceptable

4Q FY03

- 16% Top Quality
- 3% Above Average
- 3% Below Average
- 78% Unacceptable

4Q FY04

- 2% Top Quality
- 10% Above Average
- 88% Below Average
- 0% Unacceptable
### FY 2004 Progress in Reducing Manufacturing Time

<table>
<thead>
<tr>
<th>Systems Products</th>
<th>2H FY 2004 (vs. 2H FY 2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optical Transmission Equipment</td>
<td>– 40%</td>
</tr>
<tr>
<td>Wireless Base Stations</td>
<td>– 38%</td>
</tr>
<tr>
<td>Servers</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>– 38%</td>
</tr>
<tr>
<td>Printed Circuit Board</td>
<td>– 13%</td>
</tr>
<tr>
<td>Storage Systems</td>
<td>– 31%</td>
</tr>
<tr>
<td>Notebook PCs</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
</tr>
<tr>
<td>Printed Circuit Board</td>
<td>– 18%</td>
</tr>
<tr>
<td>Desktop PCs</td>
<td>– 19%</td>
</tr>
<tr>
<td>Displays</td>
<td>– 29%</td>
</tr>
<tr>
<td>Mobile Phones</td>
<td>– 11%</td>
</tr>
</tbody>
</table>

TPS: Toyota Production System
## Meeting Platform Product Launch Targets in FY04

<table>
<thead>
<tr>
<th>Model</th>
<th>Targeted Product Launch</th>
<th>Actual Product Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIMEPOWER</td>
<td>Model 2500</td>
<td>Nov. As Announced</td>
</tr>
<tr>
<td>(1.89GHz)</td>
<td>Model 1500/900</td>
<td>Sep. As Announced</td>
</tr>
<tr>
<td></td>
<td>Model 850/650</td>
<td>Aug. As Announced</td>
</tr>
<tr>
<td>PRIMEPOWER</td>
<td>RXI600</td>
<td>Apr. As Announced</td>
</tr>
<tr>
<td>(64bit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRIMEPOWER</td>
<td>BX600</td>
<td>May As Announced</td>
</tr>
<tr>
<td>(Blade Server)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETERNUS 3000</td>
<td>Model 700, Others</td>
<td>Aug. As Announced</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETERNUS 6000</td>
<td>Model 1100, Others</td>
<td>Dec. As Announced</td>
</tr>
</tbody>
</table>
In-house Application of 90nm Technology in FY 2004

- **Processors for PRIMEPOWER**
  Achieves world-leading performance and reliability

- **Chipset for PRIMEQUEST**
  Achieves mainframe-class reliability and scalability
  Helped reduce development time

- **Baseband chip for FOMA 3G mobile phones**
  LSI power consumption reduced 50% (compared to existing tech)
Results in Implementing TPS Manufacturing Innovation

FY 2004 Progress in Manufacturing Innovation Campaign

- Implementation starting from assembly-type plants
- Strove to optimize total process, from order to manufacturing to shipment

Example of improvement: Reduction in semiconductor assembly lead-times (vs. FY03)

- FIM Aizu: - 32%
- FIM Miyagi: - 38%
- FIM Gifu: - 35%
- FIM Kyushu: - 23%

FIM: Fujitsu Integrated Microtechnology Limited
# Structural Reform: Concentrating Management Resources

## FY 2004 Business Restructuring

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Counterparty</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vertical Integration</strong></td>
<td></td>
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<tr>
<td>FHP</td>
<td>Hitachi</td>
<td>Equity Transfer</td>
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<tr>
<td></td>
<td></td>
<td>Plasma display business</td>
</tr>
<tr>
<td>FDTC</td>
<td>SHARP</td>
<td>Business Transfer</td>
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<tr>
<td></td>
<td></td>
<td>LCD business</td>
</tr>
<tr>
<td><strong>Horizontal Segmentation</strong></td>
<td></td>
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<tr>
<td>FVD</td>
<td>ULVAC</td>
<td>Business Transfer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manufacturing equipment business</td>
</tr>
</tbody>
</table>

*FVD: Fujitsu VLSI Limited*
### Improved Overseas Business Status

#### Status of Overseas Business in FY 2004

<table>
<thead>
<tr>
<th>Operating Income by Region</th>
<th>FY 2003 (billion yen)</th>
<th>FY 2004 (billion yen)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Americas</td>
<td>-13.1</td>
<td>4.3</td>
<td>+17.5</td>
</tr>
<tr>
<td>Europe</td>
<td>6.6</td>
<td>11.7</td>
<td>+5.0</td>
</tr>
<tr>
<td>Asia, Australasia, others</td>
<td>13.5</td>
<td>12.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>Overseas Total</td>
<td>7.0</td>
<td>28.1</td>
<td>+21.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Income of Principal Subsidiaries</th>
<th>FY 2003 (billion yen)</th>
<th>FY 2004 (billion yen)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCS</td>
<td>-0.8</td>
<td>2.7</td>
<td>+3.5</td>
</tr>
<tr>
<td>FC</td>
<td>-2.5</td>
<td>0.9</td>
<td>+3.4</td>
</tr>
<tr>
<td>FS</td>
<td>7.0</td>
<td>13.6</td>
<td>+6.6</td>
</tr>
<tr>
<td>FAL</td>
<td>0.6</td>
<td>1.8</td>
<td>+1.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Income</th>
<th>Net Income</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSC</td>
<td>5.1</td>
<td>9.5</td>
</tr>
</tbody>
</table>
(1) Reduced Net Amount of Deferred Tax Assets
   - Valuation allowance taken for 100% of deferred tax assets relating to previous years’ net operating losses

(2) Insufficient Pension Reserves
   - Now considering reform of pension system

(3) Risk from Stock Impairment (unconsolidated)
   - Disposed of 60 billion yen in stock impairment in FY 2004
## Major Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>FY 2003</th>
<th>FY 2004</th>
<th>Change from Prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets Turnover Ratio</td>
<td>1.18x</td>
<td>1.27x</td>
<td>+ 0.09x</td>
</tr>
<tr>
<td>Shareholders’ Equity Ratio</td>
<td>21.4%</td>
<td>23.5%</td>
<td>+ 2.1%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>371.4 bil. yen</td>
<td>262.1 bil. yen</td>
<td>– 109.3 bil. yen</td>
</tr>
<tr>
<td>(from business operations)</td>
<td>89.1 bil. yen</td>
<td>93.7 bil. yen</td>
<td>+ 4.6 bil. yen</td>
</tr>
<tr>
<td>Interest-Bearing Loans</td>
<td>1,277.1 bil. yen</td>
<td>1,082.7 bil. yen</td>
<td>– 194.4 bil. yen</td>
</tr>
<tr>
<td>Net Interest-Bearing Loans</td>
<td>861.2 bil. yen</td>
<td>628.0 bil. yen</td>
<td>– 233.1 bil. yen</td>
</tr>
<tr>
<td>D/E Ratio</td>
<td>1.54</td>
<td>1.26</td>
<td>– 0.28</td>
</tr>
<tr>
<td>Net D/E Ratio</td>
<td>1.04</td>
<td>0.73</td>
<td>– 0.31</td>
</tr>
</tbody>
</table>
Looking Back at FY 2004

Status of Each Segment

**SI Business**: risk management organization in place  
(effect of Solutions Business Restructuring)
- About 75% of loss-generating contracted projects were completed;  
situation brought under control
- Strict risk management procedures applied to all new SI projects

**Platforms Business**: return to profitability completed in  
*nearly every* sub-segment

**Electronic Devices Business**: completed preparations  
for concentration on LSI business
Remaining Issues

(1) Standardization of Sales/System Engineering business processes

(2) Shift efforts to growth/new business fields

(3) Strengthen global business
Strategic Direction for FY 2005
Four Key Challenges (The Second Year)

**Intensify and Accelerate Efforts**

1. **Strengthen Existing Businesses**
   - Consider profits as fixed cost of doing business
   - Continue to reduce cost ratio
   - Continue to accelerate management speed

2. **Create and Cultivate New Businesses**
   - Rejuvenate our overseas businesses
   - Drive creation of ubiquitous networking market

3. **Reform Our Organization and Approach**
   - Optimize organization from customer’s perspective

4. **Reform Management Systems**
   - Enhance visibility
   - Simplify
Target for FY 2005

Operating Income

-74.4 → 100.4 → 150.3 → 160.1 → Target: 175.0 +

Create and cultivate new businesses

Shift to offense

Structural Reform

Solidify base

Strengthen existing businesses

SI Productivity/TPS
- Improve delivery time and quality
- Reduce costs

SBR

Revitalize management / organization

- Overseas, SME markets
- Create new businesses
- Deepen customer relationships

“Virtuous Cycle”

- SI Productivity / TPS
- Improve delivery time and quality
- Reduce costs

Target: 175.0 +

FY 2001 FY 2002 FY 2003 FY 2004
Create a Virtuous Cycle

Cost Reduction (Improving QCD) Is the Foundation

Ideal partner to support customers’ IT

Return Benefits to Customers

Reinvest

Expand Sales

Strengthen Products

Reduce Costs

R&D / Design

Production

Profits

Procurement

QCD: quality, cost, delivery
Future Evolution of the IT Market

Diversification in Use of Semiconductors

- Middleware and Embedded Applications
- Applications and Services
- Consumer Electronics
- Telecom
- Others

Source: Semiconductor Market Forecast, IBS (April 2004)
Future Evolution of the IT Market

Everything Involves IT

Share of Semiconductors in Value of Production

- Measuring instruments
- Calculators
- Telecom equipment
- Home appliances
- Precision machinery
- Heavy machinery
- Automobiles

Based on data from Census of Manufacturers (Japan)

Volume of Software Developed for Automobiles
(index: 1994=1)

- 94 95 96 97 98 99 00 01 02 03

Microcontrollers Used per Automobile

- 91 95 99 03 07

Source: Nikkei Electronics, 3/1/03
IT to Drive Innovation in the Field

IT-driven Innovation on the Front Lines Will Deliver New Competitive Power

Solid IT Infrastructure
Combining long-term assurance & the latest technology
Automating On-Site Maintenance Support (Fujitsu Example)

Customers’ Systems

Network

Maintaining Customers’ Systems via the Network
REMCS (hardware trouble/symptom report system)
HRM (structural information collection system)
SDB (operational status logging system)

PRIMEPOWER: Maintenance Examples

<table>
<thead>
<tr>
<th>Maintenance Dispatch Rate (per server)</th>
<th>Repair Times</th>
<th>Problem ID Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>(w/o REMCS) 21.4 vs. (with REMCS) 17.4</td>
<td>2 hrs 21 min vs. 1 hr 41 min</td>
<td>89 vs. 67</td>
</tr>
</tbody>
</table>

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IT to Drive Innovation in the Field

Providing Greater Dynamism, Security, Enjoyment and Convenience from Individual’s Perspective

- Educatio
- Entertainment
- Travel
- Driving
- Nursing Care
- Health care
- Shopping
- Government Services

Broadband Network
IT to Drive Innovation in the Field

Key Success Factors

Broad and Diversified Customer Base
(advantage in the era of connectivity)

Innovation in the Field

Depth of Applications Expertise
(front lines experience)

Broad Scope of Technologies
(key technologies and integration capabilities)
Quickly Turn R&D Results into Business Opportunities

Coordinate R&D and Product Roadmaps

R&D Fields (examples)

- System architecture
- Autonomics/virtualization
- Clustering
- Software development
- Wireless (Photonics)
- Milliwave (Mobile IP)
- Infrared
- Biometric authentication (RF-ID)
- Encryption/network security
- Miniaturization/fabrication (High speed/low power consumption)
- High-precision measurement/analysis
- High-performance interconnect

Toward Product Development (examples)

- Next-Generation Server Systems
  - Blade servers
  - Organic servers
  - Petabyte storage
  - SystemWalker
- Next-Generation Network Systems
  - Mobile systems
  - WiMAX Systems
  - Optical transmission systems
  - ITS
- Ubiquitous Networking-Related
  - PCs/mobile terminals
  - Palm-vein authentication
  - RF-ID solutions
- Technology
  - 90/65nm LSI logic
  - MEMS/HDD head media
  - Optical devices
Shift Resources to New Growth Fields

“Potential New Investment Areas”

- Bio
- Hi-end agriculture
- Nanotech
- Digital production
- Traceability
- Healthcare
- ITS
- Content
- Safety/security...

“Field”

“Back” Office

Existing Market (IT investment)

Resource Shift

- CRM market
- SFA market
- BPO market

Growth area of existing IT market

Existing Fujitsu Resources

HR Management Unit
Promote flexible HR allocation in line with business development
Pursue Advantages of Integration Model

“Innovation in the Field”
(totally integration)

Customers

Technologies and Services

Diversity
Complexity
Speed of change

Limits of horizontally segmented business model

Services
Lifecycle Management (LCM)
(Integration)

Products
TRIOLE
(Integration)

Electronic Devices
New IDM
New Integrated Device Manufacturer
(Integration)

customers

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Move from Product Sales to Service Delivery Model

Reform Our Delivery Structure

Production → Utilization

Product Sales Model

Sales of service products
Software sales
Hardware sales

Services on the Network
ASP (Software as a Service)
SaaS
Utility Computing
Outsourcing

Service Delivery Model

Small number of customers
Systems integration
Human-delivered services

Many customers (all)
Services integration
Network-delivered services
Products

Market Trends

- Unit volume demand will recover, but downward pressure on prices will continue
- Increasing demand for higher reliability in an open architecture environment
- High growth in overseas markets continuing

Basic Strategy

- Continue QCD improvements (Quality, Cost, Delivery)
  - Extend manufacturing reforms to include reforms at development stage
- Differentiate based on overall system reliability leveraging integration model (TRIOLE)
- Accelerate push in global markets
### Make 1Q Shipments Basic Principal for Roadmap

#### Server Roadmap Example

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Main-frames</strong></td>
<td>GS21</td>
<td></td>
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<tr>
<td><strong>UNIX Servers</strong></td>
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<tr>
<td>PRIMEPOWER</td>
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<td></td>
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<tr>
<td>1.35GHz</td>
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<tr>
<td>PRIMEPOWER</td>
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<td>1.89GHz</td>
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<td>PRIMEPOWER</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.16GHz</td>
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<tr>
<td><strong>IA Servers</strong></td>
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<tr>
<td>Mission-Critical</td>
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<tr>
<td>Server PRIMEQUEST</td>
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<tr>
<td>FT Server</td>
<td>1st Quarter</td>
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</tr>
<tr>
<td>Blade Server</td>
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<tr>
<td><strong>Storage</strong></td>
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<td>ETERNUS</td>
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<tr>
<td>3000/6000</td>
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<tr>
<td>ETERNUS</td>
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<tr>
<td>VD800</td>
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</tr>
<tr>
<td><strong>Storage</strong></td>
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<tr>
<td>ETERNUS</td>
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<tr>
<td>VD800</td>
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<tr>
<td>ETERNUS</td>
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</tbody>
</table>

- Further expand global sales
- Fujitsu / SUN Integrated Product Line
- Next-generation processor
- Ensuing generation processor
- Next-generation ETERNUS
System Products

New Product Introduction and TRIOLE Expansion Are Key Points in 2005

Server-related

Introduce competitive new products
  PRIMEQUEST (mission-critical IA server)
  PRIMEPOWER new model (2.16GHz)
  PRIMERGY new model (64bit EM64T)
  ETERNUS IA server-compatible low-price model
  IPCOM S (network server) new model

Middleware

Provide speedier migration to open environments and deliver new functionality
  Early compatibility with mission-critical IA server (Interstage/Systemwalker)
  Provide SOA (Service Oriented Architecture) infrastructure (Interstage)

TRIOLE Expansion

Strengthen integration capabilities
  Expand global competency centers
  Intensify development and utilization of TRIOLE templates

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PRIMEQUEST Roadmap

Commercialization of System with Latest Intel® Itanium®2 Processor

PRIMEQUEST
With Montecito processor

PRIMEQUEST
With Montvale processor

PRIMEQUEST
With Itanium®2 1.5/1.6GHz processor
Available from end of June 2005

Windows version available from end of September 2005
- Microsoft® Windows Server™ 2003, Enterprise Edition
- Microsoft® Windows Server™ 2003, Datacenter Edition
- Novell® SUSE® LINUX Enterprise Server 9 (from end of September 2005)

Linux version available
- Red Hat Enterprise Linux AS (from end of June 2005)
Accelerate TRIOLE Expansion

Expansion of Global Competency Centers

- Verify wide range of systems based on customer’s needs
- Joint verification together with business partners
- Platform consulting

Expand Activities Near Customer Locations

Visitors to Platform Solution Center in Tokyo

<table>
<thead>
<tr>
<th>Month</th>
<th>Number</th>
<th>Month</th>
<th>Number</th>
<th>Month</th>
<th>Number</th>
<th>Month</th>
<th>Number</th>
<th>Total (as of May 17)</th>
</tr>
</thead>
</table>

UK (November 2004)

Germany (2002)

Tokyo (December 2004)

Singapore (May 2005)

California (May 2005)

NEW!

Verify wide range of systems based on customer’s needs
Joint verification together with business partners
Platform consulting

UK
Germany
Tokyo
Singapore
California
(2002)
(December 2004)
(May 2005)
(May 2005)

About 15,000

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Intensify TRIOLE Template Development

Accelerating TRIOLE Expansion

For existing systems

2004
TRIOLE Templates
Strengthen for medium sized users

2005
Parameter Tools
Preparation of operating infrastructure

For new technologies

2006
Pi Configurator
Improve accuracy of estimates
Expand to system construction/operation and maintenance

Virtual, autonomic infrastructure
Rebuild mission-critical systems, Ubiquitous networking

Business grid

Customer Benefit Examples in FY04

For Company A:
Reduced design time: 3 wks → 2 wks
Reduced build time: 3 wks → 1 wk

For Company B:
Reduced design tasks by more than 80%

For Company C:
Reduced design tasks by 45%

Project Orders:
FY03: 88 → FY04: 561 → FY05: 1,800 (target)
Pi Experts: Total 3,000 people in FY2005
Network Products

Returned to Profitability in FY04; Reinforce Profit Structure in FY05

**Optical Systems**
Maintain No. 1 share in N. America (‘04: 28% → ‘07: 30%+); exploit CATV market

**Access**
Japan: Consolidate operations at Fujitsu Access to improve speed/cost
Overseas (UK): Selected as preferred supplier for BT’s 21st Century Network
Exploit new access technology (WiMAX) for business development

**Mobile Systems**
Japan: Maintain position in NTT DoCoMo market
  - Participate in eAccess field trial (commercialization in FY06)
Overseas: Leverage collaboration with Alcatel (Evolium) to expand in Europe and China markets

**IP Systems**
Alliance with Cisco for joint development of high-end routers
Expand Mobile Systems Sales in Overseas Markets

- Accelerating investment in W-CDMA (FY05)
  - Europe: Start of full-fledged service
  - China: Licensing from this year

- Cooperation with Alcatel
  - Development JV: Evolium (established in 2000)
    GSM (2G) compatible, low cost, scalable
  - Adopted by 24 carriers in 20 countries (including Orange)

Global W-CDMA Share: 10% ('04) ➔15% ('07 Target) (Fujitsu and Alcatel)
Ubiquitous Products

Boost Product Competitiveness and Intensify QCD Improvements in FY 2005

**PCs**

Deliver new value through leading-edge technology
- Consumer: “view/record/save” functionality
- Enterprise: Pursue advanced security; customize to meet customer needs

Expand manufacturing innovation (high-level SCM and development innovation combined with manufacturing reforms)

Pursue world’s highest levels of quality

**HDDs**

Continue to increase share through competitiveness in delivery and quality
- 3.5-inch ('03: 20% ‘04: 23%)
- 2.5-inch ('03: 18% ‘04: 24% leap into second place)

Reduce development burden through collaboration with TDK

**Mobile Phones**

Make further cost reductions and quality improvements through development reforms
Unprecedented Power:
32” Wide-Screen LCD All-in-One-Unit PC
DESKPOWER TX

- The power of Hi-Vision quality in a 32” wide-screen liquid crystal display
- Combines LCD television, DVD recorder and PC into a single unit
- Beautiful picture quality using Dixel technology

Supports Terrestrial, BS and 110° CS Digital Broadcasts
Restructure Product Development Organization

Accelerate Pace and Optimize Development Capabilities

**IT-related Development Companies**
- Fujitsu Prime Software Technologies (PST)
- Fujitsu Hyper Software Technologies (HST)
- Fujitsu Info Software Technologies (IST)

**Network-related Development Companies**
- Fujitsu Mobile Communications Technologies (FMCT)
- Fujitsu Network Technologies (FNT)

**Integrate Into Parent Company**

- Concentrate technical strengths, know-how, and development management
- Further accelerate high-quality product development
Services

Market Trends

Demand for services is gradually recovering, but competition intensifying

- Manufacturing: Mainly large companies continue aggressive spending for global operations
- Retailing: Bifurcated market, large companies aggressively investing
- Financial Services: Greater inclination toward IT investment
- Public Sector: Fewer large projects
- Carriers: Amidst severe conditions, aggressive investment in targeted areas
- Healthcare: Digital medical record business expanding, but competition increasing
- Regional (Japan): Severe conditions continue

Demand for outsourcing services continues to increase

Basic Strategy

Make SI business healthier

Focus on Lifecycle Management (LCM)

Increase orders in new business areas

Place emphasis on technology and human resources
Standardize Sales/SE Business Processes

From Individual to Organization-Wide Activities

Add Value to Proposals

Promotion Meeting  ACP Workshop  Proposal Workshop

Process Management

Plan  Opportunity  Business Discussions  Construction  Operation

Account Plan  Pipeline Management  Project Management

SI Assurance

SI Assurance Unit

Follow-up after SI project deal
Eliminate SI losses and improve customer satisfaction
Implement Percentage of Completion Methods

Introduced as Standard Procedure in Following Projects from April 2005

(1) Applicable Products: SI, PROPOSE (combined product)
(2) Cycle: Recognize income based on monitored monthly progress and costs

- Projects with formal contract signed, amount and conditions set
- Projects with work plan that has been agreed to by customer
- Projects with defined progress milestones

(Required for all projects with development costs of 100 million yen or more)

Achieve Real-Time Management of the SI Business
Contribute to a More Level Distribution of Sales
(Correct the tendency to concentrate sales in the 4th Quarter)
Shift to P&L Management by Market Segment

Capture Customers’ Total IT Investment

Customers Customers Customers Customers Customers

One Fujitsu

Manufacturing & Distribution
Telecom, Utility & Media
Financial Services
Public Sector
Regional
Global

Solutions / SI

Lifecycle Management Services

System Platforms

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Expand LCM Services

LCM: Lifecycle Management

Net Sales (billion yen)

Target for Sales Growth: 120%+
Target for Operating Income: 60 billion yen

Operating Margin

Growth Targets for 2004-2007

ITO (IDC) 25% Networks 10%
ITO (onsite) 20% APM 35%
Support Desk 10% BPO 10%

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Results from Consolidation of System Support & FSAS

PC Lifecycle Management Sales

Sales begun June 2004

No. of Business Discussions: 300+

Number of Wins in 2004: 20 Companies

2004 Results
Orders: 9.0
Sales: 2.8

2005 Targets
Orders: 12.0
Sales: 7.5

(billion yen)

2004 → 05
Orders: +33%
Sales: +168%

FY 2005 Targets

Sales Target: 400 company wins, 100 billion yen in orders over a three year period
Strengthen Our Network Services Group

Corporate Customers

“One-Stop Offering”
Leverage Expertise in IP/IT and Business Processes

Network Services Group

Products
- Telephony (IP-PBX)
- Routers/Switches (Si-R, SH, Cisco)
- Network Servers (IPCOM)
- Servers/Storage/PCs, etc.

Network Services
- Infrastructure Services (FENICS)
- Network Design, Construction, Operation and Maintenance
- Outsourcing
- High Added Value Services (LCM etc.)

LCM: Lifecycle Management
Increase Efforts in Growth/New Business Areas

(1) Strengthen Business in Tokyo Metropolitan Area

(2) Expand Business in Healthcare Sector

(3) Expand Business in Security/Public Safety Fields

(4) Expand Ubiquitous Networking-related Business
   RF-ID, ITS, Biometric Authentication (palm-vein pattern recognition, etc.)
Strengthen Business in Tokyo Metropolitan Area

Shift Efforts to Tokyo Metropolitan Area, Where We Can Expect High Growth Rates

- Through reorganization along industry lines, accumulate know-how and strengthen industry-specific strategies
- Maximize customer satisfaction by accelerating and fully implementing the integration of sales and system engineering groups

Strengthen SME Business in Tokyo Metropolitan Area

Industries & Distribution Solutions BG)
Tokyo Solutions Business Unit

Regional Business Group)
Kanto-Koshinestu Region Sales Unit

Regional Business Group)
Tokyo Partners Division

Tokyo Metropolitan Area Sales Unit
Expand Business in Healthcare Sector

Foothold for Pursuing Field Innovation

Market Size (next 3 years):
Medical IT Market: 1.0 trillion yen + Healthcare IT Market: 1.5 trillion yen
Expand Business in Security/Public Safety Fields

Foothold for Pursuing Field Innovation

- Japanese Laws
- Laws Outside of Japan
- Standards & Guidelines
- Certification (ISO, etc.)

Personal Data Protection
Disaster Countermeasures
Business Continuity (New Field)
Internet Security Measures
Electronic Documents LCM (New Field)

Provide in “One Stop”

Consulting
Backup Site
Data Center
Security-Related
Construction & Recovery Related
Erasure-Related Services
Security/Public Safety ASP (Surveillance / RFID Solutions, etc.)
Network Monitoring

Products
Reform Our Global Business Organization

- Support customers’ global expansion
- Accelerate push for global-scale product volumes
- Strengthen competitive position through expansion of solutions business

Newly Established Global Business Group

Markets / Customers
- US
- Europe
- APAC
- Japan

Global Business Group
- Realign organization based on regional strategy
- Strengthen sales promotion and support functions across regions, markets and sales bases
- Develop and provide global products and services

- Systems
- Services
- Ubiquitous Products
Electronic Devices

Market Trends

FY05 market conditions likely to be similar to those in FY04

SoC will be the source of product competitiveness (performance, cost, delivery)

Technology evolution making limitations of horizontally segmented business model apparent

Basic Strategies

Accelerate focus on logic IC business

Strengthen partnership strategy with customers
  New IDM

Continue to improve QCD
  (Quality, Cost, Delivery)
Area of Focus in Semiconductor Business

Expansion in High Value Added Businesses

Concentration of Resources in LSI

Generate earnings from standard products while developing advanced products as a strategic move for the future.

Low

High

Volume

Generate earnings from standard products while developing advanced products as a strategic move for the future.

Low

High
LSI Business Strategy

Realize Profitable Growth through Balance of Standard and Advanced Products

**Standard Products**

Position as cash cow
- Enhance capacity with minimum investment
- Manufacturing innovation (TPS)

**Advanced Products**

Position as axis for growth
- Quick return on capital investment
- Collaborations with partners
- Quick and low-cost development (first time right)
- Software verification

**Strengthen Design and Embedded Software Resources**
Four Pillars Supporting Our Partners

World Leadership in LSI Technology

Software: Global leadership in development of embedded software
Design: Global leadership in design methodology
Analysis, Verification: Global leadership in analysis & verification capability
Manufacturing: World’s leading advanced process technology
Construction of New 90/65nm 300mm Fab

Exterior View (photo as of 11/04)

World’s first semiconductor fab utilizing seismic isolation construction

Status of new Mie facility

Achieved in Record Time
(Just 293 days from start of construction to full lot out)

- 4/21/04: Groundbreaking ceremony
- 11/20/04: Completion of construction
- 4/1/05: Official start of operations
- 9/05: Start of mass production
FY 2005 Earnings Projections
### FY2005 Consolidated Financial Projections

#### Consolidated Earnings

<table>
<thead>
<tr>
<th></th>
<th>(billion yen)</th>
</tr>
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<tbody>
<tr>
<td>Net Sales</td>
<td>4,850</td>
</tr>
<tr>
<td>Operating Income</td>
<td>175</td>
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<tr>
<td>Net Income</td>
<td>50</td>
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</table>

#### Operating Income By Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>(billion yen)</th>
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<tbody>
<tr>
<td>Technology Solutions</td>
<td>180</td>
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<tr>
<td>System Platforms</td>
<td>40</td>
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<tr>
<td>Services</td>
<td>140</td>
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<tr>
<td>Ubiquitous Product Solutions</td>
<td>25</td>
</tr>
<tr>
<td>Device Solutions</td>
<td>20</td>
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